FREQUENTLY ASKED QUESTIONS

GUIDELINES ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM - DIRECT GENERAL INSURANCE BUSINESS, REINSURANCE BUSINESS, AND DIRECT LIFE INSURANCE BUSINESS (ACCIDENT & HEALTH POLICIES)

SECTION 3 – THE THREE LINES OF DEFENCE

1. Apart from the Compliance function, can other functions perform AML/CFT screenings?

MAS does not preclude other functions from performing screening of new and existing business relations and their ongoing monitoring. Should it be carried out by other functions, we expect the screening results to be reported to the compliance function[1], which is responsible for alerting the board of directors or senior management, if it has reason to believe that the insurer's officers, employees or agents are failing or have failed to adequately address ML/TF risks and concerns or have breached applicable AML/CFT laws and regulations.

SECTION 5 – CUSTOMER DUE DILIGENCE AND SCREENING PROCEDURES

2. Would MAS be providing guidance on customer due diligence ("CDD") for the non-life insurance sector?

Paragraph 3.6 of the Guidelines provides for an insurer to put in place AML/CFT controls commensurate with the scale, complexity and inherent risk of its business. The extent of CDD performed would therefore vary across insurers. Insurers may refer to MAS Notice 314 and the accompanying guidelines, as well as relevant guidance papers related to AML/CFT matters on MAS' website on the possible CDD measures to consider.

3. Can insurers adopt a risk-based approach in deciding who to screen?

All customers should be screened. Otherwise, customers who have not been screened may turn out to be designated persons. Depending on the risk profile of the particular customer or nature of the particular business portfolio, insurers may then adopt a risk-based approach in deciding what follow-up actions to take. For example, further screening against additional databases, or screening at a higher frequency after onboarding, may be conducted for customers with a higher ML/TF risk profile.

4. Are insurers expected to screen individuals covered under a Group insurance policy?

Yes, insurers are expected to do so, to the extent that such information is readily provided to them. Where relevant and necessary, insurers should obtain sufficient information on the individuals covered under a Group insurance policy from their corporate customers

[1] Or to a designated employee with sufficient seniority and who is competent in AML/CFT matters, if the insurer does not have a dedicated compliance function.

for screening to be performed. In situations where an insurer still does not have sufficient information, but the insurer has deemed that it is necessary to obtain such information, the Board and Senior Management of the insurer should assess if screening can still be conducted meaningfully, and if not, whether the residual risk is within the insurer's risk appetite.

5. What are some examples of relevant authorities referred to in paragraph 5.1 ?

Relevant authorities include law enforcement authorities (e.g. Singapore Police Force, Commercial Affairs Department, Corrupt Practices Investigation Bureau) and other government authorities (e.g. Attorney-General's Chambers, Ministry of Home Affairs, Ministry of Finance, Ministry of Law).

Insurers should take note of lists and information provided by such relevant authorities, such as Restriction Orders issued by the Ministry of Home Affairs.

6. Are insurers required to screen their customers against any other lists of persons (e.g. Politically Exposed Persons) in addition to the information sources listed in paragraph 5.1?

Paragraph 5.1(a), (b) and (c) set out the sources of information against which screening should minimally be performed. Nonetheless, all financial institutions operating in Singapore, including insurers, should ensure that they put in place adequate screening procedures to detect and deter the flow of illicit funds through Singapore's financial system.

7. Can reinsurers rely on their cedants' screening procedures, instead of duplicating efforts to screen underlying insureds (where they are made known to the reinsurers)?

In order to ensure that they do not deal with designated individuals and entities listed under the targeted financial sanctions, reinsurers should put in place its own screening procedures instead of relying on their cedants to do so. Placing reliance on the AML/CFT checks performed by their cedants would not absolve the reinsurer of their legal obligations under the targeted financial sanctions.

8. Paragraph 5.3 expects reinsurers to screen the underlying insureds in cases where they are made known to the reinsurers. What should reinsurers do if they only have limited information on the underlying insureds?

In such circumstances, the Board and Senior Management of reinsurers should assess if screening can still be conducted meaningfully, and if not, whether the residual risk is within the reinsurer's risk appetite.

Where cedants and intermediaries (collectively "parties") have not provided sufficient information on the underlying insureds, reinsurers should assess the ML/TF risks of dealing with these parties. Reinsurers can consider mitigating measures, such as, assessing the robustness of AML/CFT regime in the relevant jurisdictions that these parties operate in, and AML/CFT controls exercised by these parties in making the assessment.

9. **For reinsurance business, paragraph 5.3 expects a reinsurer to screen the substantial shareholders (direct and indirect), beneficial owners and directors, if any, of the cedant or underlying insured, whenever the cedant or underlying insured is assessed to be of a higher ML/TF risk. However, reinsurers may be dependent on insurance brokers to obtain the necessary information. Will similar expectations be set out for them? What if the information is not forthcoming?**

   MAS Notice FAA-N06 on Prevention of Money Laundering and Countering the Financing of Terrorism – Financial Advisers applies to registered insurance brokers in relation to life policies. They should therefore be cognisant of reinsurers' requests for such information from them.

   If the reinsurer faces difficulty in obtaining the relevant information, and such information can only come through the insurance broker, the reinsurer should then assess whether there are grounds to file a suspicious transaction report on the matter, as well as document the efforts made on the case.

10. **Paragraph 5.4 states, among other things, that screening of customers should be conducted before establishing business relations for new customers, otherwise as soon as reasonably practicable thereafter. Does this mean it is acceptable to screen the customers after onboarding them?**

    In general, screening of customers should be conducted before establishing business relations for new customers. However, there may be exceptional circumstances where this may not be possible. Under such circumstances, we expect insurers to perform screening as soon as reasonably practicable after business relations have been established. Performing screening after business relations have been established could lead to a breach of relevant laws and regulations in Singapore relating to sanctioned parties.

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11. What are some examples of trigger events as mentioned in footnote 13?

Footnote 13 provides clarification to regular screening of customers following establishment of business relations. It states "Given that most direct general insurance and reinsurance policies are relatively short-term in nature (e.g. 1 year), the insurer should conduct such ongoing screening minimally at a frequency of once every 6 months, or upon the occurrence of a trigger event as deemed necessary by the insurer, whichever is earlier".

Examples of trigger events could be instances where an insurer's internal risk assessment methodology has substantially changed; or where the insurer becomes aware that it lacks sufficient information about the customer concerned.

12. With reference to paragraph 5.9, should insurers be expected to screen all employees prior to hiring them?

Insurers should adopt a risk-based approach in determining whether employees should be screened prior to hiring them. For instance, insurers may wish to consider whether the employee's job scope would place him/her in a position to be able to structure transactions with the purpose of concealing the involvement of designated persons.

13. Would reinsurers be expected to perform regular screening of its underlying insureds (where they are made known to the reinsurer)?

Yes. Insurers are responsible for its AML/CFT obligations and are expected to put in place AML/CFT controls commensurate with the scale, complexity and inherent risk of its business. If regular screening of the underlying insured is not performed by the reinsurer, it would not be able to ascertain if it has been in breach of relevant legislation and react on a timely basis to assess whether the risk should remain covered.

14. Would insurers be able to rely on sanction limitation and exclusion clauses to mitigate breaches of applicable AML/CFT laws and regulations?

The sanction limitation and exclusion clause, in itself, does not absolve an insurer from its regulatory obligations. This is because the insurer, in the first instance, may have already dealt with designated individuals or entities, and thus be in breach of the relevant laws and regulations.