

**Annex B**

**Draft Notice to Variable Capital Companies on the Prevention of Money  
Laundering and Countering the Financing of Terrorism**

**THIS VERSION OF THE NOTICE IS IN DRAFT FORM AND IS  
SUBJECT TO CHANGE.**

[ ] 2019

NOTICE TO VARIABLE CAPITAL COMPANIES  
VARIABLE CAPITAL COMPANIES ACT, CAP. [ ]

**PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF  
TERRORISM – VARIABLE CAPITAL COMPANIES**

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**1 INTRODUCTION**

- 1.1 This Notice is issued pursuant to section 84 of the Variable Capital Companies Act (Cap. [ ]) (“VCC Act”) and applies to all variable capital companies (“VCC”s) under the VCC Act.
- 1.2 This Notice shall take effect from [ ] 2019.

**2 DEFINITIONS**

- 2.1 For the purposes of this Notice —

“AML/CFT” means anti-money laundering and countering the financing of terrorism;

“Authority” means the Monetary Authority of Singapore;

“beneficial owner”, in relation to a VCC, means the natural person who ultimately owns or controls the VCC, and includes any person who exercises ultimate effective control over a legal person or legal arrangement;

“beneficial owner”, in relation to a customer of a VCC, means the natural person who ultimately owns or controls the customer or the natural person on whose behalf business relations with the VCC are established, and includes any person who exercises ultimate effective control over a legal person or legal arrangement;

“business relations” means any direct or indirect contact between a VCC and a person (whether a natural person, legal person or legal arrangement) that results in the entering or maintaining of such person’s particulars in the register of members under section 17 of the VCC Act;

“CDD measures” or “customer due diligence measures” means the measures required by paragraph 7;

“CDSA” means the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A);

“connected party” —

- (a) in relation to a legal person (other than a partnership), means any director or any natural person having executive authority in the legal person;
- (b) in relation to a legal person that is a partnership, means any partner or manager<sup>1</sup>; and
- (c) in relation to a legal arrangement, means any natural person having executive authority in the legal arrangement;

“customer” in relation to a VCC, means a person (whether a natural person, legal person or legal arrangement) with whom the VCC establishes or intends to establish business relations;

“FATF” means the Financial Action Task Force;

“government entity” means a government of a country or jurisdiction, a ministry within such a government, or an agency specially established by such a government through written law;

“legal arrangement” means a trust or other similar arrangement;

“legal person” means an entity other than a natural person that can establish a permanent customer relationship with a financial institution or a VCC or otherwise own property;

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<sup>1</sup> In the case of a limited liability partnership or a limited partnership.

“nominee director” means a director of the VCC who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of any other person.

“officer” means any director or any member of the committee of management of the VCC;

“partnership” means a partnership, a limited partnership within the meaning of the Limited Partnerships Act (Cap. 163B) or a limited liability partnership within the meaning of the Limited Liability Partnerships Act (Cap. 163A);

“personal data” has the same meaning as defined in section 2(1) of the Personal Data Protection Act 2012 (Act 26 of 2012);

“reasonable measures” means appropriate measures which are commensurate with the money laundering or terrorism financing risks;

“STR” means suspicious transaction report;

“STRO” means the Suspicious Transaction Reporting Office, Commercial Affairs Department of the Singapore Police Force; and

“TSOFA” means the Terrorism (Suppression of Financing) Act (Cap. 325).

2.2 A reference to any threshold or value limit expressed in S\$ shall include a reference to the equivalent amount expressed in any other currency.

2.3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the VCC Act.

### **3 UNDERLYING PRINCIPLES**

3.1 This Notice is based on the following principles, which shall serve as a guide for all VCCs in the conduct of their operations and business activities:

(a) A VCC shall exercise due diligence when dealing with customers, natural persons appointed to act on the customer’s behalf, connected parties of the

customer and beneficial owners of the customer.

- (b) A VCC shall conduct its business in conformity with high ethical standards, and guard against establishing any business relations or undertaking any transaction, that is or may be connected with or may facilitate money laundering or terrorism financing.
- (c) A VCC shall, to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore to prevent money laundering and terrorism financing.

#### **4 ELIGIBLE FINANCIAL INSTITUTION**

4.1 A VCC shall engage a financial institution from the classes of financial institutions set out in Appendix 2 (“eligible financial institution”) for the purposes of conducting the necessary checks and performing the measures in order for the VCC to comply with the paragraphs of this Notice, with the exception of paragraphs 3, 4, and 10.

4.2 In engaging an eligible financial institution, the VCC should ensure that :

- (a) the eligible financial institution is not one which VCCs have been specifically precluded by the Authority from engaging for the purposes of paragraph 4 of this Notice; and
- (b) the eligible financial institution is able to provide, without delay, upon the VCC’s request, any data, documents or information obtained by the eligible financial institution or manager, with respect to the measures applied on the VCC’s customer, which the VCC would be required or would want to obtain.

#### **5 ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH**

##### **Risk Assessment**

5.1 A VCC shall take appropriate steps to identify, assess and understand, its money laundering and terrorism financing risks in relation to —

- (a) its customers;

- (b) the countries or jurisdictions its customers are from or in;
- (c) the countries or jurisdictions the VCC has investments and operations in; and
- (d) the products, services, transactions and delivery channels of the VCC.

5.2 The appropriate steps referred to in paragraph 5.1 shall include —

- (a) documenting the VCC's risk assessments;
- (b) considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied;
- (c) keeping the VCC's risk assessments up-to-date; and
- (d) having appropriate mechanisms to provide its risk assessment information to the Authority.

### **Risk Mitigation**

5.3 A VCC shall —

- (a) develop and implement policies, procedures and controls, which are approved by senior management, to enable the VCC to effectively manage and mitigate the risks that have been identified by the VCC or notified to it by the Authority or other relevant authorities in Singapore;
- (b) monitor the implementation of those policies, procedures and controls and enhance them if necessary;
- (c) perform enhanced measures where higher risks are identified, to effectively manage and mitigate those higher risks; and
- (d) ensure that the performance of measures or enhanced measures to effectively manage and mitigate the identified risks address the risk assessment and guidance from the Authority or other relevant authorities in Singapore.

## **6 NEW PRODUCTS, PRACTICES AND TECHNOLOGIES**

- 6.1 A VCC shall identify and assess the money laundering and terrorism financing risks that may arise in relation to —
- (a) the development of new products and new business practices, including new delivery mechanisms; and
  - (b) the use of new or developing technologies for both new and pre-existing products.
- 6.2 A VCC shall undertake the risk assessments, prior to the launch or use of such products, practices and technologies (to the extent such use is permitted by this Notice), and shall take appropriate measures to manage and mitigate the risks.
- 6.3 A VCC shall, in complying with the requirements of paragraphs 6.1 and 6.2, pay special attention to any —
- (a) new products and new business practices, including new delivery mechanisms; and
  - (b) new or developing technologies,
- that favour anonymity.

## **7 CUSTOMER DUE DILIGENCE (“CDD”)**

### **Anonymous Dealings or Fictitious Names**

- 7.1 No VCC shall establish or maintain business relations with any customer on an anonymous basis or where the customer uses a fictitious name.

### **Where There Are Reasonable Grounds for Suspicion prior to the Establishment of Business Relations**

- 7.2 Prior to a VCC establishing business relations with a customer, where the VCC has any reasonable grounds to suspect that the assets or funds of a customer are proceeds of drug dealing or criminal conduct as defined in the CDSA, or are property related to the facilitation or carrying out of any terrorism financing offence

as defined in the TSOFA, the VCC shall —

- (a) not establish business relations with, or undertake a transaction for, the customer; and
- (b) file an STR<sup>2</sup>, and extend a copy to the Authority for information.

### **When CDD is to be Performed**

7.3 A VCC shall perform the measures as required by paragraphs 7, 8 and 9 when —

- (a) the VCC establishes business relations with any customer;
- (b) there is a suspicion of money laundering or terrorism financing, notwithstanding that the VCC would not otherwise be required by this Notice to perform the measures as required by paragraphs 7, 8 and 9; or
- (c) the VCC has doubts about the veracity or adequacy of any information previously obtained.

#### **(l) Identification of Customer**

7.4 A VCC shall identify each customer.

7.5 For the purposes of paragraph 7.4, a VCC shall obtain at least the following information:

- (a) full name, including any aliases;
- (b) unique identification number (such as an identity card number, birth certificate number or passport number, or where the customer is not a natural person, the incorporation number or business registration number);
- (c) the customer's –
  - (i) residential address; or

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<sup>2</sup> Please note in particular section 48 of the CDSA on tipping-off.



(ii) registered or business address, and if different, principal place of business,

as may be appropriate;

(d) date of birth, establishment, incorporation or registration (as may be appropriate); and

(e) nationality, place of incorporation or place of registration (as may be appropriate).

7.6 Where the customer is a legal person or legal arrangement, the VCC shall, apart from identifying the customer, also identify the legal form, constitution and powers that regulate and bind the legal person or legal arrangement.

7.7 Where the customer is a legal person or legal arrangement, the VCC shall identify the connected parties of the customer, by obtaining at least the following information of each connected party:

(a) full name, including any aliases; and

(b) unique identification number (such as an identity card number, birth certificate number or passport number of the connected party).

(II) Verification of Identity of Customer

7.8 A VCC shall verify the identity of the customer using reliable, independent source data, documents or information. Where the customer is a legal person or legal arrangement, a VCC shall verify the legal form, proof of existence, constitution and powers that regulate and bind the customer, using reliable, independent source data, documents or information.

(III) Identification and Verification of Identity of Natural Person Appointed to Act on a Customer's Behalf

7.9 Where a customer appoints one or more natural persons to act on his behalf in establishing business relations with a VCC or the customer is not a natural person, the VCC shall —

- (a) identify each natural person who acts or is appointed to act on behalf of the customer by obtaining at least the following information of such natural person:
  - (i) full name, including any aliases;
  - (ii) unique identification number (such as an identity card number, birth certificate number or passport number);
  - (iii) residential address;
  - (iv) date of birth;
  - (v) nationality; and
- (b) verify the identity of each natural person using reliable, independent source data, documents or information.

7.10 A VCC shall verify the due authority of each natural person appointed to act on behalf of the customer by obtaining at least the following:

- (a) the appropriate documentary evidence authorising the appointment of such natural person by the customer to act on his or its behalf; and
- (b) the specimen signature of such natural person appointed.

7.11 Where the customer is a Singapore Government entity, the VCC shall only be required to obtain such information as may be required to confirm that the customer is a Singapore Government entity as asserted.

(IV) Identification and Verification of Identity of Beneficial Owner

7.12 Subject to paragraph 7.15, a VCC shall inquire if there exists any beneficial owner in relation to a customer.

7.13 Where there is one or more beneficial owner in relation to a customer, the VCC shall identify the beneficial owners and take reasonable measures to verify the identities of the beneficial owners using the relevant information or data obtained from reliable, independent sources. The VCC shall —

- (a) for customers that are legal persons —
  - (i) identify the natural persons (whether acting alone or together) who ultimately own the legal person;
  - (ii) to the extent that there is doubt under subparagraph (i) as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own the legal person, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and
  - (iii) where no natural persons are identified under subparagraph (i) or (ii), identify the natural persons having executive authority in the legal person, or in equivalent or similar positions;
- (b) for customers that are legal arrangements —
  - (i) for trusts, identify the settlor, the trustee, the protector (if any), the beneficiaries (including every beneficiary that falls within a designated characteristic or class)<sup>3</sup>, and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control or ownership); and
  - (ii) for other types of legal arrangements, identify persons in equivalent or similar positions, as those described under subparagraph (i).

7.14 Where the customer is not a natural person, the VCC shall understand the nature of the customer's business and its ownership and control structure.

7.15 A VCC shall not be required to inquire if there exists any beneficial owner in

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<sup>3</sup> In relation to a beneficiary of a trust designated by characteristics or by class, the VCC shall obtain sufficient information about the beneficiary to satisfy itself that it will be able to establish the identity of the beneficiary —

- (a) before making a distribution to that beneficiary; or
- (b) when that beneficiary intends to exercise vested rights.

relation to a customer that is —

- (a) an entity listed on the Singapore Exchange;
- (b) an entity listed on a stock exchange outside of Singapore that is subject to —
  - (i) regulatory disclosure requirements; and
  - (ii) requirements relating to adequate transparency in respect of its beneficial owners (imposed through stock exchange rules, law or other enforceable means);
- (c) a financial institution set out in Appendix 1;
- (d) a financial institution incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF; or
- (e) an investment vehicle where the managers are financial institutions —
  - (i) set out in Appendix 1; or
  - (ii) incorporated or established outside Singapore but are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the VCC has doubts about the veracity of the CDD information of the customer, or suspects that the customer, business relations with, or transactions for the customer, may be connected with money laundering or terrorism financing.

7.16 For the purposes of paragraph 7.15(d) and 7.15 (e)(ii), a VCC shall document the basis for its determination that the requirements in those paragraphs have been duly met.

(V) Maintenance of register of beneficial owners of the VCC

7.17 Subject to paragraph 7.24, A VCC shall maintain an up-to-date register of its beneficial owners.

- 7.18 The register of beneficial owners of a VCC shall be kept at:
- (a) the VCC's registered office;
  - (b) the registered office of the VCC's manager, appointed under section 46(1) of the VCC Act; or
  - (c) the registered office of the eligible financial institution.
- 7.19 The register of beneficial owners of the VCC shall contain at least the following information of such natural person, unless the beneficial owner is one described in paragraph 7.20:
- (a) full name, including any aliases;
  - (b) unique identification number (such as an identity card number, birth certificate number or passport number);
  - (c) residential address;
  - (d) date of birth;
  - (e) nationality; and
  - (f) date on which the beneficial owner of the VCC became a beneficial owner of the VCC; and
  - (g) date on which the beneficial owner of the VCC ceased to be a beneficial owner of the VCC.
- 7.20 A VCC shall not be required to include the information of a beneficial owner in the register of beneficial owners where the beneficial owner has control of the VCC only through one or more members of the VCC that is:
- (a) an entity listed on the Singapore Exchange;
  - (b) an entity listed on a stock exchange outside of Singapore that is subject to

- (i) regulatory disclosure requirements; and
  - (ii) requirements relating to adequate transparency in respect of its beneficial owners (imposed through stock exchange rules, law or other enforceable means);
- (c) a financial institution set out in Appendix 1;
- (d) a financial institution incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF; or
- (e) an investment vehicle where the managers are financial institutions —
- (i) set out in Appendix 1; or
  - (ii) incorporated or established outside Singapore but are subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF,

unless the VCC has doubts about the veracity of this information, or suspects that the beneficial owner of the VCC business relations with, or transaction for the member through which it has control of the VCC, may be connected with money laundering or terrorism financing.

(VI) Maintenance of register of Nominee Directors

7.21 Subject to paragraph 7.24, a VCC shall maintain an up-to-date register of its nominee directors.

7.22 The register of nominee directors shall be kept at:

- (a) the VCC's registered office;
- (b) the registered office of the VCC's manager, appointed under section 46 (1) of the VCC Act; or
- (c) the registered office of the eligible financial institution.

- 7.23 The register of nominee directors shall contain at least the following information of such person (whether a natural person, legal person or legal arrangement, obtain the person) for whom the director is a nominee:
- (a) full name, including any aliases;
  - (b) unique identification number (such as an identity card number, birth certificate number or passport number, or where the person is not a natural person, the incorporation number or business registration number);
  - (c) the person's –
    - (i) residential address; or
    - (ii) registered or business address, and if different, principal place of business,as may be appropriate;
  - (d) date of birth, establishment, incorporation or registration (as may be appropriate);
  - (e) nationality, place of incorporation or place of registration (as may be appropriate); and
  - (f) date on which the director became the person's nominee
- (VII) Exceptions to the requirement to maintain a register of beneficial owners and nominee directors

- 7.24 A VCC shall not be required to maintain a register of its beneficial owners or nominee directors if it is:
- (a) a VCC which shares are listed on the Singapore Exchange;
  - (b) a VCC that is wholly-owned by the Singapore Government;
  - (c) a VCC that is wholly-owned by a statutory body established by or under a public Act for a public purpose;

- (d) a VCC that is a wholly-owned subsidiary of a VCC mentioned in subparagraph (a), (b) or (c);
- (e) a VCC that is a wholly-owned subsidiary of a company:
  - (i) which shares are listed on the Singapore Exchange;
  - (ii) that is wholly-owned by the Singapore Government;
  - (iii) that is wholly-owned by a statutory body established by or under a public Act for a public purpose; or
- (f) a VCC which shares are listed on stock exchange outside of Singapore that is subject to:
  - (i) regulatory disclosure requirements; and
  - (ii) requirements relating to adequate transparency in respect of its beneficial owners (imposed through stock exchange rules, law or other enforceable means).

(VIII) Information on the Purpose and Intended Nature of Business Relations

7.25 A VCC shall, when processing the application to establish business relations, understand and as appropriate, obtain from the customer information as to the purpose and intended nature of business relations.

(IX) Ongoing Monitoring

7.26 A VCC shall monitor on an ongoing basis, its business relations with customers.

7.27 A VCC shall, during the course of business relations with a customer, scrutinise transactions undertaken throughout the course of business relations, to ensure that the transactions are consistent with the VCC's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.

7.28 A VCC shall pay special attention to all complex, unusually large or unusual patterns of transactions, undertaken throughout the course of business relations, that have no apparent or visible economic or lawful purpose.

7.29 For the purposes of ongoing monitoring, a VCC shall put in place and implement adequate systems and processes, commensurate with the size and complexity of the VCC, to —



- (a) monitor its business relations with customers; and
  - (b) detect and report suspicious, complex, unusually large or unusual patterns of transactions.
- 7.30 A VCC shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph 7.28 and document its findings with a view to making this information available to the relevant authorities should the need arise.
- 7.31 A VCC shall ensure that the CDD data, documents and information obtained in respect of customers, natural persons appointed to act on behalf of the customers, connected parties of the customers and beneficial owners of the customers, are relevant and kept up-to-date by undertaking reviews of existing CDD data, documents and information, particularly for higher risk categories of customers.
- 7.32 Where there are any reasonable grounds for suspicion that existing business relations with a customer are connected with money laundering or terrorism financing, and where the VCC considers it appropriate to retain the customer —
  - (a) the VCC shall substantiate and document the reasons for retaining the customer; and
  - (b) the customer's business relations with the VCC shall be subject to commensurate risk mitigation measures, including enhanced ongoing monitoring.
- 7.33 Where the VCC assesses the customer or the business relations with the customer referred to in paragraph 7.32 to be of higher risk, the VCC shall perform enhanced CDD measures, which shall include obtaining the approval of the VCC's senior management to retain the customer.

### **CDD Measures for Non-Face-to-Face Business Relations**

- 7.34 A VCC shall develop policies and procedures to address any specific risks associated with non-face-to-face business relations with a customer or transactions for a customer.
- 7.35 A VCC shall implement the policies and procedures referred to in paragraph 7.34 when establishing business relations with a customer and when conducting

ongoing due diligence.

- 7.36 Where there is no face-to-face contact, the VCC shall perform CDD measures that are at least as stringent as those that would be required to be performed if there was face-to-face contact.

### **Reliance by Acquiring VCC on Measures Already Performed**

- 7.37 When a VCC (“acquiring VCC”) acquires customers arising from its acquisition of, either in whole or in part, the business of or shares in another VCC or a fund (whether in Singapore or elsewhere), the acquiring VCC shall perform the measures as required by paragraphs 7, 8 and 9, on the customers acquired at the time of acquisition except where the acquiring VCC has —
- (a) acquired at the same time all corresponding customer records (including CDD information) and has no doubt or concerns about the veracity or adequacy of the information so acquired; and
  - (b) conducted due diligence enquiries that have not raised any doubt on the part of the acquiring VCC as to the adequacy of AML/CFT measures previously adopted in relation to the acquired customers and documented such enquiries.

### **Timing for Verification**

- 7.38 Subject to paragraphs 7.39 and 7.40, a VCC shall complete verification of the identity of a customer as required by paragraph 7.8, natural persons appointed to act on behalf of the customer as required by paragraph 7.9(b) and beneficial owners of the customer as required by paragraph 7.13 before the VCC establishes business relations with the customer.
- 7.39 A VCC may establish business relations with a customer before completing the verification of the identity of the customer as required by paragraph 7.8, natural persons appointed to act on behalf of the customer as required by paragraph 7.9(b) and beneficial owners of the customer as required by paragraph 7.13 if —
- (a) the deferral of completion of the verification is essential in order not to interrupt the normal conduct of business operations; and

- (b) the risks of money laundering and terrorism financing can be effectively managed by the VCC.

7.40 Where the VCC establishes business relations with a customer before verifying the identity of the customer as required by paragraph 7.8, natural persons appointed to act on behalf of the customer as required by paragraph 7.9(b), and beneficial owners of the customer as required by paragraph 7.13 , the VCC shall

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- (a) develop and implement internal risk management policies and procedures concerning the conditions under which such business relations may be established prior to verification; and
- (b) complete such verification as soon as is reasonably practicable.

#### **Where Measures are Not Completed**

7.41 Where the VCC is unable to complete the measures as required under paragraphs 7, 8 and 9, it shall not commence or continue business relations with any customer, or undertake any transaction for any customer. The VCC shall consider if the circumstances are suspicious so as to warrant the filing of an STR.

7.42 For the purposes of paragraph 7.41, completion of the measures means the situation where the VCC has obtained, screened and verified (including by delayed verification as allowed under paragraphs 7.39 and 7.40) all necessary CDD information under paragraphs 7, 8 and 9, and where the VCC has received satisfactory responses to all inquiries in relation to such necessary CDD information.

#### **Screening**

7.43 A VCC shall screen a customer, natural persons appointed to act on behalf of the customer, connected parties of the customer and beneficial owners of the customer against relevant money laundering and terrorism financing information sources, as well as lists and information provided by the Authority or other relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks in relation to the customer.

- 7.44 A VCC shall screen the persons referred to in paragraph 7.44 —
- (a) when, or as soon as reasonably practicable after, the VCC establishes business relations with a customer;
  - (b) on a periodic basis after the VCC establishes business relations with the customer; and
  - (c) when there are any changes or updates to —
    - (i) the lists and information provided by the Authority or other relevant authorities in Singapore to the VCC; or
    - (ii) the natural persons appointed to act on behalf of a customer, connected parties of a customer or beneficial owners of a customer.
- 7.45 The results of screening and assessment by the VCC shall be documented.

## **8 SIMPLIFIED CUSTOMER DUE DILIGENCE**

- 8.1 Subject to paragraph 8.4, a VCC may perform simplified CDD measures in relation to a customer, any natural person appointed to act on behalf of the customer and any beneficial owner of the customer (other than any beneficial owner that the VCC is exempted from making inquiries about under paragraph 7.15) if it is satisfied that the risks of money laundering and terrorism financing are low.
- 8.2 The assessment of low risks shall be supported by an adequate analysis of risks by the VCC.
- 8.3 The simplified CDD measures shall be commensurate with the level of risk, based on the risk factors identified by the VCC.
- 8.4 A VCC shall not perform simplified CDD measures —
- (a) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction in relation to which the FATF has called for countermeasures;
  - (b) where a customer or any beneficial owner of the customer is from or in a

country or jurisdiction known to have inadequate AML/CFT measures, as determined by the VCC for itself or notified to VCCs generally by the Authority, or other foreign regulatory authorities; or

(c) where the VCC suspects that money laundering or terrorism financing is involved.

8.5 Subject to paragraphs 8.2, 8.3 and 8.4, a VCC may perform simplified CDD measures in relation to a customer that is a financial institution set out in Appendix 2.

8.6 Where the VCC performs simplified CDD measures in relation to a customer, any natural person appointed to act on behalf of the customer and any beneficial owner of the customer, it shall document —

(a) the details of its risk assessment; and

(b) the nature of the simplified CDD measures.

8.7 For avoidance of doubt, the term “CDD measures” in paragraph 8 means the measures required by paragraph 7.

## **9 ENHANCED CUSTOMER DUE DILIGENCE**

### **Politically Exposed Persons**

9.1 For the purposes of paragraph 9 —

“close associate” means a natural person who is closely connected to a politically exposed person, either socially or professionally;

“domestic politically exposed person” means a natural person who is or has been entrusted domestically with prominent public functions;

“family member” means a parent, step-parent, child, step-child, adopted child, spouse, sibling, step-sibling and adopted sibling of the politically exposed person;

“foreign politically exposed person” means a natural person who is or has been entrusted with prominent public functions in a foreign country;

“international organisation” means an entity established by formal political agreements between member countries that have the status of international treaties, whose existence is recognised by law in member countries and which is not treated as a resident institutional unit of the country in which it is located;

“international organisation politically exposed person” means a natural person who is or has been entrusted with prominent public functions in an international organisation;

“politically exposed person” means a domestic politically exposed person, foreign politically exposed person or international organisation politically exposed person; and

“prominent public functions” includes the roles held by a head of state, a head of government, government ministers, senior civil or public servants, senior judicial or military officials, senior executives of state owned corporations, senior political party officials, members of the legislature and senior management of international organisations.

- 9.2 A VCC shall implement appropriate internal risk management systems, policies, procedures and controls to determine if a customer, any natural person appointed to act on behalf of the customer, any connected party of the customer or any beneficial owner of the customer is a politically exposed person, or a family member or close associate of a politically exposed person.
- 9.3 A VCC shall, in addition to performing CDD measures (specified in paragraph 7), perform at least the following enhanced CDD measures where a customer or any beneficial owner of the customer is determined by the VCC to be a politically exposed person, or a family member or close associate of a politically exposed person under paragraph 9.2:
- (a) obtain approval from the VCC’s senior management to establish or continue business relations with the customer;
  - (b) establish, by appropriate and reasonable means, the source of wealth and source of funds of the customer and any beneficial owner of the customer; and
  - (c) conduct, during the course of business relations with the customer,

enhanced monitoring of business relations with the customer. In particular, the VCC shall increase the degree and nature of monitoring of the business relations with and transactions for the customer, in order to determine whether they appear unusual or suspicious.

9.4 A VCC may adopt a risk-based approach in determining whether to perform enhanced CDD measures or the extent of enhanced CDD measures to be performed for —

- (a) domestic politically exposed persons, their family members and close associates;
- (b) international organisation politically exposed persons, their family members and close associates; or
- (c) politically exposed persons who have stepped down from their prominent public functions, taking into consideration the level of influence such persons may continue to exercise after stepping down from their prominent public functions, their family members and close associates,

except in cases where their business relations or transactions with the VCC present a higher risk for money laundering or terrorism financing.

#### **Other Higher Risk Categories**

9.5 A VCC shall implement appropriate internal risk management systems, policies, procedures and controls to determine if business relations with or transactions for any customer present a higher risk for money laundering or terrorism financing.

9.6 For the purposes of paragraph 9.5, circumstances where a customer presents or may present a higher risk for money laundering or terrorism financing include but are not limited to the following:

- (a) where a customer or any beneficial owner of the customer is from or in a country or jurisdiction in relation to which the FATF has called for countermeasures, the VCC shall treat any business relations with or transactions for any such customer as presenting a higher risk for money laundering or terrorism financing; and
- (b) where a customer or any beneficial owner of the customer is from or in a

country or jurisdiction known to have inadequate AML/CFT measures, as determined by the VCC for itself or notified to VCCs generally by the Authority or other foreign regulatory authorities, the VCC shall assess whether any such customer presents a higher risk for money laundering or terrorism financing.

- 9.7 A VCC shall perform the appropriate enhanced CDD measures in paragraph 9.3 for business relations with or transactions for any customer —
- (a) who the VCC determines under paragraph 9.5; or
  - (b) the Authority or other relevant authorities in Singapore notify to the VCC, as presenting a higher risk for money laundering or terrorism financing.
- 9.8 A VCC shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the VCC or notified to it by the Authority or other relevant authorities in Singapore, ensure that the enhanced CDD measures take into account the requirements of any laws, regulations or directions administered by the Authority, including but not limited to the regulations or directions issued by the Authority under section 83 of the VCC Act.

## **10 RELIANCE ON THIRD PARTIES**

- 10.1 A VCC shall ensure that the eligible financial institution it engages will only rely on a third party to perform the measures as required by paragraphs 7, 8 and 9 if the following requirements are met:
- (a) the third party is –
    - (i) a financial institution set out in Appendix 2; or
    - (ii) a financial institution which is subject to and supervised by a foreign authority for compliance with AML/CFT requirements consistent with standards set by the FATF (other than a holder of a money-changer's licence or a holder of a remittance licence, or equivalent licences);
  - (b) the eligible financial institution is satisfied that the third party it intends to



rely upon is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF, and has adequate AML/CFT measures in place to comply with those requirements;

- (c) the eligible financial institution takes appropriate steps to identify, assess and understand the money laundering and terrorism financing risks particular to the countries or jurisdictions that the third party operates in;
- (d) the third party is not one which VCCs have been specifically precluded by the Authority from relying upon; and
- (e) the third party is able and willing to provide, without delay, upon the eligible financial institution or VCC's request, any data, documents or information obtained by the third party with respect to the measures applied on the VCC's customer, which the eligible financial institution or VCC would be required or would want to obtain.

10.2 A VCC shall ensure that the eligible financial institution it engages will not rely on a third party to conduct ongoing monitoring of business relations with customers.

10.3 Where an eligible financial institution engaged by a VCC relies on a third party to perform the measures as required by paragraphs 7, 8 and 9, the VCC shall ensure that the eligible financial institution —

- (a) documents the basis for its satisfaction that the requirements in paragraph 10.1(b) and (c) have been met, except where the third party is a financial institution set out in Appendix 2; and
- (b) immediately obtains from the third party the CDD information which the third party had obtained.

## **11 RECORD KEEPING**

11.1 A VCC shall in relation to all data, documents and information that the VCC is required to obtain or produce to meet the requirements under this Notice, prepare, maintain and retain records of such data, documents and information.

- 11.2 A VCC shall perform the measures as required by paragraph 11.1 such that —
- (a) all requirements imposed by law (including this Notice) are met;
  - (b) any individual transaction undertaken by the VCC can be reconstructed (including the amount and type of currency involved) so as to provide, if necessary, evidence for prosecution of criminal activity;
  - (c) the Authority or other relevant authorities in Singapore and the internal and external auditors of the VCC are able to review the VCC's business relations, transactions, records and CDD information and assess the level of compliance with this Notice; and
  - (d) the VCC can satisfy, within a reasonable time or any more specific time period imposed by law or by the requesting authority, any enquiry or order from the relevant authorities in Singapore for information.
- 11.3 Subject to paragraph 11.5 and any other requirements imposed by law, a VCC shall, for the purposes of record retention under paragraphs 11.1 and 11.2, and when setting its record retention policies, comply with the following record retention periods:
- (a) for CDD information relating to the business relations and transactions undertaken in the course of business, as well as account files, business correspondence and results of any analysis undertaken, a period of at least 5 years following the termination of such business relations or completion of such transactions; and
  - (b) for data, documents and information relating to a transaction, including any information needed to explain and reconstruct the transaction, a period of at least 5 years following the completion of the transaction.
- 11.4 A VCC may retain data, documents and information as originals or copies, in paper or electronic form or on microfilm, provided that they are admissible as evidence in a Singapore court of law.
- 11.5 A VCC shall retain records of data, documents and information on all its business relations with or transactions for a customer pertaining to a matter which is under investigation or which has been the subject of an STR, in accordance with any

request or order from STRO or other relevant authorities in Singapore.

## **12 PERSONAL DATA**

12.1 For the purposes of paragraph 12, “individual” means a natural person, whether living or deceased.

12.2 Subject to paragraph 12.3 and for the purposes of complying with this Notice, a VCC shall not be required to provide an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer, individual beneficial owner of a customer or an individual for whom a director is a nominee with —

- (a) any access to personal data about the individual that is in the possession or under the control of the VCC;
- (b) any information about the ways in which the personal data of the individual under subparagraph (a) has been or may have been used or disclosed by the VCC; and
- (c) any right to correct an error or omission of the personal data about the individual that is in the possession or under the control of the VCC.

12.3 A VCC shall, as soon as reasonably practicable, upon the request of an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer, an individual beneficial owner of a customer or an individual for whom a director is a nominee, provide the requesting individual with the right to —

- (a) access the following types of personal data of that individual, that is in the possession or under the control of the VCC:
  - (i) his full name, including any alias;
  - (ii) his unique identification number (such as an identity card number, birth certificate number or passport number);

- (iii) his residential address;
  - (iv) his date of birth;
  - (v) his nationality;
  - (vi) subject to section 21(2) and (3) read with the Fifth Schedule to the Personal Data Protection Act 2012 (Act 26 of 2012), any other personal data of the respective individual provided by that individual to the VCC; and
- (b) subject to section 22(7) read with the Sixth Schedule to the Personal Data Protection Act, correct an error or omission in relation to the types of personal data set out in subparagraphs (a)(i) to (vi), provided the VCC is satisfied that there are reasonable grounds for such request.

12.4 For the purposes of complying with this Notice, a VCC may, whether directly or through a third party, collect, use and disclose personal data of an individual customer, an individual appointed to act on behalf of a customer, an individual connected party of a customer, an individual beneficial owner of a customer or an individual for whom a director is a nominee, without the respective individual's consent.

### **13 SUSPICIOUS TRANSACTIONS REPORTING**

- 13.1 A VCC shall keep in mind the provisions in the CDSA<sup>4</sup> and in the TSOFA that provide for the reporting to the authorities of transactions suspected of being connected with money laundering or terrorism financing and implement appropriate internal policies, procedures and controls for meeting its obligations under the law, including the following:
- (a) establish a single reference point within the organisation to whom all employees and officers are instructed to promptly refer all transactions suspected of being connected with money laundering or terrorism financing, for possible referral to STRO via STRs; and
  - (b) keep records of all transactions referred to STRO, together with all internal

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<sup>4</sup> Please note in particular section 48 of the CDSA on tipping-off.

findings and analysis done in relation to them.

- 13.2 A VCC shall promptly submit reports on suspicious transactions (including attempted transactions), regardless of the amount of the transaction, to STRO, and extend a copy to the Authority for information.
- 13.3 A VCC shall consider if the circumstances are suspicious so as to warrant the filing of an STR and document the basis for its determination, including where —
- (a) the VCC is for any reason unable to complete the measures as required by paragraphs 7, 8 and 9; or
  - (b) the customer is reluctant, unable or unwilling to provide any information requested by the VCC, decides to withdraw a pending application to establish business relations or a pending transaction, or to terminate existing business relations.
- 13.4 Where a VCC forms a suspicion of money laundering or terrorism financing, and reasonably believes that performing any of the measures as required by paragraphs 7, 8 or 9 will tip-off a customer, a natural person appointed to act on behalf of the customer, a connected party of the customer or a beneficial owner of the customer, the VCC may stop performing those measures. The VCC shall document the basis for its assessment and file an STR.

## **14 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING**

- 14.1 A VCC shall develop and implement adequate internal policies, procedures and controls, taking into consideration its money laundering and terrorism financing risks and the size of its business, to help prevent money laundering and terrorism financing and communicate these to its employees.
- 14.2 The policies, procedures and controls shall meet all requirements of this Notice.

### **Group Policy**

- 14.3 A VCC shall develop a group policy on AML/CFT to meet all requirements of this Notice and extend this to all of its branches and subsidiaries which are financial

institutions or VCCs.

- 14.4 Where a VCC has a branch or subsidiary in a host country or jurisdiction —
- (a) in relation to which the FATF has called for countermeasures; or
  - (b) known to have inadequate AML/CFT measures, as determined by the VCC for itself, notified to VCCs generally by the Authority or other foreign regulatory authorities,

the VCC shall ensure that its group policy on AML/CFT is strictly observed by the management of that branch or subsidiary.

- 14.5 Subject to the VCC putting in place adequate safeguards to protect the confidentiality and use of any information that is shared, the VCC shall develop and implement group policies and procedures for its branches and subsidiaries which are financial institutions or VCCs, to share information required for the purposes of CDD and for money laundering and terrorism financing risk management, to the extent permitted by the law of the countries or jurisdictions that its branches and subsidiaries are in.
- 14.6 Such policies and procedures shall include the provision, to the VCC's group-level compliance, audit, and AML/CFT functions, of customer and transaction information from its branches and subsidiaries which are financial institutions or VCCs, when necessary for money laundering and terrorism financing risk management purposes.
- 14.7 Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the VCC shall require that the overseas branch or subsidiary apply the higher of the two standards, to the extent that the law of the host country or jurisdiction so permits.
- 14.8 Where the law of the host country or jurisdiction conflicts with Singapore law such that the overseas branch or subsidiary is unable to fully observe the higher standard, the VCC shall apply additional appropriate measures to manage the money laundering and terrorism financing risks, report this to the Authority and comply with such further directions as may be given by the Authority.

## **Compliance**

- 14.9 A VCC shall develop appropriate compliance management arrangements, including at least, the appointment of an AML/CFT compliance officer at the management level.
- 14.10 A VCC shall ensure that the AML/CFT compliance officer, as well as any other persons appointed to assist him, is suitably qualified and, has adequate resources and timely access to all customer records and other relevant information which he requires to discharge his functions.

### **Audit**

- 14.11 A VCC shall maintain an audit function that is adequately resourced and independent, and that is able to regularly assess the effectiveness of the VCC's internal policies, procedures and controls, and its compliance with regulatory requirements.

### **Employee Hiring**

- 14.12 A VCC shall have in place screening procedures to ensure high standards when hiring employees and appointing officers.

### **Training**

- 14.13 A VCC shall take all appropriate steps to ensure that its employees and officers (whether in Singapore or elsewhere) are regularly and appropriately trained on —
- (a) AML/CFT laws and regulations, and in particular, CDD measures, detecting and reporting of suspicious transactions;
  - (b) prevailing techniques, methods and trends in money laundering and terrorism financing; and
  - (c) the VCC's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees and officers in combating money laundering and terrorism financing.

## **Appendix 1**

1. Financial institutions that are licensed, approved, registered (including a fund management company registered under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg. 10)) or regulated by the Authority but do not include —
  - (a) holders of stored value facilities, as defined in section 2(1) of the Payment Systems (Oversight) Act (Cap. 222A); and
  - (b) a person (other than a person referred to in paragraphs 2 and 3) who is exempted from licensing, approval or regulation by the Authority under any Act administered by the Authority, including a private trust company exempted from licensing under section 15 of the Trust Companies Act (Cap. 336) read with regulation 4 of the Trust Companies (Exemption) Regulations (Rg. 1).
2. Persons exempted under section 23(1)(f) of the Financial Advisers Act (Cap. 110) read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2).
3. Persons exempted under section 99(1)(h) of the Securities and Futures Act (Cap. 289) read with paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

Note: For the avoidance of doubt, the financial institutions set out in Appendix 2 fall within Appendix 1.



## **Appendix 2**

1. Banks in Singapore licensed under section 7 of the Banking Act (Cap.19).
2. Merchant banks approved under section 28 of the Monetary Authority of Singapore Act (Cap. 186).
3. Finance companies licensed under section 6 of the Finance Companies Act (Cap. 108).
4. Financial advisers licensed under section 6 of the Financial Advisers Act (Cap. 110) except those which only provide advice by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product.
5. Holders of a capital markets services licence under section 82 of the Securities and Futures Act (Cap. 289).
6. Fund management companies registered under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg. 10).
7. Persons exempted under section 23(1)(f) of the Financial Advisers Act read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2) except those which only provide advice by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product.
8. Persons exempted under section 99(1)(h) of the Securities and Futures Act read with paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.
9. Approved trustees approved under section 289 of the Securities and Futures Act.
10. Trust companies licensed under section 5 of the Trust Companies Act (Cap. 336).
11. Direct life insurers licensed under section 8 of the Insurance Act (Cap. 142).
12. Insurance brokers registered under the Insurance Act which, by virtue of such registration, are exempted under section 23(1)(c) of the Financial Advisers Act except those which only provide advice by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product.