

MAS Notice SFA04-N02

24 April 2015

Last revised on 30 November 2015

(Refer to endnotes for history of amendments)

NOTICE TO CAPITAL MARKETS INTERMEDIARIES
MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

**PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF
TERRORISM – CAPITAL MARKETS INTERMEDIARIES**

1 INTRODUCTION

1.1 This Notice is issued pursuant to section 27B of the Monetary Authority of Singapore Act (Cap. 186) ("MAS Act") and applies to all:

(a) holders of a capital markets services licence under the Securities and Futures Act (Cap. 289) ("SFA"), all 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) ("SF(LCB)R"); and

(b) all persons exempted under paragraph 7(1)(b) of the Second Schedule to the SF(LCB)R from the requirement to hold a capital markets services licence.

1.2 Except for paragraphs 4, 5, 10, 14.6 and 14.7, this Notice shall take effect from 24 May 2015. Paragraphs 4, 5, 10, 14.6 and 14.7 shall take effect from 24 July 2015. MAS Notice SFA04-N02 dated 2 July 2007 is cancelled with effect from 24 May 2015.

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 customer of a CMI, means the natural person who ultimately owns or controls the customer or the natural person on whose behalf a transaction is conducted or business relations are established, and includes any person who exercises ultimate effective control over a legal person or legal arrangement, but shall not include a natural person who is considered a customer of the CMI under subparagraph (c) of the definition of “customer” in this Notice;

“business relations” means —

- (a) the opening or maintenance of an account by the CMI in the name of;
- (b) the provision of financial advice by the CMI to; or
- (c) the provision of fund management services by the CMI to,

a person (whether a natural person, legal person or legal arrangement);

“CDD measures” or “customer due diligence measures” means the measures required by paragraph 6;

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

“CMI” means a person holding a capital markets services licence under the SFA, a fund management company registered under paragraph 5(1)(i) of the Second Schedule to the SF(LCB)R or a person exempted from the requirement to hold such a licence under paragraph 7(1)(b) of the Second Schedule to the SF(LCB)R;

“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 manager¹; and
- (c) in relation to a legal arrangement, means any natural person having executive authority in the legal arrangement;

“Core Principles” refers to the Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision, the Objectives and Principles for Securities Regulation issued by the International Organisation of Securities Commissions, or the Insurance Core Principles issued by the International Association of Insurance Supervisors;

“customer”, in relation to a CMI, means a person (whether a natural person, legal person or legal arrangement) —

- (a) with whom the CMI establishes or intends to establish business relations;
- (b) for whom the CMI undertakes or intends to undertake any transaction without an account being opened; or
- (c) who invests into an investment vehicle to which the CMI provides the regulated activity of fund management, but shall not include an investment vehicle —
 - (i) which is an entity as described in paragraph 6.16(c) or 6.16(d);
 - (ii) where the interests in the investment vehicle are distributed by a financial institution as described in paragraph 6.16(e) or 6.16(f); or
 - (iii) where the primary manager is a financial institution (other than the CMI) that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by FATF;

“entity” (other than in the definition of legal person) has the same meaning as

¹ In the case of a limited liability partnership or a limited partnership.

defined in section 2(1) of the SFA, except that it shall include a trust;

“FATF” means the Financial Action Task Force;

“financial advice” means a financial advisory service as defined in section 2(1) of the Financial Advisers Act (Cap. 110) or advising on corporate finance as defined in section 2(1) of the SFA;

“financial group” means a group that consists of a legal person or legal arrangement exercising control and coordinating functions over the rest of the group for the application of group supervision under the Core Principles, and its branches and subsidiaries that are financial institutions as defined in section 27A(6) of the MAS Act or the equivalent financial institutions outside Singapore;

“fund management” has the same meaning as defined in the Second Schedule to the SFA, except that a reference to “customer” has the same meaning as defined in this Notice;

“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 otherwise own property;

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

“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 SFA.

3 UNDERLYING PRINCIPLES

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

(a) A CMI 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 CMI 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 CMI 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 ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH

Risk Assessment

4.1 A CMI 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 CMI has operations in; and
- (d) the products, services, transactions and delivery channels of the CMI.

4.2 The appropriate steps referred to in paragraph 4.1 shall include —

- (a) documenting the CMI'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 CMI's risk assessments up-to-date; and
- (d) having appropriate mechanisms to provide its risk assessment information to the Authority.

Risk Mitigation

4.3 A CMI shall —

- (a) develop and implement policies, procedures and controls, which are approved by senior management, to enable the CMI to effectively manage and mitigate the risks that have been identified by the CMI 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.

5 NEW PRODUCTS, PRACTICES AND TECHNOLOGIES

- 5.1 A CMI 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.
- 5.2 A CMI 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.
- 5.3 A CMI shall, in complying with the requirements of paragraphs 5.1 and 5.2, 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.

6 CUSTOMER DUE DILIGENCE (“CDD”)

Anonymous or Fictitious Account

- 6.1 No CMI shall open or maintain an anonymous account or an account in a fictitious name.

Where There Are Reasonable Grounds for Suspicion prior to the Establishment of Business Relations or Undertaking any Transaction without opening an Account

- 6.2 Prior to a CMI establishing business relations or undertaking any transaction

without opening an account, where the CMI 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 CMI shall —

- (a) not establish business relations with, or undertake a transaction for, the customer; and
- (b) file an STR², and extend a copy to the Authority for information.

When CDD is to be Performed

6.3 A CMI shall perform the measures as required by paragraphs 6, 7 and 8 when —

- (a) the CMI establishes business relations with any customer;
- (b) the CMI undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the CMI;
- (c) there is a suspicion of money laundering or terrorism financing, notwithstanding that the CMI would not otherwise be required by this Notice to perform the measures as required by paragraphs 6, 7 and 8; or
- (d) the CMI has doubts about the veracity or adequacy of any information previously obtained.

6.4 Where a CMI suspects that two or more transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single transaction into smaller transactions in order to evade the measures provided for in this Notice in relation to the circumstances set out in paragraph 6.3(b), the CMI shall treat the transactions as a single transaction and aggregate their values for the purposes of this Notice.

² Please note in particular section 48 of the CDSA on tipping-off.

(l) Identification of Customer

6.5 A CMI shall identify each customer.

6.6 For the purposes of paragraph 6.5, a CMI 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
 - (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).

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

6.8 Where the customer is a legal person or legal arrangement, the CMI 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

6.9 A CMI 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 CMI 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

6.10 Where a customer appoints one or more natural persons to act on his behalf in establishing business relations with a CMI or the customer is not a natural person, the CMI 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.

6.11 A CMI 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.

6.12 Where the customer is a Singapore Government entity, the CMI 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

6.13 Subject to paragraph 6.16, a CMI shall inquire if there exists any beneficial owner in relation to a customer.

6.14 Where there is one or more beneficial owner in relation to a customer, the CMI 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 CMI 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)³, 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).

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

6.16 A CMI shall not be required to inquire if there exists any beneficial owner in relation to a customer that is —

- (a) *Deleted with effect from 30 November 2015;*
- (b) *Deleted with effect from 30 November 2015;*
- (c) an entity listed on the Singapore Exchange;
- (d) 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);
- (e) a financial institution set out in Appendix 1;

³ In relation to a beneficiary of a trust designated by characteristics or by class, the CMI 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.

- (f) 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
- (g) 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 CMI has doubts about the veracity of the CDD information, or suspects that the customer, business relations with, or transaction for the customer, may be connected with money laundering or terrorism financing.

[MAS Notice SFA04-N02 (Amendment) 2015]

6.17 For the purposes of paragraph 6.16(f) and 6.16(g)(ii), a CMI shall document the basis for its determination that the requirements in those paragraphs have been duly met.

(IVA) Identification of Beneficiary

6.17A This paragraph shall apply where a CMI distributes life policies on behalf of a direct life insurer licensed under section 8 of the Insurance Act (Cap. 142).

6.17B A CMI shall, as soon as a beneficiary of a life policy is identified to the CMI as a specifically named natural person, legal person or legal arrangement, obtain the full name, including any aliases, of such beneficiary.

6.17C A CMI shall, as soon as a beneficiary of a life policy is designated by characteristics, class or other means and is known to the CMI, obtain sufficient information concerning the beneficiary to satisfy the direct life insurer that such direct life insurer will be able to establish the identity of the beneficiary at the time of payout.

[MAS Notice SFA04-N02 (Amendment) 2015]

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

6.18 A CMI 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.

(VI) Ongoing Monitoring

6.19 A CMI shall monitor on an ongoing basis, its business relations with customers.

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

6.21 A CMI 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.

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

(a) monitor its business relations with customers; and

(b) detect and report suspicious, complex, unusually large or unusual patterns of transactions.

6.23 A CMI shall, to the extent possible, inquire into the background and purpose of the transactions in paragraph 6.21 and document its findings with a view to making this information available to the relevant authorities should the need arise.

6.24 A CMI 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.

- 6.25 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 CMI considers it appropriate to retain the customer —
- (a) the CMI shall substantiate and document the reasons for retaining the customer; and
 - (b) the customer's business relations with the CMI shall be subject to commensurate risk mitigation measures, including enhanced ongoing monitoring.
- 6.26 Where the CMI assesses the customer or the business relations with the customer referred to in paragraph 6.25 to be of higher risk, the CMI shall perform enhanced CDD measures, which shall include obtaining the approval of the CMI's senior management to retain the customer.

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

- 6.27 A CMI 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.
- 6.28 A CMI shall implement the policies and procedures referred to in paragraph 6.27 when establishing business relations with a customer and when conducting ongoing due diligence.
- 6.29 Where there is no face-to-face contact, the CMI 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 CMI on Measures Already Performed

- 6.30 When a CMI ("acquiring CMI") acquires, either in whole or in part, the business of another financial institution (whether in Singapore or elsewhere), the acquiring CMI shall perform the measures as required by paragraphs 6, 7 and 8, on the customers acquired with the business at the time of acquisition except where the acquiring CMI 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 CMI as to the adequacy of AML/CFT measures previously adopted in relation to the business or part thereof now acquired by the acquiring CMI and document such enquiries.

Measures for Non-Account Holder

- 6.31 A CMI that undertakes any transaction of a value exceeding S\$20,000 for any customer who does not otherwise have business relations with the CMI shall —
- (a) perform CDD measures as if the customer had applied to the CMI to establish business relations; and
 - (b) record adequate details of the transaction so as to permit the reconstruction of the transaction, including the nature and date of the transaction, the type and amount of currency involved, the value date, and the details of the payee or beneficiary.

Timing for Verification

- 6.32 Subject to paragraphs 6.33 and 6.34, a CMI shall complete verification of the identity of a customer as required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b) and beneficial owners of the customer as required by paragraph 6.14 —
- (a) before the CMI establishes business relations with the customer; or
 - (b) before the CMI undertakes any transaction of a value exceeding S\$20,000 for the customer, where the customer has not otherwise established business relations with the CMI.
- 6.33 A CMI may establish business relations with a customer before completing the verification of the identity of the customer as required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b) and beneficial owners of the customer as required by paragraph 6.14 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 CMI.
- 6.34 Where the CMI establishes business relations with a customer before verifying the identity of the customer as required by paragraph 6.9, natural persons appointed to act on behalf of the customer as required by paragraph 6.10(b), and beneficial owners of the customer as required by paragraph 6.14, the CMI shall —
- (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

- 6.35 Where the CMI is unable to complete the measures as required under paragraphs 6, 7 and 8, it shall not commence or continue business relations with any customer, or undertake any transaction for any customer. The CMI shall consider if the circumstances are suspicious so as to warrant the filing of an STR.
- 6.36 For the purposes of paragraph 6.35, completion of the measures means the situation where the CMI has obtained, screened and verified (including by delayed verification as allowed under paragraphs 6.33 and 6.34) all necessary CDD information under paragraphs 6, 7 and 8, and where the CMI has received satisfactory responses to all inquiries in relation to such necessary CDD information.

Joint Account

- 6.37 In the case of a joint account, a CMI shall perform CDD measures on all of the joint account holders as if each of them were individually customers of the CMI.

Existing Customers

6.38 A CMI shall perform the measures as required by paragraphs 6, 7, and 8 in relation to its existing customers, based on its own assessment of materiality and risk, taking into account any previous measures applied, the time when the measures were last applied to such existing customers and the adequacy of data, documents or information obtained.

Screening

6.39 A CMI 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.

6.40 A CMI shall screen the persons referred to in paragraph 6.39 —

- (a) when, or as soon as reasonably practicable after, the CMI establishes business relations with a customer;
- (b) when the CMI undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the CMI;
- (c) on a periodic basis after the CMI establishes business relations with the customer; and
- (d) 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 CMI; or
 - (ii) the natural persons appointed to act on behalf of a customer, connected parties of a customer or beneficial owners of a customer.

6.41 The results of screening and assessment by the CMI shall be documented.

7 SIMPLIFIED CUSTOMER DUE DILIGENCE

7.1 Subject to paragraph 7.4, a CMI 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 CMI is exempted from making inquiries about under paragraph 6.16) if it is satisfied that the risks of money laundering and terrorism financing are low.

[MAS Notice SFA04-N02 (Amendment) 2015]

7.2 The assessment of low risks shall be supported by an adequate analysis of risks by the CMI.

7.3 The simplified CDD measures shall be commensurate with the level of risk, based on the risk factors identified by the CMI.

7.4 A CMI 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 CMI for itself or notified to CMIs generally by the Authority, or other foreign regulatory authorities; or
- (c) where the CMI suspects that money laundering or terrorism financing is involved.

7.5 Subject to paragraphs 7.2, 7.3 and 7.4, a CMI may perform simplified CDD measures in relation to a customer that is a financial institution set out in Appendix 2.

7.6 Where the CMI 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.

7.7 For avoidance of doubt, the term “CDD measures” in paragraph 7 means the measures required by paragraph 6.

[MAS Notice SFA04-N02 (Amendment) 2015]

8 ENHANCED CUSTOMER DUE DILIGENCE

Politically Exposed Persons

8.1 For the purposes of paragraph 8 —

“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.

- 8.2 A CMI 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.
- 8.3 A CMI shall, in addition to performing CDD measures (specified in paragraph 6), perform at least the following enhanced CDD measures where a customer or any beneficial owner of the customer is determined by the CMI to be a politically exposed person, or a family member or close associate of a political exposed person under paragraph 8.2:
- (a) obtain approval from the CMI'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 CMI 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.
- 8.4 A CMI 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 CMI present a higher risk for money laundering or terrorism financing.

Other Higher Risk Categories

8.5 A CMI 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.

8.6 For the purposes of paragraph 8.5, 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 CMI 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 CMI for itself or notified to CMIs generally by the Authority or other foreign regulatory authorities, the CMI shall assess whether any such customer presents a higher risk for money laundering or terrorism financing.

[MAS Notice SFA04-N02 (Amendment) 2015]

8.7 A CMI shall perform the appropriate enhanced CDD measures in paragraph 8.3 for business relations with or transactions for any customer —

- (a) who the CMI determines under paragraph 8.5; or

(b) the Authority or other relevant authorities in Singapore notify to the CMI, as presenting a higher risk for money laundering or terrorism financing.

8.8 A CMI shall, in taking enhanced CDD measures to manage and mitigate any higher risks that have been identified by the CMI 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 27A of the MAS Act.

9 RELIANCE ON THIRD PARTIES

9.1 For the purposes of paragraph 9, "third party" means —

- (a) a financial institution set out in Appendix 2;
- (b) 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);
- (c) in relation to a CMI incorporated in Singapore, its branches, subsidiaries, parent entity, the branches and subsidiaries of the parent entity, and other related corporations; or
- (d) in relation to a CMI incorporated outside Singapore, its head office, its parent entity, the branches and subsidiaries of the head office, the branches and subsidiaries of the parent entity, and other related corporations.

9.2 Subject to paragraph 9.3, a CMI may rely on a third party to perform the measures as required by paragraphs 6, 7 and 8 if the following requirements are met:

- (a) the CMI 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;

- (b) the CMI 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;
- (c) the third party is not one which CMIs have been specifically precluded by the Authority from relying upon; and
- (d) the third party is able and willing to provide, without delay, upon the CMI's request, any data, documents or information obtained by the third party with respect to the measures applied on the CMI's customer, which the CMI would be required or would want to obtain.

9.3 No CMI shall rely on a third party to conduct ongoing monitoring of business relations with customers.

9.4 Where a CMI relies on a third party to perform the measures as required by paragraphs 6, 7 and 8, it shall —

- (a) document the basis for its satisfaction that the requirements in paragraph 9.2(a) and (b) have been met, except where the third party is a financial institution set out in Appendix 2; and
- (b) immediately obtain from the third party the CDD information which the third party had obtained.

9.5 For the avoidance of doubt, notwithstanding the reliance upon a third party, the CMI shall remain responsible for its AML/CFT obligations in this Notice.

10 CORRESPONDENT ACCOUNTS

10.1 Paragraph 10 applies to a CMI when it provides correspondent account services in Singapore to a financial institution that is operating outside Singapore.

10.2 For the purposes of paragraph 10 —

“correspondent account services” means the provision of services under a cross-

border relationship between a CMI and a respondent financial institution, in relation to any activity for which the CMI is regulated under the SFA, whether for that respondent financial institution as principal or for that respondent financial institution's customers;

"payable-through account" means an account maintained at the CMI by the respondent financial institution for the provision of correspondent account services, but which is accessible directly by a third party to effect transactions on its own behalf;

"respondent financial institution" means a financial institution, outside Singapore to which correspondent account services are provided; and

"shell financial institution" means a financial institution incorporated, formed or established in a country or jurisdiction where the financial institution has no physical presence and which is unaffiliated with a financial group that is subject to effective consolidated supervision.

10.3 A CMI in Singapore shall perform the following measures, in addition to the measures as required by paragraphs 6, 7 and 8, when providing correspondent account services:

- (a) assess the suitability of the respondent financial institution by taking the following steps:
 - (i) gather adequate information about the respondent financial institution to understand fully the nature of the respondent financial institution's business, including making appropriate inquiries on its management, its major business activities and the countries or jurisdictions in which it operates;
 - (ii) determine from any available sources the reputation of the respondent financial institution and the quality of supervision over the respondent financial institution, including whether it has been the subject of money laundering or terrorism financing investigation or regulatory action; and
 - (iii) assess the respondent financial institution's AML/CFT controls and ascertain that they are adequate and effective, having regard to the AML/CFT measures of the country or jurisdiction in which

the respondent financial institution operates;

- (b) clearly understand and document the respective AML/CFT responsibilities of the CMI and the respondent financial institution; and
- (c) obtain approval from the CMI's senior management before providing correspondent account services to a new financial institution.

[MAS Notice SFA04-N02 (Amendment) 2015]

- 10.4 Where the correspondent account services involve a payable-through account, the CMI shall be satisfied that —
- (a) the respondent financial institution has performed appropriate measures at least equivalent to those specified in paragraph 6 on the third party having direct access to the payable-through account; and
 - (b) the respondent financial institution is able to perform ongoing monitoring of its business relations with that third party and is willing and able to provide CDD information to the CMI upon request.
- 10.5 The CMI shall document the basis for its satisfaction that the requirements in paragraphs 10.3 and 10.4 are met.
- 10.6 No CMI shall enter into or continue correspondent account services relationship with another financial institution that does not have adequate controls against money laundering or terrorism financing activities, is not effectively supervised by the relevant authorities or is a shell financial institution.
- 10.7 A CMI shall also take appropriate measures when establishing a correspondent account services relationship, to satisfy itself that its respondent financial institutions do not permit their accounts to be used by shell financial institutions.

11 RECORD KEEPING

- 11.1 A CMI shall in relation to all data, documents and information that the CMI 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 CMI 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 CMI 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 CMI are able to review the CMI's business relations, transactions, records and CDD information and assess the level of compliance with this Notice; and
 - (d) the CMI 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 CMI 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 without an account being opened, 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 CMI 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 CMI 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 CMI shall not be required to provide an individual customer, an individual beneficiary of a life insurance policy, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, with —
- (a) any access to personal data about the individual that is in the possession or under the control of the CMI;
 - (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 CMI; 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 CMI.

[MAS Notice SFA04-N02 (Amendment) 2015]

- 12.3 A CMI 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 or an individual beneficial owner of a customer, 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 CMI:
 - (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 CMI; 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 CMI is satisfied that there are reasonable grounds for such request.

12.4 For the purposes of complying with this Notice, a CMI may, whether directly or through a third party, collect, use and disclose personal data of an individual customer, an individual beneficiary of a life insurance policy, an individual appointed to act on behalf of a customer, an individual connected party of a customer or an individual beneficial owner of a customer, without the respective individual's consent.

[MAS Notice SFA04-N02 (Amendment) 2015]

13 SUSPICIOUS TRANSACTIONS REPORTING

13.1 A CMI shall keep in mind the provisions in the CDSA⁴ 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, officers and representatives 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

⁴ Please note in particular section 48 of the CDSA on tipping-off.

internal findings and analysis done in relation to them.

- 13.2 A CMI 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 CMI 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 CMI is for any reason unable to complete the measures as required by paragraphs 6, 7 and 8; or
 - (b) the customer is reluctant, unable or unwilling to provide any information requested by the CMI, decides to withdraw a pending application to establish business relations or a pending transaction, or to terminate existing business relations.
- 13.4 Where a CMI forms a suspicion of money laundering or terrorism financing, and reasonably believes that performing any of the measures as required by paragraphs 6, 7 or 8 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 CMI may stop performing those measures. The CMI shall document the basis for its assessment and file an STR.

14 INTERNAL POLICIES, COMPLIANCE, AUDIT AND TRAINING

- 14.1 A CMI 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 For the purposes of paragraphs 14.4 to 14.9, a reference to CMI means a CMI incorporated in Singapore.

- 14.4 A CMI 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 in its financial group.
- 14.5 Where a CMI 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 CMI for itself, notified to CMIs generally by the Authority or other foreign regulatory authorities,
- the CMI shall ensure that its group policy on AML/CFT is strictly observed by the management of that branch or subsidiary.
- 14.6 Subject to the CMI putting in place adequate safeguards to protect the confidentiality and use of any information that is shared, the CMI shall develop and implement group policies and procedures for its branches and subsidiaries within the financial group, 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.
- 14.7 Such policies and procedures shall include the provision, to the CMI's group-level compliance, audit, and AML/CFT functions, of customer, account, and transaction information from its branches and subsidiaries within the financial group, when necessary for money laundering and terrorism financing risk management purposes.
- 14.8 Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the CMI 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.
- 14.9 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 CMI 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

- 14.10 A CMI shall develop appropriate compliance management arrangements, including at least, the appointment of an AML/CFT compliance officer at the management level.
- 14.11 A CMI 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

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

Employee and Representative Hiring

- 14.13 A CMI shall have in place screening procedures to ensure high standards when hiring employees, appointing officers and representatives.

Training

- 14.14 A CMI shall take all appropriate steps to ensure that its employees, officers and representatives (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 CMI's internal policies, procedures and controls on AML/CFT and the roles and responsibilities of employees, officers and representatives in combating money laundering and terrorism financing.

Endnotes on History of Amendments

1. MAS Notice SFA04-N02 dated 2 July 2007.
 - (a) MAS Notice SFA04-N02 (Amendment) 2009 dated 3 July 2009 with effect from 2 December 2009.
 - (b) MAS Notice SFA04-N02 (Amendment) 2012 with effect from 7 August 2012.
 - (c) MAS Notice SFA04-N02 (Amendment) 2013 with effect from 23 January 2013.
 - (d) MAS Notice SFA04-N02 (Amendment) 2014 with effect from 1 July 2014.
2. MAS Notice SFA04-N02 dated 2 July 2007 cancelled with effect from 24 May 2015.
3. MAS Notice SFA04-N02 dated 24 April 2015 with effect from 24 May 2015.
 - (a) MAS Notice SFA04-N02 (Amendment) 2015 with effect from 30 November 2015.

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.