

RESPONSE TO FEEDBACK RECEIVED

1 March 2022

Consultation on the Proposed New AML/CFT Notice for Precious Stones and Precious Metals Activities and Updates to AML/CFT Notices

MAS

Monetary Authority of Singapore

Contents

1	Preface	3
2	New MAS AML/CFT Notice for Financial Institutions dealing in PSMs.....	3
3	Amendments to Existing MAS AML/CFT Notices.....	6

1 Preface

1.1 On 9 July 2021, the Monetary Authority of Singapore (“MAS”) issued a consultation paper on a proposed new AML/CFT Notice for precious stones and precious metals (“PSM”) activities and updates to existing AML/CFT Notices, to enhance the mitigation of money laundering and terrorism financing (“ML/TF”) risks¹ in the financial sector.

1.2 The consultation closed on 10 August 2021, and MAS received feedback from 25 respondents, representing 30 financial institutions (“FIs”) and members of the public. MAS thanks all respondents for their feedback. The list of respondents is set out in Annex A, and the full submissions are provided in Annex B.

1.3 MAS has carefully considered the feedback received and where appropriate, has incorporated them into the relevant AML/CFT Notices, or will incorporate them into the relevant AML/CFT Guidelines accompanying the Notices. Feedback of wider interest, together with MAS’ responses, are set out below. Responses not directly related to the proposed new AML/CFT Notice for PSM activities or proposed amendments to the existing AML/CFT Notices in the Consultation will be addressed individually to the respondent separately.

2 New MAS AML/CFT Notice for Financial Institutions dealing in PSMs

2.1 Respondents were generally supportive of issuing a new Notice for FIs dealing in PSMs (“the PSM Notice”) as well as the AML/CFT requirements to be applied to an FI’s PSM activities.

Scope of PSM Notice

2.2 Respondents agreed that the drafting of the PSM Notice provides a clear delineation between the scope of the proposed PSM Notice and the scope of the FI-specific AML/CFT Notices.

¹ ML/TF risks in this context also include the risks associated with predicate offences, as well as the risks which are intended to be mitigated by the various MAS Regulations issued to assist in giving effect to the Resolutions of the Security Council of the United Nations, such as MAS (Sanctions and Freezing of Assets of Persons) Regulations relating to Iran and the Democratic People’s Republic of Korea.

Definition of “Regulated Dealing”

2.3 Several respondents asked whether the following scenarios would be captured under the scope of “regulated dealing”:

- (a) the FI’s customer is in the business of providing regulated dealing activities, but the customer’s account with the FI is not used for such regulated dealing activities;
- (b) the FI’s customer, which is not involved in regulated dealing activities, requests a credit facility using PSM as collateral;
- (c) an FI takes possession of PSM assets when borrowers are unable to repay credit loans;
- (d) the FI’s customer initiates or receives a wire transfer, stating that the transfer is for the purchase or sale of PSMs;
- (e) the FI’s customer initiates a wire transfer for the purposes of making a private equity investment into an entity whose business is in regulated dealing activities;
- (f) an FI offers spot contracts on underlying PSMs; or
- (g) an FI offers digital payment tokens (“DPTs”) whose value is pegged to PSMs.

2.4 One respondent also sought clarification on whether facilitating their customers’ purchase and sale of PSM would be regarded as carrying on a business as an intermediary for regulated dealing.

MAS’ Response

2.5 The PSM Notice applies only when an FI itself conducts regulated dealing (i.e. buying PSMs from or selling PSMs to, its customers) or is an intermediary in regulated dealing (e.g. an FI sells PSMs on behalf of its customer). MAS wishes to clarify that an FI facilitating its customers’ purchase and sale of PSM, which is understood to be the provision of financial services to customers that are involved with PSMs (i.e. processing of financial transactions, e.g. wire transfers, for a customer which is a PSM dealer), would not make an FI an intermediary in regulated dealing.

2.6 In this regard, scenarios (a) to (e) would not fall within the scope of “regulated dealing”, since the FI is providing a financial service to their customer. In such cases, FIs should instead comply with the relevant AML/CFT requirements of their FI-specific AML/CFT Notices.

2.7 For scenario (f), spot commodity trading with underlying PSMs, which are commodity contracts within the meaning of the Commodity Trading Act 1992, is not within the scope of the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019 (“PSPM Act”). Likewise, aligned with the PSPM Act, spot commodity trading with underlying PSMs is not included in the scope of the PSM Notice.

2.8 In relation to scenario (g), only DPTs as defined in the Payment Services Act 2019 (“PS Act”) would be excluded from the scope of the PSM Notice. For all other tokens whose value is pegged to PSMs, you should refer to the PSM Notice to determine if those tokens fall within the scope of the PSM Notice and if so, to comply with the relevant AML/CFT requirements in the PSM Notice.

Customer Due Diligence Requirements

When the FI Establishes an Account Relationship with Any Customer

2.9 Two respondents said that a customer may use the same account for both regulated dealing and other business activities and asked if an FI is required to designate separate accounts for each specific business activity.

MAS’ Response

2.10 MAS does not require that an FI designate separate accounts for each specific business activity of their customers. An FI may thus use the same account for both regulated dealing and other business activities of a customer, if that is in line with its policy, procedures and business considerations. This flexibility is reflected under limb (b) of the definition of “account relationship” – namely *“the use of an existing account with a financial institution in the name of a person (whether a natural person, legal person or legal arrangement) for the purpose of any regulated dealing by the financial institution with that person”*.

When the FI Undertakes an Occasional PSM Transaction Exceeding S\$20,000 in Value

2.11 A respondent sought clarification on whether an FI is expected to perform customer due diligence (“CDD”) *ex-ante* on all occasional PSM transactions² exceeding S\$20,000 in value or may rely on existing post-transaction monitoring tools.

² An example of an occasional transaction is an over-the-counter sale of PSMs to customers without an account with the FI.

MAS Response

2.12 MAS requires FIs to perform the CDD measures on occasional transactions with value exceeding S\$20,000. This may be done on an *ex-ante* basis. The measures should be performed in a manner that is commensurate to the ML/TF risks of the respective occasional transactions.

Other Proposed Clarificatory Amendments – Cash Transaction Reporting Requirements

2.13 A respondent requested more guidance on the prescribed time and how a FI may submit cash transaction reports (“CTRs”) to the Suspicious Transaction Reporting Office (“STRO”), and when to extend a copy of the CTR to MAS.

MAS Response

2.14 The PSM Notice requires FIs who enter into designated transactions to promptly submit CTRs to STRO pursuant to section 17 of the PSPM Act and promptly extend a copy of the CTR to MAS. Section 17(1) of the PSPM Act provides that the CTR must be submitted to STRO within the prescribed time which is set out in Regulation 12(1)(b) of the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Regulations 2019 (“PMLTF Regulations”). CTRs must be filed not later than the 15th business day after the date on which the designated transaction is entered into. All CTRs should be submitted electronically to the STRO via the STRO Online Notices and Reporting platform (“SONAR”). CTRs submitted via SONAR will be extended to MAS by STRO, and FIs do not need to separately provide a copy to MAS.

3 Amendments to Existing MAS AML/CFT Notices

3.1 Respondents were generally supportive of the proposed amendments to the existing AML/CFT Notices.

Proposals to Align Existing AML/CFT Requirements for Banks, Merchant Banks, Finance Companies, Credit Card or Charge Card Licensees and Capital Market Services (“CMS”) Licensees in relation to Digital Token Transactions They Conduct, with that for DPT Service Providers

3.2 A few respondents sought clarifications on the requirements, which are set out below.

No Minimum Threshold for Application of CDD Requirements for Occasional Transactions involving DPTs or Digital Capital Market Product Tokens (“DCMPTs”)

3.3 Two respondents sought clarifications on when the proposed CDD requirements apply in respect of digital token services and transactions that the FI is providing to or

conducting on behalf of the customer. One respondent also asked whether the proposed CDD requirements apply when a customer is using a fiat account maintained with the FI to fund digital token transactions offered by other platforms.

MAS' Response

3.4 The proposed CDD requirements apply when the FI establishes business relations or undertakes transactions for a customer who has not otherwise established business relations with the FI (i.e. for occasional transactions), in relation to digital token services and transactions that the FI is providing to or conducting on behalf of the customer. In addition, the existing requirements under the applicable AML/CFT Notices (e.g. MAS Notice 626 for Banks) already apply where the FI facilitates (i) transactions for customers with whom the FI has established business relations or (ii) such occasional transactions to fund digital token transactions offered by other platforms (e.g. where a customer opens a bank account to fund its digital token transactions offered on another platform by a separate DPT service provider).

Value Transfer Requirements for DPT or DCMPT Services

3.5 One respondent suggested that the value transfer requirements should not extend to digital CMP token transactions that are traded on an approved exchange or Recognised Market Operator licensed by the MAS, where the trading is executed by trading members that are CMS Licensees or exempt CMS Licensees in Singapore, and their clients. The same respondent also sought confirmation on whether the FI is required to conduct screening on both the value transfer originator and value transfer beneficiary, even though the FI only acts for one party, i.e. either the value transfer originator or the value transfer beneficiary.

MAS' Response

3.6 All FIs engaged in digital token services will be required to comply with the value transfer requirements. The anonymity, speed and cross border nature of digital token transactions mean that such services are at higher risk of being abused for ML/TF activities. The proposed value transfer requirements for transfers of digital tokens, which are aligned with the Financial Action Task Force ("FATF") Standards, are intended to mitigate the risks posed by requiring FIs to obtain, transmit and retain the required value transfer originator and value transfer beneficiary information. This ensures that the necessary identification information is available to both the ordering institution and the beneficiary institution to facilitate their risk assessment and compliance with screening obligations, as well as provide an audit trail for investigators when needed.

3.7 FIs that receive or initiate value transfers will be required to screen both the value transfer originator and the value transfer beneficiary. This ensures that FIs are able to monitor and suspend or reject transactions with sanctioned entities, and to block, reject or freeze assets where such originators or beneficiaries are terrorists, terrorist entities or persons designated by the United Nations Security Council (“UNSC”) pursuant to the relevant UNSC Resolutions.

Proposed Application of AML/CFT Requirements to Digital Token Transactions Carried Out by Banks, Merchant Banks, Finance Companies, Credit Card or Charge Card Licensees and CMS Licensees

3.8 One respondent sought clarification on the enhanced risk mitigation measures that FIs are to apply, where transactions involve transfer of digital tokens to entities other than an FI defined in section 27A(6) of the Monetary Authority of Singapore Act 1970 (“MAS Act”), or an FI incorporated or established outside Singapore that is subject to and supervised for compliance with AML/CFT requirements consistent with the FATF Standards.

MAS’ Response

3.9 As such transactions may present higher ML/TF risks, FIs should apply appropriate enhanced risk mitigation measures. This could include, but is not limited to, the measures that are set out in paragraph 13-7 of the Guidelines to MAS Notice PSN02. The measures include identifying and verifying the identities of the value transfer originator and the value transfer beneficiary, as well as performing enhanced monitoring over such transactions. Please refer to MAS’ Infographic on “Strengthening AML/CFT Controls of Digital Payment Token Service Providers”³, which sets out relevant guidance on MAS’ AML/CFT requirements and supervisory expectations for the DPT sector. This guidance will similarly be relevant to other FIs that are not payment service providers within the scope of Notice PSN02 but provide digital token services. MAS will also update the Guidelines to the relevant FI-specific AML/CFT Notices to provide further guidance to support FIs’ implementation of effective controls to mitigate risks arising from digital token services.

Proposed Requirement of Enhanced CDD Measures for Higher Risk Shell Companies

Proposed Amendments to the Existing AML/CFT Notices

³ Available on the MAS Website, at <https://www.mas.gov.sg/regulation/guidance/strengthening-amlcft-controls-of-digital-payment-token-service-providers>

3.10 Respondents were generally supportive of the proposed amendments. Three respondents sought clarification on whether holding companies, trading companies, private investment companies or start-ups incorporated in Singapore, which may have no ongoing, apparent or visible operation or business in Singapore, would constitute higher risk shell companies. Four respondents requested that MAS clarify what would constitute “substantive financial activity” in the customer’s interactions with the FI.

MAS’ Response

3.11 MAS recognises that legal persons, such as companies, play important roles in supporting entrepreneurship, investment and economic growth. Nevertheless, criminal typologies show that legal persons, including shell companies, have been misused for illicit purposes. Thus, it is important that FIs and Variable Capital Companies (“VCCs”) enhance controls to better differentiate legitimate companies from those set up to facilitate illicit activity.

3.12 Consistent with our previous guidance in the MAS Guidance Paper on Misuse of Legal Persons (June 2019)⁴, MAS will clarify in the Guidelines to the respective AML/CFT Notices that FIs and VCCs should use a multi-factor approach in their customer risk assessment, as a single risk indicator is typically not sufficient to establish suspicion. Where the customer does not have any operations or activity in Singapore, the FI or VCC should conduct proper risk assessments of the customer, including the legitimacy of its purpose for maintaining an account in Singapore. Clarifications on the red-flag indicators of higher risk shell companies are set out in Paragraph 3.17 below.

3.13 “Substantive financial activity in the customer’s interactions with the FI” refers to financial activities that can be reasonably explained by or traced to the customer’s business or activities, based on CDD conducted by FIs in accordance with the applicable AML/CFT Notice requirements⁵. Conversely, a FI or VCC may assess that there is little or no substantive financial activity in the account if most of this activity involves transactions with no clear economic or business purpose or are pass-through in nature with minimal balance maintained in the account.

⁴ “Effective Practices to Detect and Mitigate the Risk from Misuse of Legal Persons” (June 2019) which is available at https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Anti_Money-Laundering_Counteracting-the-Financing-of-Terrorism/EffectivePractices-to-Detect-and-Mitigate-the-Risk-from-Misuse-of-Legal-Persons-June-2019.pdf

⁵ For e.g. payments to and from suppliers and customers; administrative payments, such as rents or salaries; or transactions linked to investments that the FI has assessed are legitimate

Proposed Amendments to Guidelines to the respective AML/CFT Notices

3.14 Within the consultation paper, MAS had included proposed amendments to the AML/CFT Guidelines, to set out several red-flag indicators of higher risk shell companies. Several respondents have sought MAS' further guidance on these red-flag indicators. One respondent suggested that MAS could point FIs to useful and targeted guidance that could assist FIs in identifying higher-risk shell companies.

3.15 One respondent also sought clarification on whether FIs would be expected to independently verify information that they have collected for their assessment of a customer's "economic purpose" for requiring accounts in Singapore or information that they have collected for their assessment of the other red-flag indicators.

MAS' Response

3.16 MAS recognises that there could be a wide range of risk scenarios, and that risks and typologies relating to misuse of legal persons could change over time. As such, MAS' approach is to not prescribe an exhaustive list of indicators of unusual transactions or behavioural red-flags. MAS will continue to review industry best practices and feedback and update our guidance as appropriate.

3.17 To provide additional guidance within the Guidelines, MAS will be setting out some examples to further illustrate the proposed behavioural red-flag indicators, as follows:

- (a) Unclear economic purpose for requiring bank accounts in Singapore:
 - E.g. Foreign-incorporated companies with no business presence or activities in Singapore seeking to open bank accounts in Singapore under a nominee arrangement.
- (b) Unclear economic purpose for a common individual/address linked to multiple companies:
 - E.g. Multiple companies linked to the same registered address, which is not in line with and/or fit for the companies' nature of business.
 - E.g. Use of nominee individuals, to obscure beneficial ownership and control of account.
- (c) Unrelated third parties added to operate account after account opening:

- E.g. In some cases, authorised signatories or directors were changed post account opening to unrelated third parties to operate the accounts.

(d) Superficial corporate websites inconsistent with the scale of business:

- E.g. Companies (which are, at times, newly incorporated) that are stated to be involved in a wide range of activities without a dominant product/expertise.
- E.g. The corporate websites, if any, have vague descriptions and limited information, which are not in line with the turnover or business nature of the companies.

3.18 In addition to the MAS Guidance Paper on Misuse of Legal Persons (June 2019) that was referred to in the Consultation Paper, FIs and VCCs may also refer to the following guidance papers:

- (a) MAS “Guidance to Capital Markets Intermediaries on Enhancing AML/CFT Frameworks and Controls” (January 2019)⁶; and
- (b) AML/CFT Industry Partnership (“ACIP”) Best Practice Paper on “Legal Persons Misuse Typologies and Best Practices” (May 2018).⁷

3.19 While MAS requires FIs to verify the identity of the customer using reliable independent source data, documents or information, FIs are not expected to independently verify the information that was collected, such as adverse news reports, results of open-source Internet searches, or intelligence from official authorities. However, FIs should duly assess the reliability and relevance of the information collected.

Proposed Wire Transfer and Correspondent Account Requirements for Credit Card or Charge Card Licensees

3.20 No comments or objections were received on this proposal.

⁶ Available at the MAS Website, <https://www.mas.gov.sg/regulation/guidance/guidance-to-cmi-on-enhancing-amlcft-frameworks-and-control>

⁷ The ACIP Paper contains a compilation of sanitised case studies and best practices put together by industry. Available at the Association of Banks in Singapore Website, <https://abs.org.sg/docs/library/legal-persons-misuse-typologies-and-best-practice.pdf>

Proposed Requirement of Disclosure to Designated Non-Financial Businesses and Professions and VCCs for Licensed Trust Companies and Approved Trustees

3.21 No comments or objections were received on this proposal.

Other Proposed Clarificatory Amendments

Clarification on Group-Wide Sharing of Suspicious Transaction Report (“STR”) Information

3.22 A respondent asked if FIs can exercise discretion over the specific extent of information within the STR, or underlying analysis of STR, that FIs wish to share with its financial group. Another respondent sought clarification on whether group-wide sharing of STR information applied to branches of foreign banks in Singapore.

MAS’ Response

3.23 FIs may decide on the extent and type of information to be shared with its financial group, when necessary for ML/TF risk management purposes. This information shared may include the underlying information of the STR, the fact that an STR has been filed, or the STR itself.

3.24 When necessary for ML/TF risk management purposes, Singapore branches of foreign banks shall share such STR information within the banks’ financial group. This would include its head office or parent entity, any branch, or any related corporation of the bank. This is subject to the Singapore branch putting in place adequate safeguards to protect the confidentiality and ensure appropriate use of the information shared. For clarity, we have included a new Paragraph 15.9A in Notice 626 (and equivalent Paragraphs in the other AML/CFT Notices) to set this out.

Clarifications on ID&V Requirements

3.25 One respondent sought clarification on whether the FI or VCC can continue to obtain the specific identifiers in Paragraphs 6.6 and 6.10 of Notice 626 (and equivalent Paragraphs in the other AML/CFT Notices), instead of the “alternative identifiers” as allowed for under the proposed new Paragraphs 6.8A and 6.11A of Notice 626 (and equivalent Paragraphs in the other AML/CFT Notices).

3.26 Several respondents sought clarification on whether the decision to obtain alternative identifiers could be made in respect of a specific class of customers, or in respect of a specific product offered by the FI or VCC, instead of on a customer-by-customer basis.

3.27 A respondent sought clarification on whether FIs or VCCs are still permitted to adopt a risk-based approach to identifying the connected party, where the customer or trust relevant party is subject to simplified CDD. Two respondents asked if FIs and VCCs would be required to verify the identifiers obtained for connected parties.

MAS' Response

3.28 With reference to the clarification in Paragraph 3.25, FIs and VCCs can continue to obtain the specific identifiers in Paragraphs 6.6 and 6.10 of Notice 626 (and equivalent Paragraphs in the other AML/CFT Notices). The proposed new Paragraphs 6.8A and 6.11A of Notice 626 (and the equivalent Paragraphs in the other AML/CFT Notices) provide alternatives that the FI may adopt when conditions in these proposed new Paragraphs are met.

3.29 With reference to the clarification in Paragraph 3.25, FIs and VCCs may carry out a risk assessment and obtain alternative identifiers for a specific class of customers or a specific product type. FIs should note that all conditions in the proposed new Paragraphs must be met in respect of the entire class of customers or product, before FIs and VCCs may apply the alternative measures.

3.30 With reference to the clarification in Paragraph 3.26, the FI or VCC may continue to perform simplified CDD measures if it is satisfied that the risks of ML/TF are low. Where the customer or trust relevant party is subject to simplified CDD measures, the FIs or VCCs are still permitted to adopt a risk-based approach to identifying the connected party, and are not required to apply the proposed amendments in relation to identification of connected parties of customers, whose ML/TF risks are not high.

3.31 MAS requires FIs and VCCs to identify all connected parties of a customer. Consistent with the guidance in Paragraph 6-5-1 of Guidelines to Notice 626 (and the equivalent Paragraphs in the respective Guidelines to the other AML/CFT Notices), FIs and VCCs may take the additional step of verifying the name, unique identification number or other particulars of the connected party, where the FI or VCC assesses it to be necessary under its risk-based approach to AML/CFT. For connected parties who are also authorised signatories, FIs and VCCs should apply the CDD measures for authorised signatories instead, as set out in Paragraphs 6.10 and 6.11 and proposed new Paragraphs 6.11A to 6.11C of Notice 626 (and the equivalent Paragraphs in the other AML/CFT Notices).

Use of Electronic Methods for Verification of Authorised Signatory

3.32 Several respondents have requested guidance on permissible electronic methods for verification, and also queried whether the use of electronic methods would extend

beyond the context of verifying natural persons who have been authorised to act on the customer's behalf.

MAS' Response

3.33 MAS does not prescribe specific electronic verification methods that FIs and VCCs may use to verify that the natural person is the authorised signatory acting on the customer's behalf, although an example of such methods would be the use of a digital signature to validate the authenticity and integrity of instructions. MAS will include this example in Paragraph 6-7 of the Guidelines to Notice 626 (and the equivalent Paragraphs in the respective Guidelines to the other AML/CFT Notices). MAS would also like to remind FIs and VCCs to implement measures to mitigate any technology or cyber risks that may arise from the acceptance of or reliance on electronic verification methods. In this context, FIs are to comply with the requirements in the relevant Technology Risk Management Notices and Guidelines.

3.34 FIs may only avail themselves of these electronic verification methods in the specific context of verifying the natural persons who have been authorised to act on the customer's behalf.

Exemption from requirement to inquire if there exists any beneficial owner in relation to customer ("BO Exemption")

BO Exemption for Entity listed on Singapore Exchange

3.35 Several respondents sought clarifications on how FIs and VCCs can check or independently verify whether the Singapore Exchange ("SGX") has granted a waiver from the requirements relating to the disclosure of its beneficial owner ("BO") for an entity listed on SGX.

MAS' Response

3.36 MAS has considered the feedback on the ease with which FIs and VCCs can carry out checks or verifications on the waivers granted by SGX, and will revise the existing AML/CFT Notices to specify that an FI or a VCC need not inquire if there exists any BO in relation to a customer that is an entity listed and traded on SGX. Information on whether an entity is listed and traded on SGX is publicly available on the SGX website.

BO Exemption for Investment Vehicle where Primary Manager is an FI

3.37 A respondent sought clarification on whether an FI would be able to avail itself of the BO Exemption, where (a) that FI is the primary manager of the investment vehicle, and (b) the interest in the investment vehicle is distributed by another FI, that is subject

to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF. This is because MAS had proposed to clarify that where the FI is the primary manager of the investment vehicle, it cannot avail itself of the BO Exemption.

MAS' Response

3.38 To provide clarity, MAS will specify that the FI, as the primary manager of the investment vehicle, is not required to inquire about the BOs in relation to end investors of the investment vehicle, only where these end investors invest through a distributor that is an FI subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF. This clarification is consistent with existing guidance in Paragraph 2-3-(b) of Guidelines to Notice SFA04-N02, on the engagement of distributors⁸.

THE MONETARY AUTHORITY OF SINGAPORE

1 MAR 2022

⁸ Guidelines to Notice SFA 04-N02 on Prevention of Money Laundering and Countering the Financing of Terrorism - Capital Markets Intermediaries

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
PROPOSED NEW AML/CFT NOTICE FOR PRECIOUS STONES AND PRECIOUS METALS
ACTIVITIES AND UPDATES TO AML/CFT NOTICES**

1. AAM Advisory Pte Ltd
2. Aon Singapore Pte Ltd
3. Asia Pacific Futures Pte Ltd
4. Investment Management Association of Singapore
5. MUFG Bank
6. Philip Securities Pte Ltd
7. Sumitomo Mitsui Banking Corporation Singapore Branch
8. The Northern Trust Company Singapore Branch (“TNTC SB”)
9. Schroder Investment Management (Singapore) Ltd, which requested for confidentiality of submission
10. Respondent A, which requested for confidentiality of identity

Note: This list only includes the names of respondents who did not request that their identity and/or responses be kept confidential

**SUBMISSION FROM RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED
NEW AML/CFT NOTICE FOR PRECIOUS STONES AND PRECIOUS METALS ACTIVITIES
AND UPDATES TO AML/CFT NOTICES**

S/N	Respondent	Responses from Respondent
1	AAM Advisory Pte Ltd	<p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <p>Can the FA choose to adopt the stricter standards to avoid utilising the suggested requirements on identification of customers, as well as the identification and verification of natural persons appointed to act on customer’s behalf?</p> <p>Also, there may be limited options for electronic means of verification on a business address obtained for a natural person that are reliable. Could examples of reliable proofs be advised for reference?</p>
2	Aon Singapore Pte Ltd	<p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <p><u>FAA N06 – Proposed Paragraphs 6.7A, 6.7B, 6.10A, 6.10B, 6.10C</u></p> <p>We would like to clarify with the MAS whether the risk assessment of ML/FT may be performed on product level basis. For instance, group Life products which corporate clients purchased for their employees as part of employee benefits, are of much lower ML/FT risks and have no cash value.</p> <p><u>FAA N06 - Proposed Paragraph 6.10</u></p> <p>Additionally, we would like the MAS to provide examples on what are the permissible electronic methods to verify that a natural person is the person authorised to act on the customer’s behalf.</p> <p><u>FAA N06 – Existing Paragraph 8 - Enhanced Due Diligence</u></p> <p>Currently, group term life insurance is inadvertently being caught under the definition of investment products. Such products have very low ML/FT risk and have no cash value. They are typically purchased by corporate clients, together with group health insurance, as part of employee benefits.</p> <p>We would like to use this opportunity to propose to MAS to exempt group life insurance from the requirement of enhanced due diligence for reasons above. The current provisions of FAA N06 (Paragraph 8.3)</p>

S/N	Respondent	Responses from Respondent
		do not allow exemption from enhanced due diligence (to obtain source of wealth and source of fund) if there are PEPs/ other high-risk categories identified.
3	Asia Pacific Futures Pte Ltd	<p>Question 7: MAS seeks comments on the proposed requirement for FIs and VCCs to conduct enhanced CDD measures for customers that FIs and VCCs have assessed to be higher risk shell companies.</p> <p>We are supportive of MAS' proposed requirement for FIs and VCCs to assess whether a customer may be a shell company that presents higher ML/TF risks ("Higher Risk Shell Company") and, if so, perform enhanced CDD measures. We are also appreciative of MAS' additional guidance on what types of customers could be considered Higher Risk Shell Companies in setting out 6 examples in Annex D of unusual transactions and behavioural red flags in the respective AML/CFT Guidelines accompanying the Notices.</p> <p>However, we would appreciate it if MAS could provide more clarity to Annex D in relation to the 2 points "(iii) and (v)" below as they are currently somewhat vague:</p> <p><i>(iii) the ownership structure of the legal person or arrangement appears unusual or excessively complex given the nature of the legal person's or legal arrangement's business;</i></p> <p>We suggest that MAS offer more granular guidance and providing similar examples of what could be considered complex (e.g. number of shareholding layers, legal entities in multiple jurisdictions, nominee structure) though we understand that such examples would not be exhaustive.</p> <p><i>(v) the business relations is conducted under unusual circumstances (e.g. significant unexplained geographic distance between the bank and the customer);</i></p> <p>The term "unusual" seems to be rather subjective and it would be quite difficult to assess. It would be very helpful if MAS could provide some case scenarios to illustrate what other examples could possibly fall under here.</p> <p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <p>We are supportive on the proposed clarificatory amendments set out in Annex A11 MAS Notice SFA04-N02.</p>
4	Investment Management Association of Singapore	<p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <p>IMAS members would like to seek clarifications on the following paragraphs in the Consultation Paper:</p> <p>3.17 (iii) – One of our members provided the feedback that they do not find the residential address of the individual useful in their</p>

S/N	Respondent	Responses from Respondent
		<p>assessment of ML/TF risks of the customer and screening of the individuals authorised to act on behalf of the customer (including authorised signatories). In particular, in the screening of such individuals, the member relies on the name, date of birth and nationality to identify true hits and is of the view that MAS' proposed alternative of obtaining business address does not help mitigate any risks either.</p> <p>Hence, the member would like to propose that MAS consider removing the requirement to obtain residential addresses and provide Financial Institutions ("FIs") with the flexibility to obtain any identification documents we deem necessary to identify the individual for any ML/TF risks.</p> <p>3.17 (iv) – Some of our members would like the MAS to clarify and elaborate what the "electronic means of verification" entail, and if the Authority will be able to provide: (i) some examples as to how FIs can go about obtaining such electronic means of verification as an alternative to specimen signatures, and (ii) how these electronic methods can be used for verification purposes?</p> <p>In addition, our members would like to request that MAS provides, in the Notice or guidelines, for the option to accept soft copies of Certified True Copy ("CTC") documents instead of hard copy originals. To ensure that the documents are authentic, MAS could consider allowing FIs to accept the documents from a representative of the client whom FIs know and sent out from the client's corporate email domain. The usual certification requirements will continue to apply i.e. the document may only be certified to be a true copy by a qualified person e.g. notary public, lawyer, etc. Entities around the globe have increasingly gone paperless as part of global sustainability efforts, of which MAS has been advocating for too. It would be helpful if MAS could reconsider and clarify its regulatory stance on whether soft copies of CTC documents are acceptable.</p>
5	MUFG Bank	<p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <p>We set out our comments below, in relation to specific sections of the draft Notice:</p> <p>i. Paragraph 6.11 states that the amendments clarify that the bank is allowed to use electronic methods, as an alternative to a specimen signature, to verify that a natural person is the person authorised to act on the customer's behalf.</p> <p>We would appreciate some examples of appropriate electronic means.</p>

S/N	Respondent	Responses from Respondent
		<p>ii. Paragraph 6.16(c) states that the amendments clarify that the exemption cannot be relied on when the customer has been granted a waiver by SGX from the requirements relating to disclosure of its beneficial owners.</p> <p>We would appreciate guidance on how a bank could verify whether its customer has been granted a waiver by SGX.</p> <p>iii. Paragraph 8.6 states that the amendments are to introduce requirements for the bank to assess whether a customer may be a shell company that presents higher ML/TF risks and, if so, perform enhanced CDD measures.</p> <p>With regard to paragraph 8.6(c)(iii), we would be grateful for some guiding principles for defining “substantive financial activity”.</p>
6	Phillip Securities Pte Ltd	<p>Question 6: MAS seeks comments on the proposals to align existing AML/CFT requirements for banks, merchant banks, finance companies, credit card or charge card licensees and CMS licensees in relation to digital token transactions they conduct, with that for DPT service providers. The proposals are as follows:</p> <p>(a) No threshold for the application of CDD i.e. require CDD to be conducted from the first dollar, for occasional transactions involving DPTs or DCMPTs</p> <p>(b) Value Transfer Requirements for DPT or DCMPT Services</p> <p>(c) AML/CFT requirements in FI-specific Notice to apply to Digital Token Transactions</p> <p>(1) We are of the view that new paras 6.40A and 10A (which we note are adapted from MAS Notice 626 on ‘Wire transfers’) should <u>not</u> apply to transfers involving digital CMP token transactions that are traded on an approved exchange or recognized market operator (“RMO”) licensed by the MAS (e.g. HG Exchange) where (i) the trading is executed by its trading members which are Capital Markets Services licensees or exempt CMS licensees (“CMI”) in Singapore, and (ii) by the client(s) of these CMS licensees or exempt holders. The reasons for this are as follows:</p> <p>(a) The clients of the CMIs would have gone through the necessary KYC required under the MAS AML Notice governing the trading members of the exchange or RMO.</p>

S/N	Respondent	Responses from Respondent
		<p>(b) Such trades in digital CMP tokens are not carried out anonymously, just as in the case of any capital market product transactions on an approved exchange like SGX.</p> <p>(c) We do <u>not</u> agree that para 112 of FATF Guidance on Risk Based Approach to Virtual Assets and Virtual Asset Service Providers - “In accordance with the functional approach of the FATF Recommendations, the requirements relating to wire transfers and related messages under Recommendation 16 apply to all providers of such services, including VASPs that provide services or engage in activities, such as VA transfers, that are functionally analogous to wire transfers” - applies in the context of trading and settlement of digital CMP tokens. Trade settlement for digital CMP token transactions on an exchange or RMO is very different from wire transfers. For example, when a trade takes place, the ‘value transfer’ happens when the digital CMP token is transferred to another financial institution (i.e. on behalf of the buyer in the trade). Before such value transfer can happen, the other party (i.e. the buyer) will have to pay for the digital CMP token. The process is similar to that for non-digital CMP transactions on an exchange such as SGX and the new paras 10A and 6.40A do not apply to non-digital CMPs and similarly should not apply to digital CMP token trades by clients of CMS licensees (or exempt CMS holders) on an approved exchange or RMO. Perhaps MAS could let us know how digital CMP token trades are functionally analogous to wire transfers so that we are able to better appreciate the policy intention of this new requirement being imposed on digital CMP token transactions, and not on traditional non-digital CMP transactions (eg CMP transactions or CMP transfers that take place on SGX).</p> <p>(2) If MAS proceeds with retaining the new paras 6.40A and 10A, we propose that the requirement in para 10A be less prescriptive if the policy intention is for the authorities to be able to trace the transfer. The requirement should state that the CMI should record adequate details of the value transfer so as to permit its reconstruction, including but not limited to, the date of the value transfer, the type and value of digital CMP token(s) transferred and the value date, instead of prescribing the details that each stage should contain and provide. As stated in (1) above, only clients of the CMI are allowed to trade and they are subjected to KYC requirements.</p> <p>(3) In relation to para 6.40A, read with para 6.40, we would like confirm that the CMI is not required to screen for value transfer</p>

S/N	Respondent	Responses from Respondent
		<p>originator or beneficiary if the CMI does not intend to or does not undertake any transaction for the person. For example, the CMI acts for the value transfer originator i.e. seller of the digital CMP token, the CMI is not required to screen the value transfer beneficiary because the CMI does not effect the transaction for the beneficiary i.e. the buyer of the digital CMP token. The other trading member on the exchange or RMO will be acting for the beneficiary.</p> <p>(4) We would like to clarify that in para 10A.6, which states that “...include in the message or that accompanies or relates to the value transfer the information required by paragraphs <u>10A.4(a) to 13.4(d)</u>”, there appears to be a typo where reference is made to ‘paragraphs 10A.4(a) to 13.4(d)’. It should be paragraphs 10A.4(a) to 10A.4(d)?</p>
7	Sumitomo Mitsui Banking Corporation Singapore Branch	<p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <ol style="list-style-type: none"> 1. In relation to para 15.7A of MAS 626, we would like to seek clarification as to whether MAS only expects sharing of STR information at group level of Singapore incorporated banks and if not, how the intention would be reflected for foreign bank branches 2. In relation to para 3.17 ii and iii, we would (i) like to clarify if the customers are corporates, whether the assessment and documentation can be done at policy level. As an example, if customers are listed corporates assessed as not being high risk, could the requirements not to have to collect Unique IDs and residential addresses for all customers in this category be a policy decision rather than one made for each customer on a case by case basis (ii) appreciate clarification or guidance on what MAS would consider as “after taking reasonable measures” and (ii) like to confirm that the assessment of the risk of the customer being “not high” does not refer to the overall customer risk rating but rather the risk in relation to being unable to obtain the information that is referred to 3. [Redacted]
8	The Northern Trust Company Singapore Branch (“TNTC SB”)	<p>Question 6: MAS seeks comments on the proposals to align existing AML/CFT requirements for banks, merchant banks, finance companies, credit card or charge card licensees and CMS licensees in relation to digital token transactions they conduct, with that for DPT service providers. The proposals are as follows:</p>

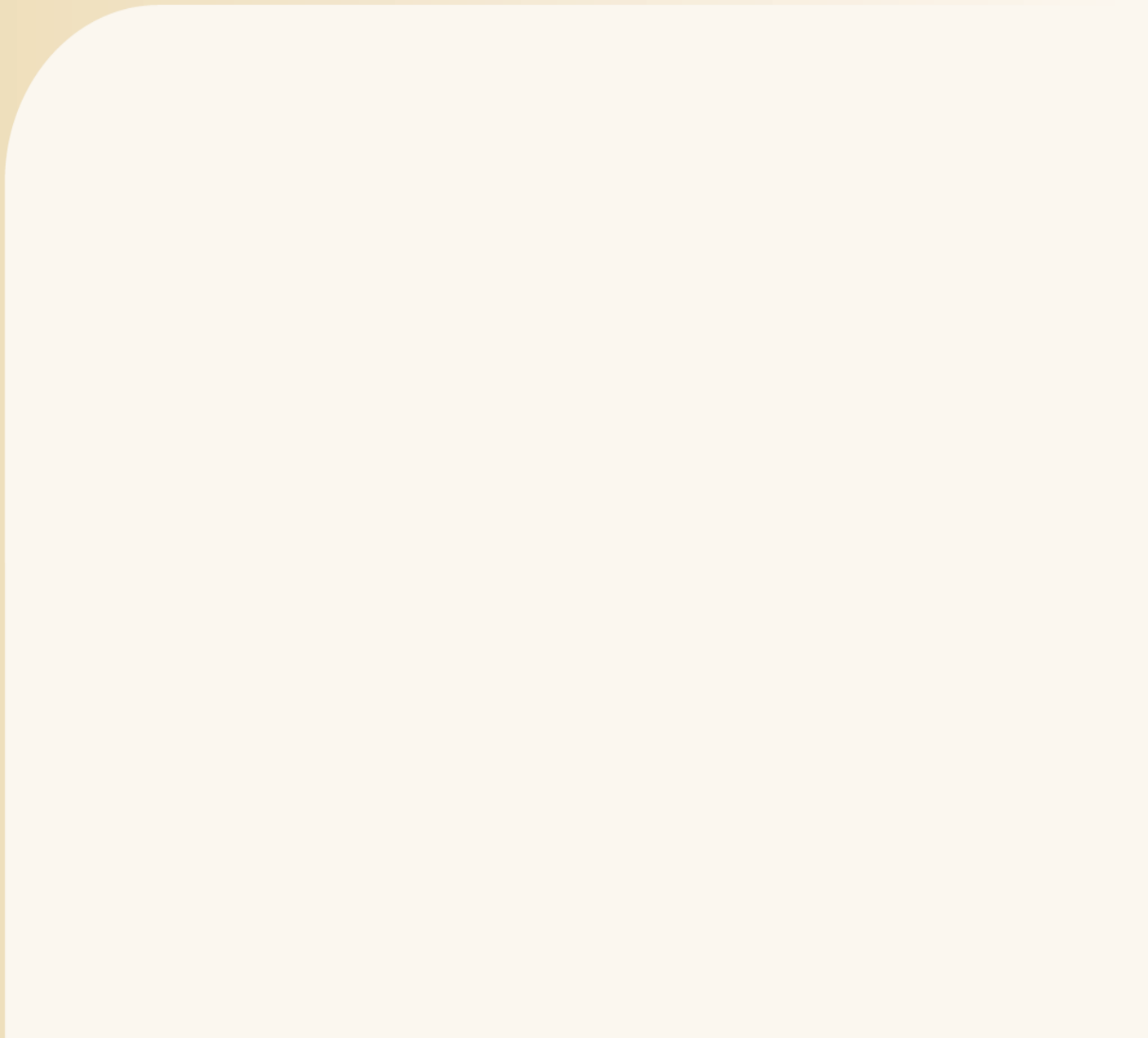
S/N	Respondent	Responses from Respondent
		<p>(a) No threshold for the application of CDD i.e. require CDD to be conducted from the first dollar, for occasional transactions involving DPTs or DCMPTs</p> <p>(b) Value Transfer Requirements for DPT or DCMPT Services</p> <p>(c) AML/CFT requirements in FI-specific Notice to apply to Digital Token Transactions</p> <p>(1) In paragraph 6.18 of Annex A(3) on the draft amended MAS Notice 626, the MAS is proposing to require banks to obtain the purpose and intended nature of business relations when undertaking a transaction without an account being opened.</p> <p>The Bank understands that ‘business relations’ as defined in MAS Notice 626 means –</p> <p>(a) the opening or maintenance of an account by the bank in the name of; or</p> <p>(b) the provision of financial advice by the bank to,</p> <p>a person (whether a natural person, legal person or legal arrangement).</p> <p>Hence, where banks undertake a transaction without an account being opened, the Bank would like to understand if the MAS’ intention is to requires banks to obtain the purpose and intended nature of the transaction instead of business relations.</p> <p>(2) In paragraph 6.20A of Annex A(3) on the draft amended MAS Notice 626, the MAS is proposing to require banks to perform enhanced risk mitigation measures where the transaction involves a transfer of a digital token to or a receipt of a digital token from an entity other than:</p> <p>(a) a financial institution as defined in section 27A(6) of the MAS Act; or</p> <p>(b) 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.</p> <p>The Bank would like to seek the MAS’ guidance on the details of the enhanced risk mitigation measures that banks may perform.</p> <p>(3) In paragraph 8.3 of Annex A(3) on the draft amended MAS Notice 626, the MAS is proposing to require banks to obtain approval</p>

S/N	Respondent	Responses from Respondent
		<p>from their senior management when undertaking any transaction without any account being opened for a customer where the customer or any beneficial owner of the customer is determined to be a politically exposed person, or a family member or close associate of a politically exposed person under paragraph 8.2.</p> <p>Where the transaction is time-sensitive, the Bank would like to seek the MAS' clarifications on whether the transaction can be undertaken prior to obtaining the senior management approval.</p> <p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <p>(1) In paragraph 6.11 of Annex A(3) on the draft amended MAS Notice 626, the MAS is proposing that banks be allowed to use electronic methods, as an alternative to a specimen signature, to verify that a natural person is the person authorized to act on the customer's behalf. The Bank would like to seek the MAS' guidance on the details of the electronic means of verification that banks may use.</p> <p>(2) In paragraph 6.11B of Annex A(3) on the draft amended MAS Notice 626, the MAS is proposing that where banks have obtained the business address of the natural person referred to in paragraph 6.11A, the banks are required to take reasonable measures to verify the business address using reliable, independent source data, documents or information.</p> <p>The Bank noted that [Redacted] banks need not verify the business address of the natural person appointed to act on behalf of the customer provided that the following conditions are met:</p> <p>(a) The customer is not of high ML/TF risk;</p> <p>(b) Reasonable attempts had been made to verify the business address and there are legitimate reasons for the customer not to provide the supporting documents for verification. The attempts made and assessment of the legitimacy of the reasons are documented; and</p> <p>(c) The other identification information are obtained and verified as required.</p> <p>The Bank would like to seek the MAS' clarifications on whether the exemption from verifying the business address of the natural person appointed to act on behalf of the customer [Redacted] will be allowed.</p>

S/N	Respondent	Responses from Respondent
		<p>(3) In paragraph 6.16 of Annex A(3) on the draft amended MAS Notice 626, the MAS is proposing to clarify that the exemption from inquiring about the beneficial ownership of a customer who is listed on the Singapore Exchange (“SGX”) cannot be relied on when the customer has been granted a waiver by SGX from the requirements relating to disclosure of its beneficial owners.</p> <p>The Bank would like to seek the MAS’ guidance on the appropriate measures to check whether a customer who is listed on SGX has been granted a waiver by SGX from the requirements relating to disclosure of its beneficial owners.</p>
9	Respondent A	<p>Question 1: MAS seeks comments on whether the above section provides a clear delineation between the scope of the proposed PSM Notice and the scope of the FI-specific AML/CFT Notice.</p> <p>Respondent A agrees it is clear.</p> <p>Question 2: MAS seeks comments on whether the proposed definition of “regulated dealing” is wide enough to encompass all PSM activities conducted by FIs, or whether FIs may conduct other business transactions involving PSMs that do not fall within the proposed definition of “regulated dealing”. Where applicable, please provide details of such business transactions that do not fall within the proposed definition of “regulated dealing”.</p> <p>i) Please refer to the table below for the product offerings. Will spot commodity trading where there is no physical delivery, be included or out of scope, as per earlier response from AMLD?</p>

S/N	Respondent	Responses from Respondent																												
		<table border="1" data-bbox="571 286 1375 1081"> <thead> <tr> <th data-bbox="571 286 842 342">PB Offering involving PSM:</th> <th data-bbox="847 286 991 342">Spot commodity trading (with physical delivery)</th> <th data-bbox="995 286 1182 342">Spot commodity trading (without physical delivery)</th> <th data-bbox="1187 286 1375 342">Structured products with PS/PM underlying (e.g. gold/silver linked SNs, OTC options)</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 349 842 365">Proposed definition of "regulated dealing":</td> <td data-bbox="847 349 991 365"></td> <td data-bbox="995 349 1182 365"></td> <td data-bbox="1187 349 1375 365"></td> </tr> <tr> <td data-bbox="571 371 842 405">(a) Manufacturing any precious stone, precious metal or precious product;</td> <td data-bbox="847 371 991 405"></td> <td data-bbox="995 371 1182 405"></td> <td data-bbox="1187 371 1375 405"></td> </tr> <tr> <td data-bbox="571 412 842 461">(b) Importing or possessing for sale any precious stone, precious metal or precious product;</td> <td data-bbox="847 412 991 461"></td> <td data-bbox="995 412 1182 461"></td> <td data-bbox="1187 412 1375 461"></td> </tr> <tr> <td data-bbox="571 468 842 607">(c) Selling or offering for sale any precious stone, precious metal or precious product;</td> <td data-bbox="847 468 991 607">✓</td> <td data-bbox="995 468 1182 607">?</td> <td data-bbox="1187 468 1375 607"></td> </tr> <tr> <td data-bbox="571 613 842 1025">(d) Selling or redeeming any asset-backed tokens; For the avoidance of doubt, securities, derivatives, commodity contracts and digital payment tokens would not be captured under the definition of "regulated dealing" as they are excluded from the definition of "asset-backed token". "Asset-backed token" in the proposed PSM Notice would be defined as "a token, certificate or other instrument backed by one or more precious stones, precious metals or precious products that entitles the holder to the precious stone, precious metal or precious product, or part of it, but <u>excludes</u> a. securities or derivatives contracts within the meanings of the Securities and Futures Act; b. commodity contracts within the meaning of the Commodity Trading Act; and c. digital payment tokens within the meaning of the PS Act.</td> <td data-bbox="847 613 991 1025"></td> <td data-bbox="995 613 1182 1025">As part of MAS' PSPM Data Collection request, MAS clarified that there is no need to include transactions of spot commodity trading where there is no physical delivery of the commodity. (3rd attachment)</td> <td data-bbox="1187 613 1375 1025">Securities/derivative contract regulated under the SFA; excluded from PSM Notice</td> </tr> <tr> <td data-bbox="571 1032 842 1081">(e) Purchasing any precious stone, precious metal or precious product for the purposes of resale.</td> <td data-bbox="847 1032 991 1081"></td> <td data-bbox="995 1032 1182 1081"></td> <td data-bbox="1187 1032 1375 1081"></td> </tr> </tbody> </table> <p data-bbox="555 1155 1382 1328">ii) Cash transaction reporting – request for more guidance on the prescribed time and how the Bank may submit such CTR to STRO, including the timeline to extend a copy to MAS. Can we also clarify if debit of the payment from customer's CASA or credit of proceeds to customer's CASA is also deemed as cash equivalent?</p> <p data-bbox="555 1402 1382 1503">Question 4: MAS seeks comments on the proposal to require FIs to perform CDD on all occasional transactions for which payment exceeds \$20,000 in value, regardless of the payment mode.</p> <p data-bbox="555 1529 1382 1659">Respondent A agrees with MAS, this is aligned with MAS Notice 626 6.3(b) to conduct CDD when undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the bank.</p> <p data-bbox="555 1738 1382 1839">Question 7: MAS seeks comments on the proposed requirement for FIs and VCCs to conduct enhanced CDD measures for customers that FIs and VCCs have assessed to be higher risk shell companies.</p> <p data-bbox="555 1865 1382 1921">Respondent A noted the indicators are qualitative nature, so we seek more guidance on operationalising this requirement from MAS.</p>	PB Offering involving PSM:	Spot commodity trading (with physical delivery)	Spot commodity trading (without physical delivery)	Structured products with PS/PM underlying (e.g. gold/silver linked SNs, OTC options)	Proposed definition of "regulated dealing":				(a) Manufacturing any precious stone, precious metal or precious product;				(b) Importing or possessing for sale any precious stone, precious metal or precious product;				(c) Selling or offering for sale any precious stone, precious metal or precious product;	✓	?		(d) Selling or redeeming any asset-backed tokens; For the avoidance of doubt, securities, derivatives, commodity contracts and digital payment tokens would not be captured under the definition of "regulated dealing" as they are excluded from the definition of "asset-backed token". "Asset-backed token" in the proposed PSM Notice would be defined as "a token, certificate or other instrument backed by one or more precious stones, precious metals or precious products that entitles the holder to the precious stone, precious metal or precious product, or part of it, but <u>excludes</u> a. securities or derivatives contracts within the meanings of the Securities and Futures Act; b. commodity contracts within the meaning of the Commodity Trading Act; and c. digital payment tokens within the meaning of the PS Act.		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S/N	Respondent	Responses from Respondent
		<p>Question 10: MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.</p> <p>i) Will para 6-5-1 (Guidelines to Notice 626) be revised i.e. a bank may verify the identities of connected parties using risk-based approach?</p> <p>ii) Para 6.8(b) appears to be an incremental requirement/expectation i.e. FI should document the attempts as well as its assessment on the legitimacy of these reasons for the customer not to provide the required identifier. Kindly re-evaluate as the expectation in the planned amendment is more feasible.</p> <p>iii) Similar to Point ii, what is MAS's expectations on the extent of documentation of the results of the assessment for para 6.11 (c).</p> <p>iv) Para 6.16 (c) How can banks check if a waiver has or has not been granted by SGX from the requirements relating to disclosure of its BOs? Is such information readily available for banks to check? Is there a list on SGX that have been granted this exemption?</p> <p>v) Para 6.32 (e) This is not possible for those unsolicited transfers because of the nature of blockchain.</p> <p>vi) Para 8.6 (c) poses difficulty in operationalising the requirements in full.</p> <ul style="list-style-type: none"> ▪ For start-ups, there may not be ongoing, apparent or visible operation or business activity ▪ To define "substantive financial activity". Do also note that PICs in Private Banking would not typically have business activity.



Monetary Authority of Singapore