

CONSULTATION PAPER

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Consultation Paper 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

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1 Preface

1.1 The Monetary Authority of Singapore (“MAS”) imposes anti-money laundering and countering the financing of terrorism (“AML/CFT”) measures on financial institutions (“FIs”) and variable capital companies (“VCCs”) through its AML/CFT Notices. In order to enhance the mitigation of money laundering and terrorism financing (“ML/TF”)¹ risks in the financial sector, MAS proposes to:

- (a) issue a new AML/CFT Notice for FIs² in the conduct of their operations and business activities in precious stones, precious metals and precious products (“PSM”); and
- (b) update MAS’ existing AML/CFT Notice, for FIs and VCCs.

1.2 MAS invites comments from:

- (a) All FIs licensed, approved, authorised, designated, recognised, registered or otherwise regulated by MAS
- (b) All VCCs under the purview of MAS for AML/CFT obligations
- (c) Other interested parties - members of the public, consumer associations, government agencies, audit firms, law firms, trade associations, non-profit organisations, and other parties who may be impacted by or interested in the proposals.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like:

- (i) their whole submission or part of it (but not their identity), or**
- (ii) their identity along with their whole submission,**

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any

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.

² The new AML/CFT Notice for FIs in the conduct of PSM activities do not apply to VCCs. Section 15 of the VCC Act states that “the sole object of a VCC is to be one or more collective investment schemes in the form of a body corporate”. Hence, they do not carry out regulated dealings as defined in the proposed PSM Notice.

submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.3 Both the new AML/CFT Notice for PSM activities for FIs (the “PSM Notice”) and the amendments to the existing AML/CFT Notices will come into force in 4Q 2021.

1.4 Please submit written comments by **10 August 2021** to –

Anti-Money Laundering Department
The Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62203973
Email: amlcft_consult@mas.gov.sg

1.5 Electronic submission is encouraged. We would appreciate that you use the prescribed format for your submission to ease our collation efforts.

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

2.1 The Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019 (No. 7 of 2019) (“PSPM Act”) was passed by Parliament on 11 February 2019. Under the Precious Stones and Precious Metals (Exempt Persons) Order 2019, FIs that deal in PSMs are exempt from registration with the Ministry of Law (“MinLaw”) under Part 2 of the PSPM Act and the AML/CFT requirements in Sections 16, 17(3), 18, 19, 20 and 21 of the PSPM Act. The intention is to streamline the regulation and oversight of PSM activities by FIs under the purview of the MAS.

2.2 To ensure consistency in the AML/CFT requirements across all FIs dealing in PSMs, MAS proposes to issue a new Notice pursuant to the Monetary Authority of Singapore Act (Cap. 186) (“MAS Act”) instead of expanding the requirements in the existing AML/CFT Notices to apply to the FIs’ PSM activities. This approach is taken as the AML/CFT requirements for FIs’ PSM activities cannot be neatly addressed by those existing Notices, and since the majority of FIs do not deal with PSM activities, these AML/CFT requirements for the FIs’ PSM activities would not be relevant for the majority of FIs. The draft PSM Notice is set out in Attachment A(1). The definitions of the terms used in this PSM Notice will closely mirror those of the PSPM Act to reflect the policy alignment between MinLaw’s AML/CFT requirements for the PSM dealers under MinLaw’s purview and MAS’ AML/CFT requirements for the FIs under MAS’ purview.

2.3 We have identified certain aspects of the PSM Notice for consultation:

(a) Scope of the Notice

2.4 The proposed PSM Notice will apply to all FIs which carry on the business of regulated dealing in PSM or as an intermediary for regulated dealing in PSM. For avoidance of doubt, FIs will also have to comply with their existing AML/CFT Notices that are applicable to them (“FI-specific AML/CFT Notice”) with respect to their other financial activities and customers which are not covered under the PSM Notice.

2.5 Accordingly, paragraphs 1.2 and 1.3 of the proposed PSM Notice state that:

Pursuant to section 178 of the MAS Act, a person as described in the first column of Table 1 shall be exempt from the requirements of the corresponding AML/CFT Notice as set out in the second column of Table 1, only to the extent that such requirements relate to the carrying on of a business of regulated dealing or as an intermediary for regulated dealing.

For the avoidance of doubt, a person as described in the first column of Table 1 shall continue to comply with MAS Notice PSM-N01 in relation to the carrying on of a business of regulated dealing or as an intermediary for regulated dealing.

Table 1

<i>First column</i>	<i>Second column</i>
<i>Person</i>	<i>Notice</i>
<i>(a) A bank licensed under the Banking Act (Cap. 19)</i>	<i>MAS Notice 626</i>
<i>(b) A merchant bank in Singapore licensed under the Banking Act</i>	<i>MAS Notice 1014</i>
<i>(c) A finance company licensed under the Finance Companies Act (Cap. 108)</i>	<i>MAS Notice 824</i>
<i>(d) A person licensed to carry on the business of issuing credit cards or charge cards in Singapore under Section 57B of the Banking Act</i>	<i>MAS Notice 626A</i>
<i>(e) A holder of a capital markets services licence under the Securities and Futures Act (Cap. 289) ("SFA")</i> <i>(f) 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) ("SF(LCB)R")</i> <i>(g) A person exempted under paragraph 3(1)(d), 3A(1)(d) and 7(1)(b) of the Second Schedule to the SF(LCB)R from the requirement to hold a capital markets services licence</i>	<i>MAS Notice SFA04-N02</i>
<i>(h) A licensed financial adviser under the Financial Advisers Act (Cap. 110) ("FAA")</i> <i>(i) A registered insurance broker which is exempt under section 23(1)(c) of the FAA, from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service</i> <i>(j) A person exempt under section 23(1)(f) of the FAA read with regulation 27(1)(d) of the Financial Advisers Regulations (Rg. 2), from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service</i>	<i>MAS Notice FAA-N06</i>
<i>(k) A holder of a licence under the Payments Services Act 2019 ("PS Act") that carries on the business of providing a specified payment</i>	<i>MAS Notice PSN01</i>

<p><i>service (as defined under MAS Notice PSN01)</i></p> <p><i>(l) A person exempt under section 13(1) of the PS Act where such person offers a specified product (as defined under MAS Notice PSN01)</i></p>	
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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.

(b) Definition of “regulated dealing”

2.6 MAS proposes that the scope of the PSM Notice be aligned with the scope of the AML/CFT provisions in the PSPM Act which covers “regulated dealing” as defined in Section 2 of the PSPM Act. Thus, the definition of “regulated dealing” in the PSM Notice is aligned with that in the PSPM Act and defined as doing any of the following:

- (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;
- (e) Purchasing any precious stone, precious metal or precious product for the purposes of resale.

2.7 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 **excludes** —

- (a) securities or derivatives contracts within the meanings of the Securities and Futures Act (Cap. 289);
- (b) commodity contracts within the meaning of the Commodity Trading Act (Cap. 48A); and
- (c) digital payment tokens within the meaning of the PS Act.

2.8 MAS would like to seek feedback on whether the 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”.

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”.

(c) Customer Due Diligence Requirements

2.9 Under the proposed PSM Notice, FIs would be required to perform customer due diligence (“CDD”) when:

- (a) The FI establishes an account relationship with any customer;
- (b) The FI undertakes a relevant business transaction³ for any customer who has not otherwise established an account relationship with the FI;
- (c) There is a suspicion of money laundering or terrorism financing, notwithstanding that the FI would not otherwise be required by the PSM Notice to perform the measures as required by paragraphs 6, 7 and 8⁴; or
- (d) The FI has doubts about the veracity or adequacy of any information previously obtained.

(i) When the FI establishes an account relationship with any customer

2.10 MAS notes that FIs may allow customers to (i) open an account solely for the purpose of any regulated dealing (as defined in paragraph 2.6 above), or (ii) use the customers’ existing accounts opened for the purpose of other business activities for any regulated dealing. In both scenarios, the FI should comply with the PSM Notice in respect of its regulated dealings, and the

³ In summary, “relevant business transaction” means any of the following transactions conducted wholly or partly in Singapore:

- (a) sale(s) of any PSM or asset-backed token in a single day by the FI to the same customer, or to customers whom the FI knows act on behalf of the same person, for which the payment exceeds \$20,000;
- (b) purchase(s) of any PSM in a single day by the FI, from the same customer, or customers whom the FI knows act on behalf of the same person (where none of the customers or such person is a FI or PSM dealer regulated by MinLaw), for which the payment exceeds \$20,000;
- (c) redemption(s) of any asset-backed token in a single day by the FI from the same customer, or customers whom the FI knows act on behalf of the same person (where none of the customers or such person is a FI or PSM dealer regulated by MinLaw), for which the payment exceeds \$20,000;

Please refer to draft PSM-N01, as set out in Attachment A(1), for the full definition.

⁴ This refers to exemptions from the requirements for customer due diligence, simplified customer due diligence and enhanced customer due diligence. Such exemptions apply in low risk scenarios where, for example, FIs are not required to inquire if there exists any beneficial owner in relation to a customer.

applicable FI-specific AML/CFT Notice in respect of its other business activities that are regulated under the FI-specific AML/CFT Notice⁵. For example, a capital markets services (“CMS”) licensee that allows customers to use the same account for dealing in both securities and PSMs would have to comply with MAS Notice SFA 04-N02 with respect to its securities dealings, and the PSM Notice for its regulated dealings. To reflect these two scenarios, MAS proposes to define “account relationship” in the PSM Notice as:

- (a) the opening or maintenance of an account in the name of a person (whether a natural person, legal person or legal arrangement) by a FI for the purpose of any regulated dealing; or
- (b) the use of an existing account with a FI in the name of a person (whether a natural person, legal person or legal arrangement) for the purpose of any regulated dealing by the FI with that person.

Question 3. MAS seeks comments on whether FIs would, in practice, use the same account for both regulated dealing and its other business activities with the same customer, and if so, whether the proposed definition of “account relationship” reflects this practice and clarifies that the relevant AML/CFT Notice which the FI has to comply with depends on the underlying business activity with that customer.

(ii) When the FI undertakes an occasional PSM transaction exceeding \$20,000 in value

2.11 Both PSM dealers and FIs may undertake occasional transactions in PSM for customers where account relationships may not be established. However, MAS recognises that there are differences between PSM dealers regulated by MinLaw and FIs in the way they carry out regulated dealing. PSM dealers may deal more with cash payments while MAS notes that FIs are likely to deal mainly with other electronic forms of payment instead of cash payments.

2.12 Thus, whilst PSM dealers are required to perform CDD for occasional PSM transactions when the payment received in cash or cash equivalent exceeds \$20,000 in value, the proposed PSM Notice would require FIs to perform CDD on all occasional PSM transactions for which payment exceeds \$20,000 in value, regardless of the payment mode. This is in line with MAS’ existing requirements for occasional transactions generally – for instance, MAS Notice 626 requires banks to perform CDD whenever the bank undertakes any transaction of a value exceeding S\$20,000 for any customer who has not otherwise established business relations with the bank, regardless of the payment mode.

⁵ The requirements in the PSM Notice differ from those of other MAS’ AML Notices, in areas such as cash transaction reporting for designated transactions (which is required for all entities with dealings in PSMs), and review of relevant business transactions undertaken without an account being opened.

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.

(d) Requirements pertaining to Correspondent Accounts and Wire Transfers

2.13 MAS proposes not to include AML/CFT requirements pertaining to correspondent accounts and wire transfers in the PSM Notice as we have assessed that these concepts are not relevant in the context of regulated dealings. Nonetheless, we note that some FIs may facilitate wire transfers for payment purposes in the conduct of their PSM operations and business activities. In such a scenario, these wire transfers are part of the FIs' other business activities and would fall within the scope of their FI-specific AML/CFT Notices.

Question 5. MAS seeks comments on whether the concepts of correspondent accounts and wire transfers apply to regulated dealing, and if so, whether the AML/CFT requirements relating to correspondent accounts and wire transfers should be included in the PSM Notice.

3 Amendments to Existing MAS AML/CFT Notices

3.1 MAS seeks to amend the AML/CFT Notices to ensure that the AML/CFT requirements for all FIs and VCCs continue to be effective in mitigating and managing the evolving ML/TF risks in Singapore's financial sector. MAS invites comments on these amendments, in particular, those highlighted below. Annex B sets out a broad overview of all the proposed amendments to the AML/CFT Notices, and Annex C sets out the corresponding Attachment No. of the draft amended AML/CFT Notices.

Digital Token Services by Banks, Merchant Banks, Finance Companies, Credit Card or Charge Card Licenses and CMS Licensees

3.2 With the commencement of the PS Act on 28 January 2020, MAS issued MAS Notice PSN02⁶ to set out the AML/CFT requirements for Digital Payment Token ("DPT") service providers. However, banks, merchant banks, finance companies and credit card or charge card licensees are exempt payment service providers (as defined in the PS Act) and are thus exempted from licensing under the PS Act, in respect of the DPT services they provide. Hence, these exempt payment service providers are not subject to the AML/CFT requirements under MAS Notice PSN02.

3.3 In addition to providing DPT services, banks, merchant banks and finance companies may also conduct activities in relation to digital tokens that are capital markets products as defined in section 2(1) the SFA ("DCMPTs"). Dealing in DCMPTs is a regulated activity under the SFA and

⁶ MAS Notice on the Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (Digital Payment Token Service) ("PSN02")

entities that carry on business in any regulated activity are generally required to hold a CMS licence for that regulated activity, and hence subject to the AML/CFT requirements in MAS Notice SFA04-N02. However, banks, merchant banks and finance companies are exempted from licensing under the SFA in respect of the regulated activities in the SFA which they carry out, and hence, are not subject to the AML/CFT requirements in MAS Notice SFA04-N02. Nonetheless, these FIs are required to comply with the requirements in their respective FI-specific AML/CFT Notices for all the services and products they provide, including those that they are exempted from licensing for⁷. This would include requirements that apply to DPT services and transactions relating to DCMPTs⁸, following the proposed amendments to the FI-specific AML/CFT Notices as explained below.

3.4 While the AML/CFT requirements are generally aligned across the FI-specific AML/CFT Notices, including MAS Notice PSN02, there are specific AML/CFT requirements in MAS Notice PSN02 that would apply to services and transactions undertaken by FIs that relates to DPTs or DCMPTs. These requirements take into account the higher inherent ML/TF risks posed by the speed, anonymity and cross-border nature of digital token transactions, as well as, the international standards set by the Financial Action Task Force⁹ (“FATF”). As such, MAS intends to introduce AML/CFT requirements relating to services and transactions involving DPTs and DCMPTs in the respective FI-specific AML/CFT Notices that apply to banks, merchant banks, finance companies, credit card or charge card licensees, and CMS licensees. This would ensure that the banks, merchant banks, finance companies, credit card or charge card licensees, and CMS licensees comply with those AML/CFT requirements, when carrying out services and transactions involving DPTs and/or DCMPTs.

(a) CDD for occasional Transactions undertaken by Banks, Merchant Banks, Finance Companies, Credit Card or Charge Card Licensees and CMS Licensees in relation to DPT and/or DCMPT transactions

3.5 Given the inherently higher ML/TF risks posed by digital token transactions, MAS Notice PSN02 currently requires all holders of a payment service licence that carry on a business of providing a DPT service to conduct CDD from the first dollar for occasional transactions (i.e. transactions undertaken by an FI for any customer who has not otherwise established an account

⁷ FIs and VCCs that are not exempted under the PS Act or SFA, for DPT services or DCMPT activities, will need to be licensed under these respective Acts and comply with MAS Notice SFA04-N02 and/or MAS Notice PSN02 if they conduct DPT services and/or DCMPT activities.

⁸ For example, a bank should comply with MAS Notice 626 in respect of the products and services they provide. Similarly, a finance company should comply with MAS Notice 824 in respect of the products and services they provide.

⁹ The FATF adopted enhanced Standards and issued Guidance in June 2019, to clarify how the FATF Standards apply to virtual assets and virtual assets service providers. The FATF Guidance for a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers is available on the MAS website: <https://www.mas.gov.sg/regulation/external-publications/fatf-guidance-for-a-risk-based-approach-for-vas-and-vasps>

relationship with the FI). There could be instances of occasional transactions, for example, where DPTs are sold through kiosks, such as a Bitcoin automated teller machine, although the largely internet-based nature of digital token transactions suggests that customers would typically have to establish an account relationship with the service provider in order to proceed with the transaction.

3.6 MAS proposes to introduce the same requirement for banks, merchant banks, finance companies and credit card or charge card licensees, in relation to DPT transactions; and for banks, merchant banks, finance companies and CMS licensees, in relation to transactions involving DCMPTs. This means that for occasional transactions involving DPTs or DCMPTs, we propose to require CDD to be conducted from the first dollar, i.e. there is no minimum threshold below which the AML/CFT requirements would not apply.

(b) Value Transfer Requirements for Banks, Merchant Banks, Finance Companies, Credit Card or Charge Card Licensees and CMS Licensees

3.7 MAS Notice PSN02 currently requires all holders of a payment service licence that carry on a business of providing a DPT service to comply with value transfer requirements when they transmit or arrange for the transmission of DPTs for its customers. DPT service providers are required to collect and document requisite originator and beneficiary information on DPT transfers, and immediately and securely submit these information to beneficiary DPT service providers. Where licensees are the recipients of DPT transfers, the licensee should collect and document the requisite originator and beneficiary information. The originator and beneficiary information as described above should be made available on request to relevant authorities. In addition, a DPT service provider must screen the value transfer originators and beneficiaries, even if they have not otherwise established business relations with the DPT service provider, against relevant information sources, to identify and mitigate against its ML/TF risks¹⁰. These requirements are similar to the requirements on wire transfers that have been imposed on FIs when they effect the sending and receiving of funds by wire transfer.

3.8 In line with the FATF standards, MAS proposes to impose the same requirements as those in MAS Notice PSN02 on banks, merchant banks, finance companies and credit card or charge card licensees in their respective FI-specific AML/CFT Notice, when they transmit or arrange for the transmission of DPTs on behalf of customers. MAS also proposes to impose the same requirements as those in MAS Notice PSN02 with regard to DCMPT transfers on banks, merchant banks, finance companies and CMS licensees in their respective FI-specific AML/CFT Notice, given that banks, merchant banks and finance companies do not need to comply with MAS

¹⁰ Such screening is also relevant to comply with 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.

Notice SFA04-N02 when conducting any regulated activities under the SFA in relation to DCMPTs, including DCMPT transfers.

(c) 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

3.9 Digital token transactions are transactions accepted, processed or executed by the FI in the course of carrying on its business of providing a DPT service, a DPT transfer service or a DPT custodian wallet service, or in the course of conducting any regulated activities under the SFA in relation to DCMPTs.

3.10 As banks, merchant banks, finance companies, credit card or charge card licensees and CMS licensees may carry out digital token transactions, MAS proposes to clarify that the AML/CFT requirements in the FI-specific AML/CFT Notices will similarly apply to such digital token transactions conducted by these FIs for their customers by making references to digital token transactions at the relevant paragraphs of the AML/CFT Notices. These paragraphs relate to, amongst others, Assessing ML/TF Risks and Applying a Risk-Based Approach, Customer Due Diligence, Simplified Customer Due Diligence, Enhanced Customer Due Diligence and Suspicious Transactions Reporting.

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:

- (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
- (b) Value Transfer Requirements for DPT or DCMPT Services
- (c) AML/CFT requirements in FI-specific Notice to apply to Digital Token Transactions

Proposed Requirement of Enhanced CDD measures for Higher Risk Shell Companies

3.11 On 25 June 2019, MAS published a Guidance Paper¹¹ which sets out MAS' supervisory expectations of FIs' controls to address risks from misuse of legal persons. The paper highlighted common typologies, red flags, as well as, control measures and good practices that FIs and VCCs should adopt to mitigate such risks. MAS observed that the misuse of legal persons continue to be a priority risk focus for Singapore and internationally.

¹¹ "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/Effective-Practices-to-Detect-and-Mitigate-the-Risk-from-Misuse-of-Legal-Persons-June-2019.pdf

3.12 Hence, to strengthen the financial industry's defences against the misuse of legal persons, MAS proposes to require 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. This is consistent with MAS' expectation for FIs and VCCs to adopt a risk-based approach to AML/CFT measures by imposing tighter controls on higher-risk customers while not imposing an undue burden on other customers.

3.13 To provide FIs and VCCs with additional guidance on what types of customers could be considered Higher Risk Shell Companies, MAS will set out examples of unusual transactions and behavioural red flags in the respective AML/CFT Guidelines accompanying the Notices. These examples are provided in Annex D. However, in view of the evolving risks and typologies for misuse of legal persons, FIs and VCCs should note that these indicators are neither prescriptive nor exhaustive, and thus, they should remain alert in identifying customers exhibiting novel suspicious behaviour. FIs and VCCs should also pay attention to advisories, guidance, circulars and other alerts by MAS and the Commercial Affairs Department of the Singapore Police Force, that provide information on emerging typologies.

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.

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

3.14 Credit card or charge card licensees are exempted from holding a separate licence under the PS Act to provide payment services such as cross-border money transfer service. As exempt payment service providers (as defined in the PS Act), credit card or charge card licensees that perform payment services will not have to comply with MAS Notice PSN01¹², which is the AML/CFT Notice that applies to PS Act licensees providing specified payment services. They are, however, required to comply with their FI-specific AML/CFT Notice, i.e., MAS Notice 626A, in respect of their payment services.

3.15 To align MAS Notice 626A with the requirements under MAS Notice PSN01 in relation to payment services and better mitigate the ML/TF risks that may arise from credit card or charge card licensees providing payment services, MAS proposes to introduce requirements pertaining to wire transfers and correspondent accounts within MAS Notice 626A.

¹² Notice on the Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Service Licence (Specified Payment Service) ("PSN01")

Question 8. MAS seeks comments on the proposal to introduce Wire Transfer and Correspondent Account Requirements within MAS Notice 626A.

Proposed Requirement of Disclosure to Designated Non-Financial Businesses and Professions¹³ (“DNFBP”s) and VCCs for Licensed Trust Companies (“LTC”s) and Approved Trustees (“AT”s)

3.16 MAS currently requires LTCs and ATs to disclose that they are acting as trustees when they establish any business contact with FIs in Singapore or elsewhere. This is to help FIs identify the Beneficial Owners (“BOs”) of trust arrangements and take the appropriate risk mitigation measures. Filing Agents, Lawyers, Accountants, Real Estate Agents and certain other non-financial businesses and professions (collectively, “DNFBPs”) and VCCs are also key gatekeepers in preventing ML/TF. MAS therefore proposes to extend this requirement for LTCs and ATs to also disclose to DNFBPs, in Singapore or elsewhere, and VCCs, that the LTCs and ATs are acting as trustees.

Question 9. MAS seeks comments on the following:

- (a) Proposed definition of DNFBP within MAS Notices TCA-N03 and SFA13-N01.
- (b) Proposed requirement in MAS Notices TCA-N03 and SFA13-N01 for LTCs and ATs respectively to disclose to DNFBPs and VCCs when they act as trustees.

Other Proposed Clarificatory Amendments

3.17 MAS proposes to make the following clarificatory amendments in the AML/CFT Notices:

- i. MAS has long recognised that sharing of AML/CFT information within an FI’s financial group is important in allowing the financial group to exercise better internal controls holistically, which improves the quality of decision-making on due diligence, transaction monitoring and suspicious transaction reporting. MAS has also encouraged FIs to adopt such good practices. Therefore, in line with the revised FATF’s guidance on private sector information sharing, MAS had reiterated on its website¹⁴ the types of relevant information that FIs had been permitted to share with branches and subsidiaries in the same financial group. In addition, for the avoidance of doubt, MAS intends to explicitly specify in AML/CFT Notices containing requirements in relation to group policy, that group-wide sharing of the underlying analysis of an STR is permitted for risk-management purposes, subject to adequate safeguards to protect the confidentiality and ensure appropriate use of the information shared.

¹³ Please refer to <https://www.fatf-gafi.org/glossary/d-i> for more information on DNFBPs.

¹⁴ MAS Website Explanation on FATF Guidance on Private Sector Information Sharing and Revised INR.18 (05 March 2018), which is available at <https://www.mas.gov.sg/regulation/external-publications/fatf-guidance-on-private-sector-information-sharing-and-revised-inr18>

- ii. Where an FI or a VCC (a) has assessed that the ML/TF risk of a customer or trust relevant party is not high, and (b) is unable to obtain the unique identification number¹⁵ of the connected party of the customer or trust relevant party after taking reasonable measures, the FI may obtain the date of birth and nationality of the connected party, in lieu of the unique identification number. The FI or VCC shall document the results of its assessment in (a) and all measures taken under (b).
- iii. Where an FI or a VCC (a) has assessed that the ML/TF risk of a customer or trust relevant party is not high, and (b) is unable to obtain the residential address of the natural person who acts or is appointed to act on behalf of the customer or trust relevant party after taking reasonable measures, the FI may obtain the business address of such natural person, in lieu of the residential address. The FI or VCC shall document the results of its assessment in (a) and all measures taken under (b).
- iv. Given the growing prevalence of electronic means of verification, MAS proposes to afford FIs and VCCs greater flexibility by allowing the use of 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.
- v. FIs and VCCs are currently exempted from inquiring about the BO of a customer, where the customer is an entity listed on the Singapore Exchange ("SGX"). This is because these entities are already subject to the SGX Rules¹⁶, including that on disclosure of investors and BOs. MAS intends to clarify that this exemption cannot be relied on when the customer has been granted a waiver by SGX from the requirements relating to disclosure of its BOs.
- vi. Paragraph 6.16(g) of MAS Notice SFA04-N02 exempts a CMS licensee from having to inquire if there exists any BO in relation to a customer that is an investment vehicle (e.g. fund), where the CMS licensee is not the primary manager, but rather, provides services to the investment vehicle as a sub-manager or sub-advisor. This takes into account the fact that the primary manager of the investment vehicle would have carried out checks on the investment vehicle's or customer's BO. MAS proposes to clarify that, where the CMS licensee itself is the primary manager, it cannot avail itself of the exemption. The same clarification will be set out in the respective AML/CFT notices for banks, direct life insurers (but only in respect of fund management for the purposes of carrying out insurance business) and finance companies because these FIs may be the primary manager of such investment vehicles.

Question 10. MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.

¹⁵ Examples of Unique Identification Numbers include 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.

¹⁶ Singapore Exchange Rulebooks, <https://www.rulebook.sgx.com>

ANNEX A – LIST OF QUESTIONS

- 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..... 7
- 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”.8
- Question 3.** MAS seeks comments on whether FIs would, in practice, use the same account for both regulated dealing and its other business activities with the same customer, and if so, whether the proposed definition of “account relationship” reflects this practice and clarifies that the relevant AML/CFT Notice which the FI has to comply with depends on the underlying business activity with that customer...9
- 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.....10
- Question 5.** MAS seeks comments on whether the concepts of correspondent accounts and wire transfers apply to regulated dealing, and if so, whether the AML/CFT requirements relating to correspondent accounts and wire transfers should be included in the PSM Notice.10
- 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:.....13
- (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..... 13
 - (b) Value Transfer Requirements for DPT or DCMPT Services13
 - (c) AML/CFT requirements in FI-specific Notice to apply to Digital Token Transactions 13
- 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.14

Question 8.	MAS seeks comments on the proposal to introduce Wire Transfer and Correspondent Account Requirements within MAS Notice 626A.	15
Question 9.	MAS seeks comments on the following:.....	15
(a)	Proposed definition of DNFBP within MAS Notices TCA-N03 and SFA13-N01.	15
(b)	Proposed requirement in MAS Notices TCA-N03 and SFA13-N01 for LTCs and ATs respectively to disclose to DNFBPs and VCCs when they act as trustees.....	15
Question 10.	MAS seeks comments on the proposed clarificatory amendments to the MAS AML/CFT Notices.....	16

ANNEX B – OVERVIEW OF AMENDMENTS TO EXISTING MAS AML/CFT NOTICES

S/N	Proposed Amendment (Paragraph No. in Consultation Paper)	Relevant MAS Notices
1	Digital Token Services by Banks, Merchant Banks, Finance Companies, Credit Card or Charge Card Licenses and Capital Markets Services Licensees (3.1-3.10)	626, 626A, 824, 1014, SFA04-N02
2	Proposed Requirement of Enhanced CDD measures for Higher Risk Shell Companies (3.11-3.13)	314, 626, 626A, 824, 1014, FAA-N06, SFA03AA-N01, SFA04-N02, SFA13-N01, PS-N01, PS-N02, TCA-N03, VCC-N01
3	Proposed Wire Transfer and Correspondent Account Requirements for Credit Card or Charge Card Licensees (3.14-3.15)	626A
4	Proposed Requirement of Disclosure to DNFBPs and VCCs for Licensed Trust Companies and Approved Trustees (3.16)	SFA13-N01, TCA-N03
5	Clarification Amendment to Group Policy Requirements (3.17(i))	314, 626, 824, 1014, FAA-N06, SFA04-N02, SFA13-N01, TCA-N03, VCC-N01
6	Clarificatory Amendment to Identification & Verification of Customer Requirements (3.17(ii)-3.17(iv))	626, 1014, TCA-N03, 314, 824, 626A, FAA-N06, SFA04-N02, SFA13-N01, PS-N01, PS-N02, SFA03AA-N01, VCC-N01
7	BO Exemption relating to Entity listed on Singapore Exchange (3.17(v))	314, 626, 626A, 824, 1014, FAA-N06, SFA03AA-N01, SFA04-N02, SFA13-N01, PS-N01, PS-N02, TCA-N03, VCC-N01
8	BO Exemption relating to Primary Manager of Investment Vehicle (3.17(vi))	314, 626, 824, 1014, SFA04-N02

ANNEX C – INDEX OF EXISTING MAS AML/CFT NOTICES AND NEW NOTICE PSM-N01

S/N	Notices	New / Existing	Additional Documents - Attachment No.
1	MAS Notice PSM-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism - FIs dealing in Precious Stones, Precious Metals and Precious Products	New	A(1)
2	MAS Notice 314 – Prevention of Money Laundering and Countering the Financing of Terrorism – Direct Life Insurers	Existing	A(2)
3	MAS Notice 626 - Prevention of Money Laundering and Countering the Financing of Terrorism – Banks	Existing	A(3)
4	MAS Notice 626A – Prevention of Money Laundering and Countering the Financing of Terrorism – Credit Card or Charge Card Licensees	Existing	A(4)
5	MAS Notice 824 – Prevention of Money Laundering and Countering the Financing of Terrorism – Finance Companies	Existing	A(5)
6	MAS Notice 1014 – Prevention of Money Laundering and Countering the Financing of Terrorism – Merchant Banks	Existing	A(6)
7	MAS Notice FAA-N06 – Prevention of Money Laundering and Countering the Financing of Terrorism – Financial Advisers	Existing	A(7)
8	MAS Notice PS-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (Specified Payment Services)	Existing	A(8)
9	MAS Notice PS-N02 – Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (Digital Payment Token Service)	Existing	A(9)
10	MAS Notice SFA03AA-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – The Depository	Existing	A(10)
11	MAS Notice SFA04-N02 - Prevention of Money Laundering and Countering the Financing of Terrorism - CMLs	Existing	A(11)
12	MAS Notice SFA13-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Approved Trustees	Existing	A(12)
13	MAS Notice TCA-N03 – Prevention of Money Laundering and Countering the Financing of Terrorism – Trust Companies	Existing	A(13)
14	MAS Notice VCC-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Variable Capital Companies	Existing	A(14)

**ANNEX D – PROPOSED AMENDMENT TO GUIDELINES TO ALL AML/CFT NOTICES TO
INCLUDE CHARACTERISTICS OF A HIGHER RISK SHELL COMPANY**

Proposed Amendment (in red) to Guidelines to (for example) MAS Notice 626	
8-1	Where the ML/TF risks are identified to be higher, a bank shall take enhanced CDD (“ECDD”) measures to mitigate and manage those risks.
8-2	Examples of potentially higher risk categories under paragraph 8.7 of the Notice include —
(a)	<p><u>Customer risk</u></p> <p>(i) customers from higher risk businesses / activities / sectors identified in Singapore’s NRA, as well as other higher risk businesses / activities / sectors identified by the bank;</p> <p>(ii) where the bank assesses that the customer exhibits characteristics of a higher risk shell company, including but not limited to:</p> <ul style="list-style-type: none"> • unclear economic purpose for requiring bank accounts in Singapore; • unclear economic purpose for a common individual / address linked to multiple companies; • unrelated third parties added to operate account after account opening; • unusual change of corporate structure / BO after account opening; • suspicious transactions which are not in line with bank’s understanding of customer; or • superficial corporate websites inconsistent with scale of business; <p>(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;</p> <p>(iv) legal persons or legal arrangements that are personal asset holding vehicles;</p> <p>(v) the business relations is conducted under unusual circumstances (e.g. significant unexplained geographic distance between the bank and the customer);</p> <p>(vi) companies that have nominee shareholders or shares in bearer form; and</p> <p>(vii) cash-intensive businesses</p>