

SINGAPORE: Financial Institution Guidance to Enhance Vigilance Over Money Laundering and Terrorism Financing

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The Monetary Authority of Singapore (“MAS”), Singapore’s central bank and financial regulatory authority, is, amongst many other things, responsible for the development of Singapore as an international financial hub.

As part of its constant drive to uphold and improve the integrity of the nation’s financial ecosystem, the MAS issued a circular in early March 2023 to remind financial institutions (“FIs”) on the importance of staying vigilant to money laundering and terrorism financing (“ML/TF”) risk, including steps FIs may take to navigate ML/TF risk inherent in the wealth management sector, including private fund management.

The salient points are as follows:

- Strengthening FIs’ board and senior management oversight and risk and control, including in particular:
 - a focus on potential ML/TF exposures in segments where FIs have experienced a material increase in demand;
 - keeping abreast of quality assurance reviews and testing done to validate AML/CFT measures; and
 - to properly equip FIs’ risk and control functions to address contemporary ML/TF risk.

- Requiring added review and quality assurance testing, including:
 - enhancing existing “customer due diligence” practices in high growth areas; and
 - augmenting quality assurance testing in key control areas.

- Continuing to exercise vigilance over higher risk customers and transactions, for instance:
 - staying alert of legal structures/arrangements that may entail higher ML/TF risk in wealth management (such as trust arrangements, insurance wrappers and family offices) established for the benefit of the beneficial owners;
 - to monitor suspicious conduct exhibited by potential customers; and
 - to remain cognisant of upticks in unusual transactions and/or fund flows concerning third parties or businesses from high-risk jurisdictions, and to the risk of related party transactions. To this end, the MAS has highlighted that FIs are encouraged to rely on data analytics to enhance their monitoring capabilities in relation to such risks.

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