

Latest updates from MAS on Anti-Money Laundering – what you need to know

The Monetary Authority of Singapore (MAS) views Anti-Money Laundering (AML) as a critical component of its regulatory framework, aimed at safeguarding the integrity and stability of Singapore's financial system.

In addition to highlighting the importance of robust AML measures in combating financial crime, MAS has provided important guidance in relation to enhancing AML for Variable Capital Companies, AML for external asset managers and strengthening of AML/CFT name screening practices. We have set out below the key messages from each of these updates.

AML – MAS' key perspectives and initiatives

- **Risk-based approach** – MAS advocates a risk-based approach to AML, where financial institutions assess and manage the money laundering (ML) and terrorist financing (TF) risks associated with their customers, products, services, and geographic locations. This approach allows institutions to allocate resources effectively and focus on high-risk areas.
- **Regulatory oversight** – MAS serves as the central regulatory authority overseeing AML/CFT efforts in Singapore. It issues regulations, guidelines, and notices to financial institutions to ensure compliance with AML/CFT requirements. MAS conducts regular inspections and assessments to monitor the effectiveness of AML/CFT measures across the financial sector.
- **International cooperation** – MAS collaborates with domestic and international partners, including law enforcement agencies, regulatory bodies, and international organizations, to enhance AML/CFT efforts globally. This includes information sharing, joint investigations, and participation in international AML/CFT forums and initiatives.
- **Technological innovation** – MAS encourages the adoption of innovative technologies, such as data analytics, artificial intelligence, and blockchain, to strengthen AML/CFT capabilities. These technologies can enhance transaction monitoring, customer due diligence, and risk assessment processes, improving the detection and prevention of financial crime.
- **Capacity building and training** – MAS provides guidance, training, and resources to financial institutions to enhance their AML/CFT capabilities. This includes conducting workshops, seminars, and awareness campaigns to raise awareness of emerging AML/CFT risks and best practices.

- **Public/private partnership** – MAS promotes collaboration between the public and private sectors to combat financial crime effectively. This includes establishing platforms for information sharing, dialogue, and coordination between financial institutions, government agencies, and industry associations.
- **Enhanced regulations and supervision** – MAS periodically reviews and updates its regulatory framework to address emerging AML/CFT risks and international standards. It may introduce new regulations, guidelines, or supervisory measures to strengthen AML/CFT controls and mitigate evolving threats.
- **Sanctions compliance** – MAS requires financial institutions to comply with international sanctions regimes and implement effective sanctions screening measures. This includes screening customers, transactions, and counterparties against sanctions lists issued by MAS, the United Nations, and other relevant authorities.

Enhancing AML for Variable Capital Companies (VCC)

MAS conducted an industry-wide survey of VCCs and a series of thematic engagements of eligible financial institutions (EFIs) to assess the effectiveness of their AML/CFT risk management and controls. A circular was issued setting out MAS' key observations and supervisory expectations for effective AML/CFT frameworks and controls that VCCs and their appointed EFIs should note. The circular highlights the following:

- **Risk assessment and mitigation** – VCCs are required to conduct comprehensive risk assessments to identify and mitigate potential ML and TF risks. This includes assessing risks associated with their investors, investments, and jurisdictions they operate in.
- **Customer due diligence (CDD)** – VCCs must implement robust CDD measures, including identifying and verifying the identities of investors and beneficial owners. Enhanced due diligence (EDD) should be applied to high-risk investors and transactions.
- **Enhanced monitoring and reporting** – VCCs are expected to enhance their monitoring systems to detect suspicious activities and transactions. They should promptly report any suspicious transactions to the relevant authorities.
- **Ongoing compliance measures** – VCCs must establish and maintain effective AML/CFT policies, procedures, and controls. This includes ensuring staff awareness and training on AML/CFT obligations and keeping up-to-date with regulatory developments.
- **Technology and automation** – VCCs are encouraged to leverage technology and automation tools to enhance their AML/CFT capabilities, such as using transaction monitoring systems and customer risk profiling tools.
- **External VCC managers** – the circular also applies to external VCC managers, who are expected to implement similar AML/CFT measures for VCCs under their management.
- **Cooperation and information sharing** – VCCs are encouraged to cooperate with regulatory authorities and share information to combat ML/TF effectively. This includes providing timely responses to regulatory requests for information.
- **Regulatory oversight** – MAS will continue to monitor the effectiveness of AML/CFT measures in the VCC sector and may provide further guidance or take regulatory action as necessary to ensure compliance.

AML for external asset managers (EAMs)

MAS issued an information paper setting out its supervisory expectations of effective AML/CFT frameworks and controls for EAMs. We have set out below the key messages from the information paper.

- **Risk assessment and management** – EAMs are required to conduct comprehensive risk assessments to identify and assess the ML/TF risks associated with their clients, products, services, and geographical locations. They should develop risk management strategies to mitigate these risks effectively.

- **Customer due diligence (CDD)** – EAMs must implement robust CDD measures to verify the identities of their clients and beneficial owners, understand the nature and purpose of the business relationship, and assess the source of wealth and funds. Enhanced due diligence (EDD) should be applied to high-risk clients.
- **Ongoing monitoring and transaction screening** – EAMs should establish systems and controls for ongoing monitoring of client activities and transactions. This includes implementing transaction monitoring systems to detect suspicious activities and screening transactions against relevant sanctions lists and watchlists.
- **Compliance policies and procedures** – EAMs are expected to establish and maintain comprehensive AML/CFT policies, procedures, and controls tailored to their business activities. These should cover customer acceptance, risk assessment, ongoing monitoring, and reporting of suspicious transactions.
- **Training and awareness** – EAMs must ensure that their staff are adequately trained and aware of their AML/CFT obligations. This includes providing regular training on relevant laws, regulations, and internal policies.
- **Record-keeping and reporting** – EAMs should maintain accurate and up-to-date records of client transactions, risk assessments, and AML/CFT measures undertaken. They must also report suspicious transactions promptly to the relevant authorities.
- **Regulatory oversight and cooperation** – MAS expects EAMs to cooperate with regulatory authorities and provide timely responses to requests for information. EAMs should also keep up-to-date with regulatory developments and updates in the AML/CFT landscape.
- **Outsourcing and third-party arrangements** – EAMs should exercise due diligence when engaging third-party service providers and ensure that adequate AML/CFT controls are in place.
- **Continuous improvement** – EAMs are encouraged to regularly review and enhance their AML/CFT practices to address emerging risks and evolving regulatory requirements.

MAS guidance on strengthening AML/CFT name screening practices

MAS has provided guidance on strengthening AML/CFT name screening practices to financial institutions. The key messages from the guidance are set out below.

- **Risk-based approach** – financial institutions should adopt a risk-based approach to name screening, considering the nature, scale, and complexity of their business activities, as well as the ML/TF risks associated with their customers, products, services, and geographic locations.
- **Customer due diligence (CDD)** – name screening should be integrated into the customer onboarding process as part of the CDD measures. This includes screening customer names against sanctions lists, watchlists, and adverse media sources to identify politically exposed persons (PEPs), sanctioned entities, and high-risk individuals or entities.
- **Transaction monitoring** – financial institutions should also conduct ongoing name screening of customer transactions to detect potentially suspicious activities. This includes screening transaction parties, beneficiaries, and counterparties against relevant lists and databases.
- **Automated screening systems** – MAS encourages the use of automated screening systems to enhance the efficiency and effectiveness of name screening processes. These systems should be regularly updated with the latest sanctions lists and watchlists and should include fuzzy matching algorithms to account for variations in name spellings and formats.
- **Sanctions compliance** – financial institutions should ensure compliance with international sanctions regimes and regulatory requirements related to AML/CFT. This includes screening against sanctions lists issued by MAS, the United Nations Security Council, and other relevant authorities.
- **Adverse media screening** – in addition to sanctions screening, financial institutions should consider conducting adverse media screening to identify negative news or reputational issues associated with customers, counterparties, and beneficial owners.

- **Enhanced due diligence (EDD)** – financial institutions should apply enhanced name screening measures to high-risk customers and transactions. This may include additional verification steps and ongoing monitoring of higher-risk relationships.
- **Record-keeping and documentation** – financial institutions should maintain accurate records of name screening activities, including screening results, escalation procedures for potential matches, and any actions taken in response to matches.
- **Training and awareness** – financial institutions should provide regular training to staff involved in name screening processes to ensure they are familiar with relevant policies, procedures, and regulatory requirements.
- **Regulatory oversight and cooperation** – MAS expects financial institutions to cooperate with regulatory authorities and provide timely responses to requests for information related to name screening activities. Financial institutions should also keep up-to-date with regulatory developments and updates in the AML/CFT landscape.

How Waystone Compliance Solutions can help

Our team of compliance professionals understands the growing impact of global AML compliance and regulations. We recognise the importance of assisting our clients to meet these obligations and offer our expertise in developing and integrating effective AML practices in accordance with jurisdictional regulations and industry best practices.

We stay up-to-date with the latest regulatory and enforcement trends, and our team is able to address your queries and assist with any issues highlighted by prospective investors.

Waystone Compliance Solutions can support your firm in the following ways:

1) **AML document and infrastructure updates**

We can assist with AML policies, risk assessments, GAP analysis and KYC checklists. This allows us to assist you with the management and mitigation of any risks identified in an efficient and compliant manner.

2) **Politically exposed person (PEP), sanctions and adverse media screening**

We tailor the results of any searches to fit your screening requirements and risk appetite, reducing the number of false positive results.

3) **Bulk AML screening**

This is the automated process of screening a large volume of data against various watchlists, sanctions lists, and other databases to identify potential risks and compliance breaches which is efficient, accurate, comprehensive and scalable.

4) **Comprehensive KYC support**

Encompassing a range of measures and resources targeted at ensuring financial institutions adhere to regulatory requirements and mitigate any risks. This includes offering regulatory guidance, training and education, consulting and advisory services, regulatory oversight and support.

If you would like to discuss how we can assist your firm with any of the above, please reach out to your Waystone Compliance Solutions team or contact us below.

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