

Strengthening governance and AML standards: Key insights from recent SFC and MAS Circulars



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The Securities and Futures Commission (“SFC”) and the Monetary Authority of Singapore (“MAS”) have issued significant guidance to address ongoing deficiencies in asset management practices and reinforce anti-money laundering (“AML”) compliance. These directives underscore the growing regulatory focus on governance, operational soundness and robust AML controls for regulated fund managers in Hong Kong and Singapore.

SFC Circular: Governance and Conduct Deficiencies in Asset Management

The SFC’s recent circular highlights serious deficiencies and substandard practices among licensed corporations managing private funds and discretionary accounts.

Key issues include:

- **weak governance framework:** limited oversight by board of directors and senior management, with insufficient policies to manage risks and conflicts of interest
- **non-adherence to mandates:** investment strategies that deviate from agreed-upon client objectives and inadequate due diligence on counterparties and investments
- **deficient risk management and internal controls:** ineffective monitoring of portfolio risks, lack of stress testing and weak compliance monitoring systems
- **conflict of interest failures:** mismanagement of related-party transactions and incentive structures misaligned with client interests.

MAS Circular: Strengthened AML and CFT Requirements

Similarly, MAS recently issued a circular outlining increased expectations for AML /CFT practices among financial institutions. This directive follows enforcement actions where lapses in customer due diligence, transaction monitoring and suspicious activity reporting were identified.

Key highlights include:

- **enhanced due diligence:** greater scrutiny of high-risk clients and jurisdictions, with detailed documentation of findings
- **strengthen transaction monitoring:** ensuring automated systems are effective in identifying suspicious transactions and activities, with timely escalation and reporting
- **governance oversight on AML framework:** senior management and board of directors are held accountable for implementing robust AML policies and addressing any significant gaps in procedures.

The Call for Proactive Compliance

The directives from SFC and MAS emphasize the critical need for proactive compliance and operational excellence. Regulatory bodies are increasingly holding fund managers and board of directors accountable for compliance lapses.

How Can Waystone Help

As a leading compliance consulting firm, Waystone delivers bespoke solutions to empower regulated fund managers in Hong Kong and Singapore to confidently navigate the ever-evolving regulatory landscape, providing practical solutions and essential support.

Waystone offers SFC Mock Inspections and MAS Internal Audits to assess and strengthen your compliance framework.

SFC Mock Inspections services include:

- identifying gaps in governance, investment compliance management and internal controls
- comprehensive reports with actionable recommendations to remediate identified deficiencies.

MAS Internal Audits services include:

- independent evaluation of AML/CFT frameworks, including transaction monitoring and customer due diligence procedures
- in-depth review of compliance program to ensure adherence to MAS guidelines, notices and circulars
- risk-based audits covering governance, conflict management and operational resilience.

Why Work With Us

Waystone is a leading provider of specialist services to the global asset management industry, including institutional governance, administration, risk and compliance solutions. With 1,700 people based in more than 20 offices in key financial markets around the world, Waystone builds, supports and protects investment structures and strategies worldwide.

Our dedicated global Compliance Solutions team has more than 100 compliance specialists who are committed to delivering expert solutions to clients across multiple jurisdictions. We help clients throughout all stages of the compliance lifecycle, from initial registration and licensing to compliance programme integration and ongoing support and monitoring.

Leveraging our in-depth knowledge of regulatory compliance for APAC fund managers, we have the experience, industry expertise, and local and global reach to offer clients the certainty they need to address challenges and opportunities across the evolving regulatory landscape. By doing so, we provide a secure route to regulatory compliance and business success through pragmatic, risk-based solutions that align with both local and global standards, while also supporting your firm in streamlining operational efficiency and mitigating risk.

Stay ahead of regulatory changes with confidence. Contact us today to discover how we can help your firm stay ahead of and meet regulatory requirements and build a strong compliance foundation for long-term success.

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