



# Supervisory Update: Getting your AML/CFT Audit on track

# Webinar Outline

- AML/CFT Legal Framework
- Recent Developments
- Enforcement Actions
- Overview of CDD Process
- Three Lines of Defence
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- Information Paper – AML/CFT supervisory expectations from recent inspections
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# AML/CFT Legal Framework

| Legislation                                    | Type of Entity                            | Regulatory Body                                      |
|--|---|--|
| <b>Financial Services and Markets Act</b>      | Financial Institutions                    | Monetary Authority of Singapore                      |
| <b>Accountants Act</b>                         | Accountants                               | Accounting and Corporate Regulatory Authority (ACRA) |
| <b>Corporate Service Providers Act</b>         | Corporate Service Providers               | Accounting and Corporate Regulatory Authority (ACRA) |
| <b>Casino Control Act</b>                      | Casino                                    | Gambling Regulatory Authority                        |
| <b>Money Lenders Act</b>                       | Money lender                              | Ministry of Law                                      |
| <b>Precious Stones and Precious Metals Act</b> | Precious stone and precious metal dealers | Ministry of Law                                      |
| <b>Legal Profession Act</b>                    | Lawyers                                   | Ministry of Law                                      |
| <b>Housing Developers Act</b>                  | Developers                                | Urban Redevelopment Authority                        |
| <b>Sale of Commercial Properties Act</b>       | Real Estate Practitioners                 | Council for Estate Agencies                          |

# Recent Developments

- April 2024: updates to AML Notices for Payment Services
- April 2024: Official launch of Collaborative Sharing of Money Laundering / Terrorism Financing Information and Cases (COSMIC) to share AML data amongst 6 major banks
- May/June 2024: Singapore ML/TF National Risk Assessment reports
- July 2024: Circular on establishing Source of Wealth
- October 2024: Inter-Ministerial Committee report on improving AML/CFT controls (PSMD, real estate)
- October 2024: Circular on AML audits
- October 2024: Information Paper on AML/CFT best practices

# Enforcement Actions – AML/CFT breaches

- 29 October 2024 - MAS Imposes Composition Penalty of S\$1.9m to Atrium Asia Investment Management, Reprimands CEO - Mr Mintarja Oei
- 7 May 2024 - MAS Imposes Composition Penalty of S\$2.5 million on Swiss-Asia Financial Services Pte. Ltd. Reprimands CEO Mr Olivier Pascal Mivelaz, and COO Mr Steve Knabl
- AML/CFT breaches include:
  - Inadequate CDD measures
  - Failure to scrutinize suspicious transactions
  - Failure to properly identify source of wealth
  - Inadequate documentation of CDD process

# Overview of CDD Process



# Three Lines of Defence

## First Line of Defence – Front Office employees

- Initial assessment of AML/CFT risk of customers
- Alert to signs of suspicious behaviour exhibited by customers

## Second Line of Defence – Compliance Function

- Perform CDD checks on customers
- Identify risk associated with customers
- Ensure CDD checks are commensurate with risk profile of customer

## Third Line of Defence – Independent Audit Function

- Assess the effectiveness of internal AML/CFT program
- Provide recommendations to bridge any potential gaps in the AML/CFT program

# Circular AMLD 12/2024 – Audit of AML/CFT Policies, Procedures and Control

On 21 October 2024, the MAS issued a circular to remind FIs on the importance of maintaining an audit function to provide an independent and regular assessment of the firm's AML/CFT policies and procedures and controls.

The following are best practices emphasized in the circular:

- 1) **Expertise** – The Audit function is competent and sufficiently resourced.
- 2) **Prioritisation** – Audit scope should be commensurate with the size and nature of the business.
- 3) **Regular Assessments** - Perform regular AML/CFT risk assessment to capture changes in profile.
- 4) **Data Analytics** - Utilise data analytics tools in the conduct of AML/CFT audits to effectively identify key risk areas for audit.
- 5) **Best Practice Guidance** – Take reference from best practice guidance in the Anti-Money Laundering Audit Peer Group Best Practice paper.



# Information Paper – AML/CFT supervisory expectations from recent inspections

On 30 October 2024, the MAS published an information paper which sets out observations from a series of AML/CFT inspections conducted across a range of FIs.

This information paper sets out MAS's supervisory expectations in the following areas:

- Assessment of customer risk
- Identification of material red flags
- Source of wealth establishment
- Risk mitigation measures
- Holistic monitoring of accounts

# Information Paper – AML/CFT supervisory expectations from recent inspections

## Assessment of Customer Risk

- Take reasonable efforts to obtain and verify past and present information about the customer (e.g. identity and nationality)

## Good Practices

- Require customers to declare all nationalities
- Perform additional due diligence to verify legitimacy of multiple nationalities held by customers

# Information Paper – AML/CFT supervisory expectations from recent inspections

## Identification of Material Red Flags

- Clear guidance for staff to identify and report material red flags
- Ensure staff are aware of their roles and responsibilities
- Forensic analysis of documents are not required
  - be alert to anomalies on documents
- Leverage technology to enhance detection of potentially fraudulent or tampered documents

## Good Practices

- Compliance noted material discrepancies in documents and performed additional checks
- Investigations were carried out and suspicious transaction reports filed

# Information Paper – AML/CFT supervisory expectations from recent inspections

## Source of wealth establishment

- Obtain information on entire body of wealth and focus on higher risk SOW
- More robust processes expected for PEPs, private banking and wealth management clients
- Obtain base set of information and supplementary documents to establish SOW
- FIs should document and make a reasonable assessment

## Good Practices

- Additional checks were carried out to corroborate SOW (e.g. gifts from third party)

# Information Paper – AML/CFT supervisory expectations from recent inspections

## Risk mitigation measures

- Establish adequate risk mitigation measures when there are suspicious transactions
- Exercise close oversight of business relations with customers
  - Enhanced monitoring
  - Suspension of services
  - Freezing of account
  - Impose transaction limits

## Good Practices

- Enhanced monitoring of high-risk accounts
- Impose transaction limits

# Information Paper – AML/CFT supervisory expectations from recent inspections

## Holistic Monitoring of accounts

- Monitoring of accounts across different business units
- Take appropriate measures to mitigate risk (e.g. STR, enhanced monitoring)

# How can Waystone help

## Scope of AML Audit and Review services:

### 1. Governance and Oversight

- a. Review the structure of the AML governance framework.
- b. Assess the role and responsibilities of the Board of Directors and Senior Management.
- c. Assess the adequacy of the AML/CFT policies and procedures in place.

### 2. Risk Assessment

- a. Assess whether the risk assessment aligns with the latest regulatory requirements from MAS.
- b. Review how risks associated with new products, customers, and delivery channels are evaluated.

### 3. Customer Due Diligence (CDD) / Know Your Customer (KYC)

- a. Examine the policies and procedures for CDD/KYC.
- b. Check compliance with identification and verification requirements.
- c. Review the implementation of ongoing monitoring.

### 4. Transaction Monitoring and Suspicious Activity Reporting

- a. Review the transaction monitoring framework.
- b. Assess the processes for escalation and reporting of suspicious transactions.
- c. Review post STR client management

# How can Waystone help

## Scope of AML Audit and Review services:

### 5. AML/CFT Training

- a. Review the AML training program.
- b. Review documentation to ascertain employees have undergone training.

### 6. Record Keeping

- a. Review the policies on record retention.
- b. Verify that CDD/KYC and transaction records are retained for the required period.

### 7. Enterprise-wide risk assessment (“EWRA”)

- a. Review policies and procedures for evaluating Client’s EWRA.
- b. Review latest report provided to board and senior management.
- c. Review to ascertain that Singapore’s National Risk Assessment reports are incorporated in the EWRA..



# How can Waystone help

## Other AML Services

1. Assessing AML/CFT Risk – Assist to develop comprehensive AML/CFT risk assessments to meet EWRA obligations
2. AML/CFT Health Check – Perform gap analysis of your policies and procedures against current regulatory requirements
3. Robust AML/CFT Policies – Develop and/or update your AML/CFT Policies tailored to your business
4. Training – Provide comprehensive AML/CFT training for employees

# Thank you



## Questions?

Helping to make the complex, simple  
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