

## APAC

# Outsourcing AML/KYC in Singapore: Why Oversight is Now the Real Regulatory Test



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For many financial institutions in Singapore – including fund managers, VCCs, intermediaries and payment firms – outsourcing AML/KYC remains a practical and widely adopted model.

Fund administrators and third-party service providers play a critical role in executing onboarding, conducting screening, and maintaining documentation at scale. For most firms, this is not only efficient, but also operationally necessary.

Regulatory expectations are evolving. The question is no longer whether AML/KYC has been outsourced. It is whether firms can demonstrate effective oversight and control of what has been outsourced.

### A Shift in Focus: From Execution to Accountability

Singapore's AML/CFT framework has always been principles-based. MAS has never prohibited outsourcing, nor required firms to replicate work performed by administrators. However recent developments – including updates to AML/CFT Notices such as SFA04-N02, as well as enforcement outcomes point to a clear shift.

The quality of oversight is becoming as important as the execution itself.

Licensed entities remain fully accountable for their AML frameworks. This includes situations where onboarding, screening, or monitoring activities are performed by third parties.

In practical terms, this means firms must be able to answer, and evidence, a more demanding set of questions:

- How do you know customer due diligence has been completed, verified and understood
- How have beneficial owners been assessed
- What steps have been taken to assess and corroborate source of wealth
- How are screening outcomes reviewed and escalated
- What ongoing monitoring is performed after onboarding?

Firms that cannot confidently answer these questions will struggle to meet MAS's evolving expectations.

### Common Risk: “Tick-the-Box” Outsourcing

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- Across the market, we are seeing a consistent pattern of weak oversight in outsourced AML and KYC arrangements
- Firms place full reliance on fund administrators for AML and KYC, with minimal internal review
- There is no independent validation of onboarding files, and completeness is assumed to equal compliance
- Visibility over screening results is limited, with no calibration or challenge of false positives or false negatives
- There is no ongoing monitoring framework, and checks are performed only at onboarding
- Oversight is poorly documented, leaving no audit trail to demonstrate compliance with MAS expectations.

These recurring gaps highlight why MAS now places greater emphasis on demonstrable oversight and effective AML governance.

## What MAS Would Expect in an Outsourced Model

MAS does not prohibit outsourcing, but it does expect firms to demonstrate clear oversight, independent challenge, and documented control over all AML and KYC activities performed by third parties. The following elements typically form the baseline of a well governed outsourced model.



### Clear AML Oversight Framework

- Defined roles between FI and administrators
- Documented reliance approach (where appropriate)
- Independent review mechanisms.



### Risk-based Review

- Sample testing of investor/customer files
- Validation of UBO identification
- Assessment of source of wealth/funds.



### Independent Screening Oversight

- Visibility of sanctions, PEPs, and adverse media hits
- Calibration of screening tools and thresholds
- Escalation protocols for hits.



### Ongoing Monitoring (not just onboarding)

- Periodic reviews based on risk rating
- Trigger-based reviews
- Rescreening of customers, connected parties and UBOs.



### Strong Documentation and Audit Trail

- Evidence of review
- Clear rationale for risk ratings
- Records aligned with MAS expectations.

Together, these components reflect MAS's expectation that firms retain full ownership of their AML framework, even when operational tasks are outsourced.

## How Waystone Can Help

Waystone provides practical, independent, and regulator-aligned support to help financial institutions strengthen oversight of outsourced AML and KYC activities.

Our services are designed to enhance governance, improve control effectiveness, and ensure readiness for MAS expectations. Our Core AML/KYC Solutions include:

1. Independent AML File Reviews
  - Sample testing of onboarding files
  - Identification of gaps vs MAS requirements
  - Practical remediation recommendations.

2. Screening and Monitoring Solutions,
  - Implementation and calibration of tools (e.g. mantra)
  - Sanctions, PEP, adverse media screening
  - Ongoing screening and risk rating
3. AML Framework Enhancement
  - Policies redrafting to align with MAS Notices (including SFA-N02)
  - Outsourcing and reliance frameworks implementation
  - Risk rating methodologies,
4. Mock Inspection and Testing
  - Review of AML controls
  - Identification of regulatory gaps
  - Preparation for inspections,

If you have any questions about the topics discussed or want to learn more about how our [APAC Compliance Solutions](#) team can help you meet your AML/KYC requirements, please reach out to your usual Waystone representative or contact us via the link below.

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