Executive Summary

1.	This report provides a summary of the anti-money laundering and combating the financing of terrorism (AML/CFT) measures in place in Singapore as at the date of the on-site visit (17 November 2015 to 3 December 2015). It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Singapore's AML/CFT system, and provides recommendations on how the system could be strengthened.

Key Findings

- ■ Singapore's AML/CFT coordination is highly sophisticated and inclusive of all relevant competent authorities. Driven by the AML/CFT Steering Committee and the Inter-Agency Committee, the coordination mechanism in Singapore is a very valuable tool in AML/CFT policy development. This proved to be true in the development of the National Risk Assessment (NRA) and the cooperation and organisation associated with this mutual evaluation exercise. Singapore has a strong focus on law and order and enforcement, which often result in dissuasive penalties.

- ■ Singapore has a reasonable understanding of its ML risks and has taken steps to mitigate them. Nevertheless, moderate gaps remain. In particular the nexus between transnational threats, the inherent risks faced by Singapore as one of the world's largest financial centres, and vulnerabilities within the system is not sufficiently reflected in Singapore's NRA.

- ■ Singapore's ability to proactively identify and address serious foreign predicate ML, and transnational ML networks will be strengthened with moderate improvements in Singapore's understanding of its foreign predicate ML risks. Singapore provided information that it was pursuing some complex cases involving transnational fraud and corruption. However, Singapore has prosecuted few foreign predicate ML cases outside of wire transfer frauds involving money mules/shell companies, and has confiscated low amounts of proceeds of crime. Singapore has demonstrated that it has a general understanding of its TF risks. But the weighting placed in the risk methodology on indicators derived from reported incidences in Singapore has somewhat hindered Singapore's ability to appreciate the inherent TF risks associated to its geographical location and its status as a global financial centre.

- Singapore's FIU, the Suspicious Transactions Reporting Office (STRO), uses well-functioning systems and coordination mechanisms to integrate FIU information into LEA processes. Singapore's primary investigative agencies routinely make significant use of STRs at early stages of ML and predicate investigations. While financial intelligence information is provided to other agencies, they are yet to make significant use of such information to support investigation. STRs relating to TF, while routinely disclosed to the Internal Security Department (ISD), have not resulted in any criminal investigations.

- Singapore's FIs generally demonstrated a reasonably good understanding of ML risks impacting Singapore domestic clients, but a less developed understanding of the risk of illicit flows into and out of Singapore. FIs and especially DNFBPs had a less mature understanding of TF risks, and often failed to distinguish between terrorism and TF risks. Overall, there is a significant difference in the level of understanding of the ML/TF risks between the financial sector and DNFBP sector, therefore limiting DNFBPs' ability to develop a comprehensive risk understanding.

- For most FIs, AML/CFT supervision appears robust, with a variety of off-site factors examined and comprehensive on-site examinations/follow-up being conducted. Singapore has recently extended AML/CFT supervision to most types of DNFBPs, but there are significant differences in effective supervision of AML/CFT requirements between relevant supervisory bodies. While Singapore has a range of remedial measures that it can impose on FIs, the financial penalty structure across the DNFBP sector is quite diverse and concerns exist about the differences in approach in terms of dissuasiveness and proportionality. Apart from the casino and TSP sectors, sanctions for non-compliance by DNFBPs have not been tested.

- Singapore has not undertaken an adequate ML/TF risk assessment of all forms of legal persons and legal arrangements. Authorities however acknowledge that legal persons and arrangements created in Singapore, and those registered or operating in Singapore from foreign jurisdictions, can be used to facilitate predicate crimes and ML/TF offences. Singapore has implemented some preventive measures designed to prevent the misuse of legal persons and arrangements for ML and TF, including the collection of beneficial ownership information by FIs and DNFBPs. However, in practice, some DNFPBs do face challenges in obtaining beneficial ownership information.

- On international cooperation, Singapore provides constructive and high quality information and assistance when requested, but faced occasional challenges executing some MLA requests in a timely manner. Although few outgoing MLA requests were made prior to 2015, Singapore has taken steps to increase outgoing MLA requests in 2015, more than doubling the entire number of MLA requests in the previous 3 years. Singapore also uses informal channels and the LEAs, FIU and financial supervisors are generally well engaged in making and receiving requests where permitted. Singapore shares domestically available beneficial ownership information for legal persons and legal arrangements, however there is limited information available under the domestic framework.

Risks and General Situation

2.   Singapore maintains one of the lowest domestic crime rates in the world,1 and therefore, the bulk of Singapore's exposure to ML risks arises from offences committed overseas. In particular, Singapore's status as both a major global financial centre and an international trade/transportation hub makes it vulnerable to becoming a transit point for illicit funds from abroad. According to Singaporean authorities, foreign predicate offences constituted 66% of all ML investigations and 27% of all ML convictions in Singapore between 2008 and 2014. Singapore's NRA published in January 2014 identifies common predicate offences committed in Singapore (e.g. cheating (the term which Singapore uses for fraud), unlicensed money lending (UML) and criminal breach of trust (CBT), as well as foreign predicate cheating offences and proceeds of overseas corruption as posing relatively higher ML threats to Singapore.

3.   The main conduits of ML identified in the NRA are banks, remittance agents, shell companies and individual money mules. Around 77% of the funds managed in Singapore are foreign sourced, with the majority of assets under management coming from the Asia-Pacific region. The size and foreign exposure of Singapore's private banking and asset management industry increases Singapore's ML/TF vulnerabilities. In addition, Singapore's position as an international trade/transportation hub also increases its ML/TF vulnerabilities. Given the complexity and large volume of trade financing services offered in Singapore, this banking sub-sector is also exposed to a higher level of ML/TF risk. Moreover, legal persons and arrangements also remain vulnerable to misuse given the broad range of financial services available.

4.   Singapore is situated in a region where several terrorist groups operate actively and have carried out attacks in the last 10 years. Singapore's NRA report highlights that "there has been no evidence of TF being committed in Singapore or terrorist funds flowing into or through Singapore." An assessment of the TF threat posed by ISIL was subsequently conducted, and the findings were communicated to all FI, DNFBP and NPO supervisors.

Overall Level of Effectiveness and Technical Compliance

5.   Singapore's AML/CFT regime has undergone significant reform since the last assessment in 2008. Singapore has a strong legal and institutional framework for combating ML, TF, and PF. Technical deficiencies identified in Singapore's ML offence were addressed in 2010, and more recently the crime of ML was extended to cover more predicate offences, such as serious tax offences. The technical compliance framework is particularly strong regarding law enforcement, confiscation, targeted financial sanctions, preventive measures for and the supervision of FIs, and international cooperation but less so regarding transparency of legal persons and arrangements, and preventive measures and sanctions for non-compliance for DNFBPs.

6.   In terms of effectiveness, Singapore achieves substantial results in risk understanding and mitigation, international cooperation, collection and use of financial intelligence, and proliferation financing, and only moderate improvements are needed in these areas. More significant improvements are needed in other areas as indicated below.

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[1] According to data presented in the United Nations Office on Drugs and Crime (UNODC)'s report on International Statistics on Crime and Justice. See also:
www.unodc.org/documents/data-and-analysis/Crime-statistics/International_Statistics_on_Crime_and_Justice.pdf

Assessment of Risks, coordination and policy setting (Chapter 2 - IO.1; R.1, R.2, R.33)

7.   Singapore's AML/CFT coordination at the operational level is highly effective and inclusive of all relevant competent authorities. The Inter-Agency Committee coordinated the development of the National Risk Assessment (NRA) and the cooperation and organisation associated with the mutual evaluation. Singapore authorities consult across the private sector in AML/CFT policy development including the development of the NRA. Operational activities of authorities are targeted towards identified risk and resources are allocated accordingly both in terms of quantity and quality.

8.   The NRA process has established a basis for the private sector and government agencies to understand Singapore's ML/TF risks. However, there remain moderate gaps in Singapore's overall understanding of risk. While Singapore has taken mitigation efforts to address the transnational risks that it has identified (such as from shell companies, trade based money laundering, as well as laundering of proceeds of corruption and tax evasion), some other forms of ML and TF relevant to Singapore's context should have been given greater attention. In particular the nexus between transnational threats and specific vulnerabilities in Singapore could be better articulated to in order to promote a deeper understanding of how the ML/TF risks can materialize in the Singapore context. Singapore's risk assessments take into account indicators such as STRs filed, incoming formal and informal requests for information, interaction with foreign counterparts and international reports. However, the national risk understanding reflects a disproportionate focus on domestic predicate ML and smaller-scale forms of transnational ML.

9.   Singapore in its NRA identifies domestic source TF as a low to medium threat and foreign source TF as a medium threat. While Singapore has a Strategic understanding of TF risk to a certain extent, in particular foreign sources of funding, they should further focus on factors such as geographical factors, level and extent of terrorism activity in the region and inherent risks such as Singapore being a financial, transport and people hub. The private sector's tactical level understanding of 'risk' is too focused on screening databases and adverse news rather than TF risk factors, and financial institutions' and DNFPBs' understanding of TF risk is often conflated with terrorist threat.

10.   Private sector entities report that the NRA has been useful. Beyond the NRA, authorities had issued additional guidance and red flag indicators to the private sector, but key information on transnational threats is not made public, including information on jurisdictions assessed to be high-risk As far as the financial sector is concerned, foreign FIs (banks in particular) have a good understanding of ML risks, while FIs with a domestic focus demonstrated a less sophisticated understanding of ML and, in particular TF risks facing them. All DNFBPs demonstrated a basic level awareness of risks but the risk mitigating measures significantly vary within the sector.

Financial Intelligence, Money Laundering and Confiscation (Chapter 3 - IOs 6-8; R.3, R.4, R.29-32)

11.   Singapore has a strong legal and institutional framework for domestic ML investigation and prosecution. This has been enhanced through legislative changes, ML-focused investigation policies and increased resources in key LEAs. LEAs have access to a wide range of information for the purposes of their investigations, including financial intelligence, information from public databases and police records such as criminal history and police intelligence, however have limited access to tax and trade information.

12.　　Financial intelligence is stored in STRO's database and includes STRs, Cash Movement Reports (CMRs), and threshold Cash Transaction Reports (CTRs). STRO has direct access to law enforcement information and relevant police units have direct access to STRO information. STRO can also request further information from financial institutions to support its enquiries. STRO makes use of liaison officers from various investigative agencies and this has contributed to the dissemination of STRs that are relevant to LEAs and generally of high quality.

13.　　The primary ML investigative authorities (CAD and CPIB) routinely make significant use of STRs at early stages of ML and predicate investigations with the majority of asset seizures and ML investigations, relating to both domestic and foreign predicate offences, being supported by STRs. Other investigative and regulatory agencies have made limited use of STRs in predicate offence investigations. STRs relating to TF, while routinely disclosed to ISD, have led only to false positives name matches and have not resulted in any criminal investigations.

14.　　Singapore has significantly increased the number of ML investigations, prosecutions and convictions since its last mutual evaluation, and this is commendable. In particular, Singapore has targeted key domestic ML threats, such as UML, through the effective use of its ML offences. However, limitations in Singapore's understanding of its nexus with foreign ML risks may have some ramifications for Singapore's ability to proactively identify and address serious foreign predicate ML and transnational ML networks. This has led to most of Singapore's transnational ML cases so far relating to offenders involved in smaller-scale and less complex forms of ML offending (e.g. UML and money mules), whereas Singapore should also more aggressively target the more complex cases expected of a sophisticated financial centre such as Singapore (while continuing to successfully target UML and money mules).

15.　　While Singapore has a comprehensive legal framework for seizing and confiscating criminal proceeds, Singapore did not demonstrate that confiscation is a strategic priority in Singapore's criminal justice regime and there is a lack of emphasis on the pursuit of confiscation of proceeds of crime as a goal in its own right. Nevertheless, Singapore has made some good operational and policy changes to promote asset seizure and confiscation since 2013. This has not yet provided tangible results, but should do so in the future.

16.　　While there is a strong framework in place to detect the illicit cross-border movement of cash and bearer negotiable instruments, Singapore pursues criminal prosecutions for more serious cases of offending (which ordinarily result in a fine), but does not pursue confiscation as a sanction for breaches of its cross-border reporting regime.

Terrorist Financing and Financing Proliferation (Chapter 4 - IOs 9- 11; R.5-8)

17.　　Singapore has a strong legal framework for the criminalisation of TF. While Singapore has a general understanding of its TF risks, it is not clear that Singapore's risk assessment has fully taken into consideration the TF vulnerabilities associated with its geographical location and its position as a financial hub. . While Singapore has taken preventative actions against a number of individuals and organisations in relation to terrorism, Singapore does not consider criminal investigations of TF an appropriate response within its national security framework. Consequently there have been no separate and independent TF criminal investigations. Instead, preventive and other powers are used by Singapore's ISD to address TF. Despite a total number of 780 potential TF case leads dealt with by

the ISD, other than clearing false positive name matches, it does not appear that financial investigations have ever been undertaken in relation to TF.

18.   Singapore has effectively implemented TFS. Listing in Singapore is automatic after UN designation and without delay. The financial supervisor has created an e-mail alert system for FIs and the broader public, including DNFBPs, to receive updates to various UN sanctions list. This has been proven effective and FIs and the majority of DNFBPs are well aware of their TF freezing obligations. While Singapore's competent authorities have appropriate regulations and enforcement powers in place to safeguard NPOs from TF abuse, Singapore has not implemented a targeted approach in doing so. Oversight of NPOs is restricted to good governance reviews with a lack of targeted reviews based on any assessment of TF abuse risks.

19.   Singapore actively mitigates the PF risk through TFS and controls on dual-use goods under the relevant international agreements. Singapore demonstrated a robust information sharing mechanism among relevant authorities in charge of export control, financial supervision, intelligence and law enforcement. This has resulted in FIs and DNFBPs (except for PSMDs which are not supervised) being well aware of the targeted financial PF-related sanctions against Iran and the DPRK.

Preventive Measures (Chapter 5 - IO4; R.9-23)

20.   FIs and DNFBPs demonstrated a fair understanding of ML risks impacting Singapore domestic clients, but a less developed understanding of the risk of illicit flows into and out of Singapore. The understanding of TF risk by FIs was less current but in line with the limited findings of the published NRA report. DNFBPs' understanding of TF risk is poor.

21.   The requirements for CDD, record-keeping and PEP clients were well understood by FIs, however there are gaps in their understanding of geographical risks relating to the proceeds of corruption entering Singapore. Overall, DNFBPs' implementation of CDD and PEP requirements is rather basic and this seems to be due to the fact that AML/CFT preventive measures were recently introduced for most of them. The STR reporting obligation is overall well understood by FIs. Within the financial sector, the banking sector has submitted the most number of STRs but the number of STRs filed by DNFBPs, except casinos, is low. It was notable that most FIs which the assessment team spoke to had not filed STRs related to TF, however, reporting entities did file targeted financial sanctions name matches as STRs.

Supervision (Chapter 6 - IO3; R.26-28, R. 34-.35)

22.   Singapore has a generally robust system for ensuring that criminals or their associates do not misuse FIs. For most FIs, AML/CFT supervision by the Monetary Authority of Singapore (MAS) appears robust, with a variety of off-site factors examined and comprehensive on-site examinations/follow-up being conducted. Supervision is based on the individual risk profile for each FI, however given the inconsistencies identified in both the NRA and the individual assessments of risk in FIs, targeting on the basis of ML/TF risks is not optimal. Supervision only recently included SVFs and non-bank credit and debit card issuers. There is a wide range of sanctioning tools available for the financial sector, ranging from warnings/reprimands to criminal prosecution/removal of

licences and these have been used. No direct enforcement action has been taken in relation to the senior management of FIs.

23.   Singapore has recently developed and extended its AML/CFT supervision to most types of DNFBPs. There are significant differences in effective supervision of AML/CFT requirements across relevant supervisory bodies. The majority of PSMDs are not subject to AML/CFT supervision. In contrast with the financial sector, the financial penalty structure across the DNFBP sector is quite diverse and enforcement of the sanctioning regime for non-compliance with AML/CFT measures is at an early stage.

Transparency of Legal Persons and Arrangements (Chapter 7 - IO5; R. 24-25)

24.   Singapore has not undertaken a ML/TF risk assessment of all forms of legal persons and legal arrangements. Authorities acknowledge that legal persons and arrangements created in Singapore, and registered or operating in Singapore from foreign jurisdictions, can be used to facilitate predicate crimes and ML/TF offences. However, there is an uneven understanding within the government and the private sector of the inherent and residual risks associated with legal persons and arrangements.

25.   Basic information on legal persons and arrangements is readily available. However, the existing measures and mechanisms are not sufficient to ensure that accurate and up-to-date information on beneficial owners is available in a timely manner. While Singapore has put CDD measures in place requiring FIs and CSPs (including lawyers and accountants) to collect beneficial ownership information, in practice the collection of beneficial ownership information is not always possible given deficiencies in the implementation of preventive measures within the DNFBP sector.

26.   Stronger enforcement of existing obligations would contribute to dissuading the misuse of legal persons and arrangements. Sanctions for failure to comply with the beneficial ownership requirements are available but have rarely been used in practice.

International Cooperation (Chapter 8 - IO2; R. 36-40)

27.   Singapore provides a range of international cooperation, including MLA, extradition, intelligence/information, and beneficial ownership information. The feedback indicates that the quality of assistance is generally high, often supporting complex investigations and helping to secure convictions. However the feedback also suggests that there were occasional delays in the execution of requests. Singapore indicates that since the 3rd round mutual evaluation, it has adopted a policy of positively responding to requests as far as possible; time is often taken to seek clarifications to facilitate the processing of requests which do not contain sufficient information. However, delays can also be caused by strict interpretation of the MACMA or a lack of resources to deal with an increasingly complex caseload. Asset restraint can be conducted quickly using domestic LEA powers; however this channel requires that LEAs conduct a domestic ML investigation. Using the MACMA restraint provisions is an alternative, a process that takes longer because of the requirement for an order of the High Court.

28.   Few outgoing MLA requests are made, although Singapore has increased efforts since 2015. With respect to other forms of cooperation, the LEAs, FIU and financial supervisors are generally well engaged in making and receiving requests where permitted.

29.   Singapore shares domestically available beneficial ownership information for legal persons and legal arrangements, however there is limited information available under the domestic framework.

Priority Actions

30.   The prioritised recommended actions for Singapore, based on these findings, are:

- Singapore should conduct comprehensive ML and TF risk assessments for all types of legal persons (private companies, public companies, foreign companies, etc.) to identify where the risks are and develop policy to address those risks.

- Singapore should ensure effective supervision for AML/CFT across all categories of DNFBPs through risk-based, targeted and prioritised outreach to and inspections of the non-financial professions, and extend AML/CFT supervision to all PSMDs. Singapore should also increase the level of communication and information sharing by competent authorities and SRBs to ensure a better understanding of the ML/TF risks by the DNFBP sector.

- Financial sector supervisors should continue dialogue with the FIs to promote a better understanding of ML and TF risks, and more closely target supervisory activity to ML/TF risks.

- Singapore should take steps to improve the capability of its LEAs to proactively identify and investigate ML, particularly complex and foreign predicate ML. Singapore should pursue more offenders involved in the laundering of foreign proceeds of crime in addition to the current focus on pursuing money mules and shell companies.

- LEAs should more proactively pursue the confiscation of proceeds of crime and make greater use of the seizure and confiscation powers in the Corruption, Drug Trafficking and other Serious Crimes (Confiscation of Benefits) Act (CDSA) to pursue proceeds of crime that are not directly linked to offences being prosecuted.

- The next round of Singapore's NRA should better articulate the nexus between key threats and vulnerabilities to promote a deeper understanding of how the ML/TF risks faced by Singapore will materialise in Singapore's context. In particular, this analysis should take into consideration Singapore's geographic location and role in the international economy, and deal more specifically with the ML threats to the financial sector in the context of Singapore's position as a financial centre.

- Singapore should conduct a comprehensive sector review to better understand the types of organisations within the NPO sector that are

inherently vulnerable to TF abuse and continue outreach to NPOs to raise awareness of specific TF abuse risks.

■ Singapore should continue to use MLA to follow and restrain assets that have moved to other jurisdictions, and to pursue the people involved and improve response times in responding to foreign requests.

■ Given Singapore's status as a global trade, finance and transportation hub, the FIU should seek to obtain additional strategic information sources, such as international electronic fund transfer reports and trade data, to complement existing reports that provide insight into international ML/TF threats.

Effectiveness & Technical Compliance Ratings

Effectiveness Ratings

IO.1 - Risk, policy and coordination	IO.2 - International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Substantial	**Substantial**	**Moderate**	**Moderate**	**Moderate**	**Substantial**

IO.7 - ML investigation & prosecution	IO.8 – Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Moderate	**Moderate**	**Low**	**Moderate**	**Substantial**	

Technical Compliance Ratings

R.1 - assessing risk & applying risk-based approach	R.2 - national cooperation and coordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
LC	**C**	**LC**	**C**	**LC**	**LC**
R.7- targeted financial sanctions - proliferation	R.8 -non-profit organisations	R.9 – financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
LC	**LC**	**C**	**C**	**C**	**C**
R.13 – Correspondent banking	R.14 – Money or value transfer services	R.15 –New technologies	R.16 –Wire transfers	R.17 – Reliance on third parties	R.18 – Internal controls and foreign branches and subsidiaries
C	**LC**	**C**	**C**	**C**	**C**
R.19 – Higher-risk countries	R.20 – Reporting of suspicious transactions	R.21 – Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency & BO of legal persons
LC	**LC**	**C**	**PC**	**PC**	**PC**
R.25 - Transparency & BO of legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial intelligence units	R.30 – Responsibilities of law enforcement and investigative authorities
PC	**LC**	**C**	**PC**	**C**	**C**
R.31 – Powers of law enforcement and investigative authorities	R.32 – Cash couriers	R.33 – Statistics	R.34 – Guidance and feedback	R.35 – Sanctions	R.36 – International instruments
C	**C**	**LC**	**LC**	**PC**	**C**
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international cooperation		
LC	**LC**	**LC**	**LC**		

C = Compliant
LC = Largely compliant
PC = Partially compliant
NC = Non-compliant

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