



Financial Action Task Force

Groupe d'action financière

**THIRD MUTUAL EVALUATION ON
ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM**

SINGAPORE

EXECUTIVE SUMMARY

29 FEBRUARY 2008

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Executive Summary

1. Background Information

1. This report summarises the anti-money laundering (AML)/combating the financing of terrorism (CFT) measures in place in Singapore as of the time of the on-site visit (3-14 September 2007), and shortly thereafter. The report describes and analyzes those measures and provides recommendations on how certain aspects of the system could be strengthened. It also sets out Singapore's levels of compliance with the Financial Action Task Force (FATF) 40+9 Recommendations (see the attached table on the Ratings of Compliance with the FATF Recommendations).

2. Singapore is a major financial centre in the Asia/Pacific region. In general, the domestic crime rate is low in Singapore which is largely attributable to the deterrent effect of stringent and effective law enforcement. However, as a developed, open and stable economy located in South East Asia, Singapore faces a range of regional and international money laundering and terrorist financing risks, including capital flight associated with corruption in other South East Asian countries, as well as the proceeds of crime from a range of other offences. The size and growth of Singapore's private banking and assets management sector poses a significant money laundering (ML) risk based on known typologies. There are also terrorist financing risks. The authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Following a security operation that commenced in December 2001, Singapore dismantled the local Jemaah Islamiyah terrorist network and confirmed that the network is no longer carrying out its activities in Singapore and that the amount of terrorist funds held in Singapore was small. Singapore continues to actively monitor for potential terrorism-related activities that may occur in Singapore.

3. Singapore's AML/CFT efforts are centered on having a sound and comprehensive legal, institutional, policy and supervisory framework, maintaining a low domestic crime rate, fostering an intolerance for domestic corruption, ensuring an efficient judiciary, and preserving a long established culture of compliance and effective monitoring of the measures implemented. Singapore has systematically taken steps to address many of the recommendations that were made in its second FATF mutual evaluation in 1998-1999. In particular, the creation of a financial intelligence unit (FIU) and the implementation of a comprehensive suspicious transaction reporting regime have significantly improved Singapore's ability to combat ML/FT. Legally binding AML/CFT Notices that clearly set out comprehensive AML/CFT requirements and provide practical guidance on how these obligations are to be fulfilled have also been issued to different classes of financial institutions. Institutional efforts to improve feedback to financial institutions, enhance supervisory oversight and step up training have also resulted in a significant overall strengthening of Singapore's AML/CFT regime. Singapore's ability to provide mutual legal assistance has also been greatly improved. However, there are remaining concerns about the effectiveness of the money laundering offence and the new cross-border declaration system, the requirements applicable to designated non-financial businesses and professions (DNFBPs), and the availability of beneficial ownership information in relation to legal persons and arrangements.

2. Legal Systems and Related Institutional Measures

4. Singapore has criminalized ML in eight separate provisions of the Corruption, Drug Trafficking and other Serious Crimes (Confiscation of Benefits) Act (CDSA). Singapore's money laundering offences cover the conversion or transfer, concealment or disguise, possession and acquisition of property in a manner that is largely consistent with the 1988 United Nations (UN) Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention) and the 2000 UN Convention against Transnational Organized Crime (Palermo Convention). There is one minor technical deficiency in relation to the third-party laundering offences. Singapore has adopted a list approach to define the scope of predicate offences. At the time of the evaluation, there were 335 predicate offences for money laundering. There is a broad range of ancillary offences to the money laundering offences. Money laundering applies to both natural and legal persons, and proof of knowledge can be derived from objective factual circumstances. Natural persons are liable to a maximum fine of 500 000 Singapore Dollars (SGD) and/or

imprisonment of up to 7 years, while legal persons are liable to a maximum fine of SGD 1 000 000. Overall, the money laundering offence is not effectively implemented, given the overall low number of prosecutions and convictions and the size of Singapore's financial sector. The statistics suggest that Singapore is more focused on prosecuting predicate offences (primarily based on domestic crime). Singapore has, generally, been less aggressive in pursuing money laundering as a separate crime in the past, particularly in relation to third-party laundering, through Singapore's financial system, of proceeds generated by foreign predicate offences.

5. Singapore has criminalised four main terrorist financing offences in its Terrorism (Suppression of Financing) Act (TSOFA). These provisions cover the collection or provision of funds with the intention that they be used by a terrorist or terrorist organisation, or to carry out a terrorist act. The definition of "property" in the TSOFA is identical to the definition of "funds" in Article 1 of the UN International Convention for the Suppression of the Financing of Terrorism (FT Convention). Natural persons are liable to a maximum fine of SGD 100 000 and/or imprisonment of up to 10 years, while legal persons are liable to a maximum fine of SGD 100 000. While there have been FT investigations, there have not been any prosecutions or convictions, and so the effectiveness of these provisions cannot be assessed.

6. Confiscation provisions are comprehensive as ancillary to criminal prosecutions. Restraint provisions are generally comprehensive as well; however, they do not adequately cover intended instrumentalities or property of corresponding value of instrumentalities. Moreover, given the risk of money being laundered in Singapore (particularly the proceeds of foreign predicate offences), the amount of money being frozen and seized seems low. Confiscation of terrorist-related property may occur without the necessity of ancillary criminal proceedings.

7. The basic provisions to prevent financial institutions and other persons from dealing with terrorist-related assets are contained in the UN (Anti-Terrorism Measures) Regulations (UN (ATM) Regulations), the Monetary Authority of Singapore (Anti-Terrorism Measures) Regulations (2002) (MAS (ATM) Regulations), and TSOFA. They prohibit dealing, directly or indirectly, in any property that a person knows or has reasonable grounds to believe is owned or controlled by or on behalf of any terrorist or terrorist entity. They also prohibit entering into or facilitating any financial transaction related to a dealing in such property, or providing any financial services or any other related services in respect of any terrorist or terrorist organization. The term "terrorist" is defined broadly, and the schedules to the regulations reference the 1267 list. There are adequate processes in place, and although they have not yet done so, Singapore authorities can easily amend the schedule should they choose to designate terrorists of their own. Singapore has, pursuant to foreign requests, successfully used the general provisions in the regulations and in the Criminal Procedure Code (CPC) to seize funds of persons not on the 1267 list.

8. The Suspicious Transaction Reporting Office (STRO) is Singapore's financial intelligence unit. STRO was formally established on 10 January 2000 as an enforcement-style FIU under the Financial Investigation Division (FID) of the CAD in the Singapore Police Force (SPF). In 2006, STRO developed and implemented a STR On-Line Lodging System (STROLLS) for filers of suspicious transaction reports (STR). STRO also provides extensive general guidance on STR reporting on its website and through its various publications including the latest ML/TF trends, feedback on typologies, indicators of suspicious transactions and statistics. STRO has direct on-line and instantaneous access to all enforcement information including criminal records maintained by SPF. STRO officers have access to a wide variety of public record information and by the use of their coercive police powers (*e.g.* their power under section 58 of the Criminal Procedure Code (CPC) to directly obtain the production of relevant evidence), and can obtain information from financial institutions, including financial records. STRO officers, as police officers, may exercise police powers in various situations during the course of investigating an STR. These powers are exercised in order to develop the STR and to identify the possible commission of a money laundering offence or other offences. STRO is successful at identifying domestic predicate offences through its analysis. However, given the potential attractiveness of Singapore as a large, stable and sophisticated financial centre through which to launder money, STRO is encouraged to more strongly focus on the identification of money laundering from foreign predicate offences.

9. The Financial Investigation Branch (FIB), located within the Financial Investigation Division of CAD, is the lead enforcement agency in ML/FT investigations within the SPF. The key role of FIB is to handle money laundering investigations and provide cross-jurisdiction assistance relating to ML for matters under the purview of the SPF. The work of the FIB is complemented by its sister unit in the SPF, the Proceeds of Crime Unit (PCU). The Central Narcotics Bureau (CNB) is also authorised to investigate ML offences, and has established its own specialist investigative unit (the FIT) to investigate ML offences that are related to drug trafficking. Officers of the FIB, PCU and the SPF are empowered under the CPC, CDSA and TSOFA to exercise comprehensive investigative powers, including powers of search, and seizure of evidence in relation to ML, TF or predicate offences. Overall, the regime for investigating ML has not been effectively implemented, as is illustrated by the low number of ML investigations. Although, in the past, it appears that insufficient attention has been paid to pursuing ML offences, the situation seems to be improving. The statistics do show a general increase in the number of ML investigations, with 46 “full scale” ML investigations in 2007 (as at 14 November).

10. With regard to detecting and deterring cross-border movements related to ML or FT, as of 1 November 2007, Singapore has implemented a declaration system which complements (rather than replaces) a disclosure system that Singapore has had in place since November 2004. Although the technical components of the new declaration system are comprehensive, they are too recent to be assessed for their effectiveness.

3. Preventive Measures – Financial Institutions

11. The Singapore regulatory structure utilises laws (“Acts”), regulations, and notices, all of which are enforceable. The AML/CFT Notices, issued by the Monetary Authority of Singapore (MAS) and which establish most of the AML/CFT requirements for most financial institutions as described below, are not “law or regulation” according to the FATF definition. However, they are clearly “other enforceable means”, as they create legally enforceable obligations, to which criminal sanctions apply for non-compliance. There are separate Notices applicable to each financial sector; however, the language therein is virtually identical.

12. The Notices also use almost identical language to that used in the FATF Recommendations and AML/CFT Methodology. This means that, overall, preventative measures for the financial sector generally meet a high level of compliance with the detailed provisions of the FATF 40 + 9 Recommendations. Only commodities futures brokers are not yet covered for AML/CFT purposes. In addition, new rules for moneylenders entered into force on 12 November 2007, so their effectiveness cannot yet be assessed. Both of these sectors comprise very small firms that are few in number, and the Monetary Authority of Singapore (MAS) (which regulates the financial sector) views both as being relatively low risk for AML/CFT purposes.

13. Existing customer due diligence (CDD) measures are generally comprehensive and are effectively applied by financial institutions. This includes customer identification and verification, beneficial ownership requirements, and measures for politically exposed persons (PEPs), correspondent banking, and new technologies and non-face to face customers. The main issue is that basic CDD requirements are not laid out in “law or regulation” as required by the FATF standards but rather in the Notices which are “other enforceable means.” Requirements for introduced business are generally comprehensive as well; however, financial institutions are not specifically required to immediately obtain CDD information on introduced customers.

14. Record keeping requirements are comprehensive and are generally observed; however, the requirements for financial institutions to maintain business correspondence, and the requirement for money exchange and remittance businesses to maintain identification data should be laid out in law or regulation. Wire transfer provisions are also broad, and secrecy provisions do not inhibit implementation of the FATF standards.

15. Financial institutions are required to pay special attention to all complex or unusually large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful

purpose, inquire into the background and purpose of such, and document their findings with a view to making this information available to the relevant competent authorities should the need arise. Financial institutions are further required to give particular attention to business relations and transactions with any person from or in countries and jurisdictions known to have inadequate AML/CFT measures, as determined by the financial institutions for themselves or notified to financial institutions generally by MAS or other foreign regulatory authorities. However, in relation to those countries which continue not to apply or insufficiently apply the FATF recommendations, no enforceable powers have been exercised to require financial institutions to apply stringent or additional AML/CFT counter-measures.

16. The CDSA requires that any person who, in the course of his/her professional or business duties, knows or has reasonable grounds to suspect that any property represents the proceeds of drug trafficking or criminal conduct (as defined in section 2(1) of the CDSA), or was used or is intended to be used in connection with drug trafficking or criminal conduct (which includes ML/FT) is obliged to disclose the knowledge or suspicion to an STRO officer. "Criminal conduct" includes the 335 predicate offences for money laundering as well as the terrorist financing offences. The MAS Notices specify that attempted transactions must also be reported. There are comprehensive "safe harbor" provisions for STR reporting. Tipping off is also prohibited, although the criminal offence only applies to a transaction that has already been reported and not specifically to those in the process of being reported. The rate of STR reporting has been increasing, with financial institutions filing over 6,000 STRs in 2007 (up to 14 November).

17. Requirements for internal AML/CFT controls, including compliance management arrangements with a compliance officer at the management level, internal audit, training, and screening of employees are being implemented effectively in the various financial sectors. Financial institutions (other than commodities futures brokers) implement their requirements for group AML/CFT policies. These require that overseas branches or subsidiaries apply the higher of the two AML/CFT standards where they differ, and report to MAS when this is not possible due to domestic law. Singapore implements comprehensive requirements concerning shell banks.

18. The MAS is Singapore's central bank and financial services regulator. It has supervisory responsibility over banks, finance companies, merchant banks, insurance companies, capital markets services (CMS) licensees, financial advisers, moneychangers and remittance agents. From early 2008, MAS will also have regulatory oversight of commodity futures trading in Singapore. MAS sets its own budget (about half of which is spent on supervision) and hires the staff it requires to perform its supervisory functions.

19. Financial institutions have to obtain MAS' approval to carry on business in Singapore. MAS' approval is generally required for: (1) the appointment of directors and senior management and in the case of institutions carrying out the banking business, nominating committees; and (2) specific threshold changes in shareholdings of the financial institution. The directors and some members of senior management of financial institutions that are subject to the Core Principles are required to satisfy fit and proper criteria. Money changing and remittance (value transfer) businesses also require a license from MAS in order to legally operate. The Singapore authorities have made some efforts to locate unlicensed remitters and sanction them accordingly. However, Singapore should develop more pro-active policies with a view to reducing the number of possible unlicensed money-changing and remittance businesses considering the large communities of migrant workers from countries with poor banking systems present in Singapore.

20. MAS uses a risk-based approach to financial supervision. Each institution is assessed and assigned two ratings: (1) an impact rating that assesses the potential impact which it might have on Singapore's financial system, economy and reputation in the event of a significant mishap (*e.g.* financial or major control failure, and prolonged business disruption); and (2) a risk rating which assesses the likelihood of these significant mishaps occurring. It then uses a risk assessment, CRAFT (Common Risk Assessment Framework and Techniques), to evaluate the risk of an institution. Finally, the MAS determines the appropriate supervisory strategies and, in turn, the level of supervisory intensity required. Impact and risk ratings are combined to assign the institution to one of four categories ("buckets") of supervisory significance. The intensity of supervision varies according to the bucket.

21. For financial institutions that are subject to the Core Principles (*i.e.* banks, merchant banks, finance companies, financial advisers, CMS licensees and insurers), MAS applies similar supervisory measures used for prudential purposes in relation to AML/CFT.

22. MAS has a broad range of powers to monitor and ensure that financial institutions comply with AML/CFT measures, including powers of off-site surveillance, auditing and on-site visits and inspections. MAS conducts both routine and thematic on-site inspections of the financial institutions under its supervision. All financial institutions are subjected to base-level supervision and monitoring. The scope and frequency of inspection varies among the financial institutions, depending on MAS' impact and risk assessment on the financial institutions. The inspection period for each financial institution could range from 2-3 days for institutions like financial advisers to 1-4 weeks for banks, depending on the size of the financial institution and the scope of inspection. For 2007 (up to 14 November), MAS carried out 27 on-site inspections of banks (which included AML/CFT), among them five thematic AML inspections (*i.e.* AML/CFT only). The scope of MAS inspection includes a review of the financial institutions' policies and procedures, books and records, and sample or transaction testing. MAS also has comprehensive powers to require a financial institution to produce its books, accounts and documents, and to afford MAS access to such information or facilities as may be required to conduct the inspection or investigation.

23. Financial institutions that fail to comply with or properly implement their AML/CFT obligations are subject to a range of criminal, regulatory and supervisory measures. Additionally, a director, managing director, and a varying range of management personnel and, in some cases, officers of the financial institution may be personally liable if they fail to take all reasonable steps to secure the financial institution's compliance with relevant legislation and for non-compliance with directions issued to specific institutions pursuant to the MAS Act. MAS may also direct the removal of a chief executive or officer, or issue him/her a formal reprimand.

24. The MAS Act authorises the MAS to notify a financial institution or make any recommendation that it sees fit. This broad power thus includes the ability to issue a warning or reprimand letter, which could indicate specific deficiencies that need to be rectified, order a change in management, suspend or withdraw a license, or issue a fine. Recent amendments to the MAS Act create a derivative liability in the MAS Act on officers (directors, members of the committee of management, chief executive, manager, secretary or other similar officers) where non-compliance by a financial institution is attributable to their consent, connivance or neglect.

25. MAS reports that administrative sanctions such as a letter of reprimand or letter requiring remedial action have been very effective in getting financial institutions to rectify their breaches and deficiencies. No criminal sanctions have been issued; fines have only been issued against money remitters and bureaux de change.

4. Preventive Measures – Designated Non-Financial Businesses and Professions (DNFBPs)

26. Singapore has applied AML/CFT preventive measures to trust companies (that are regulated as financial institutions) and lawyers. Singapore has not yet applied preventive measures to accountants when they undertake the type of work covered by Recommendation 12, trust service providers (other than trust companies and lawyers), company service providers, dealers in precious metals and stones and real estate agents. Physical casinos are not yet in operation, and internet casinos are prohibited.

27. Lawyers are subject to the Legal Profession (Professional Conduct) Rules (the 'Rules') issued by the Law Society. Amendments to the Rules with respect to some CDD and record keeping requirements came into operation on 15 August 2007. The Council of the Law Society has also issued a Practice Direction on AML/CFT that came into force on 15 August 2007. It sets out more details and complements the obligations under the Rules. For example, lawyers are required to take reasonable measures to ascertain the identity of a client before accepting instructions on any matter. Lawyers must obtain satisfactory evidence as to the nature and purpose of the business relationship with the client when carrying out activities of most of the types covered by Recommendation 12 for a client and they must examine the background and purpose of transactions that are complex, unusual or large. However, there

are still key deficiencies in the Practice Direction in that there are no specific requirements, for example, for a lawyer to identify the beneficial owner for all customers or to determine if the customer is acting on behalf of another person, or conduct CDD when there is a suspicion of ML/FT or when there are doubts about the veracity or adequacy of previously obtained customer identification data.

28. The reporting requirements that apply to financial institutions under the CDSA (s.39) and TSOFA (s.8 and 10) apply to all persons, and therefore to all DNFBPs. The safe harbor and no tipping off provisions also apply. However, there are some concerns about how effectively the reporting requirement has been implemented in the DNFBP sectors.

29. There are currently no enforceable obligations relating to Recommendations 15 and 21 in relation to DNFBPs, other than lawyers and trust companies that are regulated as financial institutions.

30. Lawyers are supervised for compliance with AML/CFT requirements by their SRO; however, as the regime is very new, its effectiveness cannot yet be assessed. Real estate agents, dealers in precious metals and stones, and TCSPs (other than trust companies that are regulated as financial institutions as described in section 3 of this report) have not been issued with AML/CFT measures (other than the reporting obligations) and are therefore not monitored for AML/CFT compliance.

5. Legal Persons and Arrangements & Non-Profit Organisations

31. ACRA is the central registration authority in Singapore for business entities. ACRA maintains a register containing information on entities, including ownership and control of companies and limited liability partnerships. Supplementing this information is a requirement for entities to maintain information on their premises (such as shareholder registers) which may be, in some instances, available for public inspection. While the investigative powers are generally sound and widely used, there are limited measures in place to ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons which can be obtained or accessed in a timely fashion by competent authorities.

32. The competent authorities have powers to access information on the beneficial ownership of trusts. However, availability of that information is limited by the fact that only trusts administered by trustee companies and trust company service providers are obliged to maintain such information.

33. Singapore's non-profit organisation (NPO) sector is significantly populated by two forms of entities, namely charities and Institutions of a Public Character (IPCs). Charities are established exclusively for charitable objects including relief of poverty, advancement of education, advancement of religion and other purposes beneficial to the community. IPCs are NPOs whose activities are beneficial to the community in Singapore as a whole and are authorized to receive tax-deductible donations. All charities and IPCs in Singapore are supervised by the Commissioner of Charities who is assisted by six other government agencies overseeing charities and IPCs in their respective sectors. The Commissioner of Charities has conducted outreach to the NPO sector concerning Singapore's AML/CFT laws; how to counter certain ML/FT risks within the sector; and reminding NPOs of their obligations to file STRs. No charity or IPC has yet filed a STR. All charities and IPCs in Singapore are subject to some form of supervision by the Ministry of Community Development, Youth and Sports. The Commissioner of Charities also has the power to sanction violations of oversight measures. Charities must keep accounting records sufficient to show and explain all the charity's transactions monies received and expended and a record of assets and liabilities.

6. National and International Co-operation

34. Singapore utilises a multi-agency AML/CFT strategy involving law enforcement, policy makers, regulators and the private sector. This effort is led by a high-level Steering Committee established in 1999. The Steering Committee is supported by the working-level Inter-Agency Committee (IAC) comprised of 15 agencies and departments. To ensure a coordinated effort in combating terrorism (including terrorist

financing), members of the IAC are also represented on the Inter-Ministry Committee on Terrorism (IMC on Terrorism) which was established in 2001.

35. Singapore is a party to the Vienna Convention, the FT Convention, and the Palermo Convention.

36. The Mutual Assistance in Criminal Matters Act (MACMA) allows Singapore to provide mutual legal assistance (MLA) to other jurisdictions, in relation to criminal investigations or criminal proceedings for offences that are covered under the Act (335 crimes, including ML and FT). Requests for MLA are processed by the Attorney General's Chambers (AGC). Amendments to the Act in April 2006 mean that a mutual legal assistance treaty (MLAT) is no longer required before coercive assistance can be provided to any requesting State as long as the requesting State provides a reciprocity undertaking before assistance is granted. With respect to MLATs, Singapore has bilateral MLATs with the Hong Kong Special Administrative Region, India, the United States (in the form of a Drug Designation Agreement) and a MLAT relationship with Malaysia, Vietnam, Brunei Darussalam, and Laos. Dual criminality is required for coercive measures, but is not interpreted in an overly strict manner as it is the criminal conduct alleged which is examined as a whole to determine whether the conduct would amount to a scheduled offence in the CDSA list in Singapore, not the label of the offence or its constituent elements. Assistance that may be provided includes the production or seizure of information, documents, or evidence (including financial records) from financial institutions, other entities, or natural persons; and searches of financial institutions, other entities, and domiciles. The 2006 MACMA legislation appears to have addressed some major deficiencies in mutual legal assistance previously encountered in foreign requests to Singapore for assistance. Singapore authorities maintain that MACMA has enabled them to provide MLA in a timely, constructive and effective manner. However, there has not been sufficient time to show whether the provisions are working fully effectively.

37. Singapore may provide assistance to foreign governments in the enforcement of a foreign confiscation order or the restraining of dealing in any property that is related to that confiscation order and is reasonably believed to be located in Singapore, as ancillary to a foreign criminal prosecution. MACMA also authorises Singapore to enforce foreign instrumentalities orders; however this does not cover instrumentalities intended for use in the commission of offences or substitute property. Singapore authorities indicate that other legislation could be used for these items; however, the effectiveness of those provisions cannot be assessed.

38. ML is an extraditable offence as it is listed in the First Schedule to the Extradition Act. Likewise, FT offences are deemed extraditable crimes under the Extradition Act by virtue of section 33(1) of the TSOFA. Singapore can extradite its own nationals.

39. Singapore has also implemented measures to facilitate administrative cooperation between domestic authorities and foreign counterparts outside of the formal MLA process.

7. Resources and Statistics

40. Singapore has dedicated appropriate financial, human, and technical resources to the various areas of its AML/CFT regime. All competent authorities are required to maintain high professional standards, including standards concerning confidentiality, and receive adequate AML/CFT Training.

41. Singapore generally maintains comprehensive statistics, enabling it to assess the effectiveness of its AML/CFT measures. However, the statistics relating to the number of cases and amounts of property frozen, seized and confiscated do not specifically distinguish between cases in which there is a close relation between the domestic predicate offences and the money laundering investigations.

Table 1. Ratings of Compliance with FATF Recommendations

The rating of compliance vis-à-vis the FATF Recommendations should be made according to the four levels of compliance mentioned in the 2004 Methodology (Compliant (C), Largely Compliant (LC), Partially Compliant (PC), Non-Compliant (NC), or could, in exceptional cases, be marked as not applicable (na).

Forty Recommendations	Rating	Summary of factors underlying rating
Legal systems		
1. ML offence	PC	<ul style="list-style-type: none"> Effectiveness: The money laundering offence is not effectively implemented as is shown by: the low number of ML prosecutions and convictions, given the size of Singapore's financial sector and the level of ML risk. Also there is a focus on pursuing domestic predicate offence cases, with ML as an ancillary crime, rather than ML as a separate offence, which results in few third-party ML cases being pursued and insufficient attention being paid to ML involving the proceeds of foreign predicate offences. An additional "purposive" mens rea requirement in CDSA Sec. 46(2) and 47(2) in relation to the offence of "concealment or disguise", and a missing alternative purpose element in relation to the offence of "conversion or transfer" are inconsistent with the Conventions and may hamper the government's ability to prosecute third-party ML cases under those sections.
2. ML offence – mental element and corporate liability	LC	<ul style="list-style-type: none"> The money laundering offence is not effectively implemented as is shown by the low number of overall ML prosecutions and convictions (given the size of Singapore's financial sector and the level of ML risk), the low range of sentences being applied, and the focus on pursuing domestic predicate offences rather than ML which results in few third-party ML cases being pursued and insufficient attention being paid to ML involving the proceeds of foreign predicate offences. No prosecutions have been brought against any legal persons.
3. Confiscation and provisional measures	LC	<ul style="list-style-type: none"> The restraint provisions do not extend to property of corresponding value, and it is unclear whether restraint provisions extend to all instrumentalities and intended instrumentalities of crime. Effectiveness: Given the risk of money being laundered in Singapore (particularly the proceeds of foreign predicate offences), the amount of money being frozen and seized seems low. The procedure for obtaining bank records (by High Court order through application by the AGC) is cumbersome compared to the procedure by which the police may simply seek a court order directly to obtain all other information – without any apparent reason to differentiate between the two types of evidence.
Preventive measures		
4. Secrecy laws consistent with the Recommendations	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
5. Customer due diligence	LC	<ul style="list-style-type: none"> Certain requirements (when CDD takes place, required CDD measures, beneficial ownership, on-going due diligence) are contained in the Notices, which while they create legally enforceable obligations with criminal sanctions for non-compliance, are not in law or regulation as defined by the FATF. It is not specified that simplified CDD provisions are not allowed whenever there is suspicion of ML/TF. Non-bank FIs do not necessarily conduct sufficient risk assessments of new customers with a view to determining whether they are high risk customers to whom enhanced CDD measures should be applied. Scope issues—commodity futures brokers will only be covered in 2008, and the implementation of CDD measures to moneylenders is

		too new to be assessed.
6. Politically exposed persons	LC	<ul style="list-style-type: none"> Scope issues—commodity futures brokers will only be covered in 2008.
7. Correspondent banking	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
8. New technologies & non face-to-face business	LC	<ul style="list-style-type: none"> Scope issues—commodity futures brokers will only be covered in 2008 by general requirements concerning non-face-to-face business, and the implementation of relevant measures to moneylenders is too new to be assessed.
9. Third parties and introducers	LC	<ul style="list-style-type: none"> No requirement that FIs should immediately obtain CDD information on introduced customers. Scope issues—commodity futures brokers will only be covered in 2008.
10. Record keeping	LC	<ul style="list-style-type: none"> The requirements to maintain business correspondence are set out in other enforceable means, not law or regulation. Commodities futures brokers will only be covered in 2008.
11. Unusual transactions	LC	<ul style="list-style-type: none"> Commodities futures brokers will only be covered in 2008 As the provisions that apply to moneylenders are very recent, it is not yet possible to assess their effectiveness.
12. DNFBP – R.5, 6, 8-11	NC	<ul style="list-style-type: none"> Real estate agents, dealers in precious metals and stones, accountants, and trust service providers (other than trust companies) and company service providers do not have any AML/CFT obligations pertaining to Recommendation 12. <p><u>Lawyers:</u></p> <ul style="list-style-type: none"> The measures to implement Recommendation 5 suffer from the following deficiencies: <ul style="list-style-type: none"> There is no specific requirement to conduct CDD when there is a suspicion of ML/FT or when there are doubts about the veracity or adequacy of previously obtained customer identification data. There is no specific requirement for lawyers to identify the beneficial owner for all customers or to determine if the customer is acting on behalf of another person. There is no specific requirement to understand the ownership and control structure of the customer. The requirement to understand the nature and purpose of the business relationship does not apply to all circumstances required by the FATF Recommendations. There is no general requirement for lawyers to conduct ongoing due diligence of the customer or ensure that information collected under the CDD process is kept up-to-date. Enhanced due diligence is not generally applied to all high risk customers. Certain specified categories of low risk customer are completely exempted from CDD requirements, rather than being made subject to simplified CDD measures. There is no requirement to ensure that the ML risks are effectively managed when CDD cannot be completed at the start of the business relationship. The prohibition on an account being opened or transaction performed if the required CDD information cannot be obtained is too narrow, and does not apply to all cases. There is no requirement to consider making an STR if CDD cannot be satisfactorily completed. Effectiveness cannot yet be assessed, as these requirements only recently came into force. In relation to Recommendation 6, there is no requirement to conduct enhanced ongoing monitoring on relationships with clients who are PEPs. Also, effectiveness cannot yet be assessed, as these requirements only recently came into force.

		<ul style="list-style-type: none"> The measures to implement Recommendation 9 suffer from the following deficiencies: <ul style="list-style-type: none"> There is no requirement to ensure that the intermediary/third party is regulated and supervised in accordance with the FATF Recommendations, or has measures in place to comply with Recommendations 5 and 10. There is no requirement to consider whether the intermediary/third party is located in a country that does not adequately apply the FATF Recommendations. There is no provision that explicitly states that the ultimate responsibility for customer identification and verification remains with the lawyer who is relying on the intermediary/third party. Effectiveness cannot yet be assessed, as these requirements only recently came into force. In relation to Recommendation 10, there is no requirement to maintain business correspondence, ensure that records are kept in such a manner as to permit the reconstruction of individual transaction, and ensure that all records can be made available on a timely basis. Also, effectiveness cannot yet be assessed, as these requirements only recently came into force. In relation to Recommendation 11, there is no express requirement that all findings relating to unusual transactions be kept for 5 years. Also, effectiveness cannot yet be assessed, as these requirements only recently came into force.
13. Suspicious transaction reporting	LC	<ul style="list-style-type: none"> The scope of the predicate offences for STR reporting does not satisfy all the FATF standards. Certain clarifications of the law (reporting to STRO, attempted transaction) are covered in "other enforceable means" but not in law or regulation.
14. Protection & no tipping-off	LC	<ul style="list-style-type: none"> The scope of the tipping-off provision does not include a case where an STR is in the process of being reported to the FIU.
15. Internal controls, compliance & audit	LC	<ul style="list-style-type: none"> Commodities futures brokers will only be covered in 2008. As the provisions that apply to moneylenders are very recent, it is not yet possible to assess their effectiveness.
16. DNFBP – R.13-15 & 21	PC	<ul style="list-style-type: none"> The measures to implement Recommendation 13 suffer from the following deficiencies: <ul style="list-style-type: none"> The reporting obligation is not implemented effectively (lack of understanding about the reporting obligation, and low numbers of reports being filed even though the requirements have been in place for four years). The limitations identified under Recommendation 13 with respect to the reporting obligation also affect compliance with Recommendation 16. The limitations identified under Recommendation 14 with respect to the tipping off provision also affect compliance with Recommendation 16. None of the DNFBP sectors (other than lawyers and part of the TCSPs, namely the trust companies) are subject to requirements relating to R.15 and 21. <p><u>Lawyers</u></p> <ul style="list-style-type: none"> The measures to implement Recommendation 15 suffer from the following deficiencies: <ul style="list-style-type: none"> There is no requirement to implement internal controls in relation to record retention, the detection of unusual and suspicious transactions or the reporting obligation. There is no requirement to maintain an adequately resourced and independent audit function, appoint a compliance officer or establish screening procedures to ensure high standards when hiring employees. There is no requirement to provide training that covers FT.

		<ul style="list-style-type: none"> - Effectiveness cannot yet be assessed, as these requirements only recently came into force (in mid-August 2007). • In relation to Recommendation 21, effectiveness cannot yet be assessed, as these requirements only recently came into force (in mid-August 2007). <p><i>Trust Companies</i></p> <ul style="list-style-type: none"> • The limitations identified under Recommendation 15 and 21 with respect to financial institutions also affect compliance with Recommendation 16.
17. Sanctions	LC	<ul style="list-style-type: none"> • Effective, proportionate, and dissuasive sanctions for non-compliance with AML/CFT obligations will do not yet apply for commodity futures brokers, and the effectiveness of the sanctions for money lenders has not yet been tested.
18. Shell banks	C	<ul style="list-style-type: none"> • This Recommendation is fully observed.
19. Other forms of reporting	C	<ul style="list-style-type: none"> • This Recommendation is fully observed.
20. Other NFBP & secure transaction techniques	LC	<ul style="list-style-type: none"> • The issuing of the SGD 10 000 note is of some concern.
21. Special attention for higher risk countries	LC	<ul style="list-style-type: none"> • No enforceable powers have been exercised to require financial institutions to apply stringent or additional AML/CFT counter-measures against those countries which continue not to apply or insufficiently apply the FATF Recommendations. • Commodities futures brokers will only be covered in 2008. • As the provisions that apply to moneylenders are very recent, it is not yet possible to assess their effectiveness.
22. Foreign branches & subsidiaries	LC	<ul style="list-style-type: none"> • Commodities futures brokers will only be covered in 2008
23. Regulation, supervision and monitoring	LC	<ul style="list-style-type: none"> • Commodity futures brokers are not yet supervised for AML/CFT, and the effectiveness of the supervisory regime for money lenders has not yet been tested. • Fit and proper tests do not apply to all senior management. • The risk of unlicensed MVTs is not adequately addressed.
24. DNFBP - regulation, supervision and monitoring	NC	<ul style="list-style-type: none"> • No AML/CFT supervisory regime for real estate agents. • No AML/CFT supervisory regime for dealers in precious metals and stones. • No AML/CFT supervisory regime for accountants. • No AML/CFT supervisory regime for trust and company service providers (other than trust companies). • No comprehensive AML/CFT monitoring for lawyers, and the effectiveness of the existing regime cannot yet be assessed.
25. Guidelines & Feedback	LC	<ul style="list-style-type: none"> • No issued guidance for trust service providers (other than trust companies and lawyers) or company service providers. • Existing guidelines for real estate agents, accountants, and dealers in precious metals and stones are not comprehensive. • No general or specific feedback given to DNFBPs concerning the reporting obligation.

Institutional and other measures		
26. The FIU	LC	<ul style="list-style-type: none"> STRO's analysis is overly focused on detecting and identifying predicate offences, and is not adequately focused on detecting and identifying money laundering cases. Minor concerns about the operational independence of the STRO.
27. Law enforcement authorities	LC	<ul style="list-style-type: none"> Effectiveness: low number of investigations for ML (most of which are investigations in concert with investigations of the predicate offence); little use made of STRs to investigate ML; inadequate proactive investigation of ML related to funds coming into Singapore from another jurisdiction.
28. Powers of competent authorities	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
29. Supervisors	LC	<ul style="list-style-type: none"> There are not AML/CFT inspection and enforcement powers for commodities future brokers until 2008. As the provisions that apply to moneylenders are very recent, it is not yet possible to assess their effectiveness
30. Resources, integrity and training	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
31. National co-operation	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
32. Statistics	LC	<ul style="list-style-type: none"> The statistics relating to the number of cases and amounts of property frozen, seized and confiscated do not specifically distinguish between cases in which there is a close relation between the domestic predicate offences and the money laundering investigations. Singapore does not maintain statistics concerning the volume of international wire transfers.
33. Legal persons – beneficial owners	PC	<ul style="list-style-type: none"> While the investigative powers are generally sound and widely used, there are limited measures in place to ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities. Information on the company registrar pertains only to legal ownership/control (as opposed to beneficial ownership), is not verified and is not necessarily reliable. Foreign companies are not required to keep information on shareholders, nor changes to shareholdings, at their registered Singapore office unless one or more of the shareholders are Singapore residents. Limited liability partnerships are not required to collect shareholder information on partners who are bodies corporate.
34. Legal arrangements – beneficial owners	PC	<ul style="list-style-type: none"> While competent authorities have powers to access information on beneficial ownership in trusts, availability of that information is limited by the fact that only trusts administered by trustee companies and trust company service providers are obliged to maintain such information.
International Co-operation		
35. Conventions	LC	<ul style="list-style-type: none"> The purpose elements required to prove third party money laundering are not in line with the Vienna and Palermo Conventions. The scope of “terrorist act” does not fully cover all of the acts defined in Article 2(1) of the FT Convention.
36. Mutual legal assistance (MLA)	LC	<ul style="list-style-type: none"> Singapore may not be able to freeze, seize and confiscate based on foreign orders against instrumentalities of crime, and their equivalent amounts, or instrumentalities “intended for use” in some cases of FT, ML, and predicate offences. It is too soon to assess the effectiveness of the current MACMA (recently amended) and Singapore's responses to foreign countries seeking to become “prescribed” for case-by-case assistance.

		However, there remains one concern which existed under the previous regime: the requirement for an ex parte hearing and court order to obtain financial records and information.
37. Dual criminality	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
38. MLA on confiscation and freezing	LC	<ul style="list-style-type: none"> Singapore may not be able to freeze, seize and confiscate based on foreign orders against instrumentalities of crime, and their equivalent amounts, or instrumentalities "intended for use" in some cases of FT, ML, and predicate offences.
39. Extradition	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
40. Other forms of co-operation	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
Nine Special Recommendations	Rating	Summary of factors underlying rating
SR.I Implement UN instruments	LC	<ul style="list-style-type: none"> The scope of "terrorist act" does not fully cover all of the acts defined in Article 2(1) of the FT Convention. Provisions for obtaining access to frozen funds to pay basic expenses should be made specifically subject to the requirement of obtaining approval of the 1267 Committee for funds or other assets frozen as a result of S/RES/1267(1999) The measures to implement S/RES/1373(2001) suffer from the following deficiencies: <ul style="list-style-type: none"> Although Singapore relies on its well-honed procedures of advising its ministries and regulatory bodies of MHA's decisions to give effect to the actions initiated under the freezing mechanisms of other jurisdictions, or to designate persons in the context of S/RES/1373(2001), there is not a particularized legal framework for doing so. While the majority of the FT Convention's provisions have been implemented, the scope of "terrorist act" does not fully cover all the acts defined in Article 2(1).
SR.II Criminalise terrorist financing	LC	<ul style="list-style-type: none"> Not all of the offences in the Annex to the FT convention are terrorist acts in Singapore, an extra purpose requirement contravenes the Convention, and so financing of the Convention acts is not fully criminalised. The effectiveness of the FT provisions has not been tested and cannot be assessed.
SR.III Freeze and confiscate terrorist assets	LC	<ul style="list-style-type: none"> Although Singapore relies on its well-honed procedures of advising its ministries and regulatory bodies of MHA's decisions to give effect to the actions initiated under the freezing mechanisms of other jurisdictions, or to designate persons in the context of S/RES/1373(2001), there is not a particularized legal framework for doing so. There is no formal delisting procedure in place. Provisions for obtaining access to frozen funds to pay basic expenses should be made specifically subject to the requirement of obtaining approval of the 1267 Committee for funds or other assets frozen as a result of S/RES/1267(1999). As Singapore has never utilized the TSOFA procedure for freezing, restraining, or forfeiting terrorist-related property, the efficiency and speed of this procedure has not been tested.
SR.IV Suspicious transaction reporting	C	<ul style="list-style-type: none"> This Recommendation is fully observed.
SR.V International co-operation	LC	<ul style="list-style-type: none"> The deficiencies identified in relation to R.36, also impact the rating for SR.V. The deficiencies identified in relation to R.38, also impact the rating for SR.V.

		<ul style="list-style-type: none"> • There is only limited authority for Singapore to freeze, seize and confiscate instrumentalities of terrorism and terrorist financing at a foreign government's request, under Singapore's domestic provisions of TSOFA. • Outside of Commonwealth countries, Malaysia, and three treaty countries, extradition cannot be provided for FT offences not covered in the FT Convention (provision/collection of funds for a terrorist country or individual terrorist), unless they have been designated in the Gazette. The effectiveness of these provisions has not been demonstrated.
SR VI AML requirements for money/value transfer services	LC	<ul style="list-style-type: none"> • The risk of unlicensed MVTs is not fully addressed. • The limitations identified under Recommendation 5, 8, 10, 13, 14 and SR.VII also affect compliance with Special Recommendation VI.
SR VII Wire transfer rules	LC	<ul style="list-style-type: none"> • No explicit provision for record keeping where technical limitations prevent full originator information accompanying a cross-border transfer.
SR.VIII Non-profit organisations	LC	<ul style="list-style-type: none"> • Singapore has not yet conducted a TF vulnerability review of the NPO sector.
SR.IX Cross Border Declaration & Disclosure	LC	<ul style="list-style-type: none"> • Effectiveness: As the declaration system is very recent and only one month of statistics has been provided, its effectiveness and implementation across all agencies cannot yet be fully assessed.