GUIDELINES TO MAS NOTICE SFA04-N02 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM

Introduction

1. These Guidelines are issued to provide guidance to holders of a Capital Markets Services licence and persons exempt under paragraph 4(1)(c), 5(1)(d) or 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations from having to hold a Capital Markets Services licence ("Capital markets intermediaries" or "CMIs") on some of the requirements in SFA 04-N02 ("the Notice").

2. CMIs are reminded that the ultimate responsibility and accountability for ensuring the CMI's compliance with anti-money laundering and countering the financing of terrorism ("AML/CFT") laws, regulations and guidelines rests with the CMI, its board of directors and senior management.

3. The expressions used in these Guidelines shall, except where expressly defined in these Guidelines or where the context otherwise requires, have the same respective meanings as in the Notice.

The Structure of MAS Notice SFA 04-N02

4. The Notice sets out the obligations of a CMI to take measures to help mitigate the risk of Singapore's capital markets being used for money laundering or terrorist financing.

5. While the Authority has drawn up our requirements for the financial industry to implement the FATF's recommendations, sector specific needs are also taken into consideration. For CMIs, we have also incorporated guidance and principles developed by the International Organisation of Securities Commissions ("IOSCO")[1].

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[1] Specifically, the sector specific guidance is drawn from the two IOSCO papers, "Principles on Identification and Beneficial Ownership for the Securities Industry" and "Anti-Money Laundering Guidance for Collective Investment Schemes" issued in May 2004 and October 2005 respectively.

6. Paragraph 4 of the Notice deals with customer due diligence ("CDD") measures. This paragraph sets out the standard CDD measures to be applied, of which there are seven principal components —

- Identification of the customer by obtaining certain information pertaining to the customer and, where the customer is not a natural person, certain other persons associated with that customer;

- Verifying the identification information obtained;

- Where the customer is not a natural person, identifying and verifying the identity of the natural persons appointed to act on the customer's behalf;

- Determining if there exists any beneficial owner and applying the identification and verification procedures to those beneficial owners;

- Where business relations are to be established, obtaining information as to the nature and purpose of the intended business relations;

- After business relations are established, conducting ongoing monitoring of business relations; and

- Reviewing periodically the adequacy of customer information, after business relations are established.

7. Paragraphs 5 and 6 of the Notice provide for the risk-based customisation of the CDD measures. Thus, paragraph 5 on simplified CDD allows a CMI to take lesser measures than those specified in paragraph 4 of the Notice provided that the conditions for simplified CDD are met. This will largely be a matter for individual CMIs to assess, but the CMI must be able to justify its decision. Conversely, in situations where PEPs may be involved or in other situations where there is a higher risk of money laundering or terrorist financing, a CMI is required under paragraph 6 of the Notice to take enhanced CDD measures.

8. To cater to cross-referrals, paragraph 7 of the Notice allows a CMI to rely on another party, an intermediary, to perform certain elements of the CDD process, provided that certain conditions are met. This

paragraph may typically be applied where a new customer is introduced to the CMI by an intermediary resulting in direct business relations between the CMI and the new customer. Thus, if the intermediary has already performed its own CDD on the new customer, then paragraph 7 allows the CMI to dispense with performing CDD on the new customer if the conditions are satisfied. Paragraph 7 is not intended to cover the situation where a CMI outsources the function of performing CDD measures to a third party.[2]

9. Finally, the Notice updates the previous requirements with respect to record keeping (paragraph 8), reporting of suspicious transactions (paragraph 9) and the institution of internal policies, procedures and controls for AML/CFT (paragraph 10).

Key Concepts of the Notice

Money Laundering

10. Money laundering is a process intended to mask the benefits derived from criminal conduct so that they appear to have originated from a legitimate source.

11. Generally, the process of money laundering comprises three stages, during which there may be numerous transactions that could alert a CMI to the money laundering activity:

(a) Placement - The physical disposal of the benefits of criminal conduct;

(b) Layering - The separation of the benefits of criminal conduct from their source by creating layers of financial transactions designed to disguise the audit trail; and

(c) Integration - The provision of apparent legitimacy to the benefits of criminal conduct. If the layering process succeeds, the integration schemes place the laundered funds back into the economy so that they re-enter the financial system appearing to be legitimate business funds.

[2] The Notice does not prohibit the outsourcing of the CDD function to a third party but where this occurs, the CMI must remain fully responsible and accountable for the conduct of CDD measures as if the function had remained within the CMI.

The chart in Appendix I of these Guidelines illustrates these three stages of money laundering in greater detail.

12. As capital markets are no longer predominantly cash based, they are more likely to be used in the layering stage rather than placement stage of money laundering. However, where the transactions are in cash, there is still the risk of capital markets being used at the placement stage.

13. Capital markets offer a vast array of opportunities for transforming money into a diverse range of assets. For liquid assets, they allow a high frequency of transactions which aids the layering process. Hence, capital markets are particularly attractive to money-launderers for layering their illicit proceeds for eventual integration into the general economy.

Terrorist Financing

14. Terrorism seeks to influence or compel governments into a particular course of action or seeks to intimidate the public or a section of the public through the use or threat of violence, damage to property, danger to life, serious risks to health or safety of the population or disruption of key public services or infrastructure. CMIs should refer to the legal definitions of terrorism found in the law such as the Terrorism (Suppression of Financing) Act (Cap. 325), the United Nations (Anti-terrorism Measures) Regulations (Rg 1) and the Monetary Authority of Singapore (Anti-terrorism Measures) Regulations 2002 (G.N. No. S 515/2002).

15. Terrorists require funds to carry out acts of terrorism and terrorist financing provides the funds needed. Sources of terrorist financing may be legitimate or illegitimate. It may be derived from criminal activities such as kidnapping, extortion, fraud or drug trafficking. It may also be derived from legitimate income such as membership dues, sale of publications, donations from persons or entities sympathetic to their cause, and sometimes income from legitimate business operations belonging to terrorist organisations.

16. Terrorist financing involves amounts that are not always large and the associated transactions may not necessarily be complex given that some sources of terrorist funds may be legitimate.

17. However, the methods used by terrorist organisations to move, collect, hide or make available funds for their activities remain similar to those used by criminal organisations to launder their funds. This is especially so when the funds are derived from illegitimate sources, in which case, the terrorist organisation would have similar concerns to a typical criminal organisation in laundering the funds. Where the funds are derived from legitimate sources, terrorist organisations would usually still need to employ the same laundering techniques to obscure or disguise the links between the organisation and the funds.

Paragraph 2.1 of the Notice – Definition of "Customer"

18. Paragraph 2.1 of the Notice defines "customer", in relation to a CMI, as the person in whose name an account is opened or intended to be opened, or to whom a CMI undertakes or intends to undertake any transaction without an account being opened.

19. The definition circumscribes the scope of the Notice. CMIs should in general seek to perform CDD as widely as possible on persons that they deal with in the course of their business.

20. In the cases below, the following approaches below may be adopted:

(a) Portfolio Managers

A CMI may often encounter cases where, to the CMI's knowledge, the customer is a manager of a portfolio of assets and is operating the account in that capacity. In such cases, the underlying investors of the portfolio will be beneficial owners within the meaning of the Notice.

However, the Authority recognises that a CMI may not be able to perform CDD on the underlying investors. For instance, the portfolio manager may be reluctant, for legitimate commercial reasons, to reveal information on the underlying investors to the CMI. In such circumstances, the CMI should evaluate the risks arising for each case and determine the appropriate CDD measures to take. The CMI may consider whether simplified CDD measures could be applied under paragraph 5 of the Notice, so that identification and verification of the underlying investors as beneficial owners are dispensed with.

In addition, where a collective investment scheme ("CIS") is the customer for a CMI, the CMI should take steps to identify whether it is an exchange-listed CIS. Under paragraph 4.17(c) of the Notice, a CMI

is not expected to identify the beneficial owners of an exchange-listed CIS that is subject to regulatory disclosure requirements, unless there is a suspicion that a transaction is connected with money laundering or terrorist financing. For a CIS which is not exchange-listed, a CMI may not inquire if there exists any beneficial owners under the stated conditions as provided under paragraph 4.17(g) of the Notice.

(b) Omnibus Accounts

Omnibus accounts may be established by and in the name of financial institutions in order to engage in securities transactions on behalf of their clients. When the CMI opens an omnibus account for a customer who is a financial institution supervised by the Authority, the risk of the omnibus account being used for money laundering or terrorist financing is generally lower. The CMI can consider if it may perform simplified CDD measures, so that there is no need to identify and verify the underlying clients of the financial institution.

However, when the CMI opens an omnibus account for a customer who is a foreign financial institution, the risks associated with the account in some circumstances may be considered to be potentially higher, and enhanced CDD measures may be appropriate.

(c) Location of Relationship Management

Given the globalised nature of modern capital markets, it may often be the case that a CMI's relationship and transactions with a particular customer would be managed by officers based in one country or jurisdiction but the account itself is held with an office in another country or jurisdiction for book-keeping purposes. For the purposes of the Notice, the Authority will generally look at the substance of the relationship as a whole. A CMI should perform CDD if in substance, the person is a customer of the CMI in Singapore even though the account is booked in another country or jurisdiction. However, the CMI may rely on the CDD done by its related entity (or in the case of a branch network, another branch of the company) in accordance with paragraph 7 of the Notice.

Paragraphs 4.5, 4.6 and 4.7 of the Notice – Identification of Customers that are not Natural Persons

21. Where the customer is not a natural person, paragraphs 4.5, 4.6 and 4.7 of the Notice require the CMI to further identify the directors, partners or persons having executive authority, of the customer.

22. A CMI should assess the risk of money laundering or terrorist financing, having regard to the circumstances of each case, in determining whether to verify the identity of any of the persons referred to in paragraphs 4.5, 4.6 and 4.7.

23. For purposes of paragraph 22 above, the CMI should consider whether persons, either singly or jointly with another, are able to give instructions concerning the use or transfer of funds or assets belonging to the customer in question.

Paragraphs 4.8 and 4.9 of the Notice - Verification of Identity

24. The requirements on verification of identity are intended to ensure that the identity information provided by the customer is authentic.

25. Where the person whose identity is to be verified is a natural person, the CMI should ask for some form of identification that contains a photograph of that person.

26. The CMI should retain copies of all documentation used to verify the identity of the customer. In exceptional circumstances where the CMI is unable to retain a copy of documentation used in verifying the customer's identity, the CMI should record the following:

    (a) the information that the original documentation had served to verify;

    (b) the title and description of the original documentation produced to the CMI's officer for verification, including any particular or unique features or condition of that documentation (whether it is worn out, or damaged etc);

    (c) the reasons why a copy of that documentation could not be made; and

    (d) the name of the CMI's officer who carried out the verification, a statement by that officer certifying that he or she has duly verified the information against the documentation, and the date the verification took place.

Paragraphs 4.14 to 4.18 of the Notice - Identification of Beneficial Owners and Verification of their Identities

27. CMIs are under a duty to take steps to determine if there exists, other than the person *ex facie* dealing with the CMI as a customer, any other beneficial owner in relation to the customer.

28. Generally, the CMI should assess and determine the measures which would be appropriate to determine the beneficial owners, if any. The CMI should be able to justify the reasonableness of the measures taken, having regard to the circumstances of each case.

29. The CMI may also consider obtaining an undertaking or declaration from the customer on the identity of, and the information relating to, the beneficial owner.

30. Paragraph 20(a) of these Guidelines makes reference to the case where the customer is a portfolio manager. In that situation, as well as other instances where the customer has a *bona fide* and legitimate interest or duty not to disclose to the CMI the identity or particulars of beneficial owners who are known to exist, the CMI may consider the application of simplified CDD set out in paragraph 5 of the Notice.

31. Paragraph 4.17 of the Notice states that CMIs are not required to inquire if there exists any beneficial owner in relation to the entities specified in sub-paragraphs (a) to (g).

32. The Authority recognises that it would be unnecessary to attempt to determine if beneficial owners exist in relation to the entities specified in sub-paragraphs (a) to (g), since adequate information would already be available. For example, in the case of publicly listed companies, the shareholders would be changing relatively frequently and there would already be disclosure obligations imposed on substantial shareholders of such companies. In the case of financial institutions supervised by the Authority, there would have been adequate disclosure of the ownership and structure to the Authority.

33. While the entities listed would also typically be entities for which a CMI may consider applying simplified CDD in accordance with paragraph 5 of the Notice, the CMI should not treat these entities as automatically eligible for simplified CDD measures. The CMI must comply with the

requirements of paragraph 5 of the Notice before applying simplified CDD measures.[3]

Reliability of Information and Documentation

34. Where the CMI obtains information or documents from the customer or a third party, it should take reasonable steps to assure itself that such information or documents are reliable and where appropriate, reasonably up to date at the time they are provided to the CMI.

35. Where the customer is unable to produce original documents, the CMI may consider accepting documents that are certified to be true copies by qualified persons, such as lawyers and accountants.

Paragraphs 4.25, 4.26 and 4.27 of the Notice – Non-Face-to-Face Verification

36. Paragraphs 4.25, 4.26 and 4.27 of the Notice address the situation where business relations are established or financial services are provided without face-to-face contact. In particular, a CMI should take appropriate measures to address risks arising from establishing business relations and undertaking transactions through instructions conveyed by customers over the internet, the post or the telephone.

37. As a guide, CMIs should take one or more of the following measures to mitigate the heightened risk associated with not being able to have face-to-face contact when establishing business relations:

    (a) telephone contact with the customer at a residential or business number that can be verified independently;

    (b) confirmation of the customer's address through an exchange of correspondence or other appropriate method;

    (c) subject to the customer's consent, telephone confirmation of the customer's employment status with the customer's employer's personnel department at a listed business number of the employer;

[3] CMIs should further note that where there is actual cause for suspecting money laundering or terrorist financing, the appropriate measures will be required – see paragraph 4.2(c) of the Notice.

(d) confirmation of the customer's salary details by requiring the presentation of recent bank statements from a bank;

(e) certification of identification documents by lawyers or notary publics presented by the customer;

(f) requiring the customer to make an initial deposit using a cheque drawn on the customer's personal account with a bank in Singapore; and

(g) any other reliable verification checks adopted by the CMI for non-face-to-face business.

Paragraphs 4.29 and 4.30 of the Notice – CDD Measures for Non-Account Holders

38. While a CMI may not directly open and maintain accounts for customers, it may provide other complementary services such as monitoring asset holdings, sending statements of holdings or other related services which in substance relates to the maintaining of accounts for the customers. A CMI should not consider such customers as non-account holders.

Direct subscription and redemption of CIS

While most CIS managers prefer to focus on the fund management business and are not involved directly in the distribution business, it is recognised that some CIS managers do allow retail customers to subscribe and redeem CIS directly. A CMI should not consider such subscription and redemption of CIS as occasional transactions of non-account holders.

Paragraphs 4.31, 4.32 and 4.33 of the Notice – Timing for Verification

39. Paragraph 4.31 of the Notice allows CMIs to establish business relations before completing the verification of the identity of the customer and beneficial owner if it is essential for the CMI not to interrupt the normal conduct of business and if the risks can be effectively managed.

40. An example where it may be essential not to interrupt the normal course of business would be with respect to securities trades, where

market conditions are such that the CMI has to execute transactions for the customer very rapidly.

41. An example where the CMI may have effectively managed the risks of money laundering and terrorist financing is if the CMI has adopted internal policies, procedures and controls that set appropriate limits on the financial services available to the customer before completing the verification of the identity of the customer and beneficial owner. These may include, for example, limiting the number, type and value of transactions that might be effected in the interim period, and also the institution of a procedure that is more rigorous and intensive than usual for the monitoring of complex or unusually large transactions.

42. Paragraph 4.33 of the Notice requires that verification of the identity of the customer and the beneficial owner be completed as soon as reasonably practicable, if a CMI allows business relations to be established without first completing such verification. Examples of reasonable timeframe are:

(a) the CMI completing such verification no later than 30 working days after the establishment of business relations;

(b) the CMI suspending business relations with the customer and refraining from carrying out further transactions (except to return funds to their sources, to the extent that this is possible) if such verification remains uncompleted 30 working days after the establishment of business relations; and

(c) the CMI terminating business relations with the customer if such verification remains uncompleted 120 working days after the establishment of business relations.

43. The CMI should factor these time limitations in their internal policies, procedures and controls.

Paragraph 4.36 of the Notice - Existing Customers

44. Paragraph 4.36 of the Notice concerns the application of CDD measures to the customers and accounts which the CMI has as at 1 March 2007 when the Notice comes into force. CMIs are required to review the adequacy of identification information on the basis of materiality and risk, and to perform CDD measures on existing customers as may be appropriate.

45. In relation to accounts for which CDD measures had not previously been applied in accordance with the Notice, the CMI should make an assessment with regard to materiality and risk and determine when would be an appropriate time for the performance of CDD measures, taking into account the more specific requirements for PEPs specified in paragraph 6.2 of the Notice.

46. As a guide, a CMI should perform CDD, in relation to paragraph 45 above when —

(a) there is a transaction that is significant, having regard to the manner in which the account is ordinarily operated;

(b) there is a substantial change in the CMI's own customer documentation standards;

(c) there is a material change in the way that business relations with the customer are conducted;

(d) the CMI becomes aware that it may lack adequate identification information on a customer; and

(e) the CMI becomes aware that there may be a change in the ownership or constitution of the customer, or the person(s) authorised to act on behalf of the customer in its business relations with the CMI.

47. Where a CMI becomes aware upon a review that it may lack sufficient identification information on a customer, it should proceed to perform CDD on the areas found deficient.

Paragraph 5 of the Notice - Simplified Customer Due Diligence

48. Paragraph 5.1 of the Notice allows CMIs to apply simplified CDD measures in cases where the CMI is satisfied that the risk of money laundering or terrorist financing is low.

49. The CMI should assess the risks of money laundering or terrorist financing, having regard to the circumstances of each case, before applying the lesser or reduced CDD measures. Where the CMI adopts such lesser or reduced CDD measures, such measures should be commensurate with the CMI's assessment of the risks.

50. Examples of when the CMI might adopt lesser or reduced CDD measures are:

(a) where reliable information on the customer is publicly available to the CMI;

(b) the CMI is dealing with another financial institution whose AML/CFT controls it is well familiar with by virtue of a previous course of dealings; or

(c) the customer is a financial institution that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF, or a listed company that is subject to regulatory disclosure requirements.

51. Paragraph 5.2 of the Notice makes clear the circumstances when simplified CDD measures are not permitted, namely, where the customers are from or in countries and jurisdictions known to have inadequate AML/CFT measures, or where the CMI suspects that money laundering or terrorist financing is involved.

Paragraph 6.2 of the Notice - Identifying and Dealing with PEPs

52. The definition of PEPs used in the Notice was originally drawn from the work of the FATF. The Authority recognises that the process of determining whether an individual is a PEP may not always be straightforward and a more precise definition would carry with it a greater risk of circumvention of the requirements under the Notice.

53. In the circumstances, the Authority would generally consider it acceptable for a CMI to refer to databases of PEPs either compiled commercially or by official authorities. However, in doing so, the Authority would expect the CMI to exercise a measure of discretion and sound judgment in determining for itself whether an individual should indeed be treated as a PEP, having regard to the risks and the circumstances.

Paragraphs 6.3 and 6.4 of the Notice - Other High Risk Categories

54. Paragraph 6.3 of the Notice requires enhanced CDD measures to be applied to other categories of customers apart from PEPs, which a CMI

may consider to present a greater risk of money laundering or terrorist financing. In assessing the risk of money laundering or terrorist financing, the CMI may take into account factors such as the type of customer, the type of product that the customer purchases, the geographical area of operation of the customer's business.

55. CMIs are also required by paragraph 6.4 of the Notice to give particular attention to business relations and transactions with persons from or in countries that have inadequate AML/CFT measures. For this purpose, CMIs may take a range of steps, including the adoption of measures similar to those for PEPs and other high risk categories.

56. While the Authority may from time to time circulate names of countries and jurisdictions with inadequate AML/CFT regimes (which can then be used as a reference guide), CMIs are also encouraged to refer, where practicable, to other sources of information to identify countries and jurisdictions that are considered to have inadequate AML/CFT regimes.

Paragraph 7 of the Notice - Performance of CDD Measures by Intermediaries

57. Where a CMI wishes to rely on an intermediary to perform elements of the CDD measures, paragraph 7.1 of the Notice requires the CMI to be satisfied of various matters, including that the intermediary it intends to rely upon is subject to and supervised for compliance with AML/CFT requirements consistent with the standards set by the FATF, and that the intermediary has measures in place to comply with the requirements.

58. The CMI may take a variety of measures, including but not limited to the following in determining whether the intermediary satisfies the requirements in paragraph 7.1(a) of the Notice:

(a) referring to any publicly available reports or material on the quality of AML/CFT supervision in the jurisdiction where that intermediary operates (such as mutual evaluation reports of the FATF and its associated bodies, or assessment reports made under the Financial Sector Assessment Programme of the International Monetary Fund and the World Bank);

(b) referring to any publicly available reports or material on the quality of that intermediary's compliance with applicable AML/CFT rules;

(c) obtaining professional advice as to the extent of AML/CFT obligations to which the intermediary is subject by the laws of the jurisdiction in which the intermediary operates;

(d) examining the AML/CFT laws in the jurisdiction where the intermediary operates and determining its comparability with the AML/CFT laws of Singapore.

59. To the extent that the performance of CDD is undertaken by the intermediary rather than by the CMI, the CMI is required to immediately obtain from the intermediary the information relating to CDD obtained by the intermediary.

60. In addition, where the CMI relies on the intermediary to undertake the performance of CDD, the CMI should be able to justify that the conditions of paragraph 7 of the Notice have been met. The CMI should take considerable care when deciding if an intermediary is one on whom it can safely rely on to perform the CDD measures.

Paragraph 9 of the Notice - Suspicious Transaction Reporting

61. Paragraph 9 of the Notice provides for the establishment of internal procedures for reporting suspicious transactions.

62. CMIs are required to have adequate processes and systems for detecting and identifying suspicious transactions. The Authority also expects the CMI to put in place effective and efficient procedures for reporting suspicious transactions.

63. The CMI should ensure that the internal process for evaluating whether a matter should be referred to the Suspicious Transactions Reporting Office ("STRO") via a suspicious transaction report ("STR") be completed without delay and not exceeding 15 working days of the case being referred by the relevant CMI's staff, unless the circumstances are exceptional or extraordinary.

64. Examples of suspicious transactions are set out in Appendix II to these Guidelines. These examples are not intended to be exhaustive and are only examples of the most basic ways money may be laundered. If any transactions similar to those in Appendix II, or any other suspicious transactions, are identified, this should prompt further enquiries and, where necessary, investigations into the source of funds.

65. CMIs are required to keep watch for suspicious transactions in the course of conducting screening against lists of terrorist suspects as may be required by law or circulated by any relevant authority. The CMI should consider filing an STR even though there is no positive match against any name if the surrounding circumstances raise sufficient suspicions.

66. Subject to any written law or any directions given by STRO, CMIs should as far as possible follow the reporting formats specified in Appendices III to V to these Guidelines. In the event that urgent disclosure is required, particularly where a transaction is known to be part of an ongoing investigation by the relevant authorities, CMIs should give initial notification to STRO by telephone or e-mail and follow up with such other means of reporting as STRO may direct.

67. Every CMI should maintain a complete file of all transactions that have been brought to the attention of its AML/CFT compliance officer or unit, including transactions that are not reported to STRO.

Paragraphs 10.8 and 10.9 of the Notice - Compliance

68. The responsibilities of the AML/CFT compliance officer should include the following:

(a) ensuring a speedy and appropriate reaction to any matter in which money laundering or terrorist financing is suspected;

(b) advising and training senior management and staff on development and implementing internal policies, procedures and controls on AML/CFT;

(c) carrying out, or overseeing the carrying out of, ongoing monitoring of business relations and sample reviewing of accounts for compliance with the Notice and these Guidelines; and

(d) promoting compliance with the Notice and these Guidelines, including in particular observance of the underlying principles on AML/CFT in the Notice and taking overall charge of all AML/CFT matters within the organisation.

Paragraph 10.12 of the Notice - Training

69. As stated in paragraph 10.12 of the Notice, it is the responsibility of CMIs to provide appropriate training on AML/CFT measures for their staff. To help ensure the effectiveness of training, CMIs should monitor attendance at such training and take the appropriate follow-up action in relation to staff who absent themselves without reasonable cause.

70. Apart from the initial training, CMIs should also provide refresher training at regular intervals to ensure that staff are reminded of their responsibilities and are kept informed of developments. Refresher training should be held at least once every two years.

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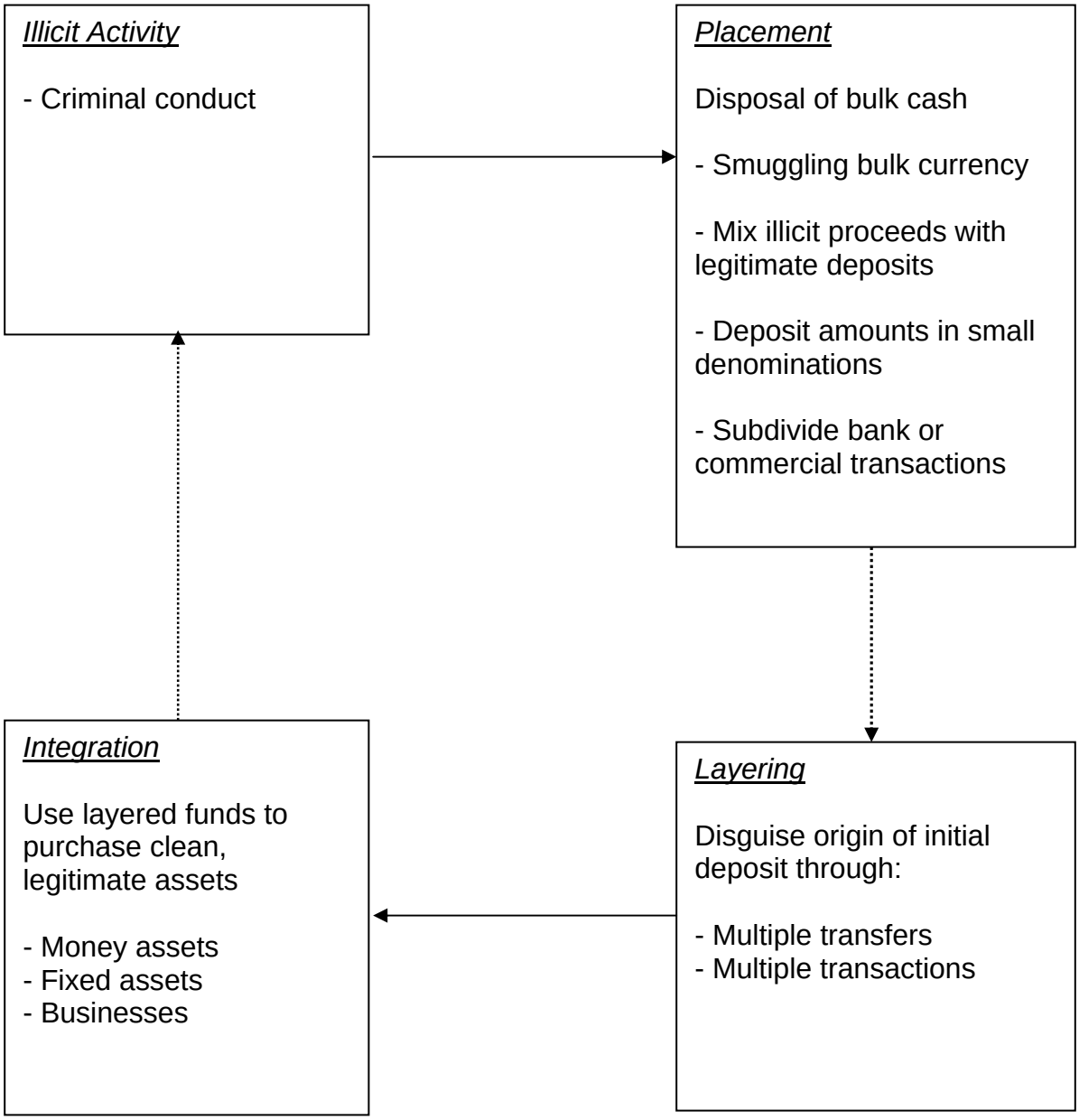
APPENDIX I

PROCESS OF MONEY LAUNDERING



APPENDIX II

EXAMPLES OF SUSPICIOUS TRANSACTIONS

1 General Comments

The list of situations given below is intended to highlight the basic ways in which money may be laundered. While each individual situation may not be sufficient to suggest that money laundering is taking place, a combination of such situations may be indicative of a suspicious transaction. The list is not exhaustive and will require constant updating and adaptation to changing circumstances and new methods of laundering money. The list is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.

A customer's declarations regarding the background of such transactions should be checked for plausibility. Not every explanation offered by the customer can be accepted without scrutiny.

It is reasonable to suspect any customer who is reluctant to provide normal information and documents required routinely by the CMI in the course of the business relationship. CMIs should pay attention to customers who provide minimal, false or misleading information or, when applying to open an account, provide information that is difficult or expensive for the CMI to verify.

2 Transactions Which Do Not Make Economic Sense

i) A customer-relationship with the CMI that does not appear to make economic sense, for example, a customer who carries out frequent large transactions which do not fit his economic background.

ii) Transactions in which funds are withdrawn immediately after being deposited[4], unless the customer's business activities furnish a plausible reason for immediate withdrawal.

iii) Transactions that cannot be reconciled with the usual activities of the customer, for example, switching from trading only penny stocks to predominantly blue chips.

[4] For CMIs, this could mean depositing of funds into trust accounts, margin accounts, as collaterals or for fund management purposes.

iv) Sudden increase in intensity of transactions, without plausible reason, of what was previously a relatively inactive customer trading account.

v) Corporate finance transactions under consideration that do not make economic sense in respect of the business operations of the customer, particularly if the customer is not a listed company.

vi) Unexpected repayment of a delinquent account without any plausible explanation.

vii) Buying and selling of a security with no discernible purpose or in circumstances which appear unusual.

3 Transactions Involving Large Amounts of Cash

i) Payments made via large amounts of cash. A guideline to what constitutes a large or substantial cash amount would be a cash amount exceeding S$20,000 (or its equivalent in any currency).

ii) Provision of margin collaterals in the form of large cash amounts.

iii) Provision of funds for investment and fund management purposes in the form of large cash amounts.

iv) Frequent withdrawal of large cash amounts that do not appear to be justified by the customer's business activity.

v) Large cash withdrawals from a previously dormant/inactive account, or from an account which has just received an unexpected large credit from abroad.

vi) Crediting of customer trust or margin accounts using cash and by means of numerous credit slips by a customer such that the amount of each deposit is not substantial, but the total of which is substantial.

vii) Payments and/or deposits containing counterfeit notes or forged instruments.

viii) Customers making large and frequent cash deposits but payments made from the account are mostly to individuals and firms not normally associated with their business.

ix) A large amount of cash is withdrawn and immediately credited into another account.

x) Unusual settlements of securities transactions in cash form.

4 Transactions Involving CMIs' Accounts

i) Requests for refunds of unaccountable "erroneous" payments to CMIs' or customers' trust accounts by unknown persons.

ii) Payment via large third party cheques endorsed in favour of the customer in settlement for securities purchased, or for other financial services provided.

iii) Substantial increases in deposits of cash or negotiable instruments by a professional firm or company, using client accounts or in-house company or trust accounts, especially if the deposits are promptly transferred between other client company and trust accounts.

iv) Accounts operated in the name of an offshore company with structured movement of funds and assets.

v) Purchases of securities to be held by the CMI in safe custody, where this does not appear appropriate given the customer's apparent standing.

5 Transactions Involving Transfers Abroad

i) Large and regular injection of funds that cannot be clearly identified as bona fide transactions, from and to countries associated with (i) the production, processing or marketing of narcotics or other illegal drugs or (ii) other criminal conduct.

ii) Cross border transactions involving acquisition or disposal of high value assets that cannot be clearly identified as bona fide transactions.

iii) Substantial increases in the injection of funds by a customer without apparent cause, especially if such injections are subsequently transferred within a short period of time out of the account and/or to a destination not normally associated with the customer.

6 Transactions Involving Unidentified Parties

i) Provision of collateral by way of pledge or guarantee without any discernible plausible reason by third parties unknown to the CMI and who have no identifiable close relationship with the customer.

ii) Transfer of money and assets to a third party without indication of the beneficiary.

iii) Payment instructions with inaccurate and/or incomplete information concerning the payee.

iv) Use of pseudonyms or numbered accounts for effecting trading and/or investment transactions.

v) Holding in trust of shares in an unlisted company whose activities cannot be ascertained by the CMI.

vi) Customers who wish to maintain a number of trustee or clients' accounts that do not appear consistent with their type of business, including transactions that involve nominee names.

vii) Requests by a customer for investment management services where the source of funds is unclear.

7 Other Types of Transactions

i) Purchase or sale of large amounts of futures contracts on precious metals by an interim customer.

ii) Account activity is not commensurate with the customer's known profile (e.g. age, occupation, income).

iii) Transactions with countries or entities that are reported to be associated with terrorist activities or with persons that have been designated as terrorists.

iv) Frequent changes to the address or authorised signatories.

v) A large amount of funds is received and immediately used as collateral for margining and/or financing facilities.

APPENDIX III

Reporting Format

(1) Reporting of Suspicious Money Laundering Transactions pursuant to Section 39, Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act

(2) Reporting of Suspicious Terrorist Financing Activities pursuant to Section 8, Terrorism (Suppression of Financing) Act

NATURAL PERSONS

Reporting CMI	
Name:	
Branch:	
Address:	
Telephone:	
Fax:	
E-mail:	
CMI Reporting Officer	
Name:	
Designation:	
Report Reference:	
Contact Officer (if different from Reporting Officer):	
Designation:	
Customer's Particulars #	
Name:	
NRIC/Passport No.:	
Birth Date:	
Nationality:	
Address:	
Telephone:	
Occupation:	

Date when particulars were last updated (where available):	

The reporting officer of the CMI shall provide particulars on joint account holders, if any.

Employment Details	
Employer's Name:	
Address:	
Telephone:	
Business Relationship(s) with Customer	
CMI A/c No.:	
Type of A/c:	
Date A/c Opened:	
A/c Balance (Dr/Cr*)	
As At Date:	
Other Business Relationships:	

Suspicious Transaction(s)		
Amount (Dr/Cr*)	**Date**	**Description of Transaction (E.g. Funds transfer, source of funds, destination, etc)**

Reason(s) for Suspicion:

Other Relevant Information (including information on other accounts that may be linked to the transaction(s) and any actions taken by the reporting entity in response to the transaction)**:**

A copy each of the following documents is attached:

- Account Opening Forms
- Customer Identification Documents
- Relevant Documents Supporting the Suspicious Transactions

(Signature of Reporting Officer)

Date:

APPENDIX IV

Reporting Format

(1) Reporting of Suspicious Money Laundering Transactions pursuant to Section 39, Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act

(2) Reporting of Suspicious Terrorist Financing Activities pursuant to Section 8, Terrorism (Suppression of Financing) Act

CORPORATIONS

Reporting CMI	
Name:	
Branch:	
Address:	
Telephone:	
Fax:	
E-mail:	
CMI Reporting Officer	
Name:	
Designation:	
Report Reference:	
Contact Officer (if different from Reporting Officer):	
Designation:	
Customer's Particulars	
Name:	
Country of Registration:	
Registration Date:	
Registration No.:	
Address:	
Telephone:	
Name of CEO:	
Date when particulars were last updated (where available):	
Business Relationship(s) with Customer	

CMI A/c No.:	
Type of A/c.:	
Date A/c Opened:	
A/c Balance (Dr/Cr*)	
As At Date:	
Other Business Relationships:	

Authorised Signatories' Particulars #	
1. Name:	
Birth Date:	
Nationality:	
NRIC/Passport No.:	
Home Address:	

[#] The reporting officer of the CMI shall provide data on other authorised signatories, if any.

Suspicious Transaction(s)		
Amount (Dr/Cr*)	**Date**	**Description of Transaction (E.g. Funds transfer, source of funds, destination, etc)**

Reason(s) for Suspicion:

Other Relevant Information (including information on other accounts that may be linked to the transaction(s) and any actions taken by the reporting entity in response to the transaction)**:**

A copy each of the following documents is attached:

- Account Opening Forms
- Customer Identification Documents

- Relevant Documents Supporting the Suspicious Transactions

(Signature of Reporting Officer)

Date:

APPENDIX V

Reporting Format

(1) Reporting of Suspicious Money Laundering Transactions pursuant to Section 39, Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act

(2) Reporting of Suspicious Terrorist Financing Activities pursuant to Section 8, Terrorism (Suppression of Financing) Act

*** PARTNERSHIPS/ SOLE PROPRIETORS/ CLUBS & SOCIETIES**

Reporting CMI	
Name:	
Branch:	
Address:	
Telephone:	
Fax:	
E-mail:	
CMI Reporting Officer	
Name:	
Designation:	
Report Reference:	
Contact Officer: (if different from Reporting Officer)	
Designation:	
Customer's Particulars	
Name:	
Country of Registration:	
Registration Date:	
Registration No.:	
Address:	
Telephone:	

Name of Partners/ Sole-Proprietors/ Trustees or equivalent:	
Date when particulars were last updated (where available):	
Business Relationship(s) with Customer	
CMI A/c No.:	
Type of A/c.:	
Date A/c Opened:	
A/c Balance (Dr/Cr*)	
As At Date:	
Other Business Relationships:	

Authorised Signatories' Particulars #	
1. Name:	
Birth Date:	
Nationality:	
NRIC/Passport No.:	
Home Address:	
Occupation:	
Employer's Name: (If applicable)	
Address:	

The reporting officer of the CMI shall provide data on other authorised signatories, if any.

Suspicious Transaction(s)		
Amount (Dr/Cr*)	**Date**	**Description of Transaction (E.g. Funds transfer, source of funds, destination, etc)**

Reason(s) for Suspicion:

Other Relevant Information (Including information on other accounts that may be linked to the transaction(s) and any actions taken by the reporting entity in response to the transaction)**:**

A copy each of the following documents is attached:

- Account Opening Forms
- Customer Identification Documents
- Relevant Documents Supporting the Suspicious Transactions

(Signature of Reporting Officer)

Date: