

Financial Services Regulatory Risk and Compliance Digest

November 2024

Welcome to the latest edition of our [Financial Services Regulatory and Risk and Compliance Digest](#) newsletter! This newsletter provides you with an update on key regulatory changes in the financial services industry in Singapore impacting banks, insurers, asset managers and other regulated entities. We hope this summary will help you to keep abreast of these emerging themes, and we welcome any opportunity to discuss these with you.

Here's what you can expect in this edition:

No.	Topic	Description	Who it affects
New updates to regulations, notices, guidelines, or circulars			
1	Circular on establishing the sources of wealth of customers	MAS published a circular to provide guidance and risk principles to financial institutions when establishing source of wealth (SOW).	Banking, trust business, capital markets services, financial adviser, payments, insurance, insurance broker
2	Circular on audit of AML/CFT policies, procedures and controls	MAS published a circular providing additional guidance and highlighting good practices in relation to FI's AML/CFT audits.	Banking, trust business, capital markets services, financial adviser, payments, insurance, insurance broker
3	Information paper on AML/CFT supervisory expectations from recent inspections	MAS published an information paper which sets out MAS' supervisory expectations and good practices for effective AML/CFT frameworks and controls that FIs should benchmark themselves against.	Banking, trust business, capital markets services, financial adviser, payments, insurance, insurance broker
4	Guidelines on risk management practices – internal controls	MAS updated the guidance to financial institutions on sound practices for their internal control environment and business process controls.	Financial institutions
5	Guidelines on fit and proper criteria [FSG-G01]	MAS updated the guidelines on fit and proper Criteria to update and provide more clarity on the relevant persons and fit and proper assessment.	All relevant persons carrying out any activity regulated by MAS
On regulators' radar			
6	Consultation paper on guidelines to MAS Notice 134 on recovery and resolution planning	MAS was seeking feedback and have provided further guidelines on the requirements set out in MAS Notice 134 for notified insurers and notified designated financial holding companies (DFHC).	Direct insurer (life), direct insurer (general), direct insurer (composite), reinsurer (life), reinsurer (general), reinsurer (composite), captive insurer, financial holding company (insurance)
7	Consultation paper on proposed regulatory approach, regulations and notices for digital token service providers issued under the Financial Services and Markets Act 2022	MAS was seeking feedback and have provided insights into the regulatory approach on upcoming regulations, notices and guidelines for digital token service providers.	Digital token service providers

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Here's what you can expect in this edition:

No.	Topic	Description	Who it affects
Industry updates			
8	National anti-money laundering (AML) strategy	The National AML Strategy seeks to maintain an effective, risk-based and proportionate AML framework.	Whole-of-society (the government and private sector entities)
9	Anti-Money Laundering Audit Peer Group (AAPG) best practice paper – Enhancing anti-money laundering and countering the financing of terrorism (AML/CFT) audit effectiveness for banks	Developed by the AAPG since October 2022 in consultation with industry and professional associations, the best practice paper seeks to boost AML/CFT auditing standards in Singapore's financial sector by providing a common framework to formulate and execute AML/CFT audits.	Banks
10	Inter-Ministerial Committee (IMC) on anti-money laundering (AML) publishes recommendations to strengthen Singapore's AML framework	The committee aims to reinforce Singapore's reputation as a trusted financial and business hub through a comprehensive review of its AML framework.	Financial institutions, corporate service providers (CSPs), digital payment providers, estate agencies, precious metal dealers, gatekeepers in non-financial sectors (e.g. lawyers, accountants and other professionals)

Warm regards,
Kwok Wui San
 Partner, Regulatory Risk and Compliance Leader

New updates to regulations, notices, guidelines, or circulars

1. Circular on establishing the sources of wealth (SOW) of customers

Who it affects: Banking, trust business, capital markets services, financial adviser, payments, insurance, insurance broker

In a nutshell

On 26 July 2024, the MAS published a circular aimed at enhancing the transparency and thoroughness of wealth source verification for customers.

- **Risk-based approach** – MAS continues to emphasise the need for a risk-based approach when establishing SOW of customers. While reasonable and appropriate means should be taken to establish SOW and corroborate against documentary evidence or public information sources, FIs should consider the unique circumstances and profile of each customer.
- **Risk principles** – to provide guidance in applying the risk-based approach, the circular outlines the following risk principles:
 - **Materiality**
 - **Prudence**
 - **Relevance**
- **Application to the wider AML/CFT control procedures** – the risk associated with inability to corroborate significant portion of a customer's wealth should be thoroughly reviewed by senior management. Similarly, information obtained during the establishment of SOW should be taken into account when establishing a customer's risk profile.

What this means for financial institutions (FIs)



1. FIs that excel in compliance can differentiate themselves in the marketplace by building trust and credibility with clients and regulators. Proactive compliance can also mitigate risks and avoid costly penalties associated with regulatory breaches.
2. Staying ahead of regulatory changes positions firms to adapt swiftly to new requirements and maintain continuous compliance. Engaging with regulatory consultations and industry forums can provide insights into upcoming regulatory trends.
3. FIs should assess whether their existing SOW procedures are reflecting the nature and spirit of the risk principles provided in the circular.



New updates to regulations, notices, guidelines, or circulars

2. Circular on audit of AML/CFT policies, procedures and controls

Who it affects: Banking, trust business, capital markets services, financial adviser, payments, insurance, insurance broker

In a nutshell

On 21 October 2024, the MAS published a circular applying to all financial institutions providing additional guidance and best practices when determining the scope of their audits around AML/CFT.

In the circular, MAS also affirms and references the recent Anti-Money Laundering Audit Peer Group's best practices paper which sets out good practices recognised by the industry that may help to raise AML/CFT audit effectiveness. Read more about this paper [here](#).

Below, we highlight some the key takeaways from the circular:

- **Resourcing of the audit function** – MAS reminds FIs to ensure that their audit functions are adequately resourced with sufficient AML/CFT subject matter experts.
- **Good practices when audit planning** – The MAS has highlighted the importance of the following expectations of FIs when scoping their AML/CFT audit:
 - **Regular AML/CFT risk assessment** – FIs should conduct regular AML/CFT risk assessment, and the results of such assessments should be used as a guide when planning future audits to identify focus areas to address.
 - **AML/CFT audits** – In addition to considering key findings and identifying higher risk areas from risk assessments when scoping AML/CFT audits, FIs should also ensure the frequency and intensity of such audits are designed to give adequate attention to these higher risk areas. FIs should also consider the audit work performed by their regional or head office.
- **Use of Data Analytics in AML/CFT Audits** – MAS encourages the use of data analytics to more effectively identify key risk areas. For example, data analytics may be employed in sample selection and assessing the effectiveness of an FI's current transaction monitoring system.

What this means for financial institutions (FIs)

1. FIs should regular assess the adequacy of the resources in its audit function to ensure it commensurate with the size and nature of its business. Engaging external parties to provide independent assessments could be a cost efficient and effective option.
2. FIs should ensure that there is a robust system in place to perform effective and regular AML/CFT risk assessment and analyse these results to identify any potential focus areas or weaknesses in their policies, procedures, or controls.
3. FIs should consider incorporating data analytics in its audit planning and assessments. Engaging subject matter experts may enhance their audit outcomes and provide unexpected insights and value to their audit and business.



New updates to regulations, notices, guidelines, or circulars

3. Information paper on AML/CFT supervisory expectations from recent inspections

Who it affects: Banking, trust business, capital markets services, financial adviser, payments, insurance, insurance broker

In a nutshell

On 30 October 2024, the MAS published an information paper which sets out MAS' supervisory expectations and good practices for effective AML/CFT frameworks and controls that FIs should benchmark themselves against.

Five areas have been identified as deserving of further guidance and clarity, through recent AML/CFT inspections of FIs which focused on customer due diligence (CDD), ongoing monitoring and risk mitigation:

- **Assessment of customer risk** – Consider money laundering/terrorism financing (ML/TF) risks emanating from customers with multiple nationalities (including citizenship and residency by investment schemes) in the customer risk assessment (CRA).
 - Good practices: FIs required their customers to declare all nationalities (i.e. current and previous) during onboarding, to assess whether their customer posed higher ML/TF risks.
- **Identification of material red flags** – Institute guidance to detect and escalate material red flags.
 - Good practices: Vigilant staff identified material red flags at onboarding, which led to additional steps taken to ascertain the authenticity of the information provided.
- **Source of wealth (SOW) establishment** – Apply rigor in assessing the plausibility of SOW, commensurate with the level of ML/TF risks.
 - Good practices: Additional checks to corroborate SOW from gifts. Beyond identifying the third party and assessing the legitimacy and reasonableness of the gift amounts, additional steps can be initiated to ascertain the purported relationship between the customer and the third party.
- **Risk mitigation measures** – Take adequate risk mitigation measures (i) post-STR filing and/or (ii) after decision was made to exit the customer accounts.
 - Good practices: Timely and appropriate risk mitigation measures were taken, for instance customers with STRs filed to be subjected to enhanced monitoring measures post-STR filing.
- **Holistic monitoring of accounts** – Share information on customers and their related accounts across different business units to facilitate detection of red flags.

What this means for financial institutions (FIs)

1. FIs' senior management needs to set the right tone from the top and ensure that close oversight is exercised to strengthen effectiveness of AML/CFT frameworks and controls, as well as foster a sound risk management culture.
2. FIs should assess the robustness of their AML/CFT controls by performing a gap analysis against the observations and guidance provided in this paper, and take appropriate steps to address any gaps, in a risk-proportionate manner.
3. FIs should ensure that their AML/CFT controls do not operate in silos and remain effective to detect and deter potential illicit flows.
4. FIs to ensure that their AML/CFT controls keep pace with new typologies and developments. FIs are also encouraged to leverage technology to strengthen their risk detection.



New updates to regulations, notices, guidelines, or circulars

4. Guidelines on risk management practices – internal controls

Who it affects: Financial institutions

In a nutshell

On 10 July 2024, the MAS recently updated its guidelines Risk Management Practices on Internal Controls focussing on internal controls and sound practices around securitisation to ensure robust risk management frameworks and compliance with MAS standards. Key highlights on the guidelines around securitisation include:

- **Highlighting internal controls over securitisation** – The MAS updated its guidelines to recommend financial institutions to address risks arising from any involvement in securitisation, where it acts as an investor or securitiser. Recommended measures broadly include, but is not limited to, governance and oversight over management and monitoring of securitisations, assessing reputational risk from any involvement in securitisation, disclosures of necessary information to investors, and conducting necessary due diligence where an institution is an investor in a securitisation.
- **Updating of sound practices checklist** – The update includes addition of securitisation to the checklist of sound practices.

What this means for financial institutions (FIs)

All FIs should review and assess their current system of internal controls policies, procedures and processes against the updated guidelines on risk management practices including assessing the impact of any involvement in securitisation.



New updates to regulations, notices, guidelines, or circulars

5. Guidelines on fit and proper criteria [FSG-G01]

Who it affects: All relevant persons carrying out any activity regulated by MAS

In a nutshell

On 31 July 2024 and effective immediately, MAS published an update to the guidelines on fit and proper, which sets out guidelines promoting all financial institutions (FIs) to maintain the highest standards of integrity and professionalism. Some key updates to note include:

- **Introduction of material risk personnel** – The guidelines introduces the definition of material risk personnel which is defined to be individuals who have the authority to make decisions or conduct activities that can significantly impact the financial institution's safety and soundness, or cause harm to a significant segment of the financial institution's customers or other stakeholders, on whom where relevant, should be subject to fit and proper assessments.
- **Introduction of executive officer** – The guidelines introduces the definition of Executive Officer which is defined to be any person, in relation to a company who is in the direct employment of, or acting for or by arrangement with, the company; and is concerned with or takes part in the management of the company on a day-to-day basis, on whom where relevant, should be subject to fit and proper assessments.
- **Updates to the definitions of relevant persons** – The update provides greater clarity and definitions of what constitutes relevant persons including those relevant persons in relation to the unique circumstances of a financial holding company's designated under section 4 of the Financial Holding Companies Act 2013, relevant financial institution as defined in section 39 of the FSMA, pertinent financial institution as defined in section 58 of the FSMA, a Division 6 FI or a resulting FI as defined in section 80 of the FSMA, and persons to whom an MAS prohibition order may be issued.
- **Assessing honesty, integrity and reputation of a Relevant Person** – The guidelines set out some additional examples when assessing the honesty, integrity, and reputation of relevant persons.

What this means for financial institutions (FIs)

1. Regulated entities should assess and update their list of relevant persons subject to fit and proper requirements as set out in the latest update to the guidelines.
2. Regulated entities should review and update their fit and proper procedures in line with the recent updates.



On regulators' radar

This section covers key consultations proposed by the MAS affecting financial institutions. We provide a summary of the of the latest developments and include our viewpoints to keep you on top of the regulatory agenda.

6. Consultation paper on guidelines to MAS Notice 134 on recovery and resolution planning

Who it affects: Direct insurer (life), direct insurer (general), direct insurer (composite), reinsurer (life), reinsurer (general), reinsurer (composite), captive insurer, financial holding company (insurance)

In a nutshell

Following the amendments to MAS [Notice 134](#) on Recovery and Resolution Planning (RRP) published on 27 June 2024, the MAS has published a consultation paper to seek feedback and to outline its intention to issue a guidelines to provide further guidance and elaboration on the requirements set out in MAS Notice 134 for notified insurers and notified designated financial holding companies (DFHC) with respect to developing and maintaining comprehensive and robust Recovery and Resolution plans. These guidelines are expected to take effect together with MAS Notice 134 on 1 January 2025.

- **Some key principles for effective recovery plans include the following:**
 - **Governance** – establish clear roles and responsibilities for developing, maintaining and implementing recovery plans
 - **Tailored considerations** – institutions should consider a comprehensive range of factors unique to the characteristics and circumstances of its operating environment.
 - **Strategic analysis** – assessment of the institution's critical functions and potential recovery options.
 - **Monitoring and execution** – recovery plan should set out appropriate, and in sufficient details. the recovery triggers and recovery options to be taken. Information systems should be tuned to monitor these trigger events on a regular and timely basis.
 - **Communication** – effective internal and external communication strategies during recovery scenarios.
- **Some key principles for effective resolution planning include the following:**
 - **Develop resolution strategy** – calls for implementation of an effective operational plan for resolution which contains sufficient detail towards ensuring continuity of critical functions and shared services.
 - **Coordination with the MAS and key stakeholders** – material changes and key essential information should be maintained and communicated to MAS and key stakeholders during a resolution.
- **Stress testing and scenario analysis** – notified insurers and DFHCs should establish a framework to test the feasibility and effectiveness of their recovery options on a regular basis.
- **Robust management information system** – information systems should be able to produce information required for the Recovery and Resolution Planning in a timely manner.
- **Timeline for implementation** – the guidelines are intended to take effect on 1 January 2025.



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What this means for financial institutions (FIs)

1. FIs should assess their existing RRP frameworks to comply with the requirements and is in line with its own relevant contingency plans and processes in its risk management framework. This can be done by conducting a comprehensive review of current RRP frameworks against the MAS's guidelines to identify gaps and implement necessary enhancements.
2. FIs should ensure alignment of internal policies, procedures, and management information systems such that it is able to produce, in a timely manner, the appropriate execution of the RRP in line with the MAS requirements. FIs may wish to develop a detailed timeline and project plan to implement changes to RRP frameworks.
3. FIs have to implement robust monitoring systems to track compliance with reporting requirements aside ensuring accurate and timely reports for submission to the MAS.



On regulators' radar

This section covers key consultations proposed by the MAS affecting financial institutions. We provide a summary of the of the latest developments and include our viewpoints to keep you on top of the regulatory agenda.

7. Consultation paper on proposed regulatory approach, regulations and notices for digital token service providers issued under the Financial Services and Markets Act 2022

Who it affects: Digital token service providers

In a nutshell

On 4 October 2024, the MAS recently released a consultation paper that provides comprehensive proposals aimed at enhancing the regulatory framework for DTSPs and is seeking industry feedback until 4 November 2024. Here are the critical aspects and implications for stakeholders:

- **Distinction between DTSPs and providers licensed under Payment Services Act 2019 (PSA), Securities and Futures Act 2001 (SFA), and/or Financial Advisor Act 2001 (FAA)** – The MAS intends this new regulatory framework to only apply to relevant Singapore entities that provide digital token services outside of Singapore. Entities subject to licensing requirements under PSA, SFA and/or FAA are not subject to the DTSP regulatory framework.
- **Upcoming FSM regulations, AML/CFT notices, and guidelines** – The new regulatory framework sets out MAS expectations around licensing and ongoing requirements for DTSPs including key areas such as governance and oversight, compliance with AML/CFT and IT notices, regulatory reporting and disclosures, fit and proper, and meeting other statutory license requirements.
- **Consultation on AML/CFT requirements for DTSP Licensees** – Key topics under consultation include retrospective application of CDD measures on existing customers, conditions and exclusions when relying on third parties for CDD measures, and intended measures for entities providing correspondent account services, bearer negotiable instruments and cash payments, and value transfers.
- **Consultation on technology risk management and cyber hygiene for DTSP licensees** – Key topics under consultation include reporting requirements and appropriateness of the application of controls and measures.
- **Other key areas under consultation** – MAS is also seeking feedback on regulatory areas set out in the proposed notices on Conduct and disclosures and communications, Guidelines on Fit and Proper, Guidelines on Risk management practices, Guidelines on Business Continuity Management and Guidelines on outsourcing.

What this means for financial institutions (FIs)

1. Entities in Singapore should assess whether it provides digital token services outside of Singapore and determine if such activities fall under the upcoming DTSP regulatory framework.
2. Relevant entities in Singapore should assess and provision the necessary resources to comply with the new requirements as a DTSP under the FSM.



Industry updates

This section covers key updates in the industry affecting financial institutions. We provide a summary of the of the latest developments and include our viewpoints to keep you on top of the regulatory agenda.

8. National anti-money laundering (AML) strategy

Who it affects: Whole-of-society (the government and private sector entities)

In a nutshell

On 30 October 2024, Singapore published its National Anti-Money Laundering (AML) Strategy, as part of continuing efforts to maintain the effectiveness of its AML framework. The National AML Strategy seeks to maintain an effective, risk-based and proportionate AML framework, and outlines the blueprint of Singapore's approach to address the identified ML threats and risks and sets out the actions which Singapore has taken and will be taking to further enhance the AML framework.

The National AML Strategy has three inter-dependent Pillars:

- **Prevent** – To prevent proceeds of crime from entering Singapore's system, and to deter the misuse of Singapore's system by criminals.
- **Detect** – To ensure that illicit flows and activities are identified for appropriate disruption and enforcement actions, and effective risk mitigation.
- **Enforce** – To ensure that firm, proportionate and dissuasive actions are taken against persons conducting money laundering activities to protect the system

These three pillars are in turn supported by three inter-dependent Building Blocks:

- **Whole-of-society coordination and collaboration** is comprised of:
 - Established structures across government agencies to maintain close policy and operational coordination and cooperation in order to identify and assess ML risks, and
 - Established partnerships, close engagement and collaboration with the private sector entities
- **Legal and regulatory framework**
 - Singapore keeps abreast of AML developments and regularly reviews the effectiveness of the AML legal and regulatory framework
 - Singapore seek to provide thought leadership and actively participate at international and regional AML-standard setting or discussion fora
- **International cooperation** is comprised of two key dimensions:
 - Participation in and contribution to the development of international standards, and
 - Provision of and request for assistance via formal and informal channels

What this means for financial institutions (FIs)

1. FIs must stay vigilant and continuously enhance their capabilities to detect and mitigate ML risks. This includes engaging in ongoing training, improving beneficial ownership transparency, and participating in collaborative efforts like the COSMIC initiative for information sharing.
2. The regulatory framework is regularly reviewed to ensure its relevance and effectiveness, requiring FIs to adapt to new regulations and to maintain high standards of compliance to prevent misuse of the financial system for illicit activities.



Industry updates

This section covers key updates in the industry affecting financial institutions. We provide a summary of the of the latest developments and include our viewpoints to keep you on top of the regulatory agenda.

9. Anti-Money Laundering Audit Peer Group (AAPG) best practice paper – Enhancing anti-money laundering and countering the financing of terrorism (AML/CFT) audit effectiveness for banks

Who it affects: Banking

In a nutshell

On 21 October 2024, the AAPG published a best practice paper setting out baseline standards and best practices for auditors to consider when conducting AML/CFT audits in banks. Baseline standards are the general minimum expected practices that banks' typically implement while Best practices represent existing good practices recognised by the industry that may help to raise AML/CFT audit effectiveness. The paper expanded on key focus areas for both Internal and external audit which represents valuable insights for banks and other financial institutions to consider when assessing their own AML/CFT risks. Some of the pertinent areas to a banks IA function include:

- **Baseline standards in internal audit (IA)**
 - **Overall good governance and competency of IA function** – banks are expected to maintain IA functions that have appropriate reporting lines, organisation structure, and sufficient and relevant expertise in the realm of AML/CFT.
 - **Sufficient focus on AML/CFT on an ongoing basis** – AML/CFT is typically high on the list of priority areas for the IA function whereby common focus areas include periodic review of AML/CFT audit frameworks, policies, procedures and controls and often consider thematic AML/CFT audits to cover specific areas of the business on a risk-based approach such as risks associated with external business relationships. Within the AML/CFT universe, topics such as policies and procedures, customer due diligence, transaction monitoring, screening, suspicious transactions reporting, AML systems and tools, Quality Assurance and reliance on work done by third parties are expected topics to typically scope-in. Banks should also ensure that periodic reporting to the audit committee is performed and that prior findings are appropriate followed up and validated.
 - **Holistic AML/CFT risk assessment** – the Bank's IA function should conduct its risk assessment commensurate with its unique business model by considering inherent risk areas such as those associated with its Customers, Products, Services, and Transactions, System Capability, Business Channels, Geographies, Mergers and Acquisitions, and specific industry and regulatory risks. Furthermore, in evaluating residual risks, effectiveness of the responses to those inherent risks should be evaluated by considering, against both quantitative and qualitative metrics, factors such as past issues, risk events, controls implemented, management oversight, adequacy of resources, and outsourced AML/CFT functions.
 - **Training and Upskilling** – The Bank's IA team develops appropriately curated and scaled trainings for relevant staff.
- **Key best practices in internal audit**
 - **Continuous monitoring of effectiveness of the framework** – The Bank's IA team should be adequately equipped to respond actively and anticipate to changes to its emerging AML/CFT risks as its business environment changes.
 - **Use of data analytics** – Bank's should consider the use of data analytics to identify trends and other risk indicators enabling a data-driven approach to its IA framework.
 - **AML/CFT certifications, and continuous learning** – Relevant staff hold AML/CFT related certifications and attend seminars and sharing sessions to enhance subject matter knowledge and maintain relevancy.



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9. Anti-Money Laundering Audit Peer Group (AAPG) best practice paper – Enhancing anti-money laundering and countering the financing of terrorism (AML/CFT) audit effectiveness for banks

Who it affects: Banking

In a nutshell (Continued)

Collaboration between internal and external auditors is essential to enhance AML/CFT audit effectiveness, and there are four focus areas that could help strengthen AML/CFT outcomes by External Audit (EA) firms :

- **Baseline standards in external audit (EA)**
 - **Risk assessment** – external auditors must assess the bank's business at the audit planning stage to determine the proposed scope of the audit. This includes identifying any heightened AML/CFT risks or area of concern since the last audit while ensuring that the audit plan addresses these risks adequately.
 - **Training and upskilling** – EA firms to ensure that their auditors shall be adequately equipped with the necessary AML/CFT knowledge and skillsets to conduct an effective and robust AML/CFT audit.
 - **Partnering with internal audit functions** – EA firms shall consider the relevant AML/CFT work performed by the IA function for purposes of risk assessment. To the extent possible, EA firms may consider the feasibility of drawing comfort from AML/CFT work performed by the IA function.
 - **Nature and extent of work** – EA firms shall clearly set out the AML/CFT coverage for the year and specify the areas/control processes where sample testing has been conducted to determine effectiveness of controls.
- **Key best practices in EA**
 - **Deployment of AML/CFT subject matter experts (SMEs)** – EA firms deploy AML/CFT SMEs instead of the general financial audit team.
 - **Review enterprise-wide risk assessment (EWRA)** – review the bank's EWRA in detail to establish that the risk assessment is robustly performed, taking into consideration all the relevant risk factors, and is clearly documented and up to date.
 - **Joint walkthrough between IA function and EA firms** – to perform joint walkthroughs with the IA function to align understanding and reduce the duplicated efforts for bank stakeholders.
 - **Unpredictability testing** – to incorporate “unpredictability” testing in the AML/CFT area (e.g. selecting low risk customers for review instead of focusing only on high-risk customers) for comprehensiveness.

What this means for financial institutions (FIs)

1. FIs should benchmark its existing IA function against the best practices set out in this industry paper.
2. Consultants or subject matter experts may be engaged to assist in ensuring its IA framework meets industry standards ensuring that internal policies, procedures, and controls remain adequate to address the evolving AML/CFT risk and are in compliance with regulatory requirements.
3. Internal and external auditors are also encouraged to consider the use of Data Analytics and new techniques to strengthen their AML/CFT audit effectiveness.



Industry updates

This section covers key updates in the industry affecting financial institutions. We provide a summary of the of the latest developments and include our viewpoints to keep you on top of the regulatory agenda.

10. Inter-Ministerial Committee (IMC) on anti-money laundering (AML) publishes recommendations to strengthen Singapore's AML framework

Who it affects: Financial institutions, corporate service providers (CSPs), digital payment providers, estate agencies, precious metal dealers, gatekeepers in non-financial sectors (e.g. lawyers, accountants and other professionals)

In a nutshell

On 4 October 2024, the Inter-Ministerial Committee (IMC) published a report to share the findings and recommendations following a review of Singapore's anti-money laundering (AML) framework.

The IMC's review, completed in November 2023, focuses on fortifying three key pillars — proactive prevention, timely detection, and effective enforcement — to ensure Singapore's AML framework remains robust against evolving criminal methodologies. It focused on five key areas:

1. Strengthened AML standards for gatekeepers:

- Financial institutions, CSPs, and designated non-financial businesses and professions (DNFBPs) must adopt stricter customer due diligence (CDD) and ongoing monitoring practices.
- New requirements to identify and verify ultimate beneficial owners (UBOs) and detect suspicious activities at early stages.
- Enhanced regulatory expectations for sectors previously deemed low risk, such as estate agencies and dealers in precious stones and metals.

2. New obligations for high-risk sectors:

- Casinos, precious metal dealers, and digital payment providers must now implement expanded CDD measures.
- Lowered transaction thresholds triggering CDD obligations for casinos and precious product transactions.
- Stricter reporting timelines and audit requirements for regulated entities.

3. Introduction of the NAVIGATE platform:

- A whole-of-government (WOG) interface called NAVIGATE has been launched to facilitate seamless data sharing among law enforcement, regulatory agencies, and gatekeepers.
- The platform enhances early detection by integrating financial, tax, and trade data, enabling more comprehensive risk assessments.

4. Reinforced compliance for corporate service providers (CSPs):

- CSPs must now be registered under the newly introduced Corporate Service Providers Act 2024.
- Enhanced fit-and-proper requirements for nominee directors to mitigate the risk of shell companies being used for money laundering.

5. New enforcement and penalty frameworks:

- Strengthened legislative levers, including amendments to the Corruption, Drug Trafficking and Other Serious Crimes Act (CDSA), to enable more effective prosecution of complex transnational money laundering cases.
- Increased penalties for non-compliance and failure to meet AML obligations.



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Who it affects: Financial Institutions, Corporate Service Providers (CSPs), Digital Payment providers, Estate Agencies, Precious Metal Dealers, Gatekeepers in Non-Financial Sectors (e.g. Lawyers, Accountants and Other Professionals)

What this means for financial institutions (FIs)

1. FIs required to implement more stringent CDD and monitoring mechanisms.
2. FIs must align with the new NAVIGATE platform for information sharing and suspicious activity reporting.

For more information, please refer to our PwC straightaway guidance linked [here](#) to get an overview of these changes, understand the implications for affected organisations, and to gain insight on practical steps for implementing the new requirements.



Further reading

1. Circular on establishing the sources of wealth of customers

<https://www.mas.gov.sg/regulation/circulars/circular-on-establishing-the-sources-of-wealth-of-customers>

2. Circular on audit of AML/CFT policies, procedures and controls

<https://www.mas.gov.sg/-/media/mas-media-library/regulation/circulars/amld/circular-on-audit-of-amlcft-policies-procedures-and-controls.pdf>

3. Information paper on AML/CFT supervisory expectations from recent inspections

<https://www.mas.gov.sg/-/media/mas-media-library/regulation/guidance/amld/amlcft-supervisory-expectations-from-recent-inspections---oct-2024-1.pdf>

4. Guidelines on risk management practices – internal controls

<https://www.mas.gov.sg/regulation/guidelines/guidelines-on-risk-management-practices--internal-controls>

5. Guidelines on fit and proper criteria [FSG-G01]

<https://www.mas.gov.sg/regulation/guidelines/guidelines-on-fit-and-proper-criteria>

6. Consultation paper on guidelines to MAS Notice 134 on recovery and resolution planning

- <https://www.mas.gov.sg/publications/consultations/2024/consultation-paper-on-guidelines-to-mas-notice-134-on-recovery-and-resolution-planning>
- <https://www.mas.gov.sg/regulation/notices/notice-134>

7. Consultation paper on proposed regulatory approach, regulations and notices for digital token service providers issued under the Financial Services and Markets Act 2022

<https://www.mas.gov.sg/publications/consultations/2024/consult-paper-dtsp>

8. National anti-money laundering (AML) strategy

<https://www.mas.gov.sg/-/media/mas-media-library/publications/monographs-or-information-paper/amld/2024/singapore-national-aml-strategy.pdf>

9. Anti-Money Laundering Audit Peer Group (AAPG) best practice paper – Enhancing anti-money laundering and countering the financing of terrorism (AML/CFT) audit effectiveness for banks

<https://www.abs.org.sg/docs/library/aapg-best-practice-paper-enhancing-amlcft-audit-effectiveness-for-banks.pdf>

10. Inter-Ministerial Committee (IMC) on anti-money laundering (AML) publishes recommendations to strengthen Singapore's AML framework

- <https://www.mas.gov.sg/-/media/mas-media-library/news/media-releases/2024/imc-report.pdf>
- <https://www.pwc.com/sq/en/publications/assets/page/guidance-on-the-singapore-inter-ministerial-aml-paper.pdf>



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Any feedback or suggestions?

Let us know what you think of this edition and what you would like to see in the future, so that we can make this newsletter series more relevant to you.

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