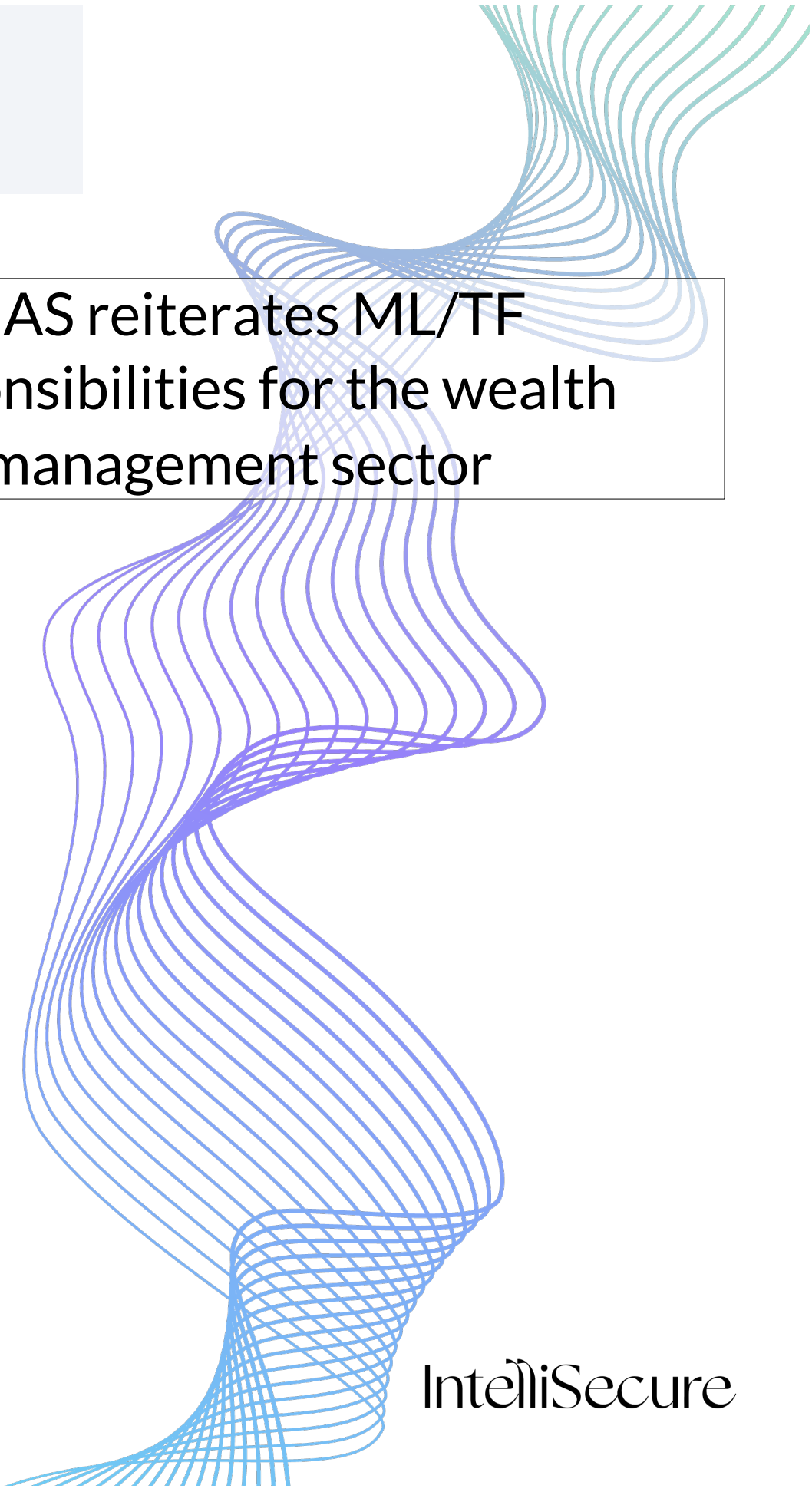
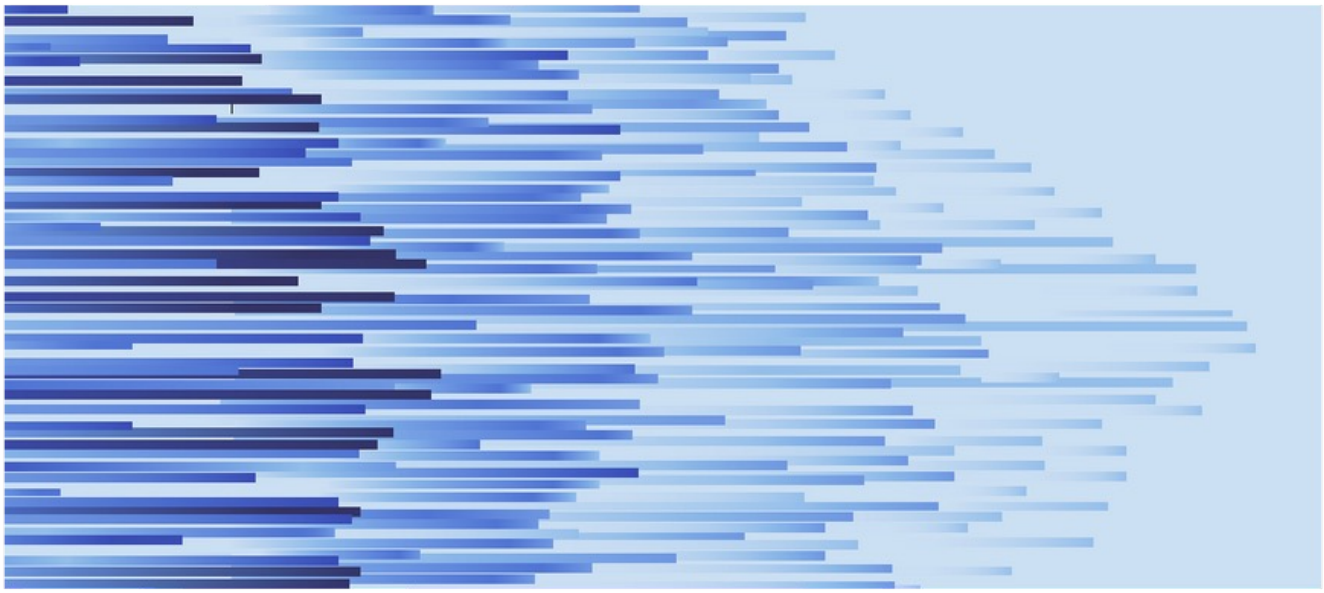
MAS reiterates ML/TF responsibilities for the wealth management sector



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The value of migration, modernisation, and security

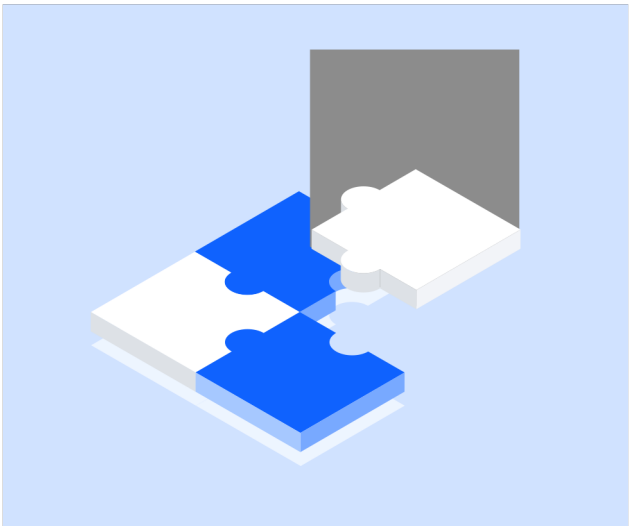
In a circular published on 3 March 2023, the Monetary Authority of Singapore (MAS) reiterated its expectation that financial institutions (FIs) "stay vigilant" to the risks associated with money laundering and terrorism financing (ML/TF) in the wealth management sector.

Top-down and all-around risk-management culture

As the wealth management sector expands, so must its risk and control functions. For "high growth" areas, the MAS expects FIs to ensure that commensurate controls are in place to deal with associated ML/TF risks (e.g., tax evasion, funds derived from corruption).

The risk management culture must start at the top, as the board of directors and senior management remain responsible for understanding and mitigating ML/TF risks.

Risk and control functions must be well supported, adequately resourced, and familiar with changes to the organisation's business strategy or target customer segments.



Added review and quality assurance testing recommended on customer due diligence (CDD) processes

For high-growth areas, the MAS recommends that FIs review their existing CDD processes to ensure the effectiveness of front-line and control functions.

Added quality assurance testing should be performed on key control areas, specifically those related to the following:

- Identification of higher-risk customers, including those who pose higher tax evasion- and corruption-related risks and
- Corroboration on the source of wealth/funds of customers.

Where controls are inadequate, FIs should promptly strengthen the CDD process for the specific risks and weaknesses noted.

Stronger CDD and transaction monitoring processes

FIs in high-growth areas are expected to have stronger CDD processes. This includes in-depth inquiries to identify and verify the ultimate beneficial owners and key controllers of legal structures/arrangements, as well as ensuring that there are clear and legitimate purposes for the use of complex structures/arrangements

Where prospective customers are reluctant to provide CDD information and subsequently withdraw their application, FIs must have processes to monitor such situations and file suspicious transaction reports.
Post-onboarding, FIs are also "strongly encouraged" to use data analytics to strengthen their transaction monitoring processes. These analytics can highlight unusual transaction patterns or identify customer networks of concern.

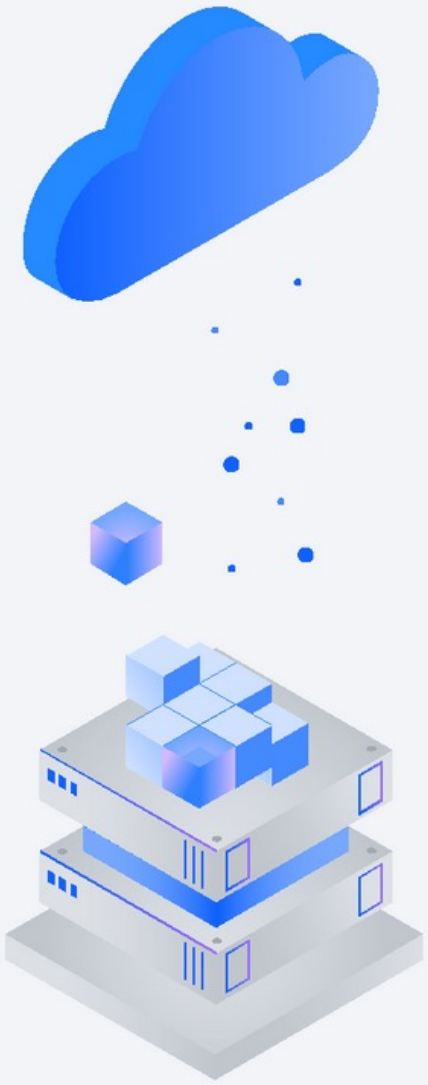
Expect to be inspected

In the circular, the MAS revealed that several FIs have already been the target of ML/TF-related thematic engagements and inspections on their wealth management businesses.

This trend is likely to continue, and this circular should serve as a warning shot of greater regulatory scrutiny to come. Therefore, wealth management businesses must be prepared to demonstrate that they have policies, processes, and people to effectively detect and deal with ML/TF risks.

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For more information on these developments or their implications for your business, please contact contact@intellisecure.co



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