



Regulatory Update

9 December 2015

MAS Notice SFA04-N02 (Amendment) 2015

Overview

Jurisdiction	Singapore
Executive Summary	The Monetary Authority of Singapore ("MAS") has made minor amendments to its notices regarding anti-money laundering ("AML") and countering the financing of terrorism ("CFT"), including Notice SFA04-N02 for capital markets intermediaries: For government entities, the exemption from the requirement to inquire about beneficial owners has been cancelled. Clarifications have been made with regards to Enhanced Customer Due Diligence ("ECDD") and Simplified Customer Due Diligence ("SCDD"); the latter allowing for more flexibility in SCDD. The most significant amendment is the explicit requirement to obtain the full name of the beneficiary of a life policy where the capital markets intermediary ("CMI") distributes such policy as soon as the beneficiary is identified by the CMI, at the latest at the time of pay-out.
Impact on IAMs	The amendments apply minor changes to the existing AML/CFT requirements. The most important amendments clarify that independent asset managers ("IAMs") must obtain the full name of the beneficiary where they distribute life policies. The other amendments have even less impact on IAMs. Under the amendments regarding SCDD, IAMs may introduce more flexibility on the identification and verification where they are allowed to apply SCDD and as judged adequate.
Required Action	IAMs should verify that their policies incorporate the new amendments. Where the amendments contradict its internal policies, the IAM must amend the policy.
Effective Date	30 November 2015

The New Rules

MAS Notice SFA04-N02 Amendment Notice November 2015

The MAS has published a Notice on 30 November 2015 to make amendments in its notice regarding the prevention of money laundering and terrorism financing ("SFA04-N02") regarding (a) the identification of the beneficial owner; (b) SCDD; (c) ECDD; (d) correspondent account services and (e) personal data. The main focus for the amendment is on the additional recognition of life insurance policies in the notice to identify the identity of client and client data.

Identification Beneficial Owner

In the existing notice, capital markets intermediaries, including fund management companies ("FMCs") such as independent asset managers ("IAMs") are not required to inquire about the beneficial owner in relation to a customer that is a Singapore or



Foreign government. The new amendment deletes this exemption and thus introduces the need to inquire about the beneficial owner in relation to a customer is a Singapore Government entity or a foreign government entity.

In a scenario where a CMI distributes life policies on behalf of a direct life insurer licensed in Singapore, the CMI shall obtain the full name, including any aliases, of the beneficiary, as soon as the beneficiary is identified to the CMI as a specifically named natural person, legal person or legal arrangement. Where the beneficiary of a life policy is designated by characteristics, class or other means, the CMI shall obtain information allowing the direct life insurer to establish the identity of the beneficiary at the time of payout.

Identifying customer in Simplified Customer Due Diligence (“SCDD”)

New amendments delete the explicit requirement for CMIs to “identify and verify the identity of a” customer, any natural person appointed to act on behalf of the customer and beneficial owner of the customer under SCDD. MAS however reiterates that the basis for AML and CFT measures under SCDD are the AML/CFT measures of standard due diligence.

Enhanced Customer Due Diligence (“ECDD”)

MAS have highlighted that the notice only provides examples which may not be the only scenarios to determine whether a client is high risk customer with regards to money laundering or terrorism financing.

Correspondent Accounts

MAS confirmed that the specific measures for correspondent accounts are in addition of the regular AML/CFT measures under standard CDD, SCDD and ECDD.

Personal Data

A CMI is not required to provide an customer, an individual appointed to act on behalf of a customer and, newly, an individual beneficiary of a life insurance policy with personal data on the individual, any information about the ways in which the personal data has been used or disclosed by the CMI and any right to correct an error or omission of the personal data about the individual. Similarly, the CMI may also directly or through a third party, collect, use and disclose personal data of an individual beneficiary of a life insurance policy without the respective individual’s consent.

Effect

Impact on Independent Asset Managers

The amendments do not significantly change the existing AML/CFT requirements.

Most importantly for IAMs, the amendments clarify the approach where life insurance policies are involved: The IAM must essentially obtain information on the beneficiary where the beneficiary is determined, at the latest, before any payout is made.

The other amendments have even less impact on IAMs: IAMs generally do not service government entities. The other amendments are merely clarifications. Nonetheless, the specification regarding SCDD may allow IAMs to forego the identification and/or verification of the identity, where and to the extent appropriate and, importantly, where the ML/TF risk is low and no high risk jurisdiction is involved and there is no ML/TF suspicion. However, customers of IAMs should generally not be regarded to qualify for SCDD.



Required Action and Possible Approaches

IAMs should verify that their policies incorporate the new amendments. Where the amendments contradict its internal policies, the IAM must amend the policy. Moreover, IAMs may consider, if they wish to implement more flexibility where they apply SCDD. SCDD should however only be applied with caution.

At the same time, IAMs must ensure that they adhere to the new amendments when executing AML/CFT measures, in particular CDD.

Please consult the following new rules for details:

- [MAS Notice SFA04-N02 \(Amendment\) 2015](#)
- [MAS Notice SFA04-N02 Prevention of Money Laundering and Countering the Financing of Terrorism – Capital Markets Intermediaries](#)
- [Guidelines to MAS Notice SFA04-N02 on Prevention of Money Laundering and Countering the Financing of Terrorism](#)

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