



COMPLIANCE UPDATES

August 2023



Agenda

- Internal Audit
- Background Due Diligence Checks
- AML/CFT Updates

INTERNAL AUDIT



- MAS Guidelines on Risk Management Practices – Internal Controls
- Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies
- Securities and Futures (Licensing and Conduct of Business) Regulations, Paragraph 13b

INTERNAL AUDIT

- Can be part of FMC, part of group, or outsourced to third party
- If within FMC
 - Adequately segregated from investment team i.e. portfolio management, trade execution
 - Risk management, compliance and internal audit can be same person
- Discouraged to use same firm for external audit and internal audit
- Registered Fund Managers may put in place process for regular internal review on effectiveness of internal systems and controls
 - Compliance officer conducted routine check on Trade Blotters, KYC, AML. Asset Allocation etc are being seen as part of the Internal Audit
- CEO and directors are ultimately responsible for ensuring adequate internal control including IA even if outsourced

INTERNAL AUDIT

- If performed internally, key requirements to take note of:
 - Direct reporting to CEO, directors or equivalent
 - Unrestricted access to all documents and data to carry out audit
 - Sufficient authority
 - No other conflicting roles performed
 - Audit plan that is reviewed regularly and approved by senior management

- Outsourced Internal Audit
 - Material service provider
 - Evaluation of service provider annually
 - MAS Outsourcing Register
 - Adequate experience

INTERNAL AUDIT

- Post audit
 - Remediation timeline
 - Completion of audit points prior to External Audit and/or next Internal Audit
 - Frequency of Internal Audit

INTERNAL AUDIT

Review Area
Review of legal/compliance requirements based on MAS Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies
Review of adherence to licensing/registration conditions.
Review of Business / Market Conduct / Risk Management framework against Monetary Authority of Singapore (MAS)'s Guidelines on Risk Management such as Internal Controls, Board of Directors and Senior Management, Market Risk, Liquidity Risk and Technology Risk, as well as Operational Risk.
Review of suitability of Environmental Risk Management Framework policies and procedures including disclosures to customers.
Review of operations and business process policies and procedures against MAS guidelines on Risk Management Practices.

INTERNAL AUDIT

Review Area
Review of Client Suitability based on MAS notices/guidelines on KYC, CDD, AML/CFT, Tax evasion, and PEP. Review of customer risk assessment suitability.
Review of transaction monitoring controls, suspicious transaction reporting and management.
Review of Enterprise-wide-risk-assessment framework and adherence to it.
Review of adherence to MAS Guidelines on Business Continuity Management including supporting documents on conduct of disaster recovery, business continuity plan testing and controls.

DUE DILIGENCE CHECKS



- CMI 01/2011 Due Diligence Checks and Documentation in Respect of the Appointment of Appointed, Provisional, and Temporary Representatives
- MAS Fit and Proper Guidelines
- Licensing Conditions

DUE DILIGENCE CHECKS

- Board and Senior Management responsibilities
 - Document policies
 - Part of HR procedures

Reference
Checks

Education
Qualification

Regulatory
checks

Financial
Records

Periodic
Declarations

DUE DILIGENCE CHECKS

Reference Checks

- Verify identification
- Verify educational qualifications
- Employment passes obtained
- Past employment checks
 - Adverse records
 - Termination
 - Prohibition order
 - Disciplinary action

DUE DILIGENCE CHECKS

Initial Checks

- Verify identification
- Verify educational qualifications
- Employment passes obtained
- Past employment checks
 - Adverse records
 - Termination
 - Prohibition order
 - Disciplinary action
- Bankruptcy
- Litigation
- Debt repayment scheme
- MAS and other regulatory register
- Badpress

DUE DILIGENCE CHECKS

- Periodic Checks
- Bankruptcy
- Litigation
- Debt repayment scheme
- MAS and other regulatory register
- Badpress
- Declaration periodically
 - To be increased depending on the declaration and past records

DUE DILIGENCE CHECKS

Misconduct Reporting

- Requirement to report any misconducts such as
 - Fraud, dishonesty or other similar offences
 - Market misconduct
 - Failure to satisfy fit and proper
 - Post declaration or periodic due diligence need to report if not deemed to be fit and proper
 - Non compliance with regulatory requirements
 - Breach of internal policies or code of conduct leading to suspension, termination, or demotion
 - Report no later than 14 days post discovery of misconduct
 - Submit update report post investigations
 - Submit annual misconduct “nil” report for CMS licence holders
 - 14 days after 31 December

DUE DILIGENCE CHECKS

Offence

A principal who, in connection with the lodgment of any document respectively under section 99H of the SFA and section 23F of the FAA, makes a false or misleading statement in a material particular, or omits from any document lodged with MAS any information thereby rendering the document misleading in a material respect.

An individual who has provided a false or misleading statement in a material particular to his principal which is subsequently lodged with MAS, or to omit giving information to his principal which causes the lodged document to be misleading in a material respect.

AML/CFT Updates

- FATF Updates
- Enforcement Actions



AML/CFT

FATF Updates

- Grey List additions
 - Cameroon
 - Croatia
 - Vietnam
- Black list
 - Iran, North Korea and Myanmar remains
- Implementation of FATF recommendations for Virtual Asset Sector
 - Since the introduction of enhanced standards 4 years ago global implementation still slow
- Focus on Nonprofit Sector Terrorist Financing risks

AML/CFT

Non-Face-to-Face Customer Due Diligence

- Requirement to put in place controls to manage risks of impersonation and fraud in relation to video conferencing
 - Control questions to be answered by customer
 - Perform liveness check
- Perform additional checks via difference channels
 - Check against reliable independent sources
 - Check sum digit test
- If documents cannot be verified digitally take additional precautions
 - Original certified true copy
 - Require qualified persons to use digital signatures or watermarks to certify authenticity of soft copies

AML/CFT

Non-Face-to-Face Customer Due Diligence

- Use new Technology
 - Liveliness checks
 - Biometrics
- Caution use of ID document authenticity verification tools
- Enhancing internal controls
 - Board to provide oversight and monitoring
 - Establish clear accountability for effectiveness of process and use of technology
 - Undertake timely intervention

AML/CFT

Changes to AML/CFT Notice SFA 04 –N02

- Obtain date of birth and nationality in lieu of unique identification number of connected parties
 - only for customers who are not high risk; and
 - Cant obtain the identification after reasonable attempts
- Obtain business address of natural persons instead of residential address
 - only for customers who are not high risk; and
 - Cant obtain the residential address after reasonable attempts
- Where a customer is a legal person for which the FI is not able to establish if it has any –
 - ongoing, apparent or visible operation or business activity;
 - economic or business purpose for its corporate structure or arrangement; or
 - substantive financial activity in its interactions with the CMI,
- the FI shall assess whether any such customer presents a higher risk for money laundering or terrorism financing

AML/CFT

Enforcement Actions

2019/2020 Enforcement Outcomes

Actions taken on breaches of MAS-administered Acts, Regulations and Notices¹



9 Criminal Convictions



\$11.7 million in Civil Penalties



\$3.4 million in Financial Penalties and Compositions²



25 Prohibition Orders³



3 Licence Revocations



23 Reprimands



124 Warnings



76 Letters of Advice



282 Supervisory Reminders

¹ Excludes investigations led by CAD under the MAS-CAD Joint Investigation Arrangement

² \$3.3 million for AML/CFT breaches and \$0.1 million for other breaches

³ Includes one Prohibition Order effective prior to the reporting period but varied in duration during the reporting period

AML/CFT

Enforcement Actions

21 June 2023	Citibank, DBS, OCBC and Swiss Life	Composition	<u>MAS Penalises 3 Banks and an Insurer for Breaches of Anti-Money Laundering Requirements</u>
31 August 2022	UOB Kay Hian Private Limited	Composition	<u>MAS Imposes Composition Penalty on UOB Kay Hian Private Limited</u>
14 April 2021	Bank J. Safra Sarasin Ltd, Singapore Branch (BJS)	Composition	<u>MAS Imposes Composition Penalty of S\$1 million on Bank J. Safra Sarasin Ltd, Singapore Branch for AML/CFT Failures</u>
28 July 2020	Apical Asset Management Pte. Ltd	Revocation/Suspension of Regulatory Status	<u>MAS revokes licence of Apical Asset Management Pte. Ltd for AML/CFT breaches, reprimands its CEO and Board</u>

Nithi Genesan

Executive Director

Nithi Genesan is a compliance and regulatory specialist with over 15 years of experience working within the financial sector and an in-depth knowledge of the laws and regulations of the financial markets. Nithi's vast experience includes working within securities, asset management, insurance, financial advisory and payment services.

Nithi manages numerous AML/KYC projects for large institutions and oversees the Compliance Team, providing the team with direction and oversight as they support clients with ongoing compliance matters including, obtaining licences, internal audits, preparing for MAS inspections, providing compliance gap analysis and compliance training.

An experienced compliance trainer, Nithi conducts training for institutions ranging from asset management entities to top-tier banks and works with the Institute of Banking and Finance (IBF) to obtain accreditation for compliance training courses in Singapore.

Nithi holds a Master's degree in Applied Finance from the Manchester Business School and is a graduate from the National University of Singapore. In addition, Nithi is a holder of the International Compliance Association Diploma.



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Thank you

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