



Compliance Training on Singapore Laws and Regulations

Audience: ICG and Corporate Center

Overview

- The purpose of this training is to heighten your awareness of the Singapore key laws and regulations
- Topics that will be covered include:
 - The Primary Financial Regulator in Singapore
 - The Banking Act and its subsidiary legislations
 - The Securities and Futures Act and the Financial Advisers Act
 - Licensing Regime
 - Disclosure of Interests
 - Market Abuse/Market Manipulation
 - Insider Trading
 - Anti-Money Laundering Requirements
 - Outsourcing Requirements

Primary Financial Regulator in Singapore

- Primary regulator for all financial services in Singapore is The Monetary Authority of Singapore (“the MAS”)
- Some key legislations that the MAS governs include:
 - **The Banking Act**
 - Governs all banking related activities from deposit taking to treasury markets
 - **The Securities and Futures Act (“the SFA”)**
 - Governs all capital markets activities from trading in futures contracts to fund management
 - **The Financial Advisers Act (“the FAA”)**
 - Governs the provision of advice, market commentary and research reports on all investment products, including exchange traded commodities futures and options.

The Banking Act and its Subsidiary Legislations

- The Banking Act and its subsidiary legislations apply only to the Banking Legal Vehicles.
- Key Regulations include:
 - **Section 4A:** Restrictions on deposit-taking business and soliciting deposits
 - **Section 47:** Banking Secrecy
 - **Section 57:** Restriction on issuing and promoting credit card and charge card
 - **MAS Notice 603:** Branches, Places of Business and ATMs
 - **MAS Notice 613 and 758:** Minimum Liquid Assets & Minimum Cash Balances
 - **MAS Notice 639 and Section 29:** Exposures to Single Counterparty Groups
 - **Section 31:** Equity Investment Limit
 - **MAS Notice 640:** Asset Maintenance Ratio (“AMR”)
 - **MAS Notice 757:** Lending to non-resident Financial Institutions

– Section 4A: Restrictions on deposit-taking business and soliciting deposits

- Cannot carry on a deposit-taking business, and **accept deposits** from any person in Singapore, unless licensed to do so in Singapore
- Cannot **solicit deposits** from the public or any section of the public in Singapore to be deposited with a person (whether in Singapore or elsewhere) not licensed to carry on a deposit-taking business in Singapore
- Restriction is placed on offering or inviting or issuing any advertisement to that effect. “Advertisement” means dissemination or conveyance of information or invitation or solicitation by any means or form, including:
 - Publication in newspaper, magazine, journal or other periodical
 - Display of posters or notices
 - Circulars, handbills, brochures, pamphlets or other documents
 - Letters addressed to individuals or bodies
 - Television, Internet or other media



– Section 4A: Restrictions on deposit-taking business and soliciting deposits

Exemption from Section 4A:

- Section 4(A) shall not apply to deposits accepted in Singapore, on behalf of branches of Citibank N.A. by Citibank N.A. Singapore Branch, from accredited investors in Singapore.
 - Provided the following information is disclosed to the accredited investor in writing
 - the name of the foreign entity;
 - the jurisdiction where the deposit account would be opened;
 - the class of licence of the foreign Citi branch where the deposit account would be opened;
 - a statement to the effect that the class of licence permits the foreign Citi branch to accept deposits in the jurisdiction where the deposit account would be opened; and
 - a statement to the effect that the deposit account would not be subject to the supervisory oversight of the MAS but that of the relevant supervisory authority in the jurisdiction where the deposit account would be opened and maintained.
- This exemption is not applicable to subsidiaries of Citigroup.



– Section 47: Banking Secrecy

- **Customer information** shall not be disclosed unless permitted by the customer in **writing**
 - Customer information includes any information that is referable to any named customer or group of named customer
- Disclosure of customer information to Citi affiliates is similarly restricted
- Compliance achieved through:
 - a) GAC – for customers opening accounts
 - b) Signing consent letters – for customers opening bases
- Currently, there are some customers in ICG Singapore who have not signed the consent letter
- Mitigating actions: Compliance achieved through the use of exemptions, such as risk management and outsourcing

Legal/Compliance to be consulted whenever business intends to disclose customer information to persons outside Singapore legal vehicles, e.g. system access, outsourcing arrangement.

– Section 57: Restriction on issuing and promoting credit card and charge card

- Cannot carry on a business of issuing credit cards or charge cards, and **accepting or receiving in Singapore** any application for a credit card or charge card unless licensed to do so in Singapore.
- Cannot accept or receive in Singapore any application for a credit card or charge card on behalf of any person other than a licensee or a bank in Singapore
- Cannot offer or invite or issue any advertisement to that effect to the public or any section of the public in Singapore to apply for a credit card or charge card except where the credit card or charge card is to be issued by a licensee or a bank in Singapore

Exemptions:

- Credit card or charge card is for purchasing goods or services on credit with and from the issuer only and the issuer bears the whole credit risk of the cardholder
- Aggregate credit limit that is granted by the issuer to the cardholder does not exceed \$500

– MAS Notice 603: Branches, Places of Business and ATMs

Citibank N.A. Singapore Branch (“CNAS”)

- Foreign full bank which is not a Qualifying Full Bank (“QFB”)
- Shall not increase the number of its place of business
- Under exceptional circumstances, MAS may, on the application of the bank, grant an increase in the number of its places of business, subject to conditions or restrictions.

Places of Business

- Currently, CNAS is only permitted to conduct business at the following 4 locations:
 - Capital Square Branch
 - Asia Square Branch
 - Orchard Road Branch (MacDonald House)
 - Jurong East Branch
- Shall not change the location of its place of business without prior approval of MAS

ATM and ATM networks

- CNAS shall not enter into any arrangement for access to the ATM network of a local bank
- CNAS shall not install any off-premise ATM
- CNAS shall not permit the use of its ATMs by any other foreign banks
- CNAS shall not provide any debit services on an EFTPOS network

- MAS Notice 613 & 758: Minimum Liquid Assets & Minimum Cash Balances

Banks are required to maintain:

- Minimum Liquid Assets (“MLA”) **of between 10% and 15% of the liabilities base, of which at least 50% are “Tier 1” liquid assets (eg. Notes and coins, SGS, sukuk, balances with MAS other than used for MCB) . This is a bank specific framework.**
- Minimum Cash Balances (“MCB”) **of at least 3% of Qualifying Liabilities in the Current Account maintained with MAS**

“Qualifying Liabilities” means the aggregate of:

- SGD liabilities due to non-bank customers, on a gross basis
- SGD liabilities due to MAS maturing within one month, on a net basis
- SGD liabilities due to other banks maturing within one month, on a net basis ”, and where this is a net asset, the net asset amount shall not be deducted from Qualifying Liabilities and shall be treated as zero.
- 15% of SGD undrawn commitments
- Bills of exchange other than SGD denominated relating to import/export trade transactions in Singapore
- Liabilities arising from any stored value facility

Beware: Structuring or arrangements resulting in a lower liabilities base may be seen as circumventing the MLA & MCB requirements



– MAS Notice 639, Sections 29 and 31: Lending and Investment Limits

- **MAS 639, Section 29: Limits on exposures to single counterparty groups**
 - Large exposures limit at 25% of Capital Funds per single counterparty group
 - Substantial exposures limit: exposures that exceed 10% of capital funds cannot exceed 50% of bank's total exposures
 - Limits are based not only on credit facilities but on exposures
 - Third party single counterparty group includes financially dependent entities and entities under common control

- **Section 31: Equity Investment Limit - capped at 2% of Capital Funds.**

Excludes:

 - Shares held as security for the purposes of a transaction entered into in the ordinary course of business
 - Shares or interest in the course of satisfaction of debt due to the bank
 - Transactions approved by MAS

Note: The limits under section 29(1)(a) and (b), and Section 31 apply to the DBU books of CNA

– MAS Notice 640: AMR

- $AMR = [\text{the total value of eligible assets}] / [\text{liabilities of the bank, which comprise the aggregate amount of all deposit liabilities (including accrued interests) with non-bank customers}]$
- AMR for DBU > 35% or eligible assets of S\$5 million, whichever is the higher
- AMR for ACU takes effect from 28 Aug 2009.
- Eligible assets include the following, adjusted for the applicable adjustment factors:
 - Notes and coins, SGS, sukuk, debt securities subject to conditions, shares of listed companies subject to conditions, certain credit facilities, certain bills of exchange, and immovable property in Singapore.
- Expanded Eligible Assets in DBU include foreign currency denominated, but have lower adjustment factor thereby reducing value of adjusted Eligible Assets
- Expanded Eligible Assets in ACU include Sovereign & Supranational bonds which require the register or certificate to be held in Singapore (which if held with designated custodian enjoys higher adjustment factor)

Beware: Structuring or arrangements resulting in a lower deposit liabilities base may be seen as circumventing the AMR requirements

– MAS Notice 757: Lending SGD to non-resident Financial Institutions

- Banks may lend SGD to non-resident financial institutions (NRFI) for any purpose whether in Singapore or elsewhere as long as the aggregate SGD credit facilities **do not exceed SGD5million per entity****.
- Transactions affected: loans, FX swap (involving sale of SGD in the 1st leg), SBLC
- All outstanding transactions to be aggregated on a gross basis

Conclusion: DO NOT transact SGD FX swaps with NRFI's where the spot leg sells SGD.

Definitions

- **Financial Institutions** include: banks, merchant banks, investment banks, insurance companies, securities companies, asset / fund manager (including hedge funds), brokers
- **Resident**: Companies which are at least 50% owned by Singapore citizens OR FIs in Singapore regulated by MAS
- **Entity**: Head Office and branches are considered one entity

****** Each subsidiary is considered a separate entity while the Head Office and all overseas branches are collectively regarded as one entity.

The Securities and Futures Act (the “SFA”) & The Financial Advisers Act (the “FAA”) - Licensing Regime

9 Regulated Activities under the SFA

Dealing in Securities	Trading in Futures Contracts
Leveraged Foreign Exchange (but does not include any contracts by a bank or merchant bank licensed with the MAS)	Advising on Corporate Finance
Fund Management	Securities Financing
Providing Custodial Services of Securities	Real Estate Investment Trust Management *
Providing credit rating services *	

4 Regulated Activities under the FAA

Advising others concerning any investment products (includes securities, futures etc.)	Advising others by issuing research analyses of research reports
Marketing of collective investment schemes	Advising on and/or arranging life policies (whether or not including investment linked life insurance policies)

- MAS approves both the corporate and individual representatives' licences.
- Banks are exempted from licensing but subject to the business conduct requirements under the SFA and the FAA.
- Make sure that you check that you have the appropriate license BEFORE conducting any regulated activity.
- * Note: Citi does not conduct this activity.

The SFA & the FAA

- Licensing Regime (“Cont’d”)

- Unlicensed conduct of business activities is an offence in Singapore subject to penalties of imprisonment and large fines.
- Employees must not carry on any regulated activities under SFA and FAA unless they are approved by MAS and MAS includes their names in its public register of representatives (RNS system).
- Appointed representatives have to notify their employers of any changes to their particulars within 7 days. The employers have to notify MAS of these changes within 7 days after they are informed by the appointed representatives.
- MAS approval under Para 9 / 11 required for arrangements with Foreign Related Corporations (“FRC”) to conduct regulated activities in Singapore

Note:

- Changes in status of Citi foreign affiliates may affect Para 9 / 11 arrangements. Engage Country Compliance in advance when changes are anticipated.



The SFA

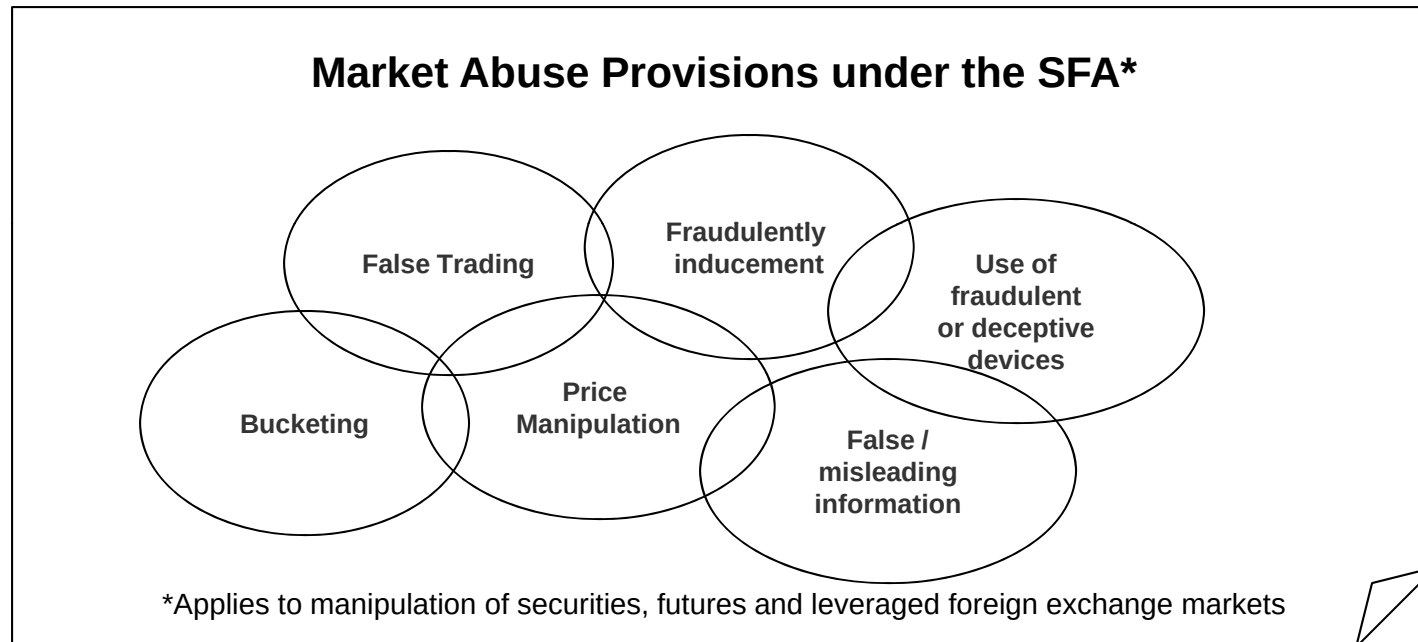
- Disclosure of Interest

- Citi is required to disclose its interest in voting shares of a listed corporation to the SGX and the listed corporation concerned when:
 - it becomes a substantial shareholder (generally 5% or more interest of any class of voting shares in a listed corporation)
 - there is a change in the percentage level of interest
 - it ceases to be a substantial shareholder of that listed corporation
- Notification must be made within 2 business days after any of the above events has occurred
- Compliance monitors Citi's aggregate position through the SPIDER Application system Reporting
- You must inform Compliance prior to any new products / new initiatives that have Equity exposure so that Compliance can verify positions are captured

Failure to comply is an offence subject to a fine not exceeding \$25,000 and, to a further fine of \$2,500 for every day the offence continues after conviction.

The SFA

- Market Abuse/Market Manipulation



Implication:

- If you are found guilty of a market abuse provision whether in Singapore or overseas
 - Fine not exceeding S\$250,000 or to imprisonment for a term of 7 years or both

The SFA & The FAA

- False Trading Case 1



High Court Makes Civil Penalty Order Against Fund Manager and its Chief Executive Officer for Market Rigging (17 September 2010)*

- The Singapore High Court found that a Malaysian fund manager, Pheim Asset Management Sdn Bhd ("Pheim Malaysia"), and its founder and CEO, Dr Tan Chong Koay had contravened the market rigging provisions under the SFA by trading with the intention of **creating a false or misleading appearance** in the price of United Envirotech Ltd ("UET") shares.
- Dr Tan placed large orders to purchase UET shares, through Pheim Malaysia, over the last three trading days of 2004 and within the last half an hour of trading on each day. These trades accounted for **88% of all trades carried out over those three days for UET shares and caused the price of UET shares to rise by 17%**. This "window dressing" then enabled certain funds managed by the Pheim Group to outperform their respective benchmarks.
- Leo Mun Wai, Assistant Managing Director (Capital Markets Group), MAS said, "Fund managers should not engage in window dressing practices that would mislead investors as to the performance of securities and the funds under their management. As this case illustrates, MAS will not hesitate to pursue and take stern action against anyone who attempts to rig our capital markets, regardless of **whether the perpetrator is in Singapore or overseas**."



Result: The High Court ordered Pheim Malaysia and Dr Tan to each pay **a civil penalty of \$250,000 and legal costs** to the Monetary Authority of Singapore.

The SFA & The FAA

- False Trading Case 2



Civil Penalty Enforcement Action For False Trading (22 September 2010)*

- On 11 August 2009, Mr Tan Wee Kiat Melvin, a trading representative of CIMB-GK Securities Pte Ltd placed four sell orders for Singapore Petroleum Company Ltd shares in the last five minutes prior to the close of the trading session, with no intention to fulfill the orders.
- Mr Tan's intention was to **create the appearance** of a large supply of shares on sale in the market and thereby discourage potential sellers from placing further sell orders. Seconds before the close of the trading session, Mr Tan deleted three of the sell orders.
- By discouraging potential sellers from entering further sell orders, Mr Tan sought to achieve a higher selling price for his remaining sell order than what he may otherwise have been able to achieve. The profit earned from the trades was approximately \$3,800.
- Mr Leo Mun Wai, Assistant Managing Director (Capital Markets), MAS, said, "The entry and deletion of orders with **intent to artificially raise or depress the closing price of securities distorts the market** and undermines its efficiency because the closing price would not reflect the forces of genuine supply and demand. This is prohibited under our securities law. **MAS will not hesitate to take action against anyone who engages in such conduct.**"



Result: Mr Tan admitted to civil penalty liability for contravening section 197(1)(b) of the SFA and paid **a civil penalty of \$50,000** to MAS without court action.

The MAS also **suspended Mr Tan's Capital Markets Services representative licence for three months.**

The SFA

- Insider Trading

- You may not trade on inside information
- **Tipping off** / signaling inside information for trading by others or disclosing inside info to another knowing or having reason to believe that the person with deal, **is also prohibited**.
- If you are unsure whether you have inside information, notify your supervisor or Legal/Compliance.
- Issues to watch for:
 - Think about when you have inside information
 - Therefore, have to be very careful about what use is made of information and when it is passed on to others

Singapore Penalties on Insider Trading
\$250,000 or 7 years imprisonment or both

The SFA & The FAA

- Insider Trading Case



Singapore High Court Makes First Civil Penalty Order Against Former Chief Financial Officer for Insider Trading (27 May 2010)*

- The High Court ruled that Mr Lew, formerly the chief financial officer and later the chief risk officer of WBL Corporation Limited (WBL), had during his employment at the company from 1998 to 2007, contravened Section 218(2)(a) of the SFA by selling 90,000 shares on 4 July 2007 after attending a senior management meeting on 2 July 2007.
- The High Court noted that Mr Lew had then **proceeded to sell his shares despite being advised by WBL's in-house counsel that the information** shared at the management meeting on 2 July 2007 **was price-sensitive**.
- Leo Mun Wai, Assistant Managing Director (Capital Markets Group), MAS said, "(...) Insider trading unfairly tilts the playing field against other market participants and undermines investor confidence in the integrity of our capital markets. As this case demonstrates, MAS will use every effort and resource to enforce our insider trading laws".



Result: The Singapore High Court on 22 July 2010 ordered Kevin Lew Chee Fai to pay **a \$67,500 civil penalty** and **the Monetary Authority of Singapore's legal costs**.



RNF – Due Diligence Checks and Documentation Relevant to the “Fit & Proper” Certification of Representatives

On 7 February 2011, the MAS issued a circular to provide guidance for conduct of due diligence checks and documentation relevant to the “fit and proper” certification in the appointment of representatives.

- **Fit & Proper Declaration** - Board and Senior Management are responsible for putting in place a clearly defined and documented policies and procedures to ensure it recruits and retains only a fit and proper person as representative
- **Due Diligence Check** - Conduct rigorous and independent due diligence checks on fitness and propriety of representatives.
- **Continuing education** – an appointed representative is expected to keep abreast of developments in the industry and update skills and knowledge relevant to the activities they conduct. FIs must ensure their representatives receive adequate training to have the knowledge and skills to conduct regulated activities under the SFA and/or provide financial advisory services under the FAA. This include ongoing training.
- **Conflict Assessment** – FIs should ensure that there are no conflict(s) of interests in their representative’s personal circumstances, relationship with connected persons, other business interests or work arrangements within the corporation that will impact the representative’s ability to discharge the fair dealing responsibilities.



RNF – Due Diligence Checks and Documentation Relevant to the “Fit & Proper” Certification of Representatives (Cont’d)

Through the ABS, the industry agreed on the following minimum standards to adopt:

- Banks must highlight and explain to the staff the **importance of the “fit and proper” self-declaration process** and the penalty under Section 99O of the SFA and Section 23L of the FAA for providing a false or misleading statement which is material to the assessment of his “fit and proper” as a representative. The penalty on conviction is a fine not exceeding S\$50,000.
- Banks will conduct an **annual “fit and proper” declaration** for all its representatives.
- **Probity checks will be conducted prior to employment and once every 2 years** for existing representatives. However, if there are any adverse information that came to the knowledge of the Bank, including self declaration by the representative, the required probity checks will be conducted immediately.

RNF – Due Diligence Checks and Documentation Relevant to the “Fit & Proper” Certification of Representatives (Cont’d)

- Probity Checks include the following:
 - a. Copy of the proposed representative’s current identification document (e.g NRIC, FIN or Passport)
 - b. Reference checks to be obtained from previous employers who are FIs of the last 5 years. For reference checks within the banking and insurance industry, responses to be provided within 14 business days.
 - c. Public Register of Representatives on the MAS website to verify that there is no Prohibition Order issued against him/her.
 - d. Publicly available registers provided by enforcement. It was agreed this will be the CAD public register only. However, if the Bank came to be aware of any prior criminal offences of a representative, it should conduct the relevant court searches and/or verify such sources with the relevant court records. (*)
 - e. Credit bureau, litigation and bankruptcy checks (*)
 - f. Check with applicable self-regulatory bodies (e.g. Medical, Legal, Real Estate agencies, SGX, SMX) based on the potential representative’s declaration of previous employment, to verify that he/she had not been struck off.
 - g. For potential representatives that were previously self-employed, obtain CPF Board records to verify that he’s not in arrears of any CPF contribution under CPF Act (Cap 36).

(*) Probity checks that will be conducted at pre-employment and the 2-yearly cycle.

For potential representatives who worked overseas, the same level of due diligence checks is expected to be conducted.

RNF - Your obligation as Appointed Representative

- A Unique Representative Identification No. (RIN)
- On-going obligations:
 - Fit and Proper
 - Honesty, integrity and reputation
 - Competence and capability
 - Financial soundness
 - Continuing Education
 - Notify the MAS of their personal data, and any changes to such, within 14 days
 - Form 15 – Register of Securities (applicable only to staff employed under CGMSPL and CGMSSPL)
- New CMFAS Module 6A (Dealing in Securities and Trading in Futures Contracts) and 8A (Marketing of CIS)
 - Deadline for completion June 2013

SFA/FAA : Licensing Regime - Extra-Territoriality Provisions



- **Carrying out unlicensed activities in Singapore is an offence**
- Make sure you speak to Compliance/HR in good time when taking on new staff to ensure that they are licensed in a timely manner and therefore able to perform their activities as soon as they are on board.
- **It is also important to note that the SFA and the FAA have extra-territorial provisions**
 - This means an act which is done wholly outside Singapore would be regarded as having been committed in Singapore if it has a substantial and reasonably foreseeable effect in Singapore
 - Licensing requirements therefore can apply to any person (including an entity) who is outside Singapore and who conducts any regulated activity from outside Singapore, where such conduct has a substantial and reasonably foreseeable effect in Singapore
- **Any unlicensed employee must be accompanied by a CMS licensed person who should take responsibility and control any client meetings. Please note this for overseas visitors – temporary licenses are available.**

Anti-Money Laundering / Anti-Terrorism

Singapore Laws

Corruption, Drug Trafficking and Other Serious Crimes Act (Confiscation of Benefits) (Chapter 65A) [CDSA]

- Criminalizes the laundering of proceeds derived from more than **370 drug trafficking and other serious offences** and also allows for the **confiscation of such proceeds**;
- Report any movement of S\$30,000 (or its equivalent in foreign currency into or out of Singapore; and
- Lodging of a **Suspicious Transaction Report (STR)** if a person knows or has reason to suspect that any property may be connected to a criminal activity.

Terrorism (Suppression of Financing) Act (Cap 325)

- Criminalizes terrorism financing; and
- Imposes a duty on everyone to provide information pertaining to the terrorism financing to the Police.

The Mutual Assistance in Criminal Matters Act 2000

- Facilitates the provision and obtaining, by Singapore, of international assistance in criminal matters including execution of requests for search and seizure as well as locating and identifying persons.



Anti-Money Laundering / Anti-Terrorism

Monetary Authority of Singapore (MAS) Regulations and Others

Regulations

- MAS (Anti-Terrorism Measures) Regulations 2002 and subsequent regulations pertaining to sanctions and asset freeze measures

Notices & Guidelines

- MAS Notice on Prevention of Money Laundering and the Countering of the Financing of Terrorism ("MAS Notice 626")
- MAS Guidelines to MAS Notice 626
- Association of Banks in Singapore (ABS) Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism



Anti-Money Laundering / Anti-Terrorism

Money Laundering Offences & Penalties under the CDSA

In Singapore, under the Corruption, Drug Trafficking & Other Serious Crimes (Confiscation of Benefits) Act, a **Money Laundering Offence** may have been committed if the following takes place:

- Assisting another to retain benefits of (1) drug trafficking (section 43) or (2) criminal conduct (section 44)
- Concealing or transferring benefits of (1) drug trafficking (section 46) or (2) criminal conduct (section 47)

Penalties for **each** offence under sections 43, 44, 46 and 47 of the CDSA:

=> Fine up to **S\$ 500,000** or imprisonment up to **7 years** or **BOTH**

=> For non-individuals, fine up to **S\$ 1,000,000**

Anti-Money Laundering / Anti-Terrorism

Money Laundering Offences & Penalties under the CDSA (cont'd)

Failure to make Suspicious Transaction Report – Any person has the duty to report of any suspicious activities if he has reasonable ground to suspect that the activities is illegal and related to money laundering. Failure to do so will be guilty under this offence.

=> Penalty will be fine up to **S\$20,000**

Tipping Off Offences – A person who discloses to any other person information or any matter which is likely to prejudice the investigation on the suspicious activities on money laundering.

=> Penalty will be imprisonment up **to 3 years** or fine up to **S\$30,000** or **BOTH**

Record Keeping – Penalty for failure to retain financial transaction records for the minimum retention period.

=> Penalty will be fine up to **S\$10,000**

Anti-Money Laundering / Anti-Terrorism

Terrorism Financing Assistance & Penalties under the TSFA

In Singapore, under the Terrorism (Suppression of Financing) Act, a **Terrorism Financing Offence** may have been committed if the following takes place:

- Providing or collecting property for terrorist acts (section 3)
- Providing property and services for terrorist purposes (section 4)
- Using or possessing property for terrorist purposes (section 5)
- Dealing with property of terrorists (section 6)

Penalties for **each** offence under sections 3, 4, 5 and 6 of the TSFA:

=> Fine up to **S\$ 100,000** or imprisonment up to **10 years** or **BOTH**

Failure to make disclosure – Every person in Singapore who has possession, custody or control of any property belonging to any terrorist or terrorist entity or has information about any transaction or proposed transaction in respect of any property belonging to any terrorist or terrorist entity, shall immediately inform the Police of that fact or information. Failure to do so will be guilty under this offence.

=> Fine up to **S\$ 50,000** or imprisonment up to **5 years** or **BOTH**

Anti-Money Laundering / Anti-Terrorism

In summary, the CDSA and the TSFA:

	CDSA	TSFA
Scope	Extra-territoriality Applies to all Singaporeans (regardless of location) and to all persons resident in Singapore	Extra-territoriality Applies to all Singaporeans (regardless of location) and to all persons resident in Singapore
Corporation	S\$1million ⇒ Reputational Damage ⇒ Lose our licence to operate	Actions can be taken against the Corporation ⇒ Reputational Damage ⇒ Lose our licence to operate
Individual	\$500,000 or 7 years imprisonment or both <u>Tipping-off</u> ■ \$30,000 or 3 years imprisonment or both	\$100,000 or 10 years imprisonment or both <u>Duty to Disclose</u> ■ \$50,000 or 5 years imprisonment or both



Anti-Money Laundering / Anti-Terrorism

Key Responsibilities under the MAS Regulations

Financial institutions in Singapore shall:

- Not provide or collect funds for terrorists
- Not deal with property of terrorists
- Not Provide resources and services for benefit of terrorists
- Immediately inform the MAS or such other person as the MAS may designate of that fact that it has possession, custody or control of any property belonging to any terrorist or any entity owned or controlled by any terrorist or has information about any transaction or proposed transaction in respect of any property belong to any terrorist or any entity owned or controlled by any terrorist.



Anti-Money Laundering / Anti-Terrorism

Key Responsibilities under the MAS Notice and Guidelines

Banks in Singapore:

- Do not open or maintain anonymous accounts or accounts in fictitious names
- Perform appropriate level of customer due diligence measures, both at on-boarding and on an on-going basis, by
 - a) establishing purpose and intended nature of business relations;
 - b) identifying and verifying the identity of the customer, natural persons appointed to act on behalf and beneficial owners; and
 - c) conducting enhanced due diligence for Politically Exposed Persons (PEP) and other high risk categories determined by the bank
- Monitor and ensure adequate details of the wire transfer are sent/received
- Submit reports on suspicious transactions (including attempted transactions) to the Commercial Affairs Department (CAD) of the Singapore Police Force and extend a copy to the MAS
- Develop and implement internal policies, procedures and controls as well as appropriate compliance management arrangements, independent audit function and employee screening and training program.



Outsourcing Requirements

1. General Outsourcing Requirements:

- MAS Guidelines on Outsourcing
- MAS Notice 634

2. Additional requirements for Information Technology Outsourcing:

- Technology Questionnaire for Outsourcing
- Internet Banking & Technology Risk Management Guidelines
- MAS Circular on Endpoint Security & Data Protection

Outsourcing Requirements

What is Outsourcing?

The MAS Guidelines on Outsourcing states that outsourcing is:

“An arrangement whereby an institution engages a **third party** to provide the institution with a service that may already or may conceivably be performed by the institution itself...”

Characteristics:

- The institution is dependent on the service on an ongoing basis but excludes services that involve the provision of a finished product
 - *Example: Software purchase*
- The service is integral to the provision of a financial service by the institution and/or the service is provided to the market by the service provider in the name of the institution
 - *Example: back office processing, information system management and maintenance*
- It is prohibitive to change the service provider as substitutes are lacking in the market or may only be replaced at a significant cost to the institution

Outsourcing Requirements

Definition of “Material Outsourcing”

“An outsourcing arrangement which, if disrupted, has the potential to significantly impact an institution’s business operations, reputation and profitability”

Factors determining the materiality of an outsourced arrangement:

- Importance of business activity to be outsourced
- Impact on earnings, solvency, liquidity, funding and capital and risk profile
- Impact on reputation and brand value if service provider fail to perform the service
- Cost of outsourcing as a proportion of total operating costs
- Aggregate exposure to a particular service provider
- Ability to maintain appropriate internal controls and meet regulatory requirements

IMPORTANT - MAS must be notified!



Outsourcing Requirements: MAS Notice 634

MAS 634 applies to outsourcing to service providers **outside Singapore** and the disclosure of Singapore customer information to the service providers is relying on the Banking Secrecy exception where “disclosure is solely in connection with outsourcing of operational functions”.

MAS Notice 634: Banking Secrecy on Outsourcing conditions:

- Ensure that confidentiality of customer is protected
- Need-to-know disclosure
- If **deposit information** is involved, to obtain legal opinion in respect of the jurisdiction where outsourcing is performed
- Submit annual audit report on service provider to MAS
- If service provider is a regulated financial institution, obtain a written confirmation from the supervisory authority of the Service Provider, in relation to access to Singapore Customer Information



Outsourcing Requirements: Technology Questionnaire

If an outsourcing arrangement involves the use of **IT** and is '**Significant**', the MAS Technology Questionnaire for Outsourcing has to be completed and submitted to MAS prior to Outsourcing.

Definition of “Significant Outsourcing”:

Any outsourcing arrangement which involves the following customer information:

- Customer personal data
- Account data
- Transactions
- Deposits
- Loans
- Investment portfolios information
- Payment card data
- Trading details

IMPORTANT - Approval must be sought from MAS!



Outsourcing Requirements

Singapore Outsourcing Process

1. Appoint Business Sponsor.
2. Complete Outsourcing Proposal.
3. Complete IBTRM Checklist and Technology Questionnaire for Outsourcing where applicable.
4. Obtain Outsourcing Committee's approval.
5. For 'Significant' IT outsourcing, Technology Questionnaire for Outstanding must be submitted and approved by MAS prior to Outsourcing.
6. Sign Outsourcing Agreement / Intra-Citi Service Agreement (ICSA).
7. For Material but Non-IT outsourcing, Notify MAS.
8. Conduct Annual Due Diligence.

Outsourcing Requirements

Types of Outsourcing classification:

Materiality	IT	Significance	Action to MAS
Material	IT	Significant	1. Notify 2. Submit TQ*
Material	IT	Non-significant	1. Notify
Material	Non-IT	<i>N.A.</i>	1. Notify
Non-material	IT	Non-significant	<i>None</i>
Non-material	Non-IT	<i>N.A.</i>	<i>None</i>

* where TQ refers to Technology Questionnaire for Outsourcing

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