

MEDIA RELEASE

PROFESSIONAL ACCOUNTANTS TO STRENGTHEN MEASURES AGAINST MONEY LAUNDERING AND FINANCING OF TERRORISM

Singapore, 29 October 2014 - With effect from 1 November 2014, professional accountants, including public accountants will need to abide by enhanced mandatory requirements on implementing controls and procedures for anti-money laundering (AML) and countering the financing of terrorism (CFT). The enhanced requirements are contained in the new Ethics Pronouncement 200 - "*Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore*" issued by the Institute of Singapore Chartered Accountants (ISCA). This pronouncement is also being adopted by the Accounting and Corporate Regulatory Authority (ACRA) and will be applicable to public accountants and accounting entities registered under the Accountants Act who are regulated by ACRA.

2. With money laundering and terrorist financing activities becoming increasingly sophisticated, the pronouncement will further strengthen Singapore's strong reputation as a trusted international financial and business centre. The comprehensive AML and CFT requirements contained in the new pronouncement are benchmarked to international best practices and the latest Financial Action Task Force¹ (FATF) Recommendations². Since 1992, Singapore has been a member of FATF, the global standard-setter for AML and CFT which requires all members to have effective systems for preventing and addressing money laundering and terrorist financing.

3. Currently, all professional accountants are required by existing legislations³ to report suspicious transactions. Public accountants must also abide by the guidelines issued by ISCA⁴ that detail similar AML and CFT obligations. On top of this, public accountants need to adhere to the Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities under the Accountants Act which requires them to undertake certain client assessment procedures relating to illegal activities such as money laundering. In addition, accounting entities generally have processes in place to monitor for unusual and/or suspicious transactions and file suspicious transaction reports (See Annex A for existing AML and CFT measures for public accountants and other professional accountants).

4. The pronouncement follows the completion of a national risk assessment⁵ of money laundering and terrorist financing in Singapore in January 2014. That assessment noted that while many sectors have in place a robust AML and CFT

regime, there were a number of areas where controls could be strengthened, including within the professional accountancy sector.

5. The new pronouncement covers existing and enhanced requirements governing all professional accountants, including public accountants and professional accountants in business, and accounting entities. Non-compliance with the requirements under the new pronouncement may result in an investigation into the public accountant's or professional accountant's conduct by ACRA or ISCA respectively. The new pronouncement takes a risk-based approach so that the required procedures are applied proportionately to the individual money laundering/terrorist financing (ML/TF) risks faced by professional accountants and accounting entities.

6. Besides reiterating the statutory responsibilities of all professional accountants to report suspicious transactions, the new pronouncement includes enhancements on:

- a. Requirements for accounting entities to have the systems and controls in place to address ML/TF concerns;
- b. Requirements for public accountants and accounting entities to have specific customer due diligence and records keeping measures when providing certain services; and
- c. Recommendations on reporting procedures, training, compliance, hiring and audit.

7. The pronouncement was developed by an ISCA Working Group comprising representatives from across the public accounting sector and in consultation with the relevant regulators such as the Monetary Authority of Singapore, ACRA and the Commercial Affairs Department of the Singapore Police Force (See Annex B for the composition of the ISCA Working Group). Public feedback was also sought by ISCA through a public consultation exercise conducted from May to June 2014.

8. Welcoming the new pronouncement, Mr Kenneth Yap, Chief Executive of ACRA, said, "Public accountants are in a unique position to safeguard the public interest by acting as sentinels against money laundering and terrorist financing in Singapore. This pronouncement is timely in the light of recent international developments, and will do much to ensure the integrity and independence of public accountants."

9. Mr Gerard Ee, President of ISCA, added, "The economic and social consequences of money laundering and terrorist financing can be devastating. With increasing calls internationally for professional accountants to do more to combat money laundering and terrorist financing, the pronouncement will be very useful to the accountancy profession in Singapore. As the national accountancy body, the Institute is committed to playing a leading role in guiding the accountancy profession to contribute to the well-being of Singapore and also support the global movement on anti-money laundering and countering the financing of terrorism".

10. The pronouncement is effective from 1 November 2014. However, certain sections will only come into force from 1 May 2015 to allow time for the accountancy sector to implement the new controls and procedures.

11. To support the accountancy profession in implementing the controls and procedures, ISCA will hold seminars and develop resources to support the accountancy profession. The first seminar will be held on 11 November 2014 and will discuss the enhanced requirements and provide insights into the AML and CFT regime, suspicious transactions indicators and issues relevant to the accountancy sector. To register, search for event code TECH049 at <http://cpe.isca.org.sg>. To access the pronouncement, accountancy professionals can visit the ISCA Ethics Centre at <http://ethics.isca.org.sg/>.

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Notes to Editor

- ¹ The Financial Action Task Force (FATF) is an intergovernmental body that sets global standards to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction, and carries out mutual evaluations of jurisdictions to assess their adherence to these standards.
- ² In 2012, FATF revised its Recommendations which require all countries to have effective systems for preventing and addressing money laundering, terrorism financing and the financing of proliferation of weapons of mass destruction. The revisions, made with inputs from governments, the private sector and civil society, provide authorities with a stronger framework to act against criminals and address new threats to the international financial system. Details of the FATF Recommendations are at www.fatf-gafi.org/recommendations
- ³ The existing legislations in place are the:
 - Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, Cap. 65A (CDSA)
 - Terrorism (Suppression of Financing) Act, Cap. 325 (TSFA)
- ⁴ The Guidelines are in the *Statement of Auditing Practice (SAP) 1 Guidance to Auditors on Money Laundering and Terrorism Financing*.
- ⁵ The National Risk Assessment was conducted under the ambit of the Steering Committee for combating ML/TF, which comprises the Permanent Secretary of the Ministry of Home Affairs (MHA), Permanent Secretary of the Ministry of Finance (MOF) and Managing Director of the Monetary Authority of Singapore (MAS).

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About ACRA

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities and public accountants in Singapore. ACRA also plays the role of a facilitator for the development of business entities and the public accountancy profession.

The mission of ACRA is to provide a responsive and trusted regulatory environment for businesses and public accountants. As at 30 Sep 2014, 453,144 business entities and 1,016 public accountants practising in public accounting firms, accounting limited liability partnerships and accounting corporations are registered with ACRA.

About ISCA

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community.

Established in 1963, ISCA shapes the regional accountancy landscape through advocating the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub. Our stakeholders include government and industry bodies, employers, educators, and the public.

ISCA is the Administrator of the Singapore Qualification Programme (Singapore QP) and the Designated Entity to confer the Chartered Accountant of Singapore - CA (Singapore) - designation.

It aims to raise the international profile of the Singapore QP, a post-university professional accountancy qualification programme and promote it as the educational pathway of choice for professional accountants seeking to achieve the CA (Singapore) designation, a prestigious title that is expected to attain global recognition and portability.

There are about 28,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

For more information, please visit www.isca.org.sg.

Annex A

Existing AML and CFT measures for Public Accountants and Other Professional Accountants

Public accountants must adhere to the Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities prescribed under the Accountants Act (“the Code”), as well as auditing standards for their audit work. Failure to observe the Code may result in disciplinary action by ACRA under the Accountants Act.

Additionally, all ISCA members need to comply with requirements similar to those prescribed under the Code and non-compliance may result in disciplinary action by ISCA.

The Code has two requirements relevant to the integrity of customers and source of customers’ funds. Firstly, it requires public accountants to undertake professional appointment and customer acceptance procedures, which include the assessment of customer involvement in illegal activities such as money laundering (paragraphs 210.1 to 210.6 of the Code.) Public accountants should decline to enter the customer relationship if such issues are known.

Secondly, public accountants must make appropriate enquiries about the source of customer assets to check whether they are derived from illegal activities.

Accounting entities generally have monitoring in place to ensure that they meet the standards and requirements. As auditors, public accountants are required by the auditing standards to give reasonable assurance about the truth and fairness of financial statements, including by establishing the authenticity of the underlying transactions to ensure, among other things, that their audit client’s transactions are not fronts for illicit activities. Accounting entities generally have processes in place to monitor unusual and/or suspicious transactions and file Suspicious Transaction Reports.

In addition, public accountants are also subjected to a rigorous auditor oversight regime, the Practice Monitoring Review Programme which is administered by ACRA, to ensure that they adhere to the auditing standards. ACRA inspects the quality controls, including customer acceptance, of accounting firms that audit public listed entities through the review programme.

In addition to the anti-money laundering (AML) and countering the financing of terrorism (CFT) controls in place, larger accounting entities, which have more international customers and higher volume of non-audit services, subscribe to and use third-party customer screening databases to ensure that they do not deal with United Nations listed terrorists, terrorist organisations and other designated entities.

Annex B

ISCA Working Group

The ISCA Working Group (WG) comes under ISCA's Ethics Committee and was formed in Q4 2013.

Its purpose is to develop the Ethics Pronouncement: *Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore*.

Chairman:

- Mr Kwok Wui San (Interim Chair of the International Ethics Standards Board for Accountants, Chair of the ISCA Ethics Committee and Partner of PricewaterhouseCoopers LLP).

Members:

- Ms Yvonne Chiu, Partner, KPMG LLP;
- Mr Chow Khen Seng, Partner, RSM Chio Lim LLP;
- Ms Giam Ei Leen, Partner, Deloitte and Touche LLP;
- Mr Wesley Kang, Deputy Director, Capital Markets Intermediaries Department, MAS;
- Mr Winston Ngan, Partner, Ernst & Young LLP.