

UPHOLDING SINGAPORE'S REPUTATION AS A TRUSTED FINANCIAL HUB

Accountants Contribute to Anti-money Laundering and Countering the Financing of Terrorism



BY
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Singapore enjoys a trusted reputation as an international financial and business centre with a robust regulatory framework against money laundering (ML) and terrorist financing (TF). With the expansion of both physical and electronic financial infrastructure, ML and TF activities are becoming increasingly sophisticated and difficult to detect. The ease with which money and valuables can now move across borders means that regulatory

authorities and enforcement agencies must continually review regulatory frameworks in order to effectively address ML and TF risks.

Since 1992, Singapore has been a member of the Financial Action Task Force (FATF), the global standard-setter for anti-money laundering (AML) and countering the financing of terrorism (CFT). Dealing with ML and TF requires a national response. While there are strong AML/CFT controls in place for the financial sector, an effective regime requires the participation of non-financial stakeholders as well. The FATF standards were also recently tightened, with a new focus on lawyers, accountants and corporate service providers (CSPs).

AML/CFT: A MORAL OBLIGATION

Beyond compliance with regulatory guidelines, AML/CFT is at the heart of every accountant's ethical duty. Acting as trusted advisors or providing corporate services to clients also encompasses a responsibility to assess



and caution against certain high-risk financial transactions, even if they are being made with positive intent. Imagine if your client's well-meaning donations to charity organisations end up in the hands of terrorists. Any hint of criminal association will greatly taint the accountant's integrity, as well as the profession's standing.

NEW AML/CFT REQUIREMENTS: EP 200

To provide an authoritative reference, ISCA has formulated the Ethics Pronouncement 200 (EP 200), incorporating the revised AML/CFT requirements that will apply to all accountants from 1 May 2015. ACRA



has adopted the EP 200 as a standard that public accountants and accounting entities need to adhere to.

More than just a set of dos and don'ts, the requirements seek to raise accountants' awareness of the risks they are exposed to. They emphasise developing a culture of risk sensitivity through better risk assessment. At the client level, there needs to be more indepth customer due diligence to identify the ultimate beneficiary controlling your client's interests. Such information cannot be solely determined at face value, from what your client says. More prudent risk assessments may be required when dealing with foreign businesses.

This has been flagged to be the main source of ML/TF risk that accountants face in the *Singapore National Money Laundering and Terrorist Financing Risk Assessment Report 2014* (NRA 2014)¹, issued by the Singapore government. Certain client activities, such as operating diamond mines or shipping goods through conflict zones with a possibility of onboarding criminal cargo, also carry inherently higher risk.

Beyond the client-level risk assessment, holistic risk assessment should be done at the enterprise level to manage the overall ML/TF risk that accounting entities are exposed to. This should be complemented by proper documentation and record-keeping.

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¹ www.mas.gov.sg/News-and-Publications/Media-Releases/2014/Singapore-AntiMoney-Laundering-and-Counter-Financing-of-Terrorism-Regime-Assessed-to-be-Robust.aspx

FOCUS

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING FRAMEWORK



If any suspicious transaction is detected, a Suspicious Transaction Report (STR) should be filed with the Commercial Affairs Department (CAD). An STR is not an allegation of criminal activity, it merely provides valuable information to assist the police in investigations.

ADDITIONAL RESPONSIBILITIES FOR CSPs

Accountants and other persons who act as CSPs will also need to pay attention to an additional set of legal requirements. With the passing of the ACRA (Amendment) Act in Parliament in April 2014, an enhanced regulatory framework for CSPs is being implemented. CSPs will need to be registered with ACRA, as well as comply with the specific requirements found within this legislation and the subsidiary legislation made pursuant to this legislation.

In NRA 2014, CSPs were identified as a sector with a higher level of risk due to the possibility that international customers may engage them to set up complex structures such as shell companies, which may be used for illicit purposes. The authorised bank signatories of these companies are overseas-based foreigners who are usually the companies' directors and shareholders. The local resident directors will usually have no access to the bank accounts and hold no company shares. In most cases, foreign directors engage the services of a CSP to incorporate a company, facilitate the opening of bank accounts in Singapore, and provide a Singapore-registered address and a local resident director.

PREPARING FOR EP 200

As the accounting industry adjusts to these new requirements, ISCA has been

organising seminars to provide further guidance. Since April 2015, ACRA has introduced voluntary inspections for public accounting entities to evaluate compliance with EP 200. Where severe lapses are detected in public accounting entities, ACRA may further investigate the case through its Complaints and Disciplinary process.

Singapore has built up a reputation as a clean and trusted business and financial centre with strong AML and CFT controls in place, but we cannot afford to be complacent. AML and CFT is everyone's business. All stakeholders – industry, regulators and enforcement agencies – must do their part to uphold this reputation. ISCA

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