

AUDIT PRACTICE BULLETIN NO. 2 OF 2018

COMPLIANCE WITH ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM REQUIREMENTS – CUSTOMER DUE DILIGENCE AND SUSPICIOUS TRANSACTION REPORTING

INTRODUCTION

1. An important element in any effective Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) measure is the customer due diligence (CDD). The primary objective of CDD is to enable effective identification and reporting of suspicious activities. The underlying assumption is that unless one truly knows its client and well enough to understand and anticipate that client's business behaviour, one can neither reasonably nor effectively distinguish unusual and possibly suspicious activity from usual and customary behaviour.
2. This bulletin provides an update on two areas of development for accounting entities (i.e. audit firms) to note when complying with AML/CFT requirements:
 - (a) ACRA has developed a common CDD form which both professional intermediaries such as audit firms and corporate service providers (comprising registered filing agents and registered qualified individuals) may use as part of the CDD process; and
 - (b) The Suspicious Transaction Reporting Office (STRO) has an electronic filing platform for the purpose of filing Suspicious Transaction Reports (STRs).

ILLUSTRATIVE CDD FORM

3. CDD is an essential part of the firm's on-boarding process before it establishes business relations with a client. The intent of the CDD process is to obtain information about the potential client (individual or entity), agent (individual or entity) acting on behalf of the client (in the case of an entity), connected parties, beneficial owners and politically exposed persons (PEP), if any. The extent of CDD measures to be performed is dependent on the firm's assessment of the ML/TF risks of the client and may range from simplified to enhanced CDD.
4. ACRA has developed a common CDD form which both professional intermediaries such as audit firms and corporate service providers may use as part of their on-boarding procedures. This will not only streamline the professional intermediary's processes and enhance its operational efficiency but also make it easier for the client who will only need to complete one form which the professional intermediary can replicate for compliance with its statutory obligations.

5. Professional intermediaries should take note that the completed CDD form can be signed by the person who provided the information i.e., the client or person acting on behalf of client¹. There is no need to require all directors or all beneficial owners to sign off on the form.
6. The common CDD form is provided at **Annex 1** of this bulletin. Whilst ACRA encourages the use of this form, it should be noted that the form is not intended to replace legislation, regulations or guidelines which may be issued from time-to-time and which a professional intermediary is required to comply with. Therefore, the professional intermediary should exercise professional judgement to appropriately tailor and adapt the form to suit its business requirements. The professional intermediary remains fully responsible for ensuring compliance with AML/CFT requirements.

TYPES OF SCREENING REQUIRED

7. As part of the CDD process, a professional intermediary should perform screening to ascertain if a person is a criminal, terrorist, sanctioned individual, PEP or involved in any activity that is adverse in nature as reported in the media, thereby allowing it to determine if there are any ML/TF risks in relation to the client.
8. The professional intermediary shall screen the client, natural person appointed to act on behalf of the client, connected parties and beneficial owners of the client against relevant money laundering and terrorist financing information sources such as the Monetary Authority of Singapore (MAS) and Ministry of Home Affairs (MHA) sanction lists.
9. ACRA wishes to clarify that apart from screening against the sanction lists, the professional intermediary should also screen its clients for adverse information. Professional intermediaries are strongly encouraged to use screening tools to identify individuals and entities that are linked to risk categories such as money laundering, drug trafficking, terrorist financing, corruption and PEPs. Free public search tools may also be used to screen for adverse information. Regardless of the screening tools used, it remains the responsibility of the professional intermediary to retain the search results as evidence that screening had been performed and document how “alerts” from the searches are cleared to support its decision to establish business relationship with a client.

STRO ONLINE NOTICES AND REPORTING PLATFORM (SONAR)

10. SONAR is the consolidated platform which allows businesses and their employees to file STRs, Cross Border Cash Movement Reports (CMRs – Form NP 728), and Cash

¹ A person appointed to act on behalf of the client may be an officer of the company who enters into the business relationship with the professional intermediary on behalf of the company. This person is usually the one who signs the engagement letter with the professional intermediary on behalf of the client. Alternatively, the person may be an agent (individual or entity) appointed by the client to act on his or its behalf.

Transaction Reports for Precious Stones and Metals Dealers (CTRs – Form NP 784) electronically to the STRO.

11. All audit firms are to use SONAR to file STRs. For STRs filed in hard copy forms, STRO will ask the filer to refile it via SONAR. More details on how to file STRs via SONAR are available on the following website - www.police.gov.sg/sonar.

CONCLUSION

12. ACRA would like to remind all public accountants and accounting entities of the need to comply with AML/CFT requirements as any non-compliance could subject the public accountants and accounting entities concerned to sanctions under Part 5A of the Accountants Act.

Updated as of 1 July 2023.

CUSTOMER DUE DILIGENCE FORM

Conducting Customer Due Diligence (CDD) is important for you as a professional intermediary as a thorough understanding of your customers/clients and their behaviour using adequate and appropriate due diligence measures will allow you to discover unusual or possibly suspicious and illicit activities undertaken by your customers/clients.

This form is to assist you in conducting CDD on your customers/clients before determining if you should establish a business relationship with them. Please adapt this form to suit your business requirements. The information collected should be verified against an independent or reliable source. Where screenings are being performed for the purpose of risks assessment, please ensure all relevant supporting documents are retained accordingly.

PART 1 – INFORMATION ABOUT THE CUSTOMERS/CLIENTS, AGENTS, CONNECTED PARTIES, BENEFICIAL OWNERS AND POLITICALLY EXPOSED PERSONS

Section A1 – Information on the Customer/ Client/ Agent/ Connected Party

You should obtain information on the customer/client (individual) who is requesting your service. You should also obtain information on the agent (individual or entity) who acts on behalf of the customer/client (business entity) and on any connected party who is a natural person having executive authority in the legal person or arrangement (e.g.: Directors, Managing Directors, Partners, Chief Executive Officers etc.).

Please obtain evidence of the agent’s authority to act on behalf of the customer/client (e.g. board resolution or Power of Attorney).

(Please duplicate the section below if there is more than one customer/client, agent or connected party)

Individual Information	
Capacity in which the individual is acting	<input type="checkbox"/> Customer/Client <input type="checkbox"/> Agent <input type="checkbox"/> Connected Party
Full Name (including any aliases)*	
Residential Address*	
Unique Identification Number* (NRIC number/Passport/FIN Number etc.)	Expiry date of Identification Document (if applicable)
Date of Birth*	
Gender	<input type="checkbox"/> M <input type="checkbox"/> F
Nationality/Nationalities (where applicable)*	
Contact Number(s) with Country Code*	+
Email Address(es)	

Intended nature and purpose of business relationship	<i>(Please indicate the type of services required)</i>
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* Information required under ACRA (Filing Agents and Qualified Individuals) Regulations 2015 and Accountants (Prevention of Money Laundering and Financing of Terrorism) Rules 2023

Politically Exposed Persons (PEP)		
Is the individual a PEP ¹ ?	Yes	No
<p>A PEP includes the following:</p> <p>a) a person who is entrusted with any prominent public function in Singapore, a country or territory outside Singapore, or by an international organisation at present; or</p> <p>b) a person who has been entrusted with any prominent public function in Singapore, a country or territory outside Singapore, or by an international organisation and who has stepped down from his prominent public function; or</p> <p>c) a family member or a close associate of a current PEP or a PEP who has stepped down.</p>	<p><i>(Please complete and attach Section C for each Identified PEP)</i></p>	

Section A2 – Information on Business Entity

You should obtain information on the business entity that the customer/client/agent (if any) is representing. For Registered Filing Agents (RFAs), you should obtain information on the proposed entity that the RFA is performing transactions on behalf of with ACRA.

(Please duplicate the section below to provide more information on the entity that the customer/client/agent is representing or entity to be registered.)

Entity's information	
Name of entity or Name of proposed entity*	
Former names (if any)	
Trading names (if any)	
Unique Entity Number (UEN) issued by the Registrar*	
Address or intended address of the registered office*	
Address of principal place of business (if different from above)	

¹ For RFAs, please refer to ACRA guidelines for RFA on who is a PEP. For professional accountants in public practice and professional firms, please refer to the Accountants (Prevention of Money Laundering and Financing of Terrorism) Rules 2023 on who is a PEP.

Place/Country or Proposed Place/Country of registration*	
Date or Proposed Date of registration*	
Contact Number(s) with Country Code*	+
Email Address(es)	
Nature of business	<i>(Please indicate nature of business for this entity)</i>
Countries that the customer's/client's business mostly is transacting with	
Name(s) of all connected parties (directors/partners)*	<i>(Please use section A1 to obtain information for each connected parties identified)</i>

* Information required under ACRA (Filing Agents and Qualified Individuals) Regulations 2015 and Accountants (Prevention of Money Laundering and Financing of Terrorism) Rules 2023

Section B – Information on Customer’s/Client’s Ultimate Beneficial Owner(s)

You should obtain information on the ultimate beneficial owner(s) of the entity.

The purpose of obtaining beneficial owners’ information is to:

- a) *identify the natural persons (whether acting alone or together) who ultimately own all the assets or undertakings of the customer/client;*
- b) *if there is doubt as to whether the natural persons who ultimately own all the assets or undertakings of the customer/client are the beneficial owners or where no natural persons ultimately own all the assets or undertakings of the customer/client, to then identify the natural persons (if any) who ultimately control the customer/client or have ultimate effective or significant control over the customer/client; and*
- c) *where no natural persons are identified above, to identify the natural persons having executive authority in the customer/client, or in equivalent or similar positions.*

(Please duplicate the section below if there is more than one Beneficial Owner)

Beneficial Owner Details	
Full name of beneficial owner (including any aliases)	
Residential Address	
Nationality	
Unique Identification Number (NRIC number/Passport/FIN Number etc.)	Expiry date of Identification Document (if applicable)
Date of birth	
Contact Number(s) with Country Code	+
Email Address(es)	
Provide information on the nature of beneficial ownership (e.g. more than 25% of ownership of the company) or person having executive authority	
Information on ownership and control structure of, or over the customer/client	<i>For customers/clients that are legal persons, you should understand and provide the control structure when identifying who the beneficial owner is.</i>

Politically Exposed Persons (PEP)

Is the beneficial owner a PEP?	Yes	No
<p>A PEP includes the following:</p> <ul style="list-style-type: none">a) a person who is entrusted with any prominent public function in Singapore, a country or territory outside Singapore, or by an international organisation at present; orb) a person who has been entrusted with any prominent public function in Singapore, a country or territory outside Singapore, or by an international organisation and who has stepped down from his prominent public function; orc) a family member or a close associate of a current PEP or a PEP who has stepped down.	<p><i>(Please complete and attach Section C for each Identified PEP)</i></p>	

Section C – Information about Politically Exposed Persons (PEP), their Immediate Family Members and Close Associates

You should obtain the following information if the customer/client, or any party connected to the customer/client (including immediate family members and close associates) is a PEP.

(Please duplicate the section below if there is more than one PEP)

(Section can be omitted if there is no PEP)

Information on PEP	
Is the identified individual a: <input type="checkbox"/> Singapore PEP; <input type="checkbox"/> Foreign PEP; <input type="checkbox"/> International Organisation PEP; <input type="checkbox"/> Family member of PEP <i>(please describe relationship with the PEP):</i> _____ ; <input type="checkbox"/> Close associate of PEP <i>(please describe relationship with the PEP):</i> _____	
Name of PEP	
Country/ international organisation which PEP holds prominent public function	
Describe nature of prominent public function that the person is or has been entrusted with	
Period of time in which the person is/was a PEP	

Section D – Enhanced CDD² relating to source of wealth and funds

If the risk associated with the customer/client, beneficial owners or any connected parties is higher, you should obtain the following information about the customer/client, beneficial owners or any connected parties in the business relationship. If you assess that enhanced CDD is not required, please document the assessment and reasons for the assessment.

Additional Information	
Information on the person’s source of wealth	
Information on the person’s source of funds in the establishment of the business relationship or in the proposed business relationship	
Any other information as necessary	

² Examples of situations where enhanced CDD may be required include the individuals identified as:

- (a) A foreign PEP, or his family members and close associates.
- (b) A high risk domestic PEP, or his family members and close associates.
- (c) A high risk international organisation PEP, or his family members and close associates.
- (d) A high risk individual.

Section E - Customer's/Client's/ Agent's Declaration

The person who provided the information to you can sign off against the information.

I declare that the information provided in this form is true and correct.

*Name of Customer/Client/Agent	
* Unique Identification Number (NRIC number/Passport/FIN Number etc.)	
Date	
Signature	

***Delete where applicable**

PART 2 – RISK ASSESSMENT FORM (FOR PROFESSIONAL INTERMEDIARIES INTERNAL USE)

You should assess the Money Laundering (ML)/Terrorism Financing (TF)/Proliferation Financing (PF) risks of services required by your customer/client. The list below is not exhaustive and should be adapted to suit your specific business context.

Section A – Nature of Services Required by Customer/Client

Services	Select where applicable	Details
1) Forming of corporations or other legal persons	<input type="checkbox"/>	
2) Acting, or arranging for another person to act i) as a director or secretary of a corporation; ii) partner of a partnership; or iii) <i>a position similar to the above</i> in relation to other legal persons	<input type="checkbox"/>	
3) Acting, or arranging for another person to act as a shareholder on behalf of any corporation other than one whose securities are listed on a securities exchange under section 2(1) or recognised securities exchange under section 283(1) of the Securities and Futures Act	<input type="checkbox"/>	
4) Providing a registered office, business address or correspondence or administrative address or other related services	<input type="checkbox"/>	
5) Buying and selling of real estates	<input type="checkbox"/>	
6) Managing of client money, securities or other assets	<input type="checkbox"/>	
7) Management of bank, savings or securities accounts	<input type="checkbox"/>	
8) Organisation of contributions for the creation, operation or management of companies	<input type="checkbox"/>	
9) Buying and selling of business entities	<input type="checkbox"/>	
10) Statutory audit services	<input type="checkbox"/>	
11) Providing other services (e.g. Annual Return filing, etc.)	<input type="checkbox"/>	(Please indicate the type of services rendered)

Section B - Risk Assessment of Customer/Client

It is important for you to understand the ML/TF/PF risks associated with your customers/clients. The following checklists are examples of factors that you should consider when performing a risk assessment. The checklists are not exhaustive and should be enhanced on a case by case basis.

B1 Customer's/Client's Risk Factors

Question	Yes	No
1) Is this a new customer/client?	<input type="checkbox"/>	<input type="checkbox"/>
2) Is the customer/client a public company listed on any stock exchange not subjected to disclosure requirements?	<input type="checkbox"/>	<input type="checkbox"/>
3) Is the customer/client a legal person or an entity that can hold assets in its own name?	<input type="checkbox"/>	<input type="checkbox"/>
4a) Does the customer/client use nominee director(s) or shareholder(s)?	<input type="checkbox"/>	<input type="checkbox"/>
4b) Where applicable, do the nominee shareholders represent majority ownership?	<input type="checkbox"/>	<input type="checkbox"/>
5) Does the ownership structure of the customer/client appear unusual or excessively complex given the nature of its business?	<input type="checkbox"/>	<input type="checkbox"/>
6) Is the customer/client's business cash-intensive?	<input type="checkbox"/>	<input type="checkbox"/>
7) Does the customer/client frequently make unaccounted cash transactions to similar recipient(s)?	<input type="checkbox"/>	<input type="checkbox"/>
8) Do the proposed directors/partners/shareholders have prior criminal convictions involving fraud or dishonesty?	<input type="checkbox"/>	<input type="checkbox"/>
9) Is any of the customer/client, beneficial owner or its agent a politically exposed person?	<input type="checkbox"/>	<input type="checkbox"/>
10) Are the customer/client's company accounts outdated?	<input type="checkbox"/>	<input type="checkbox"/>
11) Do the customer/client's shareholders and/or directors frequently change, and the changes are within reason?	<input type="checkbox"/>	<input type="checkbox"/>
12) Is there any problem obtaining the required information in the relevant form?	<input type="checkbox"/>	<input type="checkbox"/>
13) Can the information obtained be verified by independent and reliable sources?	<input type="checkbox"/>	<input type="checkbox"/>
14) Is the customer/client a charitable or non-profit organisation that is not registered in Singapore ³ ?	<input type="checkbox"/>	<input type="checkbox"/>
15) Does the client appear to be a shell company?	<input type="checkbox"/>	<input type="checkbox"/>

³ Please refer to www.charities.gov.sg for more information.

Question	Yes	No
16) Is the client in a high-risk industry ⁴ ?	<input type="checkbox"/>	<input type="checkbox"/>
17) The professional firm has performed further screening of details of customer/client, beneficial owner of the customer/client, person acting on behalf of the customer/client, or connected party of the customer/client against other information sources, for example, Google, the sanctions lists published by the Office of Foreign Assets Control of the US Department of the Treasury, and/or other third party screening database. Are there adverse news or information arising?	<input type="checkbox"/>	<input type="checkbox"/>
18) Exceptions noted, from details of the customer/client, beneficial owner of the customer/client, person acting on behalf of the customer/client, or connected party of the customer/client, cannot be disposed of satisfactorily.	<input type="checkbox"/>	<input type="checkbox"/>

If "Yes" has been selected for the majority of the 18 questions above, you are advised to adopt a risk-sensitive approach and perform enhanced CDD measures before establishing a business relationship with the customer/client.

B2 Country/Territory Risk Factors

Consider the following factors (if applicable): Customer/Client's nationality, Place of formation/incorporation, Residential address, Permanent address, Place of operation, Place where business is established; etc.

Question	Yes	No
1) Is the customer/client connected to or transacting with a country or a territory that is identified as not having adequate anti-money laundering or counter financing terrorism measures?	<input type="checkbox"/>	<input type="checkbox"/>
2) Is the customer/client connected to or transacting with a country or a territory that have dealings with high risk jurisdiction ⁵ ?	<input type="checkbox"/>	<input type="checkbox"/>
3) Is the customer/client connected to or transacting with a country or a territory that is sanctioned by a regulatory body, such as the United Nations (UN) ⁶ ?	<input type="checkbox"/>	<input type="checkbox"/>
4) Is the customer/client connected to or transacting with a country or a territory that is identified to be funding or supporting terrorist activities or that have designated terrorist organisations operating within their territories?	<input type="checkbox"/>	<input type="checkbox"/>
5) Is the customer/client connected to or transacting with a country or a territory in relation to which the FATF has called for countermeasures ⁷ ?	<input type="checkbox"/>	<input type="checkbox"/>

⁴ As determined by the firm, such as with reference to publications and guidance issued from time to time by the FATF.

⁵ Refer to the FATF list of high-risk jurisdictions and jurisdictions under increased monitoring to determine which countries are high-risk jurisdictions: <https://www.fatf-gafi.org/en/countries/black-and-grey-lists.html>

⁶ Please refer to the MAS and MHA-IMC_TD websites links to check on the lists of countries sanctioned by the UN.

⁷ Refer to the FATF website for list of jurisdictions which the FATF has called for countermeasures.

If “Yes” has been selected for any of the questions above, you are advised to adopt a risk-sensitive approach and perform enhanced CDD measures before establishing a business relationship with the customer/client.

B3 Services/ Transactions Risk Factors

Question	Yes	No	NA
1) Has the customer/client given any instruction to perform a transaction (which may include cash) anonymously?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Has the customer/client transferred any funds without the provision of underlying services or transactions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Are there unusual patterns of transactions that have no apparent economic purpose or cash payments that are large in amount, in which disbursement would have been normally made by other modes of payment (such as cheque, bank drafts etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Are there unaccounted payments received from unknown or un-associated third parties for services and/or transactions provided by the customer/client?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Is there instruction from the customer/client to incorporate shell companies with nominee shareholder(s) and/or director(s)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Does the customer/client purchase companies or business entities that have no obvious commercial purpose? This would include: <ul style="list-style-type: none"> • Multi-layer, multi-country and complex group structures. • Setting up entities in Singapore where there is no obvious commercial purpose, or any other personal or economic connection to the client. 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Is this business relationship being established without any physical meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) Are there any transactions being performed without any physical meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) Are the transactions required by the customer/client inconsistent with the professional intermediaries’ knowledge on the customer/client’s risk profile and nature of business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If “Yes” has been selected for a majority of the 9 questions above, you are advised to adopt a risk-sensitive approach and perform enhanced CDD measures before establishing a business relationship with the customer/client.

Customer/Client Risk Rating

Low Medium High

Reasons for customer's/clients' risks rating: _____

Recommendation For Acceptance of Customer/Client⁸ (Please attach documentation of the reasons for accepting a high risk client.)

Recommended Not Recommended⁹

Name of Recommending Officer:

Position:

Date:

Signature:

Approval for Acceptance of Customer/Client (Please attach documentation of the reasons where approval is contrary to the recommendation.)

Approved Not Approved⁹

Name of Approving Officer:

Position:

Date:

Signature:

⁸ Please note that separation of duties is a good practice with regard to having separate persons conducting risk assessments of customer/clients and approving the acceptance of the customers/clients.

⁹ You should consider escalating to the compliance officer or senior management and/or filing a Suspicious Transaction Report where necessary.