

Circular No.: AMLD 08/2024

Date: 26 July 2024

To the Chief Executive Officers of all Financial Institutions

Dear Sir/Madam,

ESTABLISHING THE SOURCES OF WEALTH OF CUSTOMERS

Singapore is an attractive financial centre for high-net-worth individuals seeking wealth management services given the wide range of services and expertise that investors can tap on to access global and regional financial markets. Financial institutions (FIs) in the wealth management sector play an important gatekeeper role in ensuring that fund flows into Singapore relating to their wealth management business are and remain legitimate. This is especially so, given that the wealth management business presents inherently higher money laundering and terrorism financing (ML/TF) risks due to its client attributes, size of transactions and the complexity typically involved in managing the wealth of high-net-worth individuals. To help the industry implement appropriate anti-money laundering/ countering the financing of terrorism (AML/CFT) controls in the wealth management sector, MAS has issued several guidance papers to the industry¹ over the past few years, setting out our supervisory expectations in key control areas, including the establishment of the sources of wealth of customers and their beneficial owners (“SOW of customers”).

2 This circular is intended to provide further guidance to FIs in the wealth management sector on the establishment of SOW of their customers before business relations with customers can be

¹ These include:

- (a) The information paper on “Guidance on Private Banking Controls” issued on 16 June 2014
- (b) The guidance paper on “Effective AML/CFT Controls in Private Banking” issued on 4 September 2020;
- (c) The information paper on “Strengthening AML/CFT Practices for External Asset Managers” issued on 24 August 2022; and
- (d) Circular No. AMLD 02/2023 on “Money Laundering and Terrorism Financing Risks in the Wealth Management Sector” issued on 3 March 2023.

established. FIs should take appropriate and reasonable means to establish the SOW of their customers and independently corroborate information obtained from the customers against documentary evidence or public information sources². Establishing the SOW of customers would (i) help FIs form a clearer understanding of their customers and the legitimacy of the customers' assets; and (ii) inform the FIs' ongoing monitoring of their customers' transactions. This will help FIs and their staff guard against ML/TF and reputational risks of dealing with illicit assets.

3 FIs should ensure that their policies and procedures to establish the SOW of customers are risk-proportionate and reasonable, taking into account the unique circumstances and profile of each customer. They should not apply a one-size-fits-all approach for all customers. FIs may consider a range of measures to establish the SOW of customers, while minimising any undue delay to the onboarding of legitimate customers – for example, for customers with prominent public profiles, FIs may corroborate their representations on their SOW against reliable public information sources.

4 In the designing of their policies and procedures to establish SOW of customers in a risk-proportionate and reasonable manner, FIs should consider the following risk principles:

- (a) **Materiality:** FIs should seek to obtain information on a customer's entire body of wealth to the extent practicable with the primary outcome being to determine the SOW that are more material or of higher risk. While FIs should seek to understand customers' total wealth and how it was acquired, MAS recognises that there may be situations where it may not be possible or practicable to corroborate some SOW, e.g. SOW from many years ago for which documents may no longer be easily available. In such cases, FIs should (i) focus on corroborating the SOW that are more material or of higher risk, and (ii) assess whether the residual risk of the uncorroborated wealth is acceptable to the FI and whether additional risk-mitigating measures are needed in the absence of corroboration;
- (b) **Prudence:** For material SOW, FIs should attempt to use more reliable corroborative information, such as audited accounts or documents issued by independent third parties (e.g. tax accountants). If benchmarks or assumptions are used to (i) assess the plausibility of information received from customers, or (ii) to estimate a segment of a customer's wealth in the absence of corroborative evidence, FIs should ensure that they are reasonable, relevant and appropriate for the customer's specific risk profile and circumstances. The FI's bases for the benchmarks and assumptions used

² For banks and merchant banks, please see paragraph 8.3(b) of MAS Notice 626 and MAS Notice 1014 respectively, and paragraph 8-6-4(a) of the Guidelines to the corresponding MAS Notice.

should be documented and reviewed periodically. FIs should also bear in mind that benchmarks and assumptions should facilitate assessment of the plausibility of the customer's SOW, and should not be used to justify or support circumstances or explanations provided by the customer if there are reasons that cast suspicion on the SOW; and

- (c) **Relevance:** FIs should seek to obtain pertinent, fit-for-purpose corroborative evidence to the extent practicable. In doing so, FIs should exercise reasonable judgment in determining which documents are critical for corroborating a customer's SOW and which documents they may reasonably do without, e.g. documents from many years ago which may no longer be easily available and are not of high relevance to the generation of the customer's wealth. Where possible, FIs may utilise independent and reliable documents and information obtained from credible public sources to support their assessment of customers' SOW, without having to rely on customers to provide corroborative evidence.

5 FIs are reminded that establishing the SOW of customers is part of a wider set of AML/CFT controls to ensure the legitimacy of the customers' wealth and transactions. Therefore, senior management should:

- (a) **Exercise close oversight over higher risk accounts:** For example, where an FI is unable to corroborate a significant portion of a customer's wealth, the FI should escalate the case to its senior management for approval before establishing business relations with the customer and consider whether additional risk-mitigating measures are needed, such as enhanced monitoring of the customer's transactions; and
- (b) **Ensure that ongoing monitoring controls take into account the customer's risk profile:** Ongoing monitoring controls should take into account customer information gleaned from SOW establishment, such as the customer's total net worth and expected sources of funds, to facilitate the FI's assessment of whether the customer's account activities are in line with their profile.

6 MAS will continue to engage the industry on this, and we welcome and support ongoing work by the AML/CFT Industry Partnership (ACIP)³ in developing a paper on best practices in SOW establishment.

Yours faithfully

THONG LENG YENG
EXECUTIVE DIRECTOR
ANTI-MONEY LAUNDERING DEPARTMENT

³ ACIP is a private public partnership established in 2017 to bring together the financial sector, regulators, law enforcement agencies and other government entities to collaboratively identify, assess and mitigate key and emerging ML/TF risks facing Singapore.