

# **Notes on AML/CFT Measures covered during the briefing conducted by the Registry of Pawnbrokers on 16 October 2015**

- Published in January 2014
- Help licensees understand Singapore's ML/TF risk and incorporate these concerns into their risk assessment
- Internationally-oriented and cash-intensive activities more vulnerable

- Pawnbrokers
  - Inherent risks due to high volume cash-based transactions and trading in valuables
  - Key concerns
    - Pawnors paying debt with illicit funds
    - Pawnors pawning fraudulently-obtained pledges
  - TF risks are moderate to low due to small percentage of foreign pawnors; terrorists more likely to monetise asset through direct sale
  - ML risks mitigated by due diligence obligations built into the legislations
  - Absence of AML/CFT specific controls (before Apr 2015)

# Overall risk assessment

- The overall risk assessment can be incorporated in the PPC document
- Licensees should take into consideration:
  - Size of business
    - Transaction volume and value
    - Chains
  - Customer profiles
    - General background; common purpose of loan; nationality
    - Regulars; walk-ins; referrals
    - Can be more than one category
  - Other business behaviours:
    - Modes of securing customers (referrals, advertisements, etc.)
    - Modes of transaction and use of technology
    - Extension of businesses overseas and the countries they reside

# Internal Policies, Procedures & Controls ("PPC") – [1]

- The PPC has to be developed based on overall risk assessment
- It has to cover procedures and controls concerning the following:
  - Customer Due Diligence ("CDD")
  - Record keeping
  - Detection and reporting of suspicious transactions
  - Audit of the PPC
  - Compliance management arrangement
  - Training and hiring of staff

# Internal Policies, Procedures & Controls ("PPC") – [2]

- The PPC must be:
  - Constantly revised to remain current and effective
  - Approved by senior management
  - Communicated to the staff, especially those who transact directly with the customers
- Very importantly, the PPC must be reflective of the actual business operations/processes

## Negative and positive examples

- ~~“verify that the particulars of customer are genuine”~~
- “verify the customer’s particulars against independent documentary evidence such as the Singapore NRIC for a local, and passport for a foreigner”
- ~~“regular staff training will be provided”~~
- “staff training on AML/CFT measures will be performed by the compliance manager every half yearly” *(elaborate on intended plan)*

- Perform screenings with UN Sanctions Lists (subscribe to MAS website)
- Identify and verify:
  - Pawner, owner
    - For case of pawner acting on behalf of owner, verify also the authority (e.g. consent letter)
  - In a case where pawner/owner is not an individual, verify also the connected persons
  - Beneficial owner

- Carry out Enhanced CDD for Politically-exposed Persons (“PEP”) and situations where risks are detected
- How to know if customer is “risky”? Information obtained through:
  - UN Sanctions Lists (subscribe to and obtain information through MAS website)
  - Commercial database or other open sources (internet)
  - Complemented by interview(May trigger Suspicious Transaction Report – “STR”)
- Licensees must not perform Simplified CDD or CDD via third-party without the Registrar’s approval



# Record keeping

- Documentations in addition to business transactions that are not specific to AML/CFT measures must be kept
- ML/TF-related information/documents pertaining to the following must be kept:
  - Risk detections
  - Decisions made
  - Actions taken
  - Transactions
  - (STRs)
- Documentary evidence is to be retained in its original form
- 5 years from time of incident/closure of account (whichever is later)

# Suspicious transactions/activities

- Refer to list of red-flag indicators as advised on IPTO's website for possible suspicious circumstances (there may be more)
- In the event of a suspicious situation, file STR with CAD and copy the Registry
- May stop transaction
- Note that a suspicious situation can happen at any point and not necessarily during establishing of business relationship
  - When pawning a pledge
  - When making payments
  - Any unusual activities that suggest ML/TF risks which may happen outside the two circumstances mentioned above

# Audit of PPC

- The auditing unit must be adequately independent of the business arm. Licensee can contract external auditor
- The audit must assess the PPC's functionality (based on actual business operations/processes) and level of compliance with the legislations (including UN Act/Regulations, TSoFA and CDSA)
- The inadequacies identified through the audit must be addressed and rectified
- The PPC is to be updated where applicable (e.g. new risk assessment)
- The audit report must be kept

- A compliance manager/officer who will oversee the implementation of, compliance with and review of the PPC (AML/CFT measures) must be appointed
- Training schedule for staff (internal/external AML/CFT training) should be developed
- Licensees must commit to adhering to the requirement to seek Registrar's approval for the admission/employment/engagement of persons in the business as required under the legislations/licence conditions. Other internal pre-employment safeguards can be included

- Singapore's National Policy Statement: <https://www.mas.gov.sg/publications/monographs-or-information-paper/2016/national-policy-statement>
- Singapore's National Risk Assessment: <https://www.mas.gov.sg/publications/monographs-or-information-paper/2014/national-risk-assessment>
- FATF Standards: <http://www.fatf-gafi.org/topics/fatfrecommendations/documents/internationalstandardsoncombatingmoneylaunderingandthefinancingofterrorismproliferation-thefatfrecommendations.html>
- FATF Mutual Evaluation Procedures: <http://www.fatf-gafi.org/documents/documents/4th-round-procedures.html>