

DEVELOPMENTS IN ANTI-MONEY LAUNDERING & COUNTERING THE FINANCING OF TERRORISM

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HIGHLIGHTS

In this newsletter, we examine two case studies adapted from Registry of Pawnbroker's investigation into AMLCFT lapses by 2 pawnbrokers.

Case Study 1

This case involved a pawnbroker, Chance Pawnshop Pte Ltd, who failed to perform customer due diligence ("CDD") and file a cash transaction report ("CTR").

Key Facts:

- A regular pawner of Chance Pawnshop Pte Ltd, paid the pawnshop \$30,000 in cash to purchase his forfeited watches and jewellery.
- The pawnshop sold the items to the pawner but it did not perform any CDD measures or submit the CTR, despite that the pawner paid \$30,000 in cash.
- Investigations revealed the valuer of the pawnshop claimed that he thought that CDD measures and the submission of CTR were only required for pawned items worth more than \$20,000 in value and not for the sale of forfeited items.
- The pawnshop was administered with warning for the following offences under the Pawnbrokers Act 2015 ("PBA"):
 - Section 74A(1) r/w para 13A(1) of the Third Schedule p/u s.74A(4) PBA
 - Section 75(1) r/w Para.2(1)(aa) of Part 2 of the Third Schedule p/u s.75(4) of PBA

Learning Points:

A pawnbroker must assess whether it is required to perform CDD measures and submit a CTR not only at the onset of pawning but also when it conducts a sale transaction, which includes a sale of any precious stone, precious metal or precious product by a pawnbroker to a customer, for which cash or a cash equivalent exceeding \$20,000 is received as payment.

Case Study 2

This case involved a pawnbroker, Pawn Kingdom Pte Ltd, who failed to keep records of CDD measures or analysis performed for the pawn transactions.

Key Facts:

- Giana, a migrant domestic worker ("MDW"), was discovered to have stolen the jewellery from her employer and was expatriated back to the Blue Land in March 2021. Subsequently, the employer lodged a police report on the matter.
- Investigations revealed that the stolen items were pawned at Pawn Kingdom Pte Ltd and loans of between \$130 and \$1,800 were issued to Giana.
- The valuer of Pawn Kingdom Pte Ltd claimed the items pawned by Giana were common, of low value and easily affordable by any migrant domestic workers in Singapore. However, due to some suspicions that there could be money-laundering concerns, the valuer performed CDD measures for the transactions. Contrary to what was required under the PBA, he did not keep any records.
- Pawn Kingdom Pte Ltd eventually paid \$6,000 to compound offences committed under section 76(4) r/w section 76(1) PBA.

Learning Points:

While the valuer made observations/ enquiries such as the items presented for pawning were commonly or low value items pawned by migrant domestic workers and the place where the jewellery was purchased, he did not keep record of the relevant information/analysis.

Under section 76 of the PBA, a pawnbroker must keep all documents and information (including any analysis performed) relating to a person that the pawnbroker obtained as a result of performing the measures specified in the Third Schedule for a period of 5 years. Keeping documentation of CDD checks is not only required by the law, it also helps licensees build a more accurate profile of their customers.