

Tighter controls to combat money laundering, terrorist financing

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Tighter controls to combat money laundering and terrorist financing are underway, according to an inaugural National Risk Assessment report on money laundering and terrorist financing risks in Singapore.



File photo: A general view of the Singapore skyline.

SINGAPORE: Tighter controls to combat money laundering and terrorist financing are underway, according to an inaugural National Risk Assessment report on money laundering and terrorist financing risks in Singapore.

Based on official data, there were 70 money laundering convictions under the Corruption Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act from 2009 to 2011. There were seven such convictions under the Moneylenders Act in 2011.

As for terrorist financing, there were a number of cases that were investigated, but there has not been any prosecution to date, as most cases involved terrorists who were self-financed.

Some new rules governing sectors where controls are relatively less robust could come in as early as this year. These sectors include pawnbrokers and corporate service providers such as accounting firms, law firms and corporate secretariat firms.

The report noted that for pawnbrokers, money laundering and terrorist financing risks arise when debt repayment is made using illicit funds or stolen goods are pawned.

At the moment, pawnshops do not face any specific anti-money laundering and counter-terrorist financing obligations.

But there are plans to introduce new requirements in the sector this year.

Annie Koh, associate professor of finance at the Singapore Management University, said: "A lot of our pawn businesses right now are actually very domiciled, and about 70 per cent of the users are local customers.

"Then of course, there is also a limit -- most of our pawn businesses have a cap -- you don't see huge items, huge ticket items. So interestingly, the pawn business does not attract that kind of 'high profile' candidates that we are actually seeing in some of the big international money laundering transactions."

For corporate service providers -- firms that provide company incorporation and directorship services -- these "may be abused by criminals to set up complex and opaque structures for illicit purposes".

Other sectors identified as vulnerable to money laundering and terrorist financing risk are banks, casinos, remittance agents, money changers, internet-based stored value facility holders and online payment firms like Paypal and Alipay.

According to a joint statement by the Ministry of Home Affairs, the Ministry of Finance, and the Monetary Authority of Singapore on Friday, "relevant government agencies will be strengthening the legislative and supervisory framework through the year to address the risks in these sectors more effectively".

The 94-page report also noted that controls in many sectors, like banks and casinos, are developed and robust.

Singapore's openness as an international transport hub and financial centre exposes it to cross-border money laundering and terrorist financing risks.

The country has in place a robust regime in many sectors to combat these risks, but the report revealed some areas where controls need to be strengthened.

Tan Boon Gin, director of the Commercial Affairs Department, said: "We will mitigate the risks identified in the National Risk Assessment by working with the private sector and regulatory agencies to build a strong culture of suspicious transaction reporting, particularly in the areas assessed to be of higher risk.

"We will also devote the necessary resources to detect and pursue all cases of money laundering and terrorism financing, regardless of whether the underlying criminal activity took place domestically or overseas."

However, some experts feel that the report does not go far enough to explain the issues involved.



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Antonio Rappa, associate professor and head of security studies at SIM University, said: "I thought that the report was quite light on details, in several areas including an actual plan for public education.

"It is supposed to be a risk assessment report, and the risks are not very clearly laid out. Where are the greatest threats coming from? They are not ranked."

In addition, areas identified for further study include virtual currencies like bitcoins, precious stones and metals dealers, and the Singapore Freeport, which is a high-security storage facility designed for valuables, such as gold and art.

The report is the culmination of a two-year government-wide exercise covering 14 financial sub-sectors and eight non-financial sectors in Singapore.