

ANTI-MONEY LAUNDERING

Accountants Play a Vital Role



BY
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Recently, the Monetary Authority of Singapore (MAS) closed down BSI Bank as a result of severe infringements of anti-money laundering regulations. BSI Bank was also slapped with a S\$13.3-million penalty for 41 breaches of anti-money laundering regulations. Weeks after shutting down BSI Bank, MAS announced plans to set up a dedicated anti-money laundering department to combat illicit financial activities. The message is clear – there is a hefty price to pay for taking anti-money laundering regulations lightly. The ubiquitous threat of money laundering has intensified worldwide, and companies are viewing this as a serious matter. In a “Global Economic Crime Survey 2016” by professional services firm PricewaterhouseCoopers (PwC), of the more than 6,300 respondents in 115 countries, 74% have indicated that their organisations had performed an anti-money laundering/counter-terrorist financing risk assessment for their businesses.

As a nation, Singapore is not spared the risk of criminals on the hunt for opportunities to wash their dirty monies clean. In the same PwC survey, 26% of respondents from Singapore





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reported money-laundering incidents, a marked increase from a low 5% in 2014. This is a timely reminder that the menace of money laundering cannot be underestimated.

Money laundering has dire consequences. Socially, it can implicate innocent people who would not have otherwise committed illegal acts. Individuals have been convicted for acting as money mules. There are also reports of Singaporeans being found guilty of money-laundering offences in other countries such as Australia, where the real estate sector has been widely reported to be a hotspot for money launderers.

Economically, like a wrecking ball, money laundering can effortlessly demolish Singapore's hard-earned standing as a sound, trusted and vibrant global financial centre – a reputation established over the years. But fighting money laundering is no walk in the park; it calls for a nationwide effort where every individual must play a part.

ACCOUNTANTS, BE INQUISITIVE

Accountants can contribute to the anti-money laundering cause in a big way. Arising from the financial nature of the work, accountants may have a higher chance of crossing paths with money launderers or dealing with illicit funds from money laundering. Besides, money launderers covet the expertise of accountants, which they could exploit to facilitate money laundering via avenues such as transferring funds across numerous jurisdictions, setting up shell entities as a facade for money-

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VIEWPOINT

ACCOUNTANTS AND ANTI-MONEY LAUNDERING

laundering activities, and structuring complicated transactions which are difficult to comprehend, just to name a few.

Accountants have to be eagle-eyed to spot any suspicious transactions during their work. They need to possess an inquisitive mind when encountering any shady dealings, to uncover the underlying reasons for their occurrences. Hence, it is vital that accountants keep a watchful eye for indicators of suspicious transactions. For example, if the company receives unusual payments from unlikely sources inconsistent with the company's business, this should immediately trigger an alarm bell. Also, there should be cause for concern if the company makes huge payments for no apparent reason, even if they are made to related entities. Another tell-tale sign is when the company engages organisations located in jurisdictions identified by the Financial Action Task Force as "high-risk and non-cooperative". These include countries such as North Korea, Iran, Laos, Bosnia and Herzegovina, Iraq, etc. In addition, cash transactions of large amounts should be scrutinised. It is not uncommon for money launderers to purchase big-ticket items such as cars, antiques, property, gold and diamonds with their ill-gotten gains. While the existence of one, or even a combination, of the indicators may not be conclusive evidence that money laundering is taking place, accountants should nevertheless err on the side of caution and remain vigilant, especially when suspicion of money laundering is involved.

REPORTING SUSPICIONS

What should accountants do after they have identified suspicious transactions? Accountants should not confront the suspected perpetrators in the first instance. If accountants do so, they run the risk of disclosing information which may prejudice any impending or ongoing investigation. Under the law, the accountants would have

committed a tipping-off offence, albeit inadvertently. Instead, accountants should lodge a suspicious transactions report with the Suspicious Transactions Reporting Office under the Commercial Affairs Department of the Singapore Police Force, and let the relevant authorities handle the matter thereafter. In fact, this is a statutory requirement imposed on any employee or business owner, not just accountants. However, it is reassuring and noteworthy that the law protects the informer in that if the reporting is done in good faith, it will not be treated as a breach of

law, contract or professional conduct. Moreover, the identity of the informer is withheld and will not be disclosed unless required by the court. Therefore, accountants (or for that matter, anyone) should have no qualms about lodging suspicious transaction reports since it is an obligation and there is adequate legal protection accorded.

Accountants should note that the threshold for reporting suspicious transactions is low. They need not have actual knowledge of money-laundering activities having taken place before they lodge a suspicious transaction



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report. Although the term “suspicious” is subjective, there should be some objective evidence underlying the basis for the suspicion. As long as accountants are of the view that something is amiss, they should lodge a suspicious transaction report.

CHECKING CLIENTS’ BUSINESSES

Another significant area where accountants play a vital role in combating money laundering is in their customer dealings, especially the due diligence that accountants

should perform on their clients. One critical aspect of the process is the identification of the person who ultimately owns or controls the client, also known as the beneficial owner. This is of paramount importance as it may shed light on any high-risk personnel who may be more liable to commit money-laundering crimes. But the step poses one key challenge which accountants in Singapore and the world over have to surmount – the lack of information collated and published on beneficial owners. In the absence of any legal obligations on companies to

disclose beneficial owners, accountants are often unable to obtain reliable information on them. As the world develops and improves, so do criminals who are capable of devising the most innovative and clandestine way to hide information. More needs to be done to help accountants.

One proposal championed in the European Union (EU) is to have centralised registers containing information about beneficial owners. Law enforcement agencies should have unrestricted access to the information. The public may also obtain the information if cogent arguments can be put forward for such requests. As a matter of fact, according to information released by the EU Office of Transparency International in May 2015, four out of five EU citizens support imposing requirements on companies to reveal information about their beneficial owners. At the Anti-Corruption Summit 2016 held in May in London, the former United Kingdom Prime Minister David Cameron announced that Britain will set up public registers of the true owners of companies. France and the Netherlands will take similar action.

The efforts of one person alone cannot eradicate money laundering. To effectively combat money laundering, everyone, including accountants, needs to contribute. The last thing we need is another BSI Bank. As long as we stay committed in our endeavours to fight money laundering, we can keep the evildoers away from this place we call home. ISCA

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