

What It Takes to Combat Money Laundering In Singapore

Essential Role Played By Accountants



PHOTOSHOTTERSTOCK

TEXT BY



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TAKEAWAYS

- Professionals including accountants are required to file a suspicious transaction report if she or he has reasonable grounds to suspect criminal conduct such as money laundering, terrorist financing and the use of proceeds of crime.
- Accountants who deal with clients or handle transactions deemed to be of high risk must carry out extra checks, to guard against money laundering and financing of terrorism. They form the essential first line of defence against such crime.
- Singapore takes a zero-tolerance approach towards financial crime.

RECENT RAIDS CONDUCTED BY THE SINGAPORE POLICE FORCE saw the seizure and freezing of S\$2.4 billion (US\$1.8 billion) in cash and assets, and charges of money laundering and forgery pressed against the suspects¹.

It was reported that several financial institutions had filed suspicious transaction reports and alerted the authorities to suspicious activities. With further assistance from the financial institutions, authorities were able to trace the tainted funds and subsequently, make the arrests.

However, one may wonder how illicit activities of such scale could still occur in an environment where tough rules and strict compliance processes are already in place.

Money laundering is typically complex, occurring in phases and through multiple parties and transactions, making detection difficult, if not impossible. New technology culminating in digital assets, such as cryptocurrencies, provides additional avenues for perpetrators.

In the recent case, the suspects had allegedly laundered proceeds from overseas organised criminal activities including scams and online gambling, forged documents to substantiate the source of funds in multiple bank accounts and, eventually, used the laundered funds to buy assets. This appeared to take place through multiple transactions involving bank accounts with a total estimated value exceeding S\$1.1 billion, and the purchase of 110 properties, 62 vehicles and more.

Any individual who is convicted of a money-laundering offence can be fined up to

S\$500,000, jailed for up to 10 years, or both. While harsh punishment might deter financial criminals, no extent of anti-money laundering regulations can entirely prevent financial crime.

Perpetrators of such crimes typically require professional advice and assistance. Therefore, accountants, lawyers, and financial advisers are part of an unassuming first line of defence in the fight against financial crime.

HOW ACCOUNTANTS PLAY AN IMPORTANT ROLE

Under the Corruption, Drug Trafficking and Other Serious Crimes Act, it is mandatory for any professional to file a suspicious transaction report if she or he has reasonable grounds to suspect criminal conduct such as money laundering, terrorist financing and the use of proceeds of crime.

Public accountants who prepare or carry out high-risk transactions, for example, buying and selling real estate and managing client assets, have to comply with the Accountants (Prevention of Money Laundering and Financing of Terrorism) Rules 2023 prescribed by the Accounting and Corporate Regulatory Authority.

For high-risk services, accountants are required to screen the client against money-laundering and terrorist-financing information sources, such as sanctions lists provided by the Monetary Authority of Singapore.

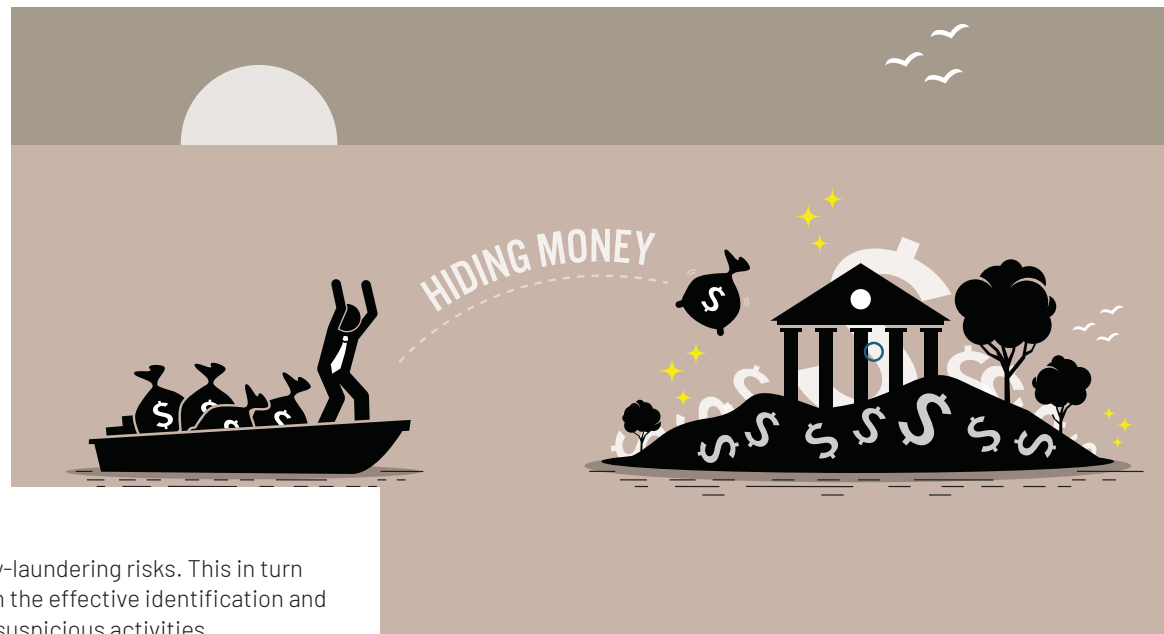
Accountants must also conduct due diligence checks on prospective or existing clients. Such checks enable accountants to know who they are dealing with, and also to



¹ <https://www.channelnewsasia.com/singapore/s1-billion-dollar-money-laundering-accused-suspects-charges-what-assets-seized-3734531>

VIEWPOINT

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gauge money-laundering risks. This in turn helps them in the effective identification and reporting of suspicious activities.

Accountants are also required to perform more comprehensive checks and regular monitoring of clients from higher-risk countries known to have inadequate measures for the detection and prevention of money laundering or terrorist financing.

Despite rigorous checks in place, financial criminals can evade detection by exploiting human nature. For instance, seven persons were charged in court on August 17 for relinquishing their bank accounts or Singpass credentials², which were then used by scam syndicates for money-laundering activities.

In one case, an 18-year-old woman agreed to an online investment scheme on Telegram which offered her at least S\$10,000 in return for using her two bank accounts. One of her bank accounts was found to have been used for laundering criminal proceeds.

Combating money laundering thus requires the concerted effort of members of the public as well, as they may be inadvertently caught in a web of illicit transactions.

ZERO-TOLERANCE APPROACH

As a global financial hub with a business-friendly reputation, Singapore enjoys inflows of foreign investment, but with that comes the risk of attracting financial criminals.

Singapore's authorities have been steadfast with a zero-tolerance approach towards financial crime. The Financial Action Task Force, an independent inter-governmental body, assessed that Singapore has a robust legal and institutional framework in place to combat money laundering and terrorist financing.

This is a strong testament to Singapore's anti-money laundering and counter-terrorist financing regime and sends a firm message that the country will leave no stone unturned to prevent illegal activities on its shores.

As financial criminals become more sophisticated and continue to exploit technologies to launder money, business professionals need to be alert to red flags, such as companies formed with no apparent business purpose, large cash value purchases and clients with an unusual rise in net worth arising from gambling and lottery gains.

This will go a long way to avoid a repeat of, in Deputy Public Prosecutor Eric Hu's words, "one of the most serious, if not the worst, money-laundering case in Singapore"³. ISCA

Terence Lam is Head of Professional Standards, and Ng Shi Zhen is Associate Director of Professional Standards, ISCA. This commentary was first published on Channel NewsAsia online on 22 September 2023. Reproduced with permission.



² https://www.police.gov.sg/Media-Room/News/20230816_seven_persons_to_be_charged_for_relinquishing_their_singpass_for_money_laundering

³ <https://www.straitstimes.com/singapore/courts-crime/one-of-the-most-serious-if-not-the-worst-money-laundering-case-in-singapore-dpp>

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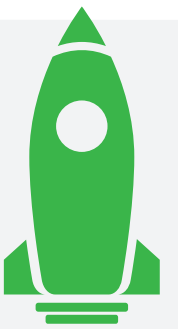
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