

RED FLAG INDICATORS FOR APPROVED CIS TRUSTEES

General Comments

The list of situations given below is intended to highlight some basic ways in which money may be laundered or used for TF purposes. While each individual situation may not be sufficient to suggest that ML/TF is taking place, a combination of such situations may be indicative of a suspicious transaction. The list is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.

The list is not exhaustive and may be updated due to changing circumstances and new methods of laundering money or financing terrorism. Approved trustees are to refer to STRO's website for the latest list of red flags¹.

A customer's declarations regarding the background of such transactions should be checked for plausibility. Not every explanation offered by the customer can be accepted without scrutiny.

It is reasonable to suspect any customer who is reluctant to provide normal information and documents required routinely by the approved trustee in the course of the business relations. Approved trustees should pay attention to customers who provide minimal, false or misleading information, or when applying to establish business relations, provide information that is difficult or expensive for the approved trustee to verify.

Approved Trustees Related Transactions

- i. Transactions undertaken by fund manager which do not make economic sense, for example, buying and selling of a security with no discernible purpose or in circumstances which appear unusual.
- ii. Subscriptions and/or redemptions by fund managers for a large amount of units in collective investment schemes.
- iii. Subscriptions and/or redemptions of an unusually large volume by an end investor.

Tax Crimes Related Transactions

- i. Negative tax-related reports from the media or other credible information sources.
- ii. Unconvincing or unclear purpose or motivation for having business relations in Singapore.
- iii. Business relations managed by external asset managers who may not be adequately regulated and supervised.
- iv. Purchase or sale of large amounts of precious metals by a customer which is not in line with his business or background.
- v. Purchase of bank cheques on a large scale by a customer.
- vi. Extensive or increased use of safe deposit facilities that do not appear to be justified by the background of the customer and for no apparent reason.

¹ The website address as at 20 August 2018: <https://www.police.gov.sg/about-us/organisational-structure/specialist-staff-departments/commercial-affairs-department/aml-cft/suspicious-transaction-reporting-office/suspicious-transaction-reporting>.

Other Types of Transactions

- i. The customer fails to reasonably justify the purpose of a transaction when queried by the approved trustee.
- ii. Transactions with countries or entities that are reported to be associated with terrorism activities or with persons that have been designated as terrorists.
- iii. Frequent changes to the address or authorised signatories.
- iv. When a person receives funds from a religious or charitable organisation and utilises the funds for purchase of assets or transfers out the funds within a relatively short period.
- v. Transactions that are suspected to be in violation of another country's or jurisdiction's foreign exchange laws and regulations.