RED FLAG INDICATORS FOR MONEY CHANGING & REMITTANCE BUSINESS

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. Licensees are to refer to STRO's website for the latest list of red flags[1].

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 licensee in the course of the account relationship or when undertaking any relevant business transaction without an account being opened. Licensees should pay attention to customers who provide minimal, false or misleading information or, when establishing an account relationship or undertaking a relevant business transaction without opening an account, provide information that is difficult or expensive for the licensee to verify.

Transactions Which Do Not Make Economic Sense

i) Transactions that cannot be reconciled with the usual activities of the customer.

ii) Transactions which are incompatible with the licensee's knowledge and experience of the customer in question or with the purpose of the relevant business transaction, for example, a mismatch between the economic activity, country of origin, or person and the remittances received.

iii) Conceal or disguise significant transactions to avoid disclosure for record purpose by executing frequent or several transactions such that each transaction by itself is below CDD thresholds. For example, carrying out several transactions, either in a single day or over a period of days, by breaking them into smaller amounts in order to avoid the mandatory threshold customer identification requirements.

iv) "U-turn" transactions, i.e. where funds received from a person or company in a foreign jurisdiction are remitted to another person or company in the same foreign jurisdiction, or to the sender's account in another jurisdiction.

v) Unnecessary routing of funds through various financial institutions or persons.

[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

vi) Substantial increase(s) in the number of transactions/ frequency/ amounts by a customer without apparent cause, especially if remittances are made to a destination/ person not normally associated with the customer.

vii) Concentration of payments where multiple senders transfer funds to a single individual's account.

viii) There is lack of apparent relationship between the sender and beneficiary, and/or personal remittances sent to countries or jurisdictions that have no apparent family or business link to customer, and/or the customer has no relation to country where he/she sends/receives the money and cannot sufficiently explain why money is sent there/received from there.

Transactions Involving Large Amounts of Cash

i) Frequent transactions of large cash amounts that do not appear to be justified by the customer's business activity or background.

ii) Customers making large and/or frequent remittances, mostly to individuals and firms not normally associated with their business.

iii) Customers remitting large amounts of money to persons outside Singapore with instructions for payment in cash.

iv) Exchanging an unusually large amount of small-denominated notes for those of higher denomination in a different currency.

v) Numerous transactions by a customer, especially over a short period of time, such that the amount of each transaction is not substantial, but the cumulative total of which is substantial.

vi) Customers who together, and simultaneously, use separate branches to conduct large (cash) transactions.

vii) Customers whose transactions involve counterfeit notes or forged instruments.

viii) Large and regular payments that cannot be clearly identified as bona fide transactions, from and to countries associated with (a) the production, processing or marketing of narcotics or other illegal drugs or (b) other criminal conduct.

ix) Cash payments remitted to a single person by a large number of different persons without an adequate explanation.

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 establishing account relationships or conducting business transactions in Singapore.

iii) Inability to reasonably justify frequent and large wire transfers from or to a country or jurisdiction that presents higher risk of tax evasion.

iv) Purchase or sale of large amounts of precious metals by a customer which is not in line with his business or background.

Trade-based Related Transactions

i) The commodity is shipped to (or from) a country or jurisdiction designated as “higher risk” for ML/TF activities.

ii) The type of commodity shipped is designated as “higher risk” for ML/TF activities[2].

iii) Significant discrepancies appear between the description of the commodity on the bill of lading and the invoice.

iv) Significant discrepancies appear between the description of the goods on the bill of lading (or invoice) and the actual goods shipped.

v) Significant discrepancies appear between the value of the commodity reported on the invoice and the commodity’s fair market value.

vi) The size of the shipment appears inconsistent with the scale of the exporter or importer’s regular business activities.

vii) The type of commodity shipped appears inconsistent with the exporter or importer’s regular business activities.

viii) The method of payment appears inconsistent with the risk characteristics of the transaction[3].

ix) The transaction involves the receipt of cash (or other payments) from third party entities that have no apparent connection with the transaction.

x) The transaction involves the use of repeatedly amended or frequently extended letters of credit.

xi) The transaction involves the use of front (or shell) companies.

xii) The commodity is transhipped through one or more countries or jurisdictions for no apparent economic reason.

xiii) The shipment does not make economic sense[4].

[2] For example, high-value, low-volume goods (e.g. consumer electronics), which have high turnover rates and present valuation difficulties.

[3] For example, the use of an advance payment for a shipment from a new supplier in a high-risk country.

[4] For example, the use of a forty-foot container to transport a small amount of relatively low-value goods.

Other Types of Transactions

i) Account activity or transaction volume is not commensurate with the customer's known profile (e.g. age, occupation, income).

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 exchanges the funds for a different currency or remits the funds to another person within a relatively short period.

v) The customer fails to reasonably justify the purpose of a transaction when queried by the licensee.

vi) Transactions for which customers fail to provide a legitimate reason when asked.

vii) Transfers from one or more senders often from different countries and/or in different currencies to a local person over a short period of time.

viii) Periodic transfers made by several people to the same person or related persons.

ix) False information during the identification process/ lack of co-operation. Use of third parties to transfer funds aimed at concealing the sender and/or receiver of moneys.

x) The customer uses intermediaries which are not subject to adequate AML/CFT laws.

xi) Customers send or receive (regular) payments from countries which are regarded as "tax havens" or which are known to be exposed to risks such as drug trafficking, terrorism financing, smuggling. Amounts transacted are not necessarily large.

xii) No or limited information about the origin of funds.

xiii) Funds used by a customer to settle his obligations are from a source(s) that appears to have no explicit or direct links to the customer.

xiv) Banknotes brought by customer are in small denominations and dirty; stains on the notes indicating that the funds have been carried or concealed, or the notes smell musty; notes are packaged carelessly and precipitately; when the funds are counted, there is a substantial difference between the actual amount and the amount indicated by the customer (over or under).

xv) Remittances made to high-risk countries or jurisdictions without reasonable explanation, which are not consistent with the customer's usual foreign business dealings.

xvi) Transactions that are suspected to be in violation of another country's or jurisdiction's foreign exchange laws and regulations.

Customer Behaviour

i) Customer is accompanied by others who keep a low profile or stay just outside the premise. Customer appears to be in doubt when asked for further details.

ii) Customer is in a hurry to complete the transaction, with promises to provide the supporting information later.

iii) Customer shows no interest in costs and/or is happy with a poor rate.

iv) Two or more customers appear to be trying to avoid reporting requirements and seem to be working together to break one transaction into two or more transactions.

v) The customer only seems to know the amount to be remitted after the remittance licensee has counted the customer’s moneys.

vi) The customer buys currency that does not fit with what is known about the customer's destination or the customer buys currency from an unusual location in comparison to his/her own location.