

## **RED FLAG INDICATORS FOR NON-BANK CREDIT CARD OR CHARGE CARD LICENSEES**

### **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<sup>1</sup>.

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 business relations. Licensees should pay attention to customers who provide minimal, false or misleading information, or when applying to open 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, for example –
  - (a) payment by unrelated third parties into a customer's credit card or charge card accounts via cash, cheques or debit cards;
  - (b) payment into a customer's credit card or charge card accounts received from different locations or accounts.
- ii) A customer relationship with the licensee where a customer has a large number of accounts with the same licensee, and has frequent transfers between different accounts.
- iii) Transactions in which assets are withdrawn immediately after being deposited, unless the customer's business activities furnish a plausible reason for immediate withdrawal.
- iv) Transactions which, without plausible reason, result in the intensive use of what was previously a relatively inactive account, such as a customer's

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<sup>1</sup> 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>.

account which shows virtually no normal personal or business related activities but is used to receive or disburse unusually large sums which have no obvious purpose or relationship to the customer or his business.

- v) Large amounts of funds deposited into an account, which is inconsistent with the salary of the customer.
- vi) Unexpected repayment of an overdue credit without any plausible explanation.
- vii) Unexpected repayment of credit facilities by a third party on behalf of the customer.
- viii) Cash deposited at one location is withdrawn at another location almost immediately.
- ix) Customers running large positive credit card or charge card balances.

### **Transactions Involving Large Amounts of Cash**

- i) Frequent withdrawal of large cash amounts that do not appear to be justified by the customer's business activity.
- ii) Frequent withdrawal of large amounts by means of cheques, including traveller's cheques.
- iii) Large cash withdrawals from a previously dormant/inactive account, or from an account which has just received an unexpected large credit from abroad.
- iv) A large amount of cash is withdrawn and immediately deposited into another account.
- v) Customers whose deposits contain counterfeit notes or forged instruments.
- vi) Customers who use cash advances from a credit card or charge card account to purchase money orders or bank drafts to transfer funds to foreign destinations.
- vii) Customers who take cash advances from a credit card or charge card account to deposit into another account.
- viii) Large cash payments for outstanding credit card or charge card balances.
- ix) Customers who maintain positive balances on their credit card or charge card and then request cash advances or other type of refunds.

### **Merchants Acquired by a Licensee for Credit Card or Charge Card Transactions**

- i) Principals of the merchant appear to be unfamiliar with, or lack a clear understanding of, the merchant's business.
- ii) Proposed transaction volume, refunds or charge-backs are inconsistent with information obtained from on-site visit or merchant/industry peer group.
- iii) Unusual or excessive cash advances or credit refunds.
- iv) Indications that a merchant's credit card or charge card terminal is being used by any third party.

### **Transactions Involving Unidentified Parties**

- i) Provision of collateral by way of pledge or guarantee without any discernible plausible reason by third parties unknown to the licensee and who have no identifiable close relationship with the customer.
- ii) Customers who wish to maintain a number of trustee or customers' accounts that do not appear consistent with their type of business, including transactions that involve nominee names.

### **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 accounts opened in Singapore.
- iii) Originating sources of multiple or significant deposits/withdrawals are not consistent with the declared purpose of the account.
- iv) Inability to reasonably justify frequent and large wire transfers from or to a country or jurisdiction that presents higher risk of tax evasion.
- v) Re-deposit or reinvestment of funds back into the original country or jurisdiction after being transferred to another country or jurisdiction, often a tax haven with poor track record on CDD or record keeping requirements.
- vi) Accounts managed by external asset managers who may not be adequately regulated and supervised.
- vii) Purchase or sale of large amounts of precious metals by a customer which is not in line with his business or background.

- viii) Purchase of bank cheques on a large scale by a customer.
- ix) 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.

### **Other Types of Transactions**

- i) Account activity is not commensurate with the customer's known profile (e.g. age, occupation, income).
- ii) The customer fails to reasonably justify the purpose of a transaction when queried by the licensee.
- iii) Transactions with countries or entities that are reported to be associated with terrorism activities or with persons that have been designated as terrorists.
- iv) Frequent changes to the address or authorised signatories.
- v) When a young person (aged about 17-26) opens an account and either withdraws or transfers the funds within a short period, which could be an indication of terrorism financing.
- vi) 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.
- vii) Customers requesting for a credit card or charge card to be sent to an international or domestic destination other than the customer's address or place of business.
- viii) Indications of a credit card or charge card merchant refunding payments to any person without an underlying purchase of goods or services.
- ix) The customer uses intermediaries which are not subject to adequate AML/CFT laws.
- x) Transactions that are suspected to be in violation of another country's or jurisdiction's foreign exchange laws and regulations.