

**Enforcement Actions**

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# MAS Imposes Composition Penalty of \$400,000 on TMF Trustees Singapore Limited for AML/CFT Failures

Singapore, 16 March 2020 ... The Monetary Authority of Singapore (MAS) has imposed a composition penalty of \$400,000 on TMF Trustees Singapore Limited (TTSL) for failure to comply with MAS' Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) requirements. These failures were identified following an inspection by MAS. TTSL has paid the composition penalty in full and taken prompt remedial actions.

2 MAS found that, between June 2011 to April 2018, TTSL had failed to comply with MAS' AML/CFT requirements for trust companies. In particular:

- (a) TTSL failed to verify the source of wealth of settlors [1] of trusts who presented higher risks of money laundering and terrorism financing (ML/TF). Instead, TTSL had relied on the settlors' representations regarding their source of wealth or bank reference letters which only confirmed the banking relationship between the banks and the settlors, without obtaining information to adequately corroborate those claims;
- (b) TTSL also failed to monitor, on an ongoing basis, the transactions of trust relevant parties (TRPs) [2]. In particular, TTSL did not scrutinise such transactions to ensure that these were consistent with its knowledge of the TRPs' business and risk profile as well as the source of funds.

3 MAS has assessed that TTSL did not exercise sufficient oversight to ensure effective AML/CFT controls and procedures. This placed TTSL at risk of being used as a conduit for ML/TF activities.

4 The penalty amount took into account TTSL's response to MAS' findings. TTSL identified and sought to address the root cause of the failures with the assistance of an independent consultant. It took prompt remedial measures to address all the deficiencies identified by MAS and strengthened its AML/CFT governance and controls to prevent future lapses. In order to focus on its remediation efforts, the company also voluntarily refrained from accepting new trust customers for three months.

5 Ms Loo Siew Yee, Assistant Managing Director (Policy, Payments & Financial Crime), MAS, said: "While they have legitimate economic uses, trusts and other corporate or investment structures can also be abused by criminals to mask their illicit activities. This case is a timely reminder to financial institutions involved in setting up these structures or dealing with customers who use such vehicles, to have in place robust controls to prevent them from being misused for ML/TF. Boards and senior management of financial institutions must exercise strong oversight over ML/TF risks, such that AML/CFT controls implemented are effective."

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Additional Information:

### **Composition of AML/CFT offences**

MAS' AML/CFT requirements for trust companies are set out in MAS Notice TCA-N03 on Prevention of Money Laundering and Countering the Financing of Terrorism – Trust Companies. Each breach of Notice TCA-N03 is an offence punishable under section 27B(2) of the MAS Act, where the maximum prescribed fine is \$1,000,000 per offence. The breach is compounded under section 176 of the MAS Act.

- [1] A settlor is a person who creates a trust and transfers assets into the trust.
- [2] Trusts are fiduciary arrangements that allow third parties, or trustees like TTSL, to hold assets for the benefit of beneficiaries. The relevant parties to a trust ("trust relevant parties") as defined in MAS Notice TCA-N03 include any of the following: (a) The settlor, the person who creates the trust and transfers assets into the trust; (b) The beneficiary, the person who receives the benefits of the assets; (c) The trustee, the person who holds and manages the assets for the benefit of the beneficiaries; or (d) Any person who has any power over the disposition of any property that is subject to the trust.