

Enforcement Actions Media Releases

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MAS Imposes Composition Penalty of \$375,000 on UOB Kay Hian Private Limited for business conduct and AML/CFT failures

Singapore, 31 August 2022... The Monetary Authority of Singapore (MAS) has imposed a composition penalty of \$375,000 on UOB Kay Hian Private Limited (UOBKH) for its failures to comply with business conduct requirements under the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR) and anti-money laundering and countering the financing of terrorism (AML/CFT) requirements under MAS Notice SFA04-N02. These failures were identified during an inspection by MAS. UOBKH has paid the penalty in full.

2. Between September 2012 and June 2018, UOBKH failed to implement adequate controls for its corporate finance (CF) business and failed to ensure that its CF business was subject to internal audit:

(a) UOBKH's internal policies failed to sufficiently involve its Compliance function in matters of compliance, thereby compromising its effectiveness. For example, there was no requirement for its Compliance officers to attend internal business and risk management fora attended by UOBKH's senior management members, where a range of issues which could potentially result in compliance risks to UOBKH were discussed.

(b) UOBKH's internal policies and procedures on conducting due diligence for IPOs failed to meet the standards set out in the applicable Association of Banks in Singapore Listings Due Diligence Guidelines.

(c) UOBKH did not subject its CF activities to adequate internal audit that is commensurate with the nature of its business. Specifically, since its inception in September 2012, no internal audits were carried out on the CF department.

3. Between December 2016 and August 2017, UOBKH also committed breaches of MAS' AML/CFT requirements, which were a result of material lapses in its control processes:

(a) UOBKH failed to verify customers' source of wealth (SOW) during onboarding, even though they were determined by the firm to be of higher money laundering (ML) risk. UOBKH's practice of verifying the SOW of such customers only upon specific trigger events did not comply with AML/CFT requirements on performing enhanced customer due diligence on customers who pose higher ML risk.

(b) UOBKH accepted third-party receipts that represented a substantial amount of the value of an IPO without conducting adequate due diligence. As a result, UOBKH failed to detect and report suspicious transactions despite red flags of potential nominee arrangements, which may be abused to conceal beneficial ownerships and facilitate market misconduct.

4. UOBKH's breaches of AML/CFT requirements exposed it to the risk of being used as a conduit for financial crime. UOBKH has taken remedial measures to enhance their internal policies and controls. In addition, MAS has required UOBKH to appoint an independent external party to validate the implementation and effectiveness of its remediation measures and report the findings to MAS.

5. Ms Loo Siew Yee, Assistant Managing Director (Policy, Payments & Financial Crime), MAS, said: "MAS expects capital markets services licensees to comply with all business conduct and AML/CFT regulations, including ensuring that its control functions act as an effective and independent line of defence against risks. Boards and Senior Management of licensees should exercise strong oversight of risk management and inculcate a high level of AML/CFT and compliance risk awareness among staff."

Additional Information:

Composition of SFR offences

MAS' business conduct requirements for capital market intermediaries are set out in Securities and Futures (Licensing and Conduct of Business) Regulations. Each breach of the SFR is an offence punishable under regulation 55 of the SFR, where the maximum prescribed fine is \$50,000 per offence. The breach is compoundable under section 336(2) of the Securities and Futures Act read with section 26A of the Interpretation Act.

Composition of AML/CFT offences

MAS' AML/CFT requirements for capital market intermediaries are set out in MAS Notice SFA04-N02 on Prevention of Money Laundering and Countering the Financing of Terrorism - Capital Market Intermediaries. Each breach of Notice SFA04-N02 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 compoundable under section 176 of the MAS Act.

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