



Objectives & Principles of Regulatory Oversight

Anti-Money Laundering / Countering
the Financing of Terrorism Division

Background

This Monograph sets out the mission and objectives of the Anti-Money Laundering/ Countering the Financing of Terrorism Division (ACD) of the Ministry of Law, the regulatory oversight functions performed to achieve ACD's objectives, and the principles that underpin ACD's supervisory approach.

This Monograph aims to raise the awareness of the regulated community and stakeholders, of ACD's role and the considerations that are weighed in ACD's supervisory process. The intent is to communicate ACD's approach and our interest in working in partnership and engagement with the regulated community and stakeholders to achieve effective supervisory outcomes.

Mission

ACD's mission is to work with the regulated community and stakeholders to protect the integrity of the financial system and the broader economy from threats of money laundering, terrorism financing and proliferation financing (ML/TF/PF). These threats can harm the society and businesses by undermining security, and eroding a country's competitive advantage and reputation. We also remain committed to preserving a trusted and conducive business environment for the regulated sectors.

Objectives

To fulfil our mission, ACD's objectives are to **Prevent, Detect and Enforce** against ML/TF/PF:

- (a) **Prevent** the regulated sectors from being used as conduits to launder criminal proceeds and funds to finance terrorism and proliferation of weapons of mass destruction.
- (b) Raise the regulated sectors' awareness and capabilities for **timely detection** of illicit funds.
- (c) Take **effective enforcement** actions to deter regulatory infractions.

Functions

ACD performs four interconnected regulatory oversight functions to achieve our objectives, namely:

1 Regulation

ACD performs anti-money laundering, countering the financing of terrorism and countering proliferation financing (AML/CFT/CPF) regulatory policy and industry development functions. These functions involve formulating policies and levers that remain up to date with international standards set by the Financial Action Task Force (FATF) tailored to our domestic risks, leading strategic planning on the regulatory scope, standards and measures, and managing partnership and engagement to raise awareness and mitigate the ML/TF/PF risks in the regulated sectors. ACD assesses the impact of our regulatory policies and initiatives, to ensure judicious balance between costs and benefits.

2 Authorisation

For the precious stones and precious metals dealers (PSMD) sector, ACD's AML/CFT/CPF "gatekeeping" functions involve assessing whether PSMD applicants meet the fit and proper criteria for registration and renewal of registration with the Ministry of Law, to be "authorised" to conduct the regulated activities. Where there are justifiable grounds, ACD may refuse to grant or to renew the registration, or may suspend or cancel the registration.

3 Supervision

ACD supervises the regulated sectors for AML/CFT/CPF, and relies on a variety of supervisory tools to assess the ML/TF/PF risks faced by the regulated entities, monitor their compliance with AML/CFT/CPF requirements, and conduct environmental surveillance and targeted risk-based inspections. ACD uses supervisory technology and a data-driven approach to achieve optimal supervisory outcomes.

4 Enforcement

ACD is empowered to investigate and to act against regulated entities and individuals who breach the applicable AML/CFT/CPF requirements. Where there is a regulatory offence or breach, ACD may impose administrative and financial sanctions, or refer the matter to law enforcement or prosecution authorities.

Principles

ACD's supervisory approach is underpinned by four key principles:

1 Risk-Focused

With risk-focused supervision, ACD evaluates the ML/TF/PF risks posed to the regulatory objectives, and provides a proportionate and effective supervisory response. We seek to identify, understand and assess the ML/TF/PF risks that the regulated sectors, and the individual entities are exposed to, and take the most appropriate and effective approach to mitigate these risks. In practical terms, we calibrate and vary our supervisory response in terms of priority, techniques and tools, as well as intensity and frequency, based on the risk profiles of the individual entities. In general, this approach allows us to give greater business latitude to regulated entities with well-managed AML/CFT/CPF controls, while retaining tighter regulatory oversight over those with weaker controls.

2 Impact-Sensitive

While it is not realistic to prevent all failures, ACD seeks to reduce the risk and impact of any failure. We apply sound supervisory judgement, knowledge, and expertise to achieve supervisory responses which are proportionate and in line with the desired regulatory objectives and outcomes. For example, repeat offenders, systemic breakdowns and severe inadequate controls will generally result in the most severe supervisory or monitoring responses. By communicating our regulatory actions, we also seek to give reasonable certainty as to regulated entities' obligations and the consequences of non-compliance.

3 Supportive of Enterprise

ACD undertakes supervision in a manner that does not unnecessarily place undue compliance costs, constraints and burden on businesses. We take into account the business and operational concerns of the regulated sectors and entities, as long as these are supported by good AML/CFT/CPF risk management. For example, we generally allow for adequate time for the industry to adjust to new regulatory requirements. We also adopt a consultative approach and a joint responsibility with the regulated community and stakeholders to achieve the desired regulatory outcomes.

4 Shared Responsibility

Our defences against ML/TF/PF are an ongoing effort that require more than just government action. In many areas, good outcomes are most effectively achieved with ACD, the regulated community and stakeholders each assuming specific responsibilities for, and shared ownership of the regulatory objectives and outcomes. ACD's supervisory approach seeks to reinforce the responsibility of the regulated community and of the regulated entities' management, to ensure compliance with the regulatory standards. ACD also leverages on partnership and engagement with the respective industry associations and bodies, and their work, to complement our supervision of the regulated sectors.

For more information, visit <https://go.gov.sg/acd>