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To whom it may concern,

**Re: MAS Consultation Paper on Proposed Amendments to AML/CFT Notices
and Guidelines**

About Global Digital Finance (GDF) & Web 3 Harbour (W3H)

GDF is an open innovation community that works towards improving market standards and regulation for digital finance through engagement with industry, policymakers, and regulators. W3H is a non-profit association based in Hong Kong dedicated to engaging and representing Web3 builders, investors, users, and leaders to promote a pro-innovation, pro-collaboration, and inclusive environment for the development of the decentralised internet and digital assets economy.

GDF and W3H collaborate on areas of mutual interest and alignment across the two organisations' policy, regulatory, and technical activities, and the input to this response has been curated through a series of member discussions and industry engagement. Both organisations are grateful to all members who have taken part.

GDF and W3H remain at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail with our members.

Yours faithfully,

Elise Soucie Watts – Executive Director – GDF
Gary Liu – Chair – W3H

Response to the Consultation: Executive Summary

GDF and W3H convened their joint APAC Policy and Regulatory Working Group to analyse the Monetary Authority of Singapore (MAS) **Consultation Paper on Proposed Amendments to AML/CFT Notices and Guidelines**. Please note that, as this response was developed in collaboration with GDF and W3H members, as well as community partners, portions of our response may be similar or verbatim to responses that MAS may receive from individual members.

We appreciate the opportunity to engage with MAS on this consultation, and our response to the consultation aims to support MAS in further developing its overarching framework for virtual assets.

In collaboration with our members, we have aimed to provide feedback and suggested key themes that would be beneficial for consideration as MAS continues to build out its proposals. We also aimed to consider requirements in other jurisdictions that impact our members. Through this process we identified two thematic areas for MAS's consideration. The key themes identified are:

- 1. We support the amendments with regards to proliferation financing (PF) and TCA-N03 and their alignment to FATF's guidance; and**
- 2. We believe it would be beneficial for MAS to provide some additional guidance around STR filings – particularly for clearly defining the phrases “suspicion first established” and “exceptional circumstances”.**

Response to the Consultation Questions

Q1 Inclusion of PF: MAS seeks comments on proposed amendments to the AML/CFT Notices to clarify that ML includes PF and that the requirement for FIs and VCCs to carry out ML/TF risk assessments includes PF risk assessments.

GDF and W3H are supportive of the proposed clarification that ML includes PF and of the intent of MAS to align to FATF's guidance. We remain supportive of more global harmonisation for the implementation of FATF guidance and believe that this inclusion will also be key for more comprehensive prevention of ML and PF while also strengthening transparency across the industry. We respectively suggest that MAS's clarification specify that PF is not a distinct subject matter from ML, but that PF is one component of ML risk that corresponds to existing predicate offences under Singapore law, as noted in the consultation.

Q2 Proposed amendments to TCA-N03: MAS seeks comments on proposed amendments set out in paragraph 2.10 (a) – (d).

As with Q1, GDF And W3H are supportive of this amendment as it is in line with FATF guidance.

Q3 Timelines of STR filings: MAS seeks comments on proposed amendments to the AML/CFT Guidelines to state that the filing of an STR should not exceed 5 business days after suspicion was first established unless the circumstances are exceptional or extraordinary. In cases involving sanctioned parties and parties acting on behalf of or under the direction of sanctioned parties, FIs and VCCs should file STRs as soon as possible, and no later than one business day after suspicion was first established.

While GDF and W3H believe firmly that timely reporting is crucial to enable law enforcement to respond to potentially suspicious activity, we would note that a balance is needed to ensure investigations and notifications by regulated entities are not rushed to the point of generating potentially lower-quality reports or defensive STR filings. The proposal to file STRs within 5 business days after suspicion was first established – or 1 day for sanctions-related cases – is a significant tightening of timelines.

To support firms in complying with these proposals, we believe it would be beneficial for MAS to provide additional clarification on what constitutes “suspicion first established” and what qualifies as “exceptional or extraordinary” circumstances that could justify a delay. Virtual asset service providers, as well as smaller firms in general, may find the 1-day turnaround challenging. While MAS acknowledges in the consultation that there is no specific timeline for investigations to be conducted, we believe it would be helpful if MAS gave guidance or examples to help firms determine when in the investigatory process a suspicion might be formed.

A further clarification which may be beneficial including more specific language, definition of ‘established’, clarification of established by ‘whom’, and the individual establishing to have sufficient authority. Furthermore, in line with a risk-based approach, would be for MAS to confirm that filings related to sanctions would only require expedited filing in cases involving confirmed matches to persons sanctioned under Singapore law and would not apply to unconfirmed matches or persons sanctioned under the laws of a foreign jurisdiction.

As an alternative to the standards above, MAS may also consider requiring firms to file STRs within a specified time period after “determining that an STR filing is required”, as this would encapsulate existing filing thresholds while making it clear that STRs must be filed quickly and efficiently once the determination has been reached.

Further clarification and guidance will support more robust compliance processes being implemented across the industry while still meeting the critical timelines for STR filings.

Finally, we strongly support the paragraph in the consultation which notes, “MAS can already access STRs filed by FIs and VCCs with STRO directly, MAS intends to remove the requirement for FIs and VCCs to extend a copy of STRs filed to MAS for information. We will replace this with a requirement for FIs and VCCs to extend a copy of STRs filed to MAS upon request, to cover situations where this separate access route might be necessary.” We believe that this is greatly welcomed by industry and would reduce the additional compliance burden on firms who already file STRs on a near daily basis.