Reliance between the entities

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The most common operational question is whether one entity may rely on the CDD performed by the other, so that a customer onboarded in Zug can open an account in Singapore without repeating the process.

From the Singapore side, PSN02 permits reliance on a third party, including a group company, under the three conditions set out in Chapter II. The third party must be subject to and supervised for AML/CFT requirements consistent with the FATF standard. The Singapore firm must obtain the CDD information immediately and must be able to obtain the documents without delay. The Singapore firm remains responsible.[1] A Zug SRO member is supervised for AML/CFT by its SRO under the AMLA, and SRO supervision is recognised by the FATF as adequate supervision of Swiss financial intermediaries. In my view the condition is met, and I have not seen MAS take a different position. The Singapore firm must nonetheless document the assessment, must hold the identification data on its own systems, must perform its own screening and its own risk rating, and must conduct its own ongoing monitoring, since monitoring cannot be the subject of reliance.

From the Swiss side, the AMLA permits a financial intermediary to delegate the identification of the customer and the establishment of the beneficial owner to a third party under a written agreement. The third party must be appropriately

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selected and instructed, the intermediary retains responsibility and the documents must be held in the intermediary's file.[2] A Singapore MPI supervised by MAS is an appropriate delegate.[3] Here too the Swiss entity must hold the documents, must perform its own risk classification under the SRO regulations and must apply the Swiss forms (the beneficial-owner declaration in particular), which the Singapore process does not generate unless the group has built them in.

The practical design is therefore a shared onboarding process that collects the union of both regimes' requirements once and generates both entities' documentation (Singapore PSN02 record and Swiss SRO forms) from the same data. Two separate screening, risk-rating and monitoring processes then run, each owned by the entity with the customer relationship. The customer signs two sets of terms and gives two sets of declarations, but provides the underlying documents once.

Example

A Hong Kong family office is onboarded by the group's Zug AG for custody and over-the-counter trading. The Zug AG collects identification documents for the office's company, its directors and its beneficial owners and obtains the Swiss Form K controlling-person declaration. It screens, rates the customer as higher-risk because of the offshore structure and the size of the holdings, obtains source-of-wealth evidence and records senior-management approval. Six months later the office wishes to use the Singapore MPI's exchange. The MPI relies on the Zug AG's identification and verification under PSN02 para. 9 and imports the data and documents into its own system. It performs its own screening against the Singapore and OFAC lists and rates the customer under its own risk model, again as higher-risk. It confirms that the source-of-wealth evidence meets the Singapore standard that Chapter V described and obtains its own senior-management approval. The MPI's file records the reliance assessment of the Zug AG. The customer signs the MPI's terms and the Singapore declarations and provides no new documents. Both entities monitor their own relationship and share risk-rating changes through the group protocol.

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Notes

1. MAS Notice PSN02, para. 9 (performance of measures by third parties), including the conditions for reliance on a group entity; the Guidelines note that reliance on a group entity may be facilitated by a group programme meeting the notice's standards. ↩
2. AMLO-FINMA, Arts 28–29 (delegation of due-diligence duties to third parties), and the corresponding provisions in the SRO regulations, which permit delegation of identification and beneficial-owner establishment under written agreement with retained responsibility. ↩
3. AMLO-FINMA, Art. 28 para. 1 (delegation to a third party selected with care and instructed, with the intermediary's responsibility retained) and Art. 29 (delegate must itself be a financial intermediary subject to equivalent supervision, or otherwise acceptable under written agreement); SRO regulations contain parallel provisions. ↩

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