Reliance on third parties

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PSN02 permits a firm to rely on a third party to perform the identification, verification and purpose elements of CDD. Three conditions apply. The third party must itself be subject to and supervised for AML/CFT requirements consistent with the FATF standard. The firm must obtain the CDD information immediately and must be able to obtain the underlying documents on request without delay. The firm remains responsible for the outcome.[1] Ongoing monitoring may not be outsourced under the reliance provision, though it may be outsourced as a service under the Guidelines on Outsourcing (Chapter VII). The firm must document the assessment of the third party and review it periodically.

Reliance is most relevant in two configurations. The first is intra-group: a Singapore MPI relying on CDD performed by its Zug affiliate on a shared customer. Here the question is whether the Zug affiliate, as a member of a Swiss self-regulatory organisation under the Anti-Money Laundering Act (AMLA, GwG), satisfies the "subject to and supervised" test. In my view it does, since SRO supervision is recognised by the FATF as adequate supervision of Swiss financial intermediaries, but the Singapore firm must document that view and must still screen and monitor on its own account. Chapter VIII develops the point. The second configuration is reliance on an introducing broker or a licensed trust company that brings a client

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structure. The Singapore firm must not accept the introducer's summary. It must hold the identification data itself and must be able to produce the documents on inspection.

CDD element	Standard (PSN02 para. 6)	Simplified (para. 7)	Enhanced (para. 8)
Identify and verify customer	Required before relationship or transaction	Required, reduced depth	Required
Beneficial owner	Identify, reasonable verification	Identify, may rely on public register for low-risk entities	Identify and verify, with structure chart
Purpose and nature	Required	May be inferred from product	Documented in detail
Source of funds	Where risk warrants	Not usually	Required
Source of wealth	Not usually	Not required	Required
Senior management approval	Not required	Not required	Required to open and to continue
Review frequency	2–3 years, trigger-based	Longer cycle	Annual and trigger-based
Screening	Onboarding and periodic	Onboarding and periodic	Onboarding, periodic, enhanced adverse media

Notes

1. MAS Notice PSN02, para. 9 (performance of measures by third parties). ↩

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