Screening

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PSN02 requires the firm to screen customers, natural persons appointed to act, connected parties and beneficial owners against relevant lists at onboarding, on a periodic basis and when lists are updated.[1] The relevant lists are the United Nations Security Council consolidated list, the designations made in Singapore under the United Nations Act 2001 and TSOFA, MAS's own lists and such other lists as the firm's risk assessment makes relevant. Chapter VI deals with the sanctions content. The screening requirement is a hard-edged duty: a single unscreened beneficial owner is a notice breach whatever the outcome. Firms should screen before any transaction is executed. The one-hour delay in a customer's first trade is cheaper than a composition penalty.

For DPT firms screening has a second dimension that has no fiat equivalent: wallet screening. The Guidelines expect firms to screen counterparty wallet addresses against lists of addresses associated with sanctioned persons (the OFAC Specially Designated Nationals list has included addresses since 2018) and with known illicit activity, using blockchain-analytics tools.[2] A deposit from an address that a reputable analytics tool links to a sanctioned mixer or a hacked exchange is not a screening "hit" in the sanctions sense unless the address is itself designated. It is nevertheless a red flag that triggers enhanced monitoring and possibly a suspicious transaction report. Chapter VII addresses the choice and governance of analytics vendors.

Notes

1. MAS Notice PSN02, para. 6 (screening), read with para. 2 (definition of "connected party" and of the lists against which screening is required, including lists of designated persons under the United Nations Act and TSOFA).
2. Guidelines to Notice PSN02, section on value transfers and on the use of blockchain analytics; MAS, Information Paper on Strengthening AML/CFT Controls of Digital Payment Token Service Providers, observations on wallet screening.

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