Screening practice for a DPT licensee

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Sanctions screening at a DPT licensee has three components that a fiat institution's screening lacks or has in simpler form.

The first is name screening, which is common to all institutions. Customers, beneficial owners, directors, authorised persons and counterparties are screened at onboarding, on each list update and periodically against the lists the firm has chosen. The system must handle transliteration from Chinese, Cyrillic, Arabic and other scripts, since most DPT customers in Singapore have names in more than one script, and must be tuned to a false-positive rate that staff can actually clear. MAS inspectors test the tuning by running known names through the system and by sampling cleared alerts.

The second is address screening. Every inbound and outbound on-chain transfer is screened against lists of designated addresses (OFAC publishes them, the UN does not, so the firm relies on vendors to attribute UN-designated actors' addresses) and against analytics clusters attributed to sanctioned entities. A direct match is treated as a sanctions hit. An indirect exposure, where the counterparty address is one or more hops from a sanctioned cluster, is treated according to a documented risk

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policy that sets thresholds by hop count and value share. The policy must say what happens at each threshold: block, hold and investigate, or allow with enhanced monitoring.

The third is stablecoin-issuer screening. Because the issuers of USDC and USDT freeze addresses themselves, a licensee holding those tokens must monitor the issuers' freeze lists. It must also have a procedure for the case in which an issuer freezes tokens in the licensee's omnibus wallet that belong to one customer, so that the loss falls on that customer alone and leaves the omnibus pool whole. Custody agreements should allocate this risk expressly. Part K, Chapter II discusses the segregation requirements under which this must be done.

Element	**Singapore DPT licensee**	**Swiss financial intermediary (see Part F, Chapter VII)**
UN sanctions	Binding via UN Act regulations and MAS s. 27A regulations	Binding via Embargo Act ordinances
EU sanctions	Not adopted, screened by policy	Adopted almost completely since 2022
US (OFAC)	Not adopted, complied with commercially	Not adopted, complied with commercially
Russia	Limited measures of March 2022, incl. DPT prohibition	Full EU alignment incl. Art. 28d crypto-services ban
Reporting of frozen assets	Commissioner of Police and MAS	SECO
Address screening	Expected under PSN02 Guidelines	Expected under FINMA practice and SRO rules
Autonomous terrorism lists	TSOFA First Schedule and Ministerial orders	Federal Council and SECO lists under Embargo Act

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Example

A Singapore MPI receives an inbound transfer of 400,000 USDT to a customer's deposit address. The analytics screen shows that 18 per cent of the funds, two hops back, came from an address attributed to Garantex, which OFAC designated in April 2022 and which is not UN-designated. Singapore law does not require a freeze. The firm's policy sets a 10 per cent threshold at two hops for OFAC-attributed exposure. The firm holds the transfer without crediting the customer, requests an explanation and the counterparty's details, and screens the customer's other activity. The customer explains that the funds came from an over-the-counter broker in Dubai. The firm's policy requires it to decline the transaction, return the tokens to the originating address, file an STR because the explanation does not resolve the Garantex exposure, and record the decision as a policy decline. Had the exposure been to a UN-designated DPRK address, the firm would have been obliged to freeze and report, and could not have returned the tokens.

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