The FATF layer

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Singapore has been a member of the Financial Action Task Force (FATF) since 1992 and held the FATF Presidency from July 2022 to June 2024 through T. Raja Kumar.[1] Its fourth-round mutual evaluation was adopted in 2016. The follow-up report of November 2019 re-rated several technical-compliance Recommendations, including the Recommendation 15 provisions on virtual assets that the FATF had amended in June 2019.[2] References in this book to "the 2019 mutual evaluation" mean the 2019 follow-up re-rating, since the on-site evaluation itself took place in 2015 and the report was published in 2016.

FATF Recommendation 15 and its Interpretive Note of June 2019, as updated in 2021 and 2023, supply the vocabulary for everything in this Part. They define the "virtual asset service provider" (VASP), impose the travel rule for virtual-asset transfers and the licensing or registration requirement, and expect supervisors to inspect VASPs with the same intensity as banks.[3] Singapore uses its own term, "digital payment token service provider", whose definition does not map onto the FATF definition one-for-one. The FATF speaks of exchange between virtual assets and fiat, exchange between virtual assets, transfer, safekeeping and participation in financial services related to an issuer's offer. The PSA speaks of dealing in DPTs, facilitating the exchange of DPTs, inducing or attempting to induce a person to enter into a transaction, accepting DPTs for transmission, and safeguarding or carrying out instructions relating to DPTs.[4] The Singapore list is wider in one respect (inducement, which catches pure marketing of a DPT transaction) and the overlap elsewhere is close enough that FATF's VASP typologies can be used for risk assessment without translation.

How the FATF standard reaches the compliance officer

The chain of transmission runs as follows. The FATF amends a Recommendation. MAS consults on amendments to its notices, typically within twelve to eighteen months. The notice is amended and the guidelines updated. The firm's compliance officer must then revise the enterprise-wide risk assessment, the customer-acceptance policy and the transaction-monitoring rules, train staff and document the change. MAS inspectors will ask to see the version history. A Singapore DPT licensee is expected to know the FATF agenda because MAS treats the FATF standard as the floor. The firm's risk assessment should show awareness of typologies described in FATF publications such as the virtual-asset red-flag indicators of September 2020.[5]

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Practice note

A compliance officer at a Singapore DPT licensee can save weeks of inspection preparation by keeping three documents permanently current. The first is the enterprise-wide risk assessment, which must cite the latest national risk assessment and the FATF virtual-asset guidance. The second is a mapping table that lists every paragraph of PSN02 next to the internal policy, procedure and control that satisfies it. The third is a change log recording every amendment to PSN02 and its guidelines together with the date the firm's documents were updated in response. MAS inspectors ask for all three on day one. A firm that produces them within the hour starts the inspection with credibility it cannot otherwise buy.

Notes

1. FATF, Singapore membership since 1992; FATF Presidency of T. Raja Kumar (Singapore), 1 July 2022 to 30 June 2024, fatf-gafi.org.
2. FATF, Anti-money laundering and counter-terrorist financing measures – Singapore, Mutual Evaluation Report, September 2016; FATF, Singapore: 3rd Enhanced Follow-up Report & Technical Compliance Re-Rating, November 2019.
3. FATF, International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, Recommendation 15 and Interpretive Note, as amended June 2019; FATF, Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, October 2021; FATF, Targeted Update on Implementation of the FATF Standards on Virtual Assets and VASPs, June 2023 and subsequent annual updates.
4. PSA 2019, First Schedule, Part 3, para. 1 (definition of "digital payment token service"), as expanded by the Payment Services (Amendment) Act 2021 with effect from 4 April 2024; see Part K, Chapter I.
5. FATF, Virtual Assets: Red Flag Indicators of Money Laundering and Terrorist Financing, September 2020.

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