The national risk assessment and the sector risk of digital assets

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Singapore published its first money-laundering national risk assessment in January 2014 and its first terrorism-financing assessment in 2020. The updated Money Laundering National Risk Assessment of 20 June 2024 identified the DPT sector for the first time as a higher-risk sector, alongside banks (wealth management), corporate service providers, precious stones and metals dealers and remittance agents.[1] The assessment's reasoning should be read in full by anyone drafting a DPT risk assessment, since MAS expects the firm's own document to engage with it. The key findings were four. DPTs offer speed, pseudonymity and cross-border reach that criminals exploit. Scam proceeds and illegal online gambling proceeds flow into DPTs. Unhosted wallets and foreign exchanges with weak controls present the main typology. The Singapore DPT sector is small in assets but high in exposure because of the volume of cross-border flows.

The national risk assessment is also the document that explains MAS's consumer-access measures (Part K, Chapter III) and the DTSP cut-off of 30 June 2025 (Part K, Chapter V). The policy logic is consistent: Singapore wants the institutional and infrastructure business of digital assets and is prepared to lose retail speculation and offshore-only shells to get it. AML/CFT is the instrument by which that preference is enforced day to day.

The inter-agency machinery

Behind the statutes stands a coordination structure that a foreign reader rarely sees but whose outputs reach the compliance officer directly. The AML/CFT Steering Committee, co-chaired by the Permanent Secretaries of the Ministry of Home Affairs and the Ministry of Finance and the Managing Director of MAS, sets national policy. The Inter-Agency Committee on AML/CFT coordinates the agencies. The AML/CFT Industry Partnership (ACIP), set up in 2017 and co-chaired by MAS and CAD, issues typology papers with industry participation, including best-practice papers on digital assets and on trade-based laundering.[2] Since 1 April 2024 the COSMIC platform, established under amendments to the FSMA, allows designated banks to share customer information with one another where the customer's profile or behaviour crosses defined risk thresholds. The initial phase covers three priority areas: misuse of legal persons, trade-based money laundering and proliferation financing.[3] DPT licensees are not yet COSMIC participants, but the information that banks share about a DPT firm's corporate customers and about the firm itself shapes the banking relationships on which every DPT business depends. Chapter V returns to this point.

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Singapore perspective

You will be inspected on the strength of your AML/CFT programme sooner than on anything else about your Singapore DPT business. The inspection will take the national risk assessment as its starting point. If your enterprise-wide risk assessment adopts the 2024 assessment's typologies for the DPT sector and explains which apply to your product set, then shows the controls that address each, you have given the inspector a map that leads to a favourable finding. If it is a generic document adapted from a remittance template, the inspection will go badly however good the rest of your controls are.

Notes

1. Ministry of Home Affairs, Ministry of Finance and MAS, Money Laundering National Risk Assessment, 20 June 2024, section on digital payment token service providers; accompanied by the updated National Asset Recovery Strategy of the same date. The terrorism-financing national risk assessment was updated on 1 July 2024.
2. AML/CFT Industry Partnership (ACIP), established April 2017, co-chaired by MAS and CAD, with papers published through the Association of Banks in Singapore; see the ACIP Best Practices Paper on Legal Persons (2018) and subsequent papers.
3. Financial Services and Markets Act 2022, Part 9A (as inserted by the Financial Services and Markets (Amendment) Act 2023), establishing the Collaborative Sharing of ML/TF Information and Cases (COSMIC) platform, operational from 1 April 2024 with six participating banks in the initial phase.

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