The PSN02 overlay

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For a DPT licensee the statutory duty is supplemented by PSN02. The notice requires the firm to have internal policies, procedures and controls for identifying and reporting suspicious transactions and to file reports promptly. It must keep records of all reports made and of the internal analysis that led to them or to the decision not to report. It must also extend a copy of every report filed with STRO to MAS.[1] The copy to MAS is a Singapore peculiarity with practical weight. MAS reads the STRs its licensees file, compares their number and quality across firms of similar size, and uses the comparison to select inspection targets. A firm that files no STRs in a year of active trading has told MAS that its monitoring is not working. A firm that files hundreds of thin reports has told MAS that its analysts cannot distinguish suspicion from noise.

A second MAS instrument reaches further than PSN02. MAS Notice PSN03 requires payment service providers to report to MAS suspicious activities and incidents of fraud that are material to the safety, soundness or reputation of the licensee, within a set period of discovery.[2] The two duties overlap but are not identical. An STR goes to STRO because a transaction may involve proceeds of crime. A PSN03 report goes to MAS because something has happened at the firm that MAS as supervisor needs to know, including internal fraud, a hack, or a pattern of attempted laundering that the firm has stopped. Both should be in the compliance officer's calendar as distinct obligations.

Notes

1. MAS Notice PSN02, para. 14 (suspicious transactions reporting), including the requirement to extend a copy of the STR to MAS and to maintain a register of STRs filed and of internal referrals not reported.
2. MAS Notice PSN03, Notice on Reporting of Suspicious Activities and Incidents of Fraud, issued under the Payment Services Act 2019; the notice requires reporting to MAS of material incidents and of any STR filed.

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