MAS notices on customer due diligence

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Legal basis and scope

The CDSA tells everyone what not to do. The preventive obligations of financial institutions are found in a separate body of rules issued by MAS for each sector. The best known is MAS Notice 626 on the prevention of money laundering and countering the financing of terrorism for banks. The current version is dated 28 March 2024 and took effect on 1 April 2024. Issued under section 16 of the Financial Services and Markets Act 2022, the statute examined in Chapter E.I, it applies to all banks in Singapore. Parallel notices apply to merchant banks, finance companies, insurers, capital markets intermediaries, financial advisers, trust companies and payment service providers. Their content is largely identical, adapted to the business of each sector.[12]

Each notice is accompanied by guidelines that explain MAS's expectations and give examples. The guidelines do not create offences, but MAS uses them as the yardstick in its inspections. Together with the information papers and circulars that MAS publishes after thematic reviews, they form a dense body of soft law. Its practical weight is far greater than its formal status suggests.

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The notice was last amended with effect from 1 July 2025. One of the changes was a new definition according to which every reference to money laundering includes proliferation financing.[3] The amendment answered the growing attention of the FATF to the financing of weapons programmes, a risk to which Singapore is exposed as a trading and shipping hub. Chapter H.IV examines it in connection with sanctions.

When due diligence is required

The notice begins with a prohibition: no bank may open or maintain an anonymous account or an account in a fictitious name. Where a bank has reasonable grounds to suspect, before establishing a relationship, that a customer's assets are proceeds of crime, it must decline the business and file a suspicious transaction report. In all other cases the duty to carry out customer due diligence arises in defined situations. It applies when the bank establishes business relations with a customer or undertakes a transaction above 20,000 dollars for a person who is not an existing customer. It also covers any domestic wire transfer and any cross-border wire transfer above 1,500 dollars for such a person. Any suspicion of money laundering or terrorism financing triggers it, as do doubts about information obtained earlier. The list also covers digital token transactions and value transfers for walk-in customers, whatever their amount.

A bank that suspects a customer of splitting a transaction into smaller amounts to stay below these thresholds must treat the transactions as one.[4] The thresholds themselves are modest. They matter little in private banking, where every customer is in an ongoing relationship from the first day, and much more in the business of money changers and remittance agents.

Due diligence consists of identifying the customer and verifying the identity with reliable, independent documents. The bank must also identify the natural persons who act on the customer's behalf, its connected parties and its beneficial owners. A further step is to understand the purpose and intended nature of the relationship. The notice defines the beneficial owner as the natural person who ultimately owns or controls the customer or on whose behalf a transaction is conducted. This

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includes any person who exercises ultimate effective control over a legal person or legal arrangement.[5] For trusts, foundations and companies with several layers of ownership, identifying this person is the heart of the exercise. It is also where the system is most vulnerable, as the FATF evaluation showed.

Politically exposed persons and enhanced due diligence

Where the risk is higher, simplified measures give way to enhanced ones. The notice requires each bank to have systems to determine whether a customer, a beneficial owner or a person acting for the customer is a politically exposed person, or a family member or close associate of one. A bank that participates in COSMIC, the information-sharing platform described below, must take into account the information it receives through that platform. Prominent public functions include those of heads of state and government, ministers, senior civil servants, senior judicial or military officials, senior executives of state-owned corporations, senior party officials, members of the legislature and senior management of international organisations.[6]

For such persons the bank must obtain the approval of senior management before establishing or continuing the relationship. It must establish the source of wealth and the source of funds by appropriate and reasonable means, and it must subject the relationship to enhanced ongoing monitoring. The notice allows a risk-based approach for domestic politically exposed persons, for officials of international organisations and for persons who have left office. It withdraws that flexibility where the relationship presents a higher risk. Foreign politically exposed persons who still hold office are therefore always subject to the full enhanced regime. For a wealth management centre whose clients come largely from Asian countries in which political and business elites overlap, this is one of the most demanding parts of the notice.[7]

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Source of wealth and its corroboration

The distinction between source of wealth and source of funds is central to private banking. The Guidelines to Notice 626 define source of wealth as the origin of the customer's entire body of wealth, including the seed money that generated later wealth and any gifts received. Source of funds refers to the origin of the particular assets that are the subject of the relationship. A bank cannot limit its inquiry to identifying the other institution from which the funds were transferred. It must establish the activity that generated them.[8]

The guidelines expect the bank to corroborate this information, whether it was received through COSMIC or otherwise. Suitable means include trust deeds, salary details, tax returns, bank statements, audited financial statements, site visits, a copy of the will in the case of an inheritance and conveyancing documents in the case of a property sale. The guidelines add a warning drawn from experience. Assumptions and benchmarks should help a bank to assess the plausibility of a customer's wealth. They should never be used to justify explanations when there are reasons for suspicion. Where a material source of wealth cannot be corroborated, the bank must decide whether the residual risk is acceptable and what additional measures to take.[9]

These expectations have a history. Even before the 1MDB affair came to light, MAS had published an information paper on private banking controls in June 2014. It described how institutions obtained information on family background, investment history, business activities and professional careers, and how they verified it against public sources and documents.[10] The penalties of July 2025, discussed in Chapter E.VI, showed that many institutions had written such procedures without applying them consistently. The revised guidelines respond to that experience by spelling out in more detail what corroboration means.

Common misconception

It is often assumed that the duty of due diligence ends once a bank has a passport and a utility bill on file. The notice requires far more: identification of beneficial owners behind every layer of companies and trusts, an understanding of the purpose of the

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relationship, ongoing monitoring and, for higher-risk customers, the corroboration of the origin of the customer's entire wealth. Identity documents tell the bank who the customer is. The supervisor also wants to know how the customer became rich.

Wire transfers, records and digital tokens

The notice also implements the FATF rules on wire transfers. For cross-border transfers above 1,500 dollars, the ordering bank must include specified information on the originator and the beneficiary in the payment message. For smaller amounts a reduced set of information suffices. A parallel set of rules for value transfers of digital tokens applies the same logic to crypto-assets, which Chapter K.I examines.

The record-keeping rules ensure that investigators can reconstruct what happened. A bank must keep due diligence information and account files for at least five years after the end of the relationship. Transaction records must be kept for at least five years after completion, in a form that allows each transaction to be reconstructed as evidence for a prosecution.[11]

Notes

1. MAS Notice 626, *Prevention of Money Laundering and Countering the Financing of Terrorism – Banks*, 28 March 2024, last revised on 30 June 2025, paras 1.1–1.2. ↩
2. On the series of MAS AML/CFT notices for other sectors (including Notice 1014 for merchant banks, Notice 314 for direct life insurers, Notice SFA04-N02 for capital markets intermediaries, Notice FAA-N06 for financial advisers, Notice TCA-N03 for trust companies and Notice PSN01 for payment service providers), see the MAS website, "Anti-Money Laundering" section. ↩
3. MAS Notice 626, 28 March 2024, last revised on 30 June 2025, para. 2.1, footnote 1, and Endnotes on History of Amendments: "MAS Notice 626 (Amendment) 2025 with effect from 1 July 2025." ↩

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4. MAS Notice 626, para. 6.1; MAS Notice 626, para. 6.2; MAS Notice 626, para. 6.3(a), (b), (d), (f) and (g); MAS Notice 626, para. 6.3(c) and (e); MAS Notice 626, para. 6.4. ↩
5. MAS Notice 626, para. 2.1, definition of "beneficial owner". ↩
6. MAS Notice 626, paras 8.1–8.2; MAS Notice 626, para. 8.1, definition of "prominent public functions". ↩
7. MAS Notice 626, para. 8.3(a)–(c); MAS Notice 626, para. 8.4. ↩
8. MAS, *Guidelines to MAS Notice 626 on Prevention of Money Laundering and Countering the Financing of Terrorism*, 28 March 2024, last revised on 1 July 2025, paras 8-5-5 and 8-5-6; MAS, *Guidelines to MAS Notice 626*, para. 8-5-6: the bank "should not limit its source of funds inquiry to identifying the other FI from which the funds have been transferred, but more importantly, the activity that generated the funds". ↩
9. MAS, *Guidelines to MAS Notice 626*, para. 8-5-7; MAS, *Guidelines to MAS Notice 626*, para. 8-5-7: assumptions and benchmarks "should not be used to justify or support circumstances or explanations provided by the customer or beneficial owner if there are reasons that cast suspicion on their source of wealth or source of funds"; MAS, *Guidelines to MAS Notice 626*, para. 8-5-7A. ↩
10. Monetary Authority of Singapore, *Guidance on Private Banking Controls*, Information Paper, June 2014, paras 3.13–3.14. ↩
11. MAS Notice 626, paras 11.4–11.5 (cross-border wire transfers below or equal to, and exceeding, S$1,500); MAS Notice 626, para. 11A (value transfers below or equal to, and exceeding, S$1,500); MAS Notice 626, paras 12.2(b) and 12.3(a)–(b). ↩

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