



Your Ref :  
Our Ref : ROMP/APP/2015/0004  
Date : 29 Jun 2015

To All Moneylenders,

Dear Sirs

**REGISTRAR'S CIRCULAR NO. 4 OF 2015**

- I. **CHANGES TO MONEYLENDERS RULES 2009 ("MLR")**
- II. **OBLIGATIONS UNDER THE MONEYLENDERS (PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM) RULES 2009 ("PMFTR")**

This Circular seeks to inform licensees of changes to the MLR and new obligations under the PMFTR.

**(I) Changes to MLR**

2 In June 2014, the Ministry of Law announced the formation of an Advisory Committee ("Committee") to review the moneylending regulatory regime in Singapore. The Committee issued its recommendations on 29 May 2015, and the Ministry of Law ("Ministry") will implement the accepted recommendations in phases. The first changes pertain primarily to borrowing costs and will take effect by way of amendments to the MLR from 1 July 2015:-

- (a) The computation of interest charged on the loan shall be based on the monthly outstanding balance of principal remaining after deducting from the original principal the total payments made by or on behalf of the borrower which are appropriated to principal.
- (b) The maximum rate of interest under rule 11 of the MLR shall be *4% per month*. This is a universal cap that applies to both secured and unsecured loans, regardless of the borrower's income.
- (c) The maximum rate of late interest under rule 11 of the MLR shall be *4% per month* for each month the amount due for repayment is repaid late.
- (d) The late interest shall only be charged on an amount that has fallen due and is not paid. Put another way, late interest shall not be charged on amounts that are outstanding but not yet due to be repaid.

- (e) Every contract for a loan must provide for the payment of equal instalments at equal intervals of time.
- (f) A fee *not exceeding \$60* may be charged *for each month* of late repayment. Even in the event that there is more than one late repayment in a single month, the maximum total late fee chargeable for that month shall not exceed \$60.
- (g) A fee *not exceeding 10% of the principal* loan amount may be charged when a loan is granted.
- (h) Apart from the fees mentioned at (f) and (g), no other fees are allowed. For avoidance of doubt, fees previously permitted for variation of loan contract terms, dishonoured cheques, unsuccessful GIRO deductions and early loan redemption are no longer allowed.
- (i) The total charges imposed by a moneylender on any given loan, consisting of interest, late interest, any fee consisting of late repayment and administrative fee, shall not exceed an amount equivalent to the principal loan amount.

3 The above changes do not apply to business loans except for paragraphs 2(a), 2(d) and 2(e). Further, a moneylender may impose in respect of every business loan granted by him, any of the following costs, charges and expenses that have been agreed to by the borrower.

- (a) A fee for each occasion of late repayment of principal or late payment of interest (including any late interest);
- (b) A fee for each occasion the terms of the contract for the loan are varied at the request of the borrower;
- (c) A fee for every cheque drawn by or on behalf of the borrower which is dishonoured by the bank on which it is drawn when presented by the licensee;
- (d) A fee for every unsuccessful deduction from a bank account through interbank GIRO for payment by or on behalf of a borrower to the moneylender;
- (e) In the case of a term loan, a fee for the early redemption (whether partial or in full) of the loan, and a fee for the early termination of the contract (whether due to the default of the borrower, redemption of the loan or otherwise) for the loan;
- (f) Legal costs incurred for the recovery of the loan, as may be ordered by a court to be paid to the licensee.

However, before issuing a business loan, a moneylender must be satisfied that the business is registered with the Accounting & Corporate Regulatory Authority (“ACRA”) and in operation. The moneylender is expected to collect documentary

evidence to this effect. More details on this requirement will be provided for in the revised Licence Conditions. For clarity, a business loan means a loan which is granted to:-

- (a) a company that has been incorporated under the Companies Act (Cap. 50) for at least 2 years before the grant of the loan;
- (b) a limited liability partnership that has been registered under the Limited Liability Partnership Act (Cap. 163A) for at least 2 years before the grant of the loan;
- (c) a business that has been registered under the Business Registration Act (Cap. 32) for at least 2 years before the grant of the loan.

4 Consequent to the new provision mentioned at paragraph 2(g), clauses 2 and 3 of the existing Licence Conditions will be deleted and amended respectively.

5 A copy of the amended MLR will be made available on 1 July 2015. All moneylenders should familiarize themselves with the amended MLR, including the amended Note of Contract (Form 1). The updated “Notes to Borrowers When Obtaining Loans from Moneylenders” will be available on our website at the following link from 1 July 2015.

<https://www.mlaw.gov.sg/content/rom/en/information-for-borrowers/guide-to-borrowing-from-licensed-moneylenders-english.html>

## **(II) Obligations under the PMFTR**

6 In view of the upcoming Financial Action Task Force (“FATF”) Mutual Evaluation on Singapore’s money laundering and financing of terrorism risks, it is timely for us to offer the following guidance and advice concerning a moneylender’s obligations under the PMFTR.

### **Screening for Politically-exposed Persons**

7. We would like to draw your attention to clause 7(1) of The Schedule under the PMFTR. It requires a moneylender to implement internal policies, procedures and controls which would enable him to assess whether a relevant person is a politically-exposed person (“PEP”), or a family member or close associate of a PEP. We have observed from our on-site inspections that moneylenders have adopted the practice of making a customer declare if he/she is a PEP when processing a loan application. While that is a good practice, it should not be deemed as an adequate Anti-Money Laundering/Countering of Financing of Terrorism (“AML/CFT”) risk-assessment measure. We have not prescribed what amount to adequate measures, but examples would include subscribing to a commercial database (e.g. Worldcheck, Factiva etc), using internet search engines to search for publicly available information, and searching on news archives on the relevant person.

8. A moneylender should assess the risk level and the reliability of the information source before engaging in a transaction. To illustrate, a moneylender who adopts the internet search approach should be mindful that returns from online

searches through internet search engines may not always be reliable or relevant. Therefore, if a match in name occurs, further research/inquiries may be necessary. The moneylender must also record the basis of the risk assessment.

## **Compliance with United Nations Regulations**

9 Pursuant to section 6 of the Terrorism (Suppression of Financing) Act (“TSoFA”), a moneylender is prohibited from dealing with or providing services to a terrorist individual or entity, including those designated pursuant to the TSoFA. For prevention of dealing with terrorists, a moneylender needs to screen a customer who is taking out a relevant loan against the individuals and entities referred to in the First Schedule of TSoFA. When there is a positive hit encountered during the screening, the moneylender must stop transacting with the customer and report the matter to the Police. The existing clause 19 of the Licence Conditions is aimed at helping moneylenders fulfil this obligation.

10 Further, as a member of the United Nations (“UN”), Singapore gives effect to the sanctions under the UN Security Council Resolutions. The sanctions are made legally binding through the regulations issued pursuant to the UN Act (“UN Regulations”). The UN Regulations prohibit a person from transacting with any individual or entity who is sanctioned thereunder. In this regard, every moneylender must ensure compliance with the UN Regulations. In particular, every moneylender must, before entering into any transaction with any customer, verify the identity of such customer against the lists of designated individuals and entities. These lists include countries that are sanctioned by the UN, terrorists, persons associated with terrorist organisations and entities, other groups and undertakings associated with terrorist organisations as updated from time to time (collectively, “UN Lists”). A moneylender must “freeze” without delay, assets and funds collected from the persons or entities in the UN Lists and seek further instructions from the Police.

11 To ensure that moneylenders fulfil the obligations mentioned at paragraphs 9 and 10 fully, clause 19 of the Licence Conditions will be amended. For ease of reference, the regularly updated UN lists are now made available on MAS’ website, at the following link: <http://www.mas.gov.sg/regulations-and-financial-stability/anti-money-laundering-countering-the-financing-of-terrorism-and-targeted-financial-sanctions/targeted-financial-sanctions/lists-of-designated-individuals-and-entities.aspx>. Any breach of the UN Regulations could subject a moneylender to a fine not exceeding \$500,000 or to imprisonment for a term not exceeding 10 years or to both; or in any other case, to a fine not exceeding \$1 million.

12 To facilitate compliance with the UN Regulations, moneylenders are strongly encouraged to subscribe to the AML/CFT and Targeted Financial Sanctions section of the MAS website at the following link: [http://www.mas.gov.sg/email-subscription.aspx?sc\\_guid={bcfb8438-611e-48f3-981f-f35ae88c165a}](http://www.mas.gov.sg/email-subscription.aspx?sc_guid={bcfb8438-611e-48f3-981f-f35ae88c165a}). Subscribers will receive email notifications of the changes to the UN Lists, and other relevant announcements such as high risk jurisdictions identified by the FATF. This will help them stay abreast of developments in this area.

## **Updates**

13 From time to time, the Registry will post updated information received from MAS or the UN on matters regarding PMFT or AML/CFT on our website at the following link:

<https://www.mlaw.gov.sg/content/dam/minlaw/rom/assets/documents/Info%20Guide%20for%20Moneylenders.pdf>. Moneylenders are advised to check our website for such updates on a regular basis and use the information to enhance their policies, procedures and controls where necessary.

14 Should you have further queries on matters relating to AML/CFT, please refer to the Information Guide on PMFT posted on the website. You may also contact us at 1800 2255 529 or via email at [OneMinLaw@mlaw.gov.sg](mailto:OneMinLaw@mlaw.gov.sg).

Yours faithfully



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for REGISTRAR OF MONEYLENDERS