

CACS PAPER1 CH3

Which of the following are examples of cross-border activities?

- Travelling to a foreign country to meet potential clients
- Organising marketing events in a foreign country
- Accepting a foreign-based client's orders when he is visiting Singapore
- Travelling to a foreign country with marketing brochures

Explanation: (Chapter 3.3) Accepting a foreign-based client's orders when he is VISITING SINGAPORE and TRAVELLING to a foreign country with marketing brochures is not a cross-border activity.

When should the client due diligence (CDD) be performed by a covered entity?

- When it has doubts about the correctness of any information supplied by the client.
- When it undertakes any transaction of value above \$S\$2,000 for any client who has not otherwise established business relations with it.
- When it establishes business relations with a client.
- When there is suspicion of money laundering by the client.

Explanation: (Chapter 3.5) CDD measures must be performed by a CE when it undertakes any transaction of value above \$S\$20,000 (not \$S\$2,000) for any client who has not otherwise established business relations with it.

A diamond trading company from Russia has approached you with the intention of opening an account at your Covered Entity. In your capacity as a Covered Person, what actions are you expected to take in this situation?

- Ensure that there are regular, risk-based checks for unusual transactions in the account.
- Impose a maximum limit on the amount of each transaction on the account.
- Make sure that all KYC procedures are completed with a strict "check the box" compliance attitude.
- Notify and obtain prior written approval from MAS to open the account.

Explanation: Regular checks for unusual transactions will help mitigate the risks of ML/TF. Imposing transaction limits may not help mitigate such risks. There is no requirement to obtain the approval of the MAS to open any account. A "check-the-box" approach is mechanical. It is not a thorough approach and does not cater to the unique circumstances of each client. A risk-based approach is suitable for KYC.

Mr. RichMan is a prominent philanthropist and he wants to open a new account with your Bank. He tells you that he has charitable interests in many foreign countries and wants to set up a complex holding structure in offshore jurisdictions (such as Cayman Island) for his funds.

You have opened an account for Mr. RichMan, but the account has been dormant for the past 3 years. Subsequently, Mr. RichMan deposits US\$ 33 million into the account and asks you to transfer it to a bank account in Switzerland. You suspect that money laundering activity could be involved. To address your concern, what action should you take?

- Increase ongoing monitoring such that any subsequent transactions will raise a red flag.
- Lodge an official report with the Financial Industry Dispute Resolution Centre.
- Escalate the situation to senior management and consider filing a Suspicious Transaction Report.
- Appoint a private investigator in Switzerland in order to ascertain Mr. RichMan's charitable and vested interests.

Explanation: If the covered person suspects that a transaction may be a part of ML/TF operations, he must consider filing an STR after following the due process with its senior management. Enhanced monitoring or appointing a private investigator in Switzerland will not help mitigate ML/TF risks in relation to the suspicious transaction. FIDReC is an agency for settling disputes, not investigating ML/TF crimes.

In relation to liability of a Covered Person (CP) under money laundering offences, which of the following statements is/are FALSE?

- A CP is liable if he tips off the client about any suspicious transactions report (STR) filed by the covered person /entity
- A CP is liable only if he has convincing evidence that money being dealt with is a benefit of drug trafficking
- A CP is liable if he informs the client about an investigation being conducted by the police
- All of the above

Explanation: (Chapter 3.5) The CP is liable if he knows or has reasonable grounds to suspect that the client's source of wealth or funds are benefits of drug trafficking. Convincing evidence is not required.

A prince of Saudi Arabia has approached a local bank in Singapore to open a current and investment account. What is the appropriate course of action for you to undertake?

- Perform enhanced CDD measures for the prospective client as he is politically exposed.
- Perform simplified CDD measures to this prospective client due to his reputable status
- Avoid establishing any business relationship with this prospective client as he is a politically sensitive person
- Perform enhanced CDD measures for the prospective client due to his reputable status

Explanation: Clients, business relationships, or transactions that pose a greater risk for money laundering and terrorist financing, as well as Politically Exposed Persons (PEPs), are anticipated to be subject to Enhanced Customer Due Diligence (ECDD) measures.

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Among the activities listed below, which one serves as an indicator of potential Terrorism Financing?

A businessperson makes payment to a supplier in a monthly fixed amount for raw material.

An entrepreneur makes periodic donations to a military school in a remote country.

A teacher contributes actively to a local charity to fund the education fees of the needy.

A philanthropist makes periodic donations to local hospitals.

Explanation: Contributions to a military school in a remote country should be considered a red flag in the context of terrorism financing. Donations to local hospitals or charities, or business payments to suppliers cannot normally be considered red flags.

What are the differences between Money Laundering (ML) and Terrorism Financing (TF)?

Legitimate funds can be used for TF

Layering is one of the stages in ML but not in TF

Large transfers of funds do not happen in TF

Integration is one of the stages in ML but not in TF

Explanation: The key in ML is turning criminal proceeds into legitimate money, whereas in TF the key is moving money (regardless legitimate or not) to be used for terrorism. They are not exactly related. Legitimate funds, such as online donations from sympathizers, can be used to finance terrorism, so A is correct. There are 3 stages of Money Laundering: Placement, Layering, Integration, so B and D are correct. C is wrong because in TF, funds transfers (such as donations) can be in any amount. In ML, funds are usually huge because criminal proceeds are usually in huge amount (e.g. from scams, drugs, kidnap ransom) and even if the sum were to be split into more transactions with smaller sums each, the sum would not be too small, else there would be far too many transactions to be split into.

John works for KLG Bank as relationship manager of its accredited investor clients. John provides investment advice to Jane who is an accredited investor. Since Jane has been KLG's client for 5 years, John has built a good rapport with Jane. He has Jane's personal mobile numbers, including those not in the official records of KLG. Jane is a short-term trader, with extensive knowledge of trading in futures and options. She is often referred to as "Smart Fox" by John because of her trading acumen. Jane often provides trading instructions by email or fax. She also provides urgent instructions over the phone. In this context, which of the following statements is TRUE?

If Jane's signature on a faxed trading instruction does not match with the official records, John can ignore the irregularity if he telephonically confirms it with Jane.

During call-backs for verifying trading instructions, John may address Jane as "Smart Fox" to ensure confidentiality.

John can decide to waive the requirement for a call-back to confirm trading instructions if he believes that the instruction is indeed sent by Jane.

If call-backs to confirm Jane's instructions are performed by John's assistants, independent persons should sample some of the calls for verification.

Explanation: (Chapter 3.5.2 and Guidance on Private Banking controls, MAS Information Paper, 2014) Financial institutions should not rely on signature verification as the sole means to validate customer instructions, especially for high fraud risk transactions. In addition, when signature irregularities are identified, institutions should not simply rely on the front office's explanation or endorsement of the irregularities. Call-backs without proper identification of customers are not acceptable (e.g., customers should not be referred to using aliases or nicknames during the calls). Call-back requirements should not be indiscriminately waived. Where call-backs are performed by RMs or their assistants, reviews of the call-backs should be performed by persons independent of the RMs and RM assistants. The number of cases sampled for review has to be sufficiently representative of the financial institution's business volume.

A U.S. based investor contacts you by phone expressing interest in a new product offered by your Covered Entity. You are not allowed to undertake cross-border activities. Should you provide him with the product info?

No, because there is a risk of triggering cross-border regulatory requirements.

Yes, if there is a video call with the client.

Yes, there is no issue sending the investor marketing materials.

Yes, only after obtaining approval from the MAS.

Explanation: (Chapter 3.3) There is a risk of triggering cross-border regulatory requirements if the product info is provided to a client in another country.

Jane (a Covered Person) works for ABC Limited (a Covered Entity) in Singapore. Jane meets John in Kuala Lumpur and advises him to purchase stocks of some Malaysian companies. If John agrees to purchase the stocks, Jane's advice to John:

is not subject to FAA.

is subject to the FAA only.

is subject to both the SFA and the FAA.

may be subject to the relevant Malaysian rules and regulations.

Explanation: (Chapter 3.3) Jane's advice is in relation to Malaysian stocks and the client is based in Malaysia. The advice is given abroad. Therefore, her advice does not come under the ambit of the SFA or the FAA. However, Jane will be subject to the relevant rules and regulations in Malaysia. If Jane solicits business for Singapore products, then her actions will come under the ambit of the SFA and the FAA.

XYZ (incorporated in the Cayman Islands) requests LMN Bank to open a current account. As a Covered Person for LMN, what information do you need at the time of onboarding to open an account for XYZ? (Select all options that apply)

Memorandum & article of association

Incorporation and registration certificate

Information about the company directors

The expected amount of initial deposit

Explanation: Company documents (memorandum, incorporation certificate) and information about the directors is required to open the account. The expected amount of initial deposit is not required.

In the context of Common Reporting Standard (CRS), a lower value account refers to a pre-existing Individual Account with an aggregate balance or value up to _____ as of 31 December 2016.

SGD 1 million

USD 1 million

SGD 10 million

USD 500,000

Explanation: (Chapter 3.5.7) In the context of Common Reporting Standard (CRS), a lower value account refers to a pre-existing Individual Account with an aggregate balance or value up to USD 1 million as of 31 December 2016 (please refer to cmfas.app/irascrs for more info).

A customer who had opened an account for quite some time had already completed due diligence checks and was given a Low risk rating. Recently, a large sum of incoming transfer arrived with no plausible explanation. What is the appropriate approach?

Monitor incoming and outgoing payment so that the bank can decline any payments that breaches its risk appetite

Go through the regular review cycle of the account and review the payments when the rest of the customer information gets screened

Consider the bank's Reputational Risk appetite to approve each transaction

Review the Low risk status of the account and allow the client to operate it while reviews are taking place

Explanation: AML controls are not subjective to the organisation's risk appetites. Regular reviews and screenings should already be in place, so they are not what need to be done. Once suspicion has been raised in relation to a client or any transaction for that client, in addition to reporting the suspicious activity, the Covered Entity should ensure that appropriate action is taken to adequately mitigate the risk of the Covered Entity being used for ML/TF/PF activities. This may include strengthening its AML/CFT processes, a review of either the risk classification of the client, or the business relations with the client. While a red flag has been raised, there is no indication that it is suspicious enough to stop the client from using the account while reviews are being done.

Which of the following action(s) in relation to a Singapore bank's reliance on third parties for CDD is/are consistent with the requirements in the MAS Notice 626?

The bank may not refer to any independent assessment of the overall AML/CFT regime to which the third party is subject, to ascertain the suitability of the third party for CDD.

The bank may refer to any publicly available reports on the quality of a third party's compliance with applicable AML/CFT rules.

The bank may outsource the ongoing monitoring of a customer, for ML/TF risks, to its parent entity.

The bank may not outsource the ongoing monitoring of a customer, for ML/TF risks, to its subsidiary.

Explanation: (Chapter 3.5.1 and Guidelines To MAS Notice 626 On Prevention Of Money Laundering And Countering The Financing Of Terrorism) The bank may refer to any publicly available reports or material on the quality of that third party's compliance with applicable AML/CFT rules. The bank may outsource the ongoing monitoring of a customer, for ML/TF risks, to its parent entity. The bank MAY refer to any independent and public assessment of the overall AML/CFT regime to which the third party is subject to ascertain its suitability for CDD. The bank MAY OUTSOURCE the ongoing monitoring of a customer for ML/TF risks to its subsidiary.

Under the Common Reporting Standard (CRS), a reporting Singapore financial institution must, in respect of each financial account it maintains:

determine the tax residence(s) of the active Account Holder.

determine the Controlling Persons of the Passive Non-Financial Entity that is an account holder.

Report the required account holder information to the IRAS on an quarterly basis

All of the above

Explanation: (Chapter 3.5.7) Under the Income Tax (International Tax Compliance Agreements) (Common Reporting Standard) Regulations 2016 (CRS Regulations), a Reporting SGFI must, in respect of all Financial Accounts it maintains, determine the tax residence(s) of its Account Holder and, if the Account Holder is a Passive Non-Financial Entity (NFE), the Controlling Persons of the Passive NFE, and report to the IRAS on an ANNUAL basis, the particulars and account information of that Account Holder, and where applicable, the particulars of the Controlling Persons that are tax residents of jurisdictions that Singapore has a Competent Authority Agreement for CRS with. This reporting is to be done by 31 May of the year following the calendar year during which the Reportable Accounts were maintained (please refer to IRAS e-Tax Guide Common Reporting Standard - Second Edition)

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When participating in marketing activities, what regulatory considerations should the Covered Person be mindful of?

- The target client demographics and market segment
- Exaggerated statements may be construed as deliberate misrepresentations
- The official language in the jurisdiction that the marketing materials target
- Comparisons against other similar financial products launched by competitors

Explanation: Poorly written emails sent to prospective clients containing exaggerated statements about the performance of a product can also be construed as deliberate misrepresentation by a Covered Person to deceive and mislead the recipients. This should be the regulatory concern in the mind of a covered person. The demographics, market segment, official language and competing products are factors that may be used for building a marketing strategy.

John is a sole-proprietor of a small business in Singapore. John applies to ABC Bank for opening a current account. To address ML/TF risks, ABC need NOT obtain the:

- full registered business name.
- structure of the sole proprietor's business.
- evidence of business registration.
- names and addresses of his family members.

Explanation: (Chapter 3.5.i) Where the customer is a sole-proprietor, the covered entity must obtain the registered business name, the structure of the business and evidence of business registration. Names and addresses of John's family members need not be obtained.

Which of the following indicate possible money laundering?

- A blue-collar employee opens more than 10 accounts with a Covered Person and has frequent transactions between different accounts involving amounts 10 times of his declared salary
- A 20-year-old undergrad makes total monthly payment of \$150k via his account to several foreign entities
- A PEP opens an investment account and deposits \$250K in the account for investment
- A charity organisation making large sum transfers to newly set-up companies.

Explanation: (Chapter 3.5) A PEP opening an Investment account and depositing money in the account for Investment DOES NOT indicate money laundering. It seems to be a bona-fide transaction.

Mr. Suharto is an Indonesian multi-millionaire. He is the Chairman of a large gold business headquartered in Jakarta with branches throughout Asia (including Singapore). Mr. Suharto has recently come to Singapore on a visit and has approached you to open a trading account in Singapore.

Media outlets has recently reported that Mr. Suharto is been charged with money laundering in Jakarta. Mr. Suharto claims it is a malign as he had recently offended some powerful figures. What should you do?

- Immediately consider filing a Suspicious Transaction Report after following the due process.
- Perform EDD on Mr. Suharto with the approval of senior management.
- Perform background checks on the clients of Mr. Suharto's businesses to ascertain their source of funds.
- Conduct an internal review of the accounts of all known associates of Mr. Suharto to verify his claim of innocence.

Explanation: First of all, performing EDD does not require senior management approval, which arises only when CE intends to proceed doing business despite there being suspicion or risk (e.g. with PEPs). Performing EDD, background checks, or internal reviews may not suffice given the pending ML allegation. The allegation is already a deal breaker as specified in the EDD process, and that a STR should be reported given that there is reason to suspect the client's funds are proceeds from serious tax crimes or that the purpose of opening the account is illegitimate.

Jane wants to open a current account with your bank and states that the account is for her export-import business. You (the Covered Person) open the account after following the due process. A few weeks later, you notice that the account is receiving funds from multiple unrecognised accounts, not related to the export-import business. You escalate the matter and an STR is filed. You tell Jane that an STR has been filed and future transactions will be subject to stricter scrutiny. Your action is an offence under the:

- SFA.
- Banking Act.
- CDSA.
- SMAS Notice 626.

Explanation: The action (tipping off the client) is an offence under the CDSA (section 48).

Mr. Philip, a Singaporean, resides in the Philippines where he runs a weapon related business. He wants to open an account in Singapore and requests that you travel to the Philippines to tell him about the investment services that your bank can offer.

Which of the following should be performed when conducting client due diligence for Mr. Philip's account?

- Discreetly inquire with banks in the Philippines whether Mr. Philip is known to have given bribes.
- Ask Mr. Philip for a list of character referees who can confirm his identity and the legitimacy of his business
- Verify Mr. Philip's identity using reliable independent sources and screen him against relevant databases.
- Request that the ministry of foreign affairs to provide a dossier of information on Mr. Philip for review.

Explanation: Since Mr. Philip runs a high-risk business from the perspective of ML/TF, it is important to verify his identity using reliable independent sources and screen him against relevant databases.

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Ever since Paul, the new owner, bought over the pizza business, the bank is seeing triple the monies being deposited as compared to when the pizza company was run by the previous owner, Gio. The operation of the business's account has also become very different. About 50% of the funds originated from a company based in Malta. The amounts remained in the account shortly and are then transferred out. You informs the Compliance Department. What should be the Compliant Department's next step?

- Contact Mary, Paul's relationship manager, to seek further information in respect of these third party transfers
- Inform the Terrorism Suppression Unit of the Singapore Police Force of your concerns
- File a suspicious transaction report as there is adequate information for a reasonable suspicion of proliferation financing
- Close Paul's account and return the funds to the customer

Explanation : The STRO is a unit of the Singapore Police Force to receive suspicious transaction reports. You should not contact any other police units. Proliferation financing refers to financing for weapons, especially weapons of mass destruction. It is common for red flags being raised but they cannot be assumed to be criminal such that drastic actions such as account closure be taken without asking the customer to provide more information or make explanations.

Which of the following is a politically exposed person?

- A human rights activist who works for a non-governmental organisation
- A person who is holding a junior role in a government office
- A person whose company has big contracts with the government
- A former army general of the national security department

Explanation : The key to being labeled as PEP is the person's influence and power which can lead to corruption involving large sum of money. This is why a retired high-ranking government officer is a PEP as opposed to an active junior government officer.

Which of the following statements about money laundering (ML) is/are TRUE?

- ML is a process intended to mask the benefits derived from criminal conduct so that they appear to have originated from a legitimate source
- Integration involves separation of benefits derived from criminal conduct from their original source
- Placement provides apparent legitimacy to the benefits derived from criminal conduct
- All of the above

Explanation : (Chapter 3.4) Integration refers to the provision of apparent legitimacy to the benefits derived from criminal conduct and placement refers to the physical or financial introduction of the benefits derived from criminal conduct into the financial system.

ABC Bank's private banking division made a good profit in 2022. ABC's investment recommendations to its clients resulted in a net profit of 8% for the clients after factoring losses and charges. To attract clients, the private banking division publishes an advertisement stating that "ABC's private banking division has helped clients earn 8% ROI in 2022." Has ABC committed an offence under the SFA?

- Yes, because the advertisement did not mention both the profitable and the loss-making recommendations.
- No, because the net effect of the recommendations is what matters to the clients.
- No, because ABC stated a fact.
- Yes, because ABC must only mention loss-making recommendations in the advertisement.

Explanation : Under the Regulations issued under the SFA, an advertisement must not contain references to past recommendations of the Covered Entity which were or would have been profitable. However, the Covered Entity or Covered Person may refer in an advertisement to a list of all recommendations made by the Covered Entity or Covered Person at least one year before the date the advertisement is published, circulated, or distributed by the Covered Entity or Covered Person.

While conducting Customer Due Diligence (CDD) for the account opening requested by John, the son of a Hong Kong business tycoon, who has sent his personal assistant James to handle the process, what specific steps should you take?

- Verify the beneficial owner of the account
- Verify James' identity using independent data sources
- Verify the business interests of John and James
- Obtain John's full name, aliases and nationality

Explanation : The CP must verify the beneficial owner(s) of the account, verify the identity of the authorised person (James) using independent data sources, and obtain John's full name, aliases and nationality. There is no need to verify the business interests of John and James at this stage.

Mr. Jizz, representing Jizz Partnership, has expressed interest in establishing a Corporate Account at your bank. As the designated Relationship Manager for this account, what components are required as part of Customer Due Diligence (CDD)?

- Obtain information on all the customers of Jizz partnership.
- Identify all the partners of Jizz Partnership.
- Obtain information on the purposes and intended nature of the usage of the account.
- Do a due diligence check on all the employees of Jizz partnership.

Explanation : It is sufficient to identify all partners of the partnership and obtain information on the purposes and intended nature of the usage of the account.

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A close relative of the President of a country approaches you to open an investment account. You should:

perform simple CDD before opening the account

not start a business relationship with him

file a suspicious transaction report

perform enhanced CDD before opening the account

Explanation: (Chapter 3.5) Enhanced CDD is required because the client is a PEP.

John is an appointed representative in ABC Ltd. and advises his client Jane to purchase treasury bonds and corporate bonds based on her financial and risk profile. Jane is 50 years old and owns a money exchanger business dealing in forex from around the world. At the time of onboarding, she had clearly indicated that she wanted stable returns from her investments. One day, Jane decides to purchase gold futures contracts worth SGD100,000 with a clear instruction that she wants physical delivery of the gold at the time of settlement. What should John do?

Execute the order because the futures are traded on an authorised exchange.

Insist that Jane goes for cash settlement instead of physical settlement.

Ask Jane the reason for her investment in a relatively risky asset and the source of the SGD100,000.

Tell Jane that he may file a Suspicious Transaction Report if she insists on buying the gold futures.

Explanation: (Chapter 3, Section 3.5) Considering Jane's profile, including the fact that she runs a money changer business, a sudden shift to risky assets and the desire for physical delivery of gold (a precious metal) should raise suspicion of ML/TF. However, John should make sure that he does not tip off Jane about the filing of any STR while conducting ongoing monitoring of her transactions. He should ask Jane more details about her intended purchase.

Your company had issued callable structured product on a basket of S&P500 stocks. This time, your company is issuing callable structured product of a single S&P500 stock. Which of the following are correct?

It is a new product.

It is not a new product.

The company should seek legal and compliance department's comments on the content of marketing materials for the current product.

The company may reuse the marketing materials that had been approved previously.

Explanation: (Chapter 3.2.1) The use of obsolete marketing materials with invalid data, inaccuracies or outdated information can be a cause of compliance violations. The underlying asset is different, so will the risks and may be the terms. Despite the similarities, it should be regarded it as a new product.

In which of the following circumstances should a Covered Person conduct CDD?

A new client approaches him to open an account for banking services

He receives an order from a client who last traded six months ago.

He discovers that an existing customer is a shareholder of a shell company linked to a known criminal

He receives an order from a client who is trading with amount disproportionate to the client's trading history and income.

Explanation: (Chapter 3.5) CDD need not normally be conducted for an existing client. It may be conducted for an existing client if the transaction is suspicious or there are doubts about the client in the context of ML/TF.

Enhanced client due diligence methods are expected for customers, business relations or transactions which present a higher risks of money laundering and terrorism. Which of the following belong to this high risk category?

A natural person who has prominent public functions in a foreign country

Family members of a natural person who has prominent public functions in a foreign country

Private banking business

All of the above

Explanation: (Chapter 3.5) Cases where PEPs are involved and use of complex structures in businesses requires EDD.

In the context of appointment and use of introducers, which of the following statements is FALSE?

A covered person cannot carry out introducing activities.

A covered entity can act for more than one introducee.

A covered entity must provide a script to a covered person acting as an introducer.

A covered entity must ensure that the introducer does not receive or deal with client's money or property.

Explanation: (Chapter 3.2) A CP can carry out introducing activities.

For identification of customers who are Not Natural Persons, a bank must:

Identify the partners in case of a partnership

Identify the directors of a company

Identify persons having executive authority in case of a body unincorporate

All of the above

Explanation: (Chapter 3.5) Partners, directors and persons having executive authority need to be identified.

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Which of the following must an ordering institution do before effecting a cross-border wire transfer of S\$2K?

Record details of the beneficiary

Identify and verify the originator

Record the date of the wire transfer

Make a report to STRO

Explanation: (Chapter 3.5) In a cross-border wire transfers of greater than S\$1,500, the CE that is the ordering institution must include, inter-alia, the details of the beneficiary, it must identify and verify the originator, and it must record the date of the wire transfer.

Under the Common Reporting Standard, a Narrow Participation Retirement Fund refers to a fund established in Singapore for the required purpose, provided that:

the fund has fewer than 30 participants.

the fund is sponsored by one or more employers that are Investment Entities or Passive NFEs.

participants that are residents of Singapore are not entitled to more than 20% of the fund's assets.

the employee and employer contributions to the fund are normally limited by reference to earned income and compensation of the employee, respectively.

Explanation: (Chapter 3.5.7) Under the common reporting Standard (CRS), a Narrow Participation Retirement Fund refers to a fund established in Singapore to provide retirement, disability, or death benefits to beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that the fund has fewer than 50 participants, the fund is sponsored by one or more employers that are NOT Investment Entities nor Passive NFEs, the employee and employer contributions to the fund (other than transfers of assets from certain Retirement and Pension Accounts) are limited by reference to earned income and compensation of the employee, respectively, participants that are NOT residents of Singapore are not entitled to more than 20% of the fund's assets, and the fund is subject to government regulations and provides information reporting about its beneficiaries to IRAS (please refer to cmfas.app/irascrs for more info).

Which of the statements provided below is TRUE regarding the marketing activities and materials utilized by Covered Entities?

All communications must expressly state that they are for the purpose of aiding in product sales.

A client must be updated within 3 weeks of the release of any new product in the market.

Marketing materials must state that clients can rely on the information as it was reviewed by the legal and compliance personnel.

Information in the marketing materials must be accurate and up to date.

Explanation: Information in the marketing materials must be accurate and up to date. There is no requirement to mention that the marketing material is for aiding in product sales because this is obvious. Also, there is no need to update the client about each and every new product in the market. Only relevant products may be discussed, if required. Clients cannot be asked to rely on the marketing materials simply because the legal and compliance personnel have reviewed it. The client cannot take the word of such personnel who are not independent.

Which statement correctly describes the obligation of a Covered Person under the FAA?

A Covered Person must disclose all material information relating to a designated investment product when recommending the product.

A Covered Person must submit a written report to his manager after each material communication with the client.

A Covered Person must ensure that the client has read the full product term sheet before recommending the product.

A Covered Person must recommend only investment products that have been approved under the FAA.

Explanation: A Covered Person must disclose all material information relating to a designated investment product when recommending the product. The CP must provide all the material information while recommending any product, but there is no need to ensure that the client has read the full product term sheet before recommending the product. There is no requirement to submit a written report after each material communication with the client. Also, financial products are not "approved" under the FAA before launch. The product providers must follow the relevant rules and guidelines.

John, a Singapore-based Covered Person, met a prospective investor during a marketing event in Hong Kong. John decides to send some marketing brochures to him after returning to Singapore. What should John do before sending the materials so as to address potential regulatory risks?

Obtain approval from MAS before sending the materials

Consult his covered entity's compliance department

Obtain approval from the relevant authority in Hong Kong

Consult MAS's legal and compliance department

Explanation: (Chapter 3.2) John should consult his CEs compliance department because sending materials may be considered cross-border activities and raise cross-border issues.

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Automatic exchange of information (AEOI) based on the Common Reporting Standard (CRS) refers to the regular exchange of:

business performance data between jurisdictions for creating a database.

financial account information between jurisdictions for tax purposes.

transaction information between jurisdictions for AML/CFT.

market performance data between jurisdictions for analysis.

Explanation: (Chapter 3.5.7) The Common Reporting Standard (CRS) is an internationally agreed standard for the automatic exchange of financial account information between jurisdictions for tax purposes, to better combat tax evasion and ensure tax compliance.

Under the Securities and Futures Act (SFA), should Covered Persons of a covered entity (CE) circulate an advertisement, created by the CE, regarding the capital market services it offers? This advertisement includes a list of specific profitable recommendations given over the past 12 months.

Yes, because the ad provides proper disclosure of the track record of the CE's performance

No, because the ad should contain a chart that can be used by readers to determine which product to buy

Yes, because the ad does not make any predictions or refer to future performance of investments

No, because the ad can only refer to a list of ALL recommendations at least one year before the date of circulation.

Explanation: The advertisement may contain a list of all recommendations (profitable or not) covering at least one year before the advertisement. The CE cannot circulate a selected list of profitable recommendations.

Which of the following statements about Client Due Diligence on a trust is correct?

You must verify the source of funds or wealth of the trust

The beneficial owners of a trust are the beneficiaries

You must understand the purpose of the trust

The persons who generated the assets placed in the trust is the settlor

Explanation: First of all, the source of money should be verified to be "clean". The beneficial owners of a trust is the one who has ultimate control of it. Beneficiaries rarely have control over it, and they only get to receive the benefits (often bit by bit) in future. Financial institutions should always know their clients, and in cases when the client is not a natural person, they should understand the purpose of the entity or arrangement. A settlor is the person who places the assets into the trust.

Which of the statements provided below offers the most accurate description of Proliferation Financing?

Providing funds to procure nuclear weapons in contravention of national laws.

An entrepreneur makes periodic donations to a military school in a remote country.

Granting emergency funds to a sanctioned country for critical infrastructure projects.

Transferring funds from one entity to another to disguise the origin of the money.

Explanation: Proliferation financing (PF) is the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, transhipment, brokering, transport, transfer, stockpiling or use of NUCLEAR, CHEMICAL or BIOLOGICAL weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations. Evasion of tax or disguising the origin of money are not necessarily PF activities because they do not involve illegal involvement in nuclear, chemical or biological weapons trades/movements. Granting funds for critical infrastructure projects is also not PF because of the same reason.

Which of the following persons should be considered Politically Exposed Persons (PEPs)?

Prime Minister of a country

Chairman of a Singapore public sector company

A judge of the Supreme Court of Singapore

All of the above

Explanation: (Chapter 3.5.2) Being politically exposed means that the person is performing or has performed roles held by a head of state, a head of government, government ministers, senior civil or public servants, senior judicial or military officials, senior executives of state owned corporations, senior political party officials, members of the legislature and senior management of international organisations.

The KYC process and the relevant notices and guidelines require a covered entity and its Covered Person:

To know the clients source of funds.

To evaluate how the funds will be used by the client.

To inquire about the existence of any beneficial owner in relation to the client.

Must follow a check-the-box approach.

Explanation: (Chapter 3.5) A check-the-box approach is not recommended.

Which of the following may be considered proliferation financing?

- Giving a loan to an organisation engaged in research on mitigating the impact of biological weapons
- Providing funds that are used for transhipment of conventional weapons in contravention of international laws
- Extending a loan to a NASDAQ-listed company that manufactures conventional weapons in the United States
- Providing funds that are partly used for brokering the sale of nuclear weapons in contravention of international obligations

Explanation : (Chapter 3.4) Funding an organization that works for MITIGATION of impact of biological weapons, or financing in relation to transhipment or manufacture of CONVENTIONAL weapons is not considered proliferation financing.

Which of the statements regarding the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (CDSA) is correct?

- A Covered Person is not liable under the CDSA unless he has actual knowledge of the source of the ill-gotten funds.
- A Covered Person is liable under the CDSA if he has reasonable grounds to suspect the client's source of funds.
- An offense would be committed under the CDSA only if the ill-gotten funds are transferred out of the jurisdiction.
- The CDSA is a second line of defence in the fight against money laundering and its primary concern is countering illicit financing.

Explanation : The Covered Person would be liable if he/she KNOWS OR HAS REASONABLE GROUNDS to suspect that the client's source of wealth or funds are benefits of drug trafficking, corruption or other serious offences as defined in the CDSA. There is no requirement to have confirmed or actual knowledge that the funds are ill-gotten. The CDSA forms the first line of defence against ML/TF.

Mr. Suharto is an Indonesian multi-millionaire. He is the Chairman of a large gold business headquartered in Jakarta with branches throughout Asia (including Singapore). Mr. Suharto has recently come to Singapore on a visit and has approached you to open a trading account in Singapore.

What should you do as part of client due diligence when opening an account for Mr. Suharto?

- Inform the Indonesian regulatory authorities that Mr. Suharto is opening an account in Singapore.
- Screen Mr. Suharto using reliable sources authorized by the MAS and other relevant authorities.
- Obtain Mr. Suharto's tax records and credit reports for the last 5 years.
- Procure two character referees who can confirm Mr. Suharto's identity and the legitimacy of his business.

Explanation : A Covered Entity shall screen a customer, natural persons appointed to act on behalf of the customer, connected parties of the customer and beneficial owners of the customer against relevant money laundering and terrorism financing information sources, as well as lists and information provided by MAS or other relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks in relation to the customer. Since Mr. Suharto is in a high-risk business (golding) from the ML/TF perspective, it makes sense to screen the client as part of CDD.

The SFA stipulates that advertisement must not contain:

- References to past recommendations of the Covered Entity which were or would have been profitable.
- Formula that can be used to determine which securities or futures contracts to buy or sell.
- Charts that will assist any person in deciding which securities or futures contracts to buy or sell, or when to buy or sell them.
- Statements suggesting that any report, analysis or other service will be furnished free without any condition or obligation.

Explanation : (Chapter 3.2.2) This rule exists to protect consumers from being misled. It would be misleading to list out all those past recommendations that turned out to be profitable as it would create the illusion that what the CE recommends are always good. No chart, graph or formula exists that can guarantee a winning investment strategy, so the CE cannot create that impression or promote any such 'belief'. The CE however can provide any report, analysis or service free of charge as long as there is no obligation or condition attached.

Which of the following activities by a covered person may be considered cross border activities?

- Travelling to another country to play golf with a client.
- Travelling to another country to attend a conference which may have clients or prospective clients.
- Sending account statements to a client on his email when the client is abroad.
- Discussing a recommended investment product with an overseas client in his home country.

Explanation : Playing golf or sending account statements by email does not constitute a cross-border activity. Travelling to another country to meet clients or prospective clients, or discussing/recommending investment products with/to clients may be considered a cross-border activity.

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Which of the following statements about screening against AML/CFT risk is correct?

If it's a company, its beneficiary owners, directors, and management must be screened.

Signatories and beneficiaries must be screened.

It must be done before opening a client account and periodically thereafter

It must be done against lists and databases provided by MAS and other relevant authorities in Singapore

Explanation: Screenings are done after account opening, not before.

John's company has a current account with ABC Bank in Singapore. John put up a request for a wire transfer of SGD100,000 from his company's account to an antique dealer's account with PQR Bank in Mauritius. When ABC Bank asked John for the purpose of the transfer but John declined to disclose, citing it being a business secret. What should ABC Bank do?

Allow the transaction if PQR Bank is well-reputed

Disallow the transaction

File an STR and document why it deems necessary to do so

Freeze John's bank account immediately

Explanation: (Chapter 3.5.4 and Appendix B) It is reasonable to assume that John's company has little dealing with businesses in Mauritius. The abnormal transaction, coupled with the large sum of money involved as well as John's suspicious decline to the bank's inquiry, is sufficient ground for the bank to disallow the transaction and file an STR.

You have a client who owns an investment holding company. Recently, your client tells you that his investment vehicle has made some stock losses. Upon your account review of the company's transactions, you discover that there were 4 incoming telegraphic transfers from a company named KLG totalling USD 200,000.

Your client explains that the transfers were inter-company loans. What should you request for?

Source of funds of KLG

Details of KLG, such as its ownership structure

Details of the investment company's stock losses

Inter-company loan agreement

Explanation: The stock loss is irrelevant now that the focus should be on the legitimacy of the incoming funds, including the source of funds, the true relationship of KLG and the investment company, and whether it is indeed an inter-company loan.

Which of the following is NOT a politically exposed person (PEP) under MAS Notice No: FAA-N06 on the prevention of money laundering and countering the financing of terrorism?

Senior Judicial Officers

Senior Civil Servants

Senior Religious Leaders

Senior Political Leaders

Explanation: (Chapter 3.5.2) Being politically exposed means that the person is performing or has performed roles held by a head of state, a head of government, government ministers, senior civil or public servants, senior judicial or military officials, senior executives of state owned corporations, senior political party officials, members of the legislature and senior management of international organisations.

In what ways is Automatic Exchange of Information (AEoI) similar to the US Foreign Account Tax Compliance Act (FATCA)?

Both adopt a common standard of reporting

Both checks who owns accounts offshore (host country) for tax residents of a country (home country) and to report the information to the home country

They compel banks in host countries to ensure that they are aware of the tax residencies of their customers

They require a one time report of customers in host countries, which only need to be updated upon the occurrence of special requests

Explanation: Reportings are done regularly, not on a one-time basis.

A local based Covered Person sent false and misleading statements via e-mail to foreign investors based overseas about a foreign company, XYZ Corp, which is listed on the NYSE. The Covered Person _____.

has not contravened the SFA because the XYZ Corp is not local

has not contravened the SFA because the XYZ Corp is not listed locally

has not contravened the SFA because the investors are foreign or are based overseas

has committed market misconduct under the SFA

Explanation: (Chapter 3.3) The CP has committed market misconduct of spreading false and misleading statements because the offence was committed in Singapore.

Which of the following is considered a cross-border activity?

Travelling to another country to attend an event organised by the client

Providing advice to a foreign client who is stopping over in Singapore

Providing advice to a prospective client in another country

Providing account statements to clients based overseas via e-mail

Explanation: (Chapter 3.3) Providing advice to a prospective client in another country and providing account-opening documentation or account statements to clients in another country is a cross-border activity.

Which of the following statements about CDD of a trust is/are CORRECT?

The beneficial owners of a trust are the beneficiaries

The identities of the settlor, trustee, beneficiaries and any protector should be verified

The purpose of the trust should be known and understood

A person who generated the assets placed in the trust is the settlor

Explanation: The beneficial owner of a trust is not to be confused with beneficiaries. For example, even if the money in a bank account is to be used 100% on a child, the beneficial owner of the account refers to the legal person who has ultimate effective control of the account (or money), even if the assets will eventually be given to someone else. Control is the key here, rather than who gets to enjoy the benefits.

Which of the following statements about acts liable under the Securities & Futures Act (SFA) and Financial Advisory Act is TRUE?

A Covered Person is liable for acts that are committed partially in Singapore and partially outside Singapore.

A Covered Person is liable for acts committed overseas only if the countries have an extradition treaty with Singapore.

A Covered Person is liable for acts that are committed wholly in Singapore only.

A Covered Person is liable for acts that are committed partially outside of Singapore only if investigated by Interpol.

Explanation: The SFA and the FAA both have extra-territorial effects. If an act, if done in Singapore, would constitute an offence under the SFA and the FAA, such act even if done partially in Singapore and partially outside Singapore, would constitute an offence under Section 339(1) of the SFA and Section 90 of the FAA. There is no requirement for an extradition treaty or an investigation by INTERPOL for the extraterritoriality provision to kick in.

A prospective client, 66 years old housewife Jane, emails you to open a new account for USD 11 million with your bank.

Perform a search on Jane on a public website to verify her identity and credentials.

What is the first thing you should do as part of the onboarding process for Jane?

Ask Jane about the purpose of the account to be opened and the source of her funds.

Find out about Jane's investment objectives and inform her of the various investment products available.

Trace through Jane's family history and identify all her family members for due diligence checks.

Explanation: One of the main objectives of KYC is to prevent the Covered Entity and its Covered Persons from being misused for money laundering, terrorist financing, and the conduct of other criminal activities. Therefore, for onboarding Jane, the first step should be to ascertain the purpose for opening the account and the source of funds. Subsequently, identification and verification may be conducted through reliable sources. Her investment objectives will be relevant at a later stage, after opening the account.

Which of the activities mentioned below serve as red flags that indicate potential involvement in terrorism financing?

A philanthropist makes periodic donations to local hospitals.

An entrepreneur makes periodic donations to a military school in a remote country.

A businessperson makes payment to suppliers in monthly fixed amounts for raw materials.

A teacher contributes actively to a local charity to fund the education fees of the needy.

Explanation: Contributions to a military school in a remote country should be considered a red flag in the context of terrorism financing. Donations to local hospitals or charities, or business payments to suppliers cannot normally be considered red flags.

Which of the following statements about the common reporting standard (CRS) is/are TRUE?

The CRS has been endorsed by the Global Forum for Transparency and Exchange of Information for Tax Purposes.

The CRS builds on the US Foreign Account Tax Compliance Act (FATCA) reporting regime.

The CRS does not cover the client due diligence procedures to be followed by FIs.

The CRS sets out the different types of accounts and taxpayers covered for automatic exchange of information.

Explanation: (Chapter 3.5.7) The CRS is an internationally agreed standard for AEOI on financial account information, endorsed by the OECD and the Global Forum for Transparency and Exchange of Information for Tax Purposes. The CRS sets out the financial account information to be exchanged, the financial institutions (FIs) required to report, the different types of accounts and taxpayers covered, as well as the client due diligence procedures to be followed by FIs. The CRS builds on the United States Foreign Account Tax Compliance Act (FATCA) reporting regime to maximise efficiency and reduce costs for implementing jurisdictions and their FIs.

A Covered Person must ___ when carrying out introducing activities.

- account for client's money collected on trust
- provide recommendations on investment products
- provide investments advices
- disclose the amount of remuneration if requested by the client

Explanation: (Chapter 3.2) A Covered Person must disclose the amount of remuneration (if requested by the client) when carrying out introducing activities.

A client under investigation for money laundering instructs a Covered Person to wire money to an overseas account. What should the Covered Person do?

- Decline the request, citing the ongoing investigation
- Consult relevant department for advice
- Pass the wire transfer instruction to a colleague who is unaware of the ongoing investigation
- Wire the money as instructed because the client is innocent until proven guilty

Explanation: (Chapter 3.3) Since the client is under investigation, it is advisable for the CP to consult his relevant department for advice.

John works for KLG Bank as investment adviser for its accredited investor clients. Jane approaches KLG for opening a trading account. Jane submits the account opening documents and details of the businesses that she owns or operates. In the context of background screening of parties linked to Jane, which of the following statements is TRUE?

- John should screen only those parties whose names are listed in the account opening documents.
- John should screen individual benefactors contributing to Jane's wealth.
- John should only use the names of the parties in official documents for screening, and not screen the parties based on their aliases.
- While manually screening the parties, John should only use the names of the parties in the exact sequence as they appear in the submitted documents.

Explanation: (Chapter 3.5.2 and Guidance on Private Banking controls, MAS Information Paper, 2014) Parties to be screened should not be limited to names listed in the account opening documents only, but should include parties connected to the account, such as operating companies and individual benefactors contributing to the customer's and/or beneficial owner's wealth/funds. When performing background screening, financial institutions should include the aliases of all parties associated with the account. For institutions with systems that are unable to perform automatic name permutations when searching for name matches, they should ensure that their staff are properly trained and made aware of the importance of varying the sequence of the names to be screened manually.

Max is a childless multi-millionaire. He had set up a Trust in Singapore to benefit his 17 nephews and nieces equally for estate planning purposes. One of the nephews John recently became a prominent politician in Vietnam. Max intends to invest in a house in Vietnam after attending a real estate exhibition. He is requesting for a low-interest loan from your firm using his existing investment portfolio as the collateral. Should enhanced due diligence be conducted for Max?

- Yes, because Max is a close associate of John, who is a PEP.
- Yes, because Max is considered a PEP now.
- No, because Max set up the trust before John became a PEP.
- No, because the trust has several beneficiaries who are not PEPs.

Explanation: (Chapter 3.5) Max is a close social associate of John, who is a PEP. Therefore, risk-based ECDD should be conducted to ascertain the risks of ML or TF in the transaction. Being a close associate of a PEP does not make Max a PEP. Do you think it's possible that Max's wealth came from the political influence of John, and ill-gotten funds could be laundered somehow into John's or John's close associates' hands? The answer should be a resounding yes, so Max should definitely be subjected to ECDD.

Upon discovering that your client has engaged in multiple transactions that raise suspicions, what actions are expected of you as a Covered Person?

- Collaborate with other banks to determine if the client had entered into any similar suspicious transactions in the last 3 years.
- Make further inquiries and investigations into the suspicious transactions to determine if a Suspicious Transaction Report should be made.
- Ask the client to stay within the jurisdiction in case there are investigations or interviews concerning these transactions.
- Suspend the client's account immediately and terminate any live transactions in order to facilitate a full review of the client's portfolio.

Explanation: Collaboration with other banks, asking the client, or suspending the client's accounts will tip off the client. Therefore, the covered person should make further inquiries and investigations into the suspicious transactions to determine if a Suspicious Transaction Report should be made.

Which of the following may be considered as cross-border activities?

- Organising and participating in marketing events in another country.
- Providing account statements to clients in another country.
- Providing advice on trusts to prospective clients in another country.
- All of the above

Explanation: (Chapter 3.3) Organising and participating in marketing events in another country, providing account statements to clients in another country and providing advice on trusts to prospective clients in another country are all considered cross-border activities.

Under the Common Reporting Standard (CRS), a person owning more than _____ may be deemed to have a controlling ownership interest in the legal person.

33%
50%
25%
15%

Explanation : (Chapter 3.5.7) Under the CRS, controlling ownership interest depends on the ownership structure of the legal person and is usually identified on the basis of a threshold applying a risk-based approach (e.g., any person(s) owning more than 25% of the legal person) (please refer to cmfas.app/irascrs for more info).

Which among the following signs serve as indicators that could initiate the submission of a Suspicious Transaction Report?

- Multiple purchases of securities that are falling in value on the stock exchange.
- Payment in large third-party cheques endorsed in favour of the client.
- Cash deposited at one location is withdrawn at another location almost immediately.
- Repeated transfers of large amounts of money abroad with instructions to pay the beneficiary in cash.

Explanation : Multiple purchases of securities that are falling in value on the stock exchange could be a part of legitimate trading (e.g., covering a short position). Such transactions cannot be considered suspicious. The other three options mention suspicious transactions.

John works for KLG Bank as an investment adviser for its accredited investor clients. John has been providing investment advice to Jane for the past 3 months. Being a relatively new account, John is monitoring the transactions closely. John wants to verify Jane's source of wealth from time to time. In this context, which of the following statements is/are TRUE?

- John can visit Jane's business offices to confirm whether such businesses exist.
- If KLG's head office has already verified Jane's source of wealth at some point, there is no need for additional verification by John.
- If KLG has a real-time database of rejected clients for the entire group, John may access the same for information.
- John can simply believe what Jane says about her sources of wealth unless there are negative media reports about Jane or her businesses.

Explanation : (Chapter 3.5.1 and Guidance on Private Banking controls, MAS Information Paper, 2014) Financial institutions generally perform independent verification measures on the source of wealth to check the information provided by the clients. Methods such as site visits (e.g., visit to client's business establishments) can help in the confirmation of some of the information provided. The financial adviser should not simply accept the opinion of the head office on any client. Covered entities may maintain a live group-wide database of rejected and undesirable customer names that can be accessed by all entities in the group.

A new client submits his passport for account opening. The passport is due to expire in 3 months. What should you do?

- Reject the account opening
- Proceed with account opening and monitor client in providing updated passport
- Open the account but freeze it till client submits renewed passport
- File an STR

Explanation : (Chapter 3.5.3) On-Going Monitoring is the process that reviews periodically the adequacy of client information. Updating expired passports falls under this. In this scenario, the passport has yet to expire.

Mr. Philip, a Singaporean, resides in the Philippines where he runs a weapon related business. He wants to open an account in Singapore and requests that you travel to the Philippines to tell him about the investment services that your bank can offer.

Does this amount to engaging in cross-border activities?

- Yes, because the service will be provided to Mr. Philip in another country
- No, because Mr. Philip wants to open an account in your home jurisdiction
- No, because Mr. Philip is a Singaporean
- Yes, because Mr. Philip's business is in a sensitive industry based overseas

Explanation : Cross-border activities generally refer to the provision of wealth management or other private banking services by a Singapore Covered Entity to clients or prospective clients in another country. Therefore, travelling to the Philippines to open Mr. Cannon's account or to tell him about investment services is a cross-border activity.

The Covered Person must screen a customer when the covered entity undertakes any transaction of a value exceeding _____ if the customer has not otherwise established business relations with the bank.

S\$50,000
S\$10,000
S\$20,000
S\$25,000

Explanation : (Chapter 3.5) The transaction value should exceed S\$20,000 for the mandatory screening of the customer to be done.

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Which of the following statements are TRUE? The content of the advertisements published, circulated or distributed by a covered entity:

May not make references to past recommendations which were profitable.

May not refer to a list of all recommendations made by the covered entity or covered person at least one year before such advertisement.

May represent that the formulas shown in the advertisement can help any person to make accurate investment decisions.

Cannot contain misleading information.

Explanation : (Chapter 3.2) The advertisements MAY refer to a list of all recommendations at least one year before the advertisement and MAY NOT represent that the formulas shown in the advertisement can help any person to make accurate investment decisions.

Mr. Philip, a Singaporean, resides in the Philippines where he runs a weapon related business. He wants to open an account in Singapore and requests that you travel to the Philippines to tell him about the investment services that your bank can offer.

What additional steps must be taken as part of the KYC to mitigate the risk of the covered entity being misused for money laundering and other criminal activities?

Require Mr. Philip to complete a profile assessment to determine his source of wealth and funds, and business interests

Request Mr. Philip to provide an undertaking that he has complied with all the relevant laws in Singapore and the Philippines

Conduct a thorough background check on Mr. Philip's family as well as the senior management personnel in his business

Carry out checks in the Philippines business community to be sure that Mr. Philip is not engaged in any suspicious activity

Explanation : Details about Mr. Philip and his businesses must be obtained, especially because he is in the ammunition manufacturing business. A personal undertaking from Mr. Philip or details about his family or opinion of the relevant business community may not help reduce ML/TF risks which are directly related with Mr. Philip.

A bank may rely on a third party financial institution (as defined in MAS Notice 626) to perform EDD measures if:

the third party has no direct link with the customer.

the third party is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF.

it is an outsourcing arrangement.

the bank believes that the third party is reliable.

Explanation : (Chapter 3.5.1 and MAS Notice 626 & Guidelines to MAS Notice 626, Paragraph 9 – Reliance on Third Parties) In contrast to a third party reliance scenario, the outsourced service provider performs the CDD measures on behalf of the bank in accordance with the bank's AML/CFT policies, procedures and standards, and is subject to the bank's control measures to effectively implement the bank's AML/CFT procedures. A bank may rely on a third party to perform EDD if the bank is satisfied that the third party is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF, and has adequate AML/CFT measures in place to comply with those requirements.

What should be the most appropriate subsequent action for a Covered Entity once a Suspicious Transaction Report (STR) has been submitted?

Report the matter to the commercial affairs department for further investigation.

Notify the client that their account has been brought to the attention of the authorities.

Suspend the client account until further instruction from the Suspicious Transaction reporting officer.

Review the risk classification of the client or the business relation with the client.

Explanation : The STR is filed with the Commercial Affairs Department. After filing the STR, the Covered Entity should ensure that appropriate action is taken to adequately mitigate the risk of the Covered Entity being used for ML/TF/PF activities. This may include strengthening its AML/CFT processes, a review of either the risk classification of the client, or the business relations with the client. Appropriate action should be taken, including escalating the issue to the appropriate decision making level, taking into account any other relevant factors, such as cooperation with law enforcement agencies. Notifying the client or suspending his account will tip off the client.

Which of the following statements are TRUE about Know Your Client (KYC) process?

The KYC process must be performed to clearly understand and gather relevant information about prospective clients.

The KYC process ensures that all paperwork and administrative processes are fully completed to know the client.

The KYC process aims to protect CE from being misused for money laundering, terrorist financing purposes or other crimes.

Without the KYC process, CE become subject to reputational and operational risks, which may cause significant financial losses.

Explanation : The KYC process is not to be confused with Needs Analysis. KYC is a due diligence process for AML/CFT purposes.

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Examples of cross border activities of Covered Entities include:

- Organising and participating in marketing events in foreign countries.
- Travelling to foreign countries to meet prospective clients.
- Providing advise on investment products to prospective clients in a foreign country.
- Providing account opening documentation to clients in foreign countries.

Explanation: (Chapter 3.3) Organising and participating in marketing events in foreign countries, travelling to foreign countries to meet prospective clients, providing advise on investment products to prospective clients in a foreign country, and providing account opening documentation to clients in foreign countries are all examples of cross-border activities.

John is a Covered Person working with ABC Limited (the covered entity). Jane an HNWI approaches John for wealth management advice. Jane runs a few restaurants in Singapore. During discussions it is evident that Jane intends to make cash payments for trading and investment purposes. She seems to be unusually well-versed with the rules regarding suspicious transactions reporting. Jane is onboarded and continues to transact, with several cross-border wire transfers under \$1,000. Further, she also invests in listed shares, often by making cash deposits with ABC. One of the remittances (\$19,000) into Jane's account from Philippines raises suspicion of ML and ABC files an STR. Meanwhile, another inward remittance (\$50,000) is received from the US into Jane's account. What should John do?

- File another STR immediately even if the circumstances do not raise suspicion of ML/TF.
- Tell Jane that an STR has been filed for a previous transaction and ABC cannot accept another remittance.
- Disallow any new transaction in Jane's account pending completion of investigations by the police.
- Return the money to Jane pending completion of investigations by the police.

Explanation: (Chapter 3.5.4) Since the client is in a cash-intensive business and her unusual knowledge about STR rules raises suspicion, it is important to watch the account activity carefully. After the filing of an STR, another STR need not necessarily be filed, unless there is suspicion of ML/TF. However, new transactions may be prohibited pending completion of investigations by the police. John cannot inform (tip-off) Jane about the pending investigation/STR.

Singapore Bank XYZ refers Client A to a Covered Person for wealth management services. The Covered Person:

- is allowed under the MAS Notice to rely on the CDD measures Bank XYZ has done on Client A, provided that Bank XYZ satisfies the requirements of an 'intermediary' under the MAS Notice
- must conduct CDD on Client A again as he is not allowed to rely on the CDD done by Bank XYZ
- must rely on the CDD conducted by Bank XYZ unconditionally
- None of the above

Explanation: (Chapter 3.5) CEs may rely on third parties to perform the CDD measures provided that certain requirements are satisfied.

Ever since Paul, the new owner, bought over the pizza business, the bank is seeing triple the monies being deposited as compared to when the pizza company was run by the previous owner, Gio. The operation of the business's account has also become very different. What course of action should you take?

- Inform Gio that you are very concerned with the operation of the account
- Inform the Compliance Department of your suspicion, but not inform anyone else for the time being
- Inform your immediate superior and let them decide on the next course of action
- Immediately file a suspicious transaction report with the MAS

Explanation: Informing a client could trigger the offence of tipping-off. Potential ML/FT activities and suspicious transactions must be reported to Compliance. You only obtain approval from senior management on whether to establish or continue business relations with a client that's a PEP or closely related to a PEP. A STR is not made to the MAS but to the STRO.

Under the Securities and Futures Act (SFA), should a covered entity circulate an advertisement to prospective clients, prepared by them for the distribution by Covered Persons, that references a specific list of profitable recommendations from the past 12 months regarding the capital market services they offer?

- No, because the advertisement should contain a chart which can be used by readers to determine which product to buy
- No, because the advertisement must refer to a list of all recommendations made at least one year before the date of publishing
- Yes, because the advertisement provides proper disclosure of the track record of recommendations made in the last 12 months
- Yes, because the advertisement does not make any predictions or references to the future performance of investment recommendations made by the covered entity

Explanation: The advertisement may contain a list of all recommendations (profitable or not) covering at least one year before the advertisement.

Which of the following statements regarding the performance of client due diligence (CDD) process by a covered entity is FALSE?

- A covered entity cannot rely on an intermediary for CDD and has to do it himself or get it done by its covered person
- CDD is an on-going process and customer information should be reviewed from time to time to ensure its adequacy
- Both A and B
- None of the above

Explanation: (Chapter 3.5) CEs can rely on an intermediary for CDD.

Under the common reporting Standard (CRS), an Entity is a Related Entity of another Entity if, inter-alia:

- the two entities are not controlled by the same person.
- both entities are professionally managed investment entities.
- the assets of the two Entities are managed by different persons.
- the person managing both the entities complies with the CRS due diligence requirements with respect to the Financial Accounts it maintains.

Explanation: (Chapter 3.5.7) Under the common reporting Standard (CRS), an Entity is a Related Entity of another Entity if: One Entity controls the other Entity, the 2 Entities are controlled by the SAME person, OR if all the following conditions are satisfied with respect to the 2 Entities: Both Entities are professionally managed (Type B) Investment Entities as described in Section 5.5 of this e-Tax Guide, the assets of the two Entities are managed by the SAME person, and the person managing the entities complies with the CRS due diligence requirements with respect to the Financial Accounts that the two Entities maintain (please refer to cmfas.app/irascrs for more info).

You are a Covered Person working for PQR Limited (a covered entity). A reputed client Jane receives a wire transfer of USD20,000 in her bank account from LMN Bank in Hong Kong. On checking you realize that the money has been sent by James, a designated Iranian national. What should you do?

- Allow Jane (a reputed client) to use the money for trading after obtaining a declaration from her that the funds are from legitimate sources.
- Freeze the funds immediately.
- Allow the account to be used because the money is from a safe jurisdiction, but monitor the account closely.
- File a suspicious transaction report immediately.

Explanation: (Chapter 3.4.3) PQR must freeze the funds without delay and file a Suspicious Transaction Report because a designated individual is involved in the transaction.

What are the necessary actions that a Covered Entity needs to execute when conducting Enhanced Client Due Diligence (ECDD) specifically for Politically Exposed Persons (PEP)?

- Obtain approval from senior management to establish business relations with politically sensitive personnel.
- Increase the degree and nature of monitoring of transactions for the client.
- Corroborate the client's source of funds by appropriate and reasonable means.
- Require the client to provide a bond for overseas wire transfers and cash transactions.

Explanation: There is no need to ask the client to provide a bond for overseas wire transfers and cash transactions. The actions mentioned in the other three options must be taken.

It is a crime to let someone who is under investigation know that he is being investigated, regardless whether you are intentionally (or not) doing so to aid him in his evasion of investigation or arrest. Tipping-off is a crime that falls under the:

- Securities & Futures Act
- MAS Notice 626
- Banking Act
- CDSA

Explanation: It is an offence under the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (a.k.a CDSA) or Terrorism (Suppression of Financing) Act (a.k.a TSFA) for any persons to tip off another person that a Suspicious Transaction Report or police report has been made or provide any other information to another person that will prejudice investigation or proposed investigation.

Ms. Jane, who is your client, has made a request for a cross-border telegraphic transfer involving an amount exceeding \$2,000 in funds. In your capacity as her banker, what specific measures should you undertake to ensure comprehensive due diligence is conducted prior to proceeding with her request?

- Do Enhanced Due Diligence on the beneficiary.
- Record the type and amount of currency involved in the wire transfer.
- Identify and verify the wire transfer originator.
- Record the address of the wire transfer originator.

Explanation: In a cross-border wire transfer where the amount exceeds S\$1,500, the Covered Entity that is an ordering institution must, inter-alia, record the type and amount of currency involved and record the address of the wire transfer originator. There is no requirement to conduct ECDD on the beneficiary. Also, since Ms. Jane is an existing client, there is no need to identify and verify her (presuming that such action has already been completed).

In a cross-border wire transfer where the amount exceeds S\$1,500, the covered entity that is an ordering institution must include in the message or payment instruction that accompanies the wire transfer:

- The date and place of birth, incorporation or registration of the wire transfer originator
- The wire transfer originator
- Transfer beneficiary
- All of the above

Explanation: (Chapter 3.5) The date and place of birth, incorporation or registration of the wire transfer originator, the originator and the transfer beneficiary details are required in a cross-border wire transfer for an amount greater than S\$1,500.

CACS PAPER1 CH3

When must a Covered Entity screen its customers, natural persons appointed to act on behalf of a customer, connected parties against relevant Money Laundering / Terrorist Financing lists?

Soon after business relations are established

Before business relations are established

When there are changes to the beneficial owner of the customer

When there are changes to the lists or the information provided to the Covered Entity by the FATF

Explanation: It is unlikely to have the information required to perform screening before business relations are established.

Marketing material _____ can be construed as deliberate misrepresentation by a Covered Person and will mislead readers.

that does not comply with the Covered Entity's corporate template
with excessive legal disclaimers
with inaccuracies or outdated info
detailed pricing information

Explanation: (Chapter 3.2) The marketing material should provide accurate and current info, else it may be considered misrepresentation.

Felicia is your client who has all the while invested in a combination of stocks and bonds. You are doing a portfolio review with her, during which she expresses her interests in trading in oil futures as she is of the view that oil prices will rise.

At the time of the review, the price of oil increased. How should you proceed?

Investigate whether Felicia is knowledgeable in trading of futures

Tell Felicia that this is an opportunity and the oil price are likely to increase

Conduct a due diligence to ensure oil futures is suitable for Felicia

Advise Felicia that futures contracts are risky and inform her of the risks involved

Explanation: This seems to be the first time Felicia invests in futures, and she seems to be doing so only because she harbours a judgment about oil price movement, which is hardly supported by any solid analysis. The SFR requires Covered Person to provide the client with a separate written risk disclosure document and obtain a signed and dated acknowledgement from the client that he/she has received and understood the nature and contents of the risk disclosure document. Although C sounds plausible too, D is a better answer because the focus should be on the risk, rather than the suitability, of going into oil futures.

Jane is a HNWI and owns and operates a chain of restaurants in Singapore. She receives USD 1 million from a charitable organisation in Europe and asks her financial adviser John to invest the money in highly-liquid equity ETFs trading on the SGX. Jane invests in shares and ETFs in large amounts regularly. John should:

Comply with Jane's request based on her transaction history, financial standing, and risk profile.

File a Suspicious Transactions Report immediately without informing Jane.

Comply with the request but ask her to confirm in writing that she will sell the ETFs only after one year.

Ask Jane to explain her relation with the charitable organisation and the reason why she is investing such funds in ETFs.

Explanation: (Chapter 3, Section 3.5) Such a large amount of funds coming from a charitable organisation in Europe should raise suspicion of ML/TF. John should ask the relevant questions so that he can understand the nature of the transaction and file an STR if he is not satisfied with the reply.

John is a client of KLG Bank. John receives \$4.8 million in his account with KLG and immediately transfers the funds to Iran. In this context, which of the following statements is TRUE?

KLG should have screened the recipient before the transfer to avoid transfer to designated entities or individuals.

KLG need not bother because the funds were immediately transferred overseas.

KLG should ask John to confirm that the money will not be used for TF.

John has every right to transfer his money abroad.

Explanation: A Covered Entity must screen all wire transfer originators and wire transfer beneficiaries, against lists and information provided by MAS and any other relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks. The results of screening and assessment by the Covered Entity must be documented. It is obvious that KLG did not screen the beneficiary and may have allowed transfer to a designated entity or individual or a specified person. Please refer to Financial Services and Markets (Sanctions and Freezing of Assets of Persons - Iran) Regulations 2023.

What action is used by criminals to conceal the origins of funds obtained through criminal activities? This involves creating intricate layers of financial transactions in order to obscure the true source of the funds.

Placement

Layering

Masking

Integration

Explanation: Layering is the separation of these benefits from their original source by creating layers of financial transactions designed to disguise the ultimate source and transfer of these benefits.

Before marketing financial products in a foreign country, what is the initial consideration that a covered entity must undertake?

The difference in risk appetite of the market segment that you intend to market to.

Whether your financial institution has a branch in the foreign country to facilitate the sale

Whether the foreign country has a comparable clearing system for financial products.

Whether there are any laws regulating such marketing activities in that country.

Explanation: There is a risk that Covered Entities or their Covered Persons may incur regulatory or other liabilities when conducting cross-border activities if the appropriate licences or permissions are not obtained. Therefore, before marketing any financial product in a foreign country, a covered entity must consider the local laws regulating such marketing activities in that country.

John is a Covered Person working with ABC Limited (the covered entity). Jane, a 72 year-old HNWI has been a client of John for 5 years and has so far been investing regularly in government bonds and high-grade corporate bonds. She recently changed to investing \$1 million in small-cap companies for high returns. John's previous suspicion of her mental capacity has been proven to be a false alarm as Jane had just been certified to be mentally healthy by her doctor. Today, Jane has 3 instructions to John:

1. Liquidate the stocks, regardless of profit or loss
2. Buy \$600K in one specific penny stock tomorrow morning before market opens
3. Wire the remaining proceeds to 3 charities based overseas, with each transaction split into \$19,000 each.

What should John do?

Carry out Jane's instructions since she has been proven to be of sound mind.

Escalate the matter to the compliance department for filing an STR.

Conduct a review with Jane of her new financial plans and record down the details of the discussion.

Perform ongoing monitoring, and check for existence of or change in beneficial owner

Explanation: (Chapter 3.5.3) Although there is no mental capacity to worry about, the unusual acts of Jane can possibly raise AML/CTF concerns. For example, there could be a new beneficial owner controlling her to carry out the instructions, or she could be influenced or cheated to donate for a cause that is set up by a terrorist group. The instructions to split transactions to \$19,000 looks fishy and possibly to evade AML detection, so an STR should be filed. As per usual, if there is unusual request it should be recorded down in a report for future reference. Performing ongoing monitoring could reveal more clues such as whether Jane has married someone new, changed citizenship or religion etc.

John works for KLG Bank as a relationship manager of its accredited investor clients. John provides investment advice to Jane. Since Jane has been KLG's client for 5 years, John has built a good rapport with her. He has Jane's personal mobile numbers, including those not in the official records of KLG. Jane is a short-term trader, with extensive knowledge of trading in futures and options. She is often referred to as "Smart Fox" by John because of her trading acumen. Jane often provides trading instructions by email or fax. She also provides urgent instructions over the phone. In this context, which of the following statements is TRUE?

John may verify the fax instructions solely by matching the signatures with those in KLG's records.

John should call back Jane whenever any email instruction is received.

Since Jane is a long-term client, John need not obtain any indemnity from Jane for executing faxed instructions.

In case of any doubt about the details of the instructions, John can call on Jane's personal mobile number, even if such number is not in KLG's official records.

Explanation: (Chapter 3.5.2 and Guidance on Private Banking controls, MAS Information Paper, 2014) Financial institutions should not rely on signature verification as the sole means to validate customer instructions, especially for high fraud risk transactions. Financial institutions should also ensure that they have obtained the necessary indemnities from their customers before acting on their fax/email instructions. The numbers dialed for the call-backs should not be based on the RM's own records. Registered contact numbers maintained in the financial institution's official records should always be used.

Which of the following is a breach of the advertising requirements?

Providing references to your past recommendations which have been profitable

Indicating that a report will be provided free of charge when that is the case

Showing the maximum potential returns case and the basis on which it is compounded and the worst-case outcome

Including a formula that can be used to determine the price at which to buy a product together with an appropriate disclaimer

Explanation: It's disallowed to show only past recommendations which were profitable but leaving out those which were unprofitable.

A prince of Bhutan has reached out to your Singapore-based bank with the intention of initiating a current and investment account. In your role as a senior banker responsible for handling these accounts, what is the suitable course of action for you to follow as a private banker?

Avoid establishing any business relationship with this prospective client as he is a politically sensitive person.

Perform enhanced Customer Due Diligence measures for this prospective client as he is politically exposed.

Perform simplified Customer Due Diligence measures for this prospective client due to his reputable status.

Skip the Customer Due Diligence measures for this prospective client due to his reputable status.

Explanation: Enhanced CDD (ECDD) measures are expected for clients, business relations or transactions which present a higher risk for money laundering and terrorist financing and Politically Exposed Persons (PEPs).

What are the requirements under MAS Notice 626 for accounts involving PEPs?

Conduct enhanced monitoring of the business relations with the client on an ongoing basis.

Establish the source of funds of the PEP

Establish the source of wealth of the PEP

Proceed on all transactions through the account except for investment related transactions

Explanation: Investment transactions must be routed through the account. The other statements are true.

John and Jane are married. John has an account with XYZ bank where you are in a client-facing role. John has appointed Jane to pass on information to you when he is not around. Jane calls you asking for John's account number and other details because her brother wants to transfer some money to John. Should you disclose the account information?

No, because Jane is not authorised to receive any account information.

No, unless Jane's brother confirms in writing that he will transfer money to John.

Yes, because Jane is John's wife.

Yes, because it seems that John trusts Jane.

Explanation: Jane is authorised to only pass on information to the bank. Jane is not authorised to receive any information.

What is the term for the stage of money laundering in which funds re-enter the financial system, giving the appearance of being legitimate funds?

Placement

Integration

Segregation

Layering

Explanation: Integration is the provision of apparent legitimacy to the benefits derived from criminal conduct. If the layering process succeeds, the integration schemes place the laundered funds back into the economy so that they re-enter the financial system appearing to be legitimate funds.

Enhanced customer due diligence is required in case of politically exposed persons (PEP). Which of the following persons can be considered PEPs?

A high ranking bureaucrat of the Singapore government.

A senior politician of a foreign government holding prominent public position in that country.

A corporation which is known to fund a political party in any country.

Close associates of all politicians in Singapore.

Explanation: (Chapter 3.5.2) Being politically exposed means that the person (a natural person) is performing or has performed roles held by a head of state, a head of government, government ministers, senior civil or public servants, senior judicial or military officials, senior executives of state owned corporations, senior political party officials, members of the legislature and senior management of international organisations. A close associate of a PEP is not a PEP, although EDD may be required for such a person. A corporation (not being a natural person) cannot be considered a PEP.

Which of the statements provided below are TRUE in relation to the Know Your Client (KYC) process?

Without the KYC process, Covered Entities can become subject to reputational and operational risks, which may incur financial costs.

The KYC process aims to prevent Covered Entities from being misused for purposes of money laundering and terrorist financing.

The KYC process ensures that all relevant paperwork and administrative processes are duly completed to serve the client's needs.

The KYC process must be performed to identify, understand and gather relevant information about the prospective client to provide holistic solutions.

Explanation: The KYC process is a vital due diligence process that must be performed in order to identify, understand and gather relevant information about a prospective client before on-boarding him/her. KYC is an important process to enable Covered Entities to know the clients with whom they are dealing. Without such due diligence, Covered Entities can become subject to reputational and other risks, which can result in significant financial cost. One of the main objectives of KYC is to prevent the Covered Entity and its Covered Persons from being misused for money laundering, terrorist financing, and the conduct of other criminal activities. KYC is not AIMED at completing paperwork or completing administrative processes.

"Tipping-off" a customer that his account is under monitoring and investigating for suspicion of ML/TF is a criminal offence under:

The CDSA

The FAA

The MAS Act

MAS Notice 626 on Prevention of ML/TF

Explanation: Tipping off is an offence under section 48 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act.

When a Covered Person is carrying out introducing activities on behalf of the covered entity, he must disclose:

That the activities are being carried out on behalf of the covered entity.

That the covered entity acts for one or more introducees.

Whether he or the covered entity will be remunerated for the introducing activities by one or more introducees.

The amount of remuneration, if any, paid by the introducee to him or the covered entity, if so requested by the client.

Explanation: (Chapter 3.2) The CP must disclose that the activities are being carried out on behalf of the CE, that the covered entity acts for one or more introducees, whether he or the CE will be remunerated for the introducing activities by one or more introducees, and the amount of remuneration (if any) paid by the introducee to him or the CE, if so requested by the client.

Max is a childless multi-millionaire. He had set up a Trust in Singapore to benefit his 17 nephews and nieces equally for estate planning purposes. One of the nephews John recently became a prominent politician in Vietnam. Max intends to invest in a house in Vietnam after attending a real estate exhibition. He is requesting for a low-interest loan from your firm using his existing investment portfolio as the collateral. Should enhanced due diligence should be conducted for Max?

Yes, because Max is a close associate of John, who is a PEP.

Yes, because Max is a PEP now due to John.

No, because Max set up the trust before John became a PEP.

No, because Max's Trust has 17 other equal beneficiaries who are not PEP.

Explanation: (Chapter 3.5.2) Max is a close social associate of John, who is a PEP. Therefore, risk-based EDD should be conducted to ascertain the risks of ML or TF in the transaction. Being a close associate of a PEP does not make Max a PEP. Do you think it's possible that Max's wealth came from the political influence of John, and ill-gotten funds could be laundered somehow into John's or John's close associates' hands? The answer should be a resounding yes, so Max should definitely be subjected to EDD.

When a Covered Person deals with clients or prospective clients located in another jurisdiction, he should be aware of which of the following?

That his dealings may trigger regulatory requirements in the relevant foreign jurisdictions

That his dealings outside Singapore are not subject to any regulatory requirements prescribed in SFA & FAA

That the returns of investment may be higher in foreign jurisdictions

All of the above

Explanation: (Chapter 3.3) The CP must be aware that his dealings may trigger regulatory requirements in the relevant foreign jurisdictions.

You have a client who owns an investment holding company. Recently, your client tells you that his investment vehicle has made some stock losses. Upon your account review of the company's transactions, you discover that there were 4 incoming telegraphic transfers from a company named KLG totalling USD 200,000.

Your client explains that the transfers were inter-company loans. Despite repeated requests to provide supporting documents, your client remains evasive. What should you do?

Notify your AML/CFT compliance officer

Give instructions to your assistant to do the necessary set up so that you can monitor the activity from home

Escalate the matter to your supervisor

Notify your client that you will need to file a Suspicious Transaction Report

Explanation: This scenario triggers the internal process when a suspicious transaction arises and the client has failed to provide adequate explanation for the red flag to be removed.

Which of the following statements regarding extra-territoriality of SFA and FAA is FALSE?

The SFA & FAA may have extra-territorial effect in respect of those acts done partly in Singapore, which, if done wholly in Singapore, would constitute an offence under the SFA and FAA

The SFA & FAA may have extra-territorial effect in respect of those acts done wholly outside Singapore, which, if done wholly in Singapore, would constitute an offence under the SFA and FAA

The extraterritoriality provisions in section 339 of the SFA are only relevant for acts done wholly in Singapore.

None of the above

Explanation: (Chapter 3.3) The SFA & FAA may have extra-territorial effect in respect of those acts done partly in and partly out of Singapore, or acts done wholly outside Singapore (subject to conditions), which, if done wholly in Singapore would constitute an offence under the SFA or FAA.

When a Covered Person deals with clients or prospective clients located in another jurisdiction, he should be aware of which of the following?

That his dealings may trigger regulatory requirements in the relevant foreign jurisdictions

That his dealings outside Singapore are not subject to any regulatory requirements prescribed in SFA & FAA

That the returns of investment may be higher in foreign jurisdictions

All of the above

Explanation: (Chapter 3.3) The CP must be aware that his dealings may trigger regulatory requirements in the relevant foreign jurisdictions.

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Which of the options listed below could be interpreted as an intentional effort by a Covered Person to engage in misrepresentation?

- Marketing material that does not comply with the firm's corporate design guidelines
- Marketing material with many legal disclaimers and exclusions
- Marketing materials with invalid data, inaccuracies, and outdated information.
- Marketing material with detailed pricing information printed on a separate page

Explanation: The use of obsolete marketing materials with invalid data, inaccuracies or out-dated information can be a cause of compliance violations. Poorly written emails sent to prospective clients containing exaggerated statements about the performance of a product can also be construed as deliberate misrepresentation by a Covered Person to deceive and mislead the recipients.

What responsibilities do individuals designated as Covered Persons hold in relation to the continuous monitoring of business transactions with a client?

- Correlating The conduct of the client account with the business and risk profile of the client.
- Providing legal advice on the legality and tax efficiency of client's intended transactions.
- Paying Particular attention to complex, unusually large or unusual patterns of transactions.
- Unwinding any legal structures set up by the client that may compromise transparency in the business relationship.

Explanation: Providing legal advice on the legality and tax efficiency of client intended transactions is NOT a part of ongoing monitoring. Also, the covered person cannot unwind any legal structures set up by the client that may compromise transparency in the business relationship. If it notices any such structures, it may make further inquiries and take appropriate actions.

Your existing client, Jane, is a Singaporean HNWI who has moved to New Zealand. You are invited to attend her child's wedding ceremony. Which of the following will NOT be considered to be cross-border activities?

- Jane requests me to bring the product documents to New Zealand for her to sign.
- Jane requests me to share political and economics news of Singapore.
- I attend the New Zealand branch of my employer to do marketing on prospective clients.
- While in New Zealand, Jane invites me to join her in a dinner appointment with her friends, who are prospective clients.

Explanation: (Chapter 3.3.3) Option A and C are clear-cut cross-border activities. B is clearly NOT a cross-border activity. D is not so clear-cut. You did not set out to travel to New Zealand to meet Jane's friends, and the dinner's purpose was not to introduce or market any financial products to Jane's friends. Furthermore, Jane's friends were deemed to be prospective clients only by virtue of you being Jane's adviser, not because you have prospected them in advance.

Which of the following statements best describe Proliferation Financing?

- Transporting unclear funds into a country for tax evasion purposes.
- Granting emergency funds to a sanctioned country for critical infrastructure projects.
- Transferring funds from one entity to another to disguise the origin of the money.
- Providing funds to procure biological weapons in contravention of national laws.

Explanation: Proliferation financing (PF) is the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, transhipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations. Evasion of tax or disguising the origin of money are not necessarily PF activities because they do not involve illegal involvement in nuclear, chemical or biological weapons trades/movements. Granting funds for critical infrastructure projects is also not PF because of the same reason.

Mr. Suharto is an Indonesian multi-millionaire. He is the Chairman of a large gold business headquartered in Jakarta with branches throughout Asia (including Singapore). Mr. Suharto has recently come to Singapore on a visit and has approached you to open a trading account in Singapore.

Does opening an account for Mr. Suharto amount to engaging in cross-border activities?

- No, as you are not providing services in another country.
- Yes, as Mr. Suharto's main business interests are outside of Singapore.
- Yes, as Mr. Suharto is not domiciled in Singapore.
- No, as Mr. Suharto is not seeking investment advice.

Explanation: Cross-border activities generally refer to the provision of wealth management or other private banking services by a Singapore Covered Entity to clients or prospective clients IN ANOTHER COUNTRY. Therefore, opening Mr. Suharto's account in Singapore, when he is in Singapore is not a cross-border activity.

Your client John is in the wine-making business. You (a Covered Person) notice that large inflows (>SGD 100,000) in John's account are not coming from the wine business. You approach the compliance department and an STR is filed. John tells you that he is expecting another large inflow (>SGD 200,000) into his account in a couple of days. In this context, which of the following statements is TRUE?

You do not need to do anything since an STR has been filed.

You should file another STR.

You should stop the inward and prevent the funds from being credited into John's account.

You should escalate the matter to the compliance department for necessary action.

Explanation: After an STR has been filed, the Covered Entity must take appropriate action to mitigate the risk of the Covered Entity from being used for ML/TF/PF activities. This may include strengthening its AML/CFT processes, a review of either the risk classification of the client, or the business relations with the client. The matter should be escalated to the relevant senior management. So, based on the information in the question, the CP should escalate to the compliance department again and wait for its decision. You cannot file an STR without going through the compliance.

Which of the statements provided below is TRUE concerning Covered Persons involved in offshore activities?

Covered Persons who have existing Singapore clients' accounts that are booked and managed offshore may trigger licensing issues under Singapore law.

Covered Persons who have existing Singapore clients' accounts that are booked and managed offshore may trigger licensing issues under foreign law.

Covered Persons who have existing offshore client's accounts that are booked and managed in Singapore may trigger licensing issues under foreign law.

Covered Persons who have existing offshore clients' accounts that are booked and managed offshore may trigger licensing issues under Singapore law.

Explanation: Where client accounts belonging to Singapore clients are booked offshore, this may raise licensing issues under Singapore law in respect of the offshore booking entity. In addition, when Covered Persons deal with accounts of offshore clients which are booked in Singapore, this may raise licensing or other regulatory issues for the Singapore Covered Entity and/or the Covered Person in the relevant offshore jurisdictions.

Under what conditions would the Covered Entity be obligated to carry out customer due diligence?

The Covered Entity establishes a business relationship with the client.

The Covered Entity facilitates a cross border transaction of \$10,000 for an established client.

The Covered Entity facilitates a cross border transaction of \$50,000 for an established client.

The Covered Entity facilitates a wire transfer of \$10,000 for a non-business client.

Explanation: CDD measures must be performed on a client when: The Covered Entity establishes business relations with any client, or undertakes any transaction of a value exceeding \$50,000 for any client who has NOT otherwise established business relations with the Covered Entity, or the Covered Entity effects or receives any funds by domestic wire transfer, or by cross-border wire transfer that exceeds \$50,000, for any client who has NOT otherwise established business relations with the Covered Entities, or if there is a suspicion of ML/TF. CDD is not required for cross-border transactions for established clients.

In the framework of the Common Reporting Standard (CRS), what does the "automatic exchange of information" refer to?

The unified standard operations and procedures for financial institutions dealing in securities and futures.

The permission for different jurisdictions to share information about suspected money laundering and terrorism financing.

The compliance of sanctions against jurisdictions on the blacklist of the Organization for Economic Cooperation and Development (OECD).

The regular exchange of financial account information between jurisdictions to detect and deter tax evasion.

Explanation: Automatic exchange of information (AEI) based on the CRS refers to the regular exchange of financial account information between jurisdictions for tax purposes, with the objective of detecting and deterring tax evasion by taxpayers through the use of Offshore Bank accounts.

When should CDD be performed?

When an account is established.

When there is a change in particulars of a customer.

When the FATF has made changes that affects the client.

Periodically.

Explanation: (Chapter 3.5.1) When the FATF has made changes that affect the client due to designating a country or jurisdiction as high risk, you should consider filing a STR under MAS Guidelines on Prevention of Money Laundering and Countering the Financing of Terrorism, not perform a CDD.

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Mr. RichMan is a prominent philanthropist and he wants to open a new account with your Bank. He tells you that he has charitable interests in many foreign countries and wants to set up a complex holding structure in offshore jurisdictions (such as Cayman Island) for his funds.

What should you do when on-boarding Mr. RichMan?

Evaluate whether the Cayman Island would be the most Tax efficient jurisdiction for Mr. RichMan to establish the holding structure

Skip Due Diligence measure when on-boarding Mr. RichMan as his funds are intended for charitable purposes

Recommend to Mr. RichMan other Charitable opportunities that he may wish to consider in Singapore

Screen Mr. RichMan against the relevant Authorized database and perform checks for adverse tax-related news on him

Explanation : Since Mr. RichMan intends to set up a complex holding structure in an offshore jurisdiction, it is important to screen Mr. RichMan against the relevant Authorized database and perform checks for adverse tax-related news on him. This step will help in ONBOARDING. One cannot skip CDD simply because he says that the funds are to be used for charitable purposes. Evaluation of the relevant jurisdiction or other charitable opportunities will not help at the on-boarding stage.

Thomas Tan is a Family Trust with KLG Limited as its sole trustee. The beneficiaries of the Trust are Jane (Thomas' wife), and their 2 kids John & Jill. Thomas is the CEO of a company X and earns 1.2 million USD per annum. He also owns 15% of X's shares. Thomas transfers his personal assets worth USD 4.8 million into the family trust. Company Z just bought 25% shares of company X for USD 5 million. Thomas transfers 10% shares of company X to the Trust and is left with a 5% stake. Jane is a house wife and doesn't have any income. John & Jill are employees of company X with annual salaries of USD 750,000 and USD 500,000. Which of the above persons or entities may be considered accredited investors?

Thomas
John
Jill
KLG

Explanation : Based on the annual income criteria (minimum SGD 300k), Thomas, John and Jill may be considered AIs. Jane (one of the beneficiaries) cannot be considered an AI. A trustee of a trust is considered an AI if the trust property exceeds \$10 million in value (or its equivalent in a foreign currency); OR all beneficiaries of the trust are AIs; or all settlors are AIs and have settlor reserved powers and revocation powers. Therefore, based on the information given in the question, KLG (the trustee) cannot be considered an AI. Note that the trust's assets total USD 4.8 million + (10/25)*USD 5 million = USD 6.8 million (<10 million).

If the customer appoints a natural person to act on his behalf in establishing business relations with the bank, the bank is required to:

Identify that natural person.

Verify the identity using reliable, independent sources.

Verify due authority of such persons to act on behalf of the client.

Verify the educational qualifications of such natural persons to check their suitability for acting on behalf of the client.

Explanation : (Chapter 3.5) The educational qualifications of such natural persons need not be verified.

Mr Chan, the son of a well-known tycoon wants to open an account with you. He sends a personal assistant Mr Lee to open the account. What should you do when carrying out client due diligence measures?

Check the business interests of Mr Chan and Mr Lee

Check the beneficial owner(s) of the account

Check Mr Lee's identity using independent source data

Check Mr Chan's full name, aliases and nationality

Explanation : Every client of a Covered Entity must be identified and verified. Info include full name, including aliases, ID number, addresses, DOB, nationality etc. The same is required for natural person acting on behalf in establishing business relations.

Which of the following statements about introducing activities is correct?

An introducer must not receive or deal with any money or property in relation to the introducing activities

An introducer who is not a Covered Person can act as an introducer for one or more introducees

An introducer who acts for more than one introducee should introduce the client to the introducee whose services he feels is the best

An introducer who is remunerated by the introducee must disclose the amount of such remuneration to the client, if requested by the client.

Explanation : An introducer should not get to pick an introducee as this will lead to conflict of interests since different introducees may remunerate differently.

A Covered Person receives an overseas call from a prospective client based overseas with a request to open a derivatives trading account. Which of the following is definitely TRUE?

The Covered Person needs to ascertain that the client is a sophisticated investor

There exist a risk of incurring regulatory or other liabilities due to cross-border activities

The Covered Person needs to only ascertain the client's experience in derivatives trading

The Covered Person cannot accede to the request as account opening must be done in person

Explanation : (Chapter 3.3) In such a situation, there is a risk of incurring regulatory or other liabilities due to cross-border activities.

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Which of the following should a Covered Person do before he/she establishes business with a company? 5 F *	<ul style="list-style-type: none">Identify family members of the directors of the companyIdentify the directors of the companyDetermine and identify the beneficial owners of the companyObtain written approval from MAS
	<p>Explanation : (Chapter 3.5) The family members of the directors usually need not be identified and approval of MAS is not required before establishing business with a company.</p>
Your client has been charged with bribery and is out on bail. What should you do? 5 F *	<ul style="list-style-type: none">File a STR on your own initiativeReview your client's transactions and account activityDo nothing and wait for the investigation officer to call youCall the investigating officer
	<p>Explanation : Since he has been charged with bribery, it is possible that his account with you might have been used to launder criminal proceeds. As such, you should review your client's transactions and account activity to detect money laundering. If suspicious transactions were found, suspicious transaction reports should then be filed. It is not indicative that the investigating officer (IO) will call you. It is also not required for you to call the IO unless you have anything relevant and specific to tell him.</p>
Which of the following regarding the Common Reporting Standard (CRS) is FALSE? 5 F *	<ul style="list-style-type: none">CRS is a program for jurisdictions to exchange information in order to combat tax offences.Singapore exchanged information under the CRS since September 2018.Customers who require Enhanced Due Diligence will be monitored under the CRS.None of the above is false.
	<p>Explanation : Chapter 3.5.7 : CRS is not related to the Enhanced Due Diligence process. The other statements are true.</p>
When engaged in introducing activities, what are the compliance requirements that a Covered Person must adhere to? 5 F *	<ul style="list-style-type: none">Safely keep the client's monies solely in relation to the financial product that the client wants to purchaseExplain that she can give advice but not make recommendations based on the investment products introducedDisclose that she is carrying out introducing activities on behalf of the covered entityProvide advice on collective investment schemes and not on investment products
	<p>Explanation : If a Covered Person is carrying out introducing activities on behalf of the Covered Entity, the Covered Person must disclose that: He is carrying out introducing activities on behalf of the Covered Entity; When carrying out introducing activities, he shall not give advice or provide recommendations on any investment product to the client; market any collective investment schemes; or arrange any contract of insurance in respect of life policies, other than to the extent of carrying out introducing activities. The Covered Person should not receive or deal with client's money or property in relation to introducing activities.</p>
Which of the following statements about verification of identity of customers by financial advisers is/are TRUE? 5 F *	<ul style="list-style-type: none">If verification of customer's identity remains incomplete 30 business days after establishment of business relations, the business relation should be terminated.If verification of customer's identity remains incomplete 120 business days after establishment of business relations, the business relation should be terminated.If verification of customer's identity remains incomplete 60 business days after establishment of business relations, the business relation should be suspended.If verification of customer's identity remains incomplete 30 business days after establishment of business relations, the business relation should be suspended.
	<p>Explanation : (Chapter 3.5.1 and Guidelines to MAS Notice 626, Paragraph 6-13) The financial adviser should suspend business relations with the customer and refrain from carrying out further transactions (except to return funds to their sources, to the extent that this is possible) if verification of customer's identity remains incomplete 30 business days after the establishment of business relations. If it remains incomplete after 120 working days, the business relationship should be terminated.</p>

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Which of the options provided below are categorized as cross-border activities?

A Covered Person accepts a local client's orders for investment products launched in Singapore.

A Covered Person provides its clients in Australia with account-opening documentation.

A Covered Person provides advisory services to clients that work in Singapore.

A Covered Person travels to Malaysia to advise clients on investment products.

Explanation: Providing account-opening documentation or account statements to clients in another country and providing advice on investment products, trusts and credit to clients or prospective clients in another country are examples of cross-border activities. Serving local clients in Singapore is not cross-border activity.

John, a tax evader, uses Western Union to buy a real estate which is on fire sale. Which of the money laundering stage does this fall into?

Placement

Layering

Integration

Cannot be determined

Explanation: The info provided is insufficient for a definite conclusion. It's Placement if the money used is freshly derived from criminal conduct, such as undeclared earnings in cash. It's Layering if buying the real estate is just one layer to mask the ultimate source of funds, though quite unlikely. It's Integration if the money used to make the purchase has already been laundered to appear legitimate. The fact of it being a 'fire sale' only suggest that the transaction price is lower than market price.

Upon knowledge of the money in a clients account being proceeds of a crime, the Covered Person should:

respect client's privacy and not disclose the info unless requested by the Police for the purpose of investigation
suspend or terminate the client's account immediately
inform the client to remove the money from the account
disclose the knowledge by submitting a STR

Explanation: (Chapter 3.5) An STR is required in such a situation.

In the context of continuous Client Due Diligence, what specific activities should a Covered Entity undertake to adhere to MAS Notice 626 concerning the Prevention of Money Laundering & Countering the Financing of Terrorism?

Pay special attention to complex, unusually large or unusual patterns of transactions.
Monitor the client's transactions and movements to jurisdictions which are considered tax havens.
Scrutinize the client's transactions undertaken throughout the course of business relations for consistency with the client's profile.
Conduct face-to-face meetings only when the client requests to do so to avoid raising suspicions.

Explanation: Conducting face-to-face meetings will help remain in touch with the client and help in mitigating ML/TF risks. The actions mentioned in the other options must also be taken.