



Circular No: 09/2024
30 Oct 2024

Traders and Declaring Agents

Dear Sir/Madam

ADVISORY: COMBATING TRADE-BASED MONEY LAUNDERING

This advisory reminds you on the existing reporting obligations under the Singapore's laws and the importance of adopting internal controls and procedures to prevent trade-based money laundering (TBML).

2 International trade is often complex, with interconnected supply chains spanning across multiple countries. It is subject to a wide range of risks and vulnerabilities that can be exploited by organised criminal groups, professional money launderers and terrorist and proliferation financing networks. The enormous volume of trade flows; the complex and diverse trade financing arrangements; and the commingling of legitimate and illicit funds make it challenging to detect suspicious trade and financial transactions.

3 TBML is defined as the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illegal origins or finance their activities. This can be achieved through the misrepresentation of the price, quantity or quality or type of imports or exports as well as the reuse of existing documents to justify payments for the same shipment of goods. TBML techniques vary in complexity and are frequently used in combination with other money laundering techniques (including front/shell companies) to further obscure the money trail. Given Singapore's status as a trading and transportation hub, including for transshipment, we face an inherent threat of TBML.

4 International typologies noted that Free Trade Zones (FTZs), which could include those providing storage facilities to store high-value objects (e.g. cultural artifacts, precious stones and metals etc.), may present ML/TF vulnerabilities. The large volume of goods passing through Singapore's FTZs could also increase Singapore's vulnerability to TBML and related risks. Customs had reviewed and revised our FTZ regime to further strengthen the safety and security of Singapore as a trade hub and deter TBML within our FTZs. In March 2024, we introduced a licensing regime for FTZ operators and mandated that these operators transmit advanced cargo information to Customs. This enhances the visibility and oversight of cargo flowing through Singapore and to prevent our FTZs from being misused for TBML and other illicit activities.

Obligation to Report Suspicious Transactions

5 Under Section 45 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992, all traders, including freight forwarders and declaring agents, have the legal obligation to file a Suspicious Transaction Report (STR) to the Suspicious Transaction Reporting Office (STRO) of the Commercial Affairs Department (CAD) if they know or have reasonable grounds to suspect that any property is connected to criminal activity, in the course of their trade, profession, business or employment. Failure to file a STR may constitute a criminal offence.

6 Traders also have the duty to provide information on property and financial transactions belonging to terrorist and acts of terrorism-financing under Sections 8 and 10 of the Terrorism (Suppression of Financing) Act 2002 (TSOFA) to the Police or to do so via a STR. Failure to do so may constitute a criminal offence.

Filing Suspicious Transaction Reports

7 A list of common indicators of suspicious activities is provided at **Annex A**. This list is not exhaustive and is meant to guide traders and declaring agents to assess the TBML risk of both existing and prospective clients.

8 Traders and declaring agents may submit STRs to STRO via the STRO Online Notices and Reporting Platform (SONAR): <https://www.police.gov.sg/sonar>. More details on STR filing can be found on STRO's website: <https://www.police.gov.sg/Advisories/Crime/Commercial-Crimes/Suspicious-Transaction-Reporting-Office>.

9 If you decide to file a STR on an activity identified as a result of, or described in this circular, please include the reference code "**SC-TBML-2024**" in the 'Reporting Institution' tab, 'Notice Reference Number' field in the STR form, to facilitate authorities' analysis.

Legal Obligation for Record Keeping and Retention of Documents

10 Under Section 90 of the Customs Act 1960 and Section 46 of the Goods and Services Tax Act 1993, traders and declaring agents are required to keep documents and records relating to the purchase, importation, sale or exportation of your goods for not less than five years.

Internal Controls and Procedures as Preventive Measures

11 Traders and declaring agents should adopt robust internal procedures to ensure that your businesses are not being used as a conduit for TBML. Some suggested preventive measures that you may wish to consider are:

- a) Know your customer checks: It is important for traders and declaring agents to verify the identities of their existing and new customers, and to identify and prevent customer risks. You may want to screen your customers against

customer screening databases and publicly available lists (e.g. 1st Schedule of the TSOFA and the relevant lists of designated persons pursuant to the United Nations Security Council on DPRK etc.) to determine if they are linked to any criminal activity.

- b) Carry out ongoing customer due diligence: It is also important for traders and declaring agents to monitor your business relations with clients on an ongoing basis. Depending on the risk profiles of your customers, the extent and nature of monitoring may involve:
- i) Scrutinising transactions undertaken in the course of the business relationship to ensure that the transactions are consistent with the knowledge of the client, its business and risk profiles and where appropriate, the source of funds;
 - ii) Paying special attention to unusual patterns of transactions that have no apparent or visible economic or lawful purpose;
 - iii) Ensuring customer information is kept up to date and relevant particularly for higher risk categories of clients and transactions; and
 - iv) To the extent possible, inquiring into the background and purpose of the transactions and documenting findings with a view to making this information available to the relevant authorities should the need arise.

12 You may wish to share this circular with your relevant stakeholders within the trading industry to raise their awareness of the importance of adopting internal controls and procedures as preventive measures against TBML.

Yours faithfully

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for Director-General of Customs
Singapore Customs

This circular is prepared with inputs from the Commercial Affairs Department, Ministry of Home Affairs and Monetary Authority of Singapore.

(This is a computer-generated circular. No signature is required.)

We hope that this circular has been written in a way that is clear to you. If not, please let us have suggestions on how to improve this circular at customs_documentation@customs.gov.sg.

Trade-Based Money Laundering Risk Indicators

A risk indicator demonstrates or suggests the likelihood of the occurrence of unusual or suspicious activity. The existence of a single indicator in relation to a customer or transaction alone may not warrant suspicion of TBML, nor will the indicator necessarily provide a clear indication of such activity, but it could prompt further monitoring and examination, as appropriate.

2 The below indicators are non-exhaustive and are meant to assist traders and declaring agents to assess the TBML risk of both existing and prospective clients. You may find more information on some of the TBML risk indicators at the Financial Action Task Force (FATF) website: <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Trade-Based-Money-Laundering-Risk-Indicators.pdf>

Client Behaviour Risks

- Client is registered or has offices in a jurisdiction with weak Anti-Money Laundering and Countering the Financing of Terrorism regimes, i.e. jurisdictions under the FATF's black/grey lists¹.
- Client appears to be using residential properties, without having a commercial or industrial space, with no reasonable explanation.
- Foreign directors of the client own a group of trade entities, registered for trading of various kinds of goods without specifications.
- Client lacks an online presence, or the online presence suggests a business activity that is inconsistent with the stated line of business.
- Owners or directors of client appear to be nominees acting to conceal the actual beneficial owners, e.g. they lack experience in business management or lack knowledge of transaction details, or they manage multiple companies.
- Client shares addresses with other entities, indicating a possible connection and/or third-party control, e.g. shell companies under the same nominee director.
- Client, or its owners or directors, appear in adverse news, e.g. past money laundering schemes, fraud, tax evasion, other criminal activities, or ongoing or past investigations or convictions.
- Client maintains few employees, inconsistent with its volume of traded commodities.

¹ <https://www.fatf-gafi.org/en/countries/black-and-grey-lists.html>

- Client has unexplained periods of dormancy or lack of business or operational activities.
- Client is a recently formed entity and engages in high-volume and high-value trade activity, e.g. an unknown entity suddenly appears and engages in trade activities in sectors with high barriers to market entry.

Transactional Risk

- Transactions are inconsistent with the stated line of business of the client, e.g. a car dealer is exporting clothing, or a precious metals dealer is importing seafood.
- Client's transactions and shipping routes are inconsistent with standard business practices, e.g. circuitous, through a number of jurisdictions without economic reasons, or inconsistent with normal geographic trade patterns.
- Client engages in complex trade deals involving numerous third-party intermediaries, e.g. excess payments disguised as other business payments to other entities.
- Payment is made by an entity other than the client with no clear economic reasons, e.g. by a shell or front company not involved in the trade transaction.
- Client makes very late changes to payment arrangements for the transaction, e.g. redirects payment to a previously unknown entity at the very last moment, or requests changes to the scheduled payment date or payment amount.
- Client's transactions increase in volume quickly and significantly, and then goes dormant after a short period of time.

Document and Commodity Risk

- Details provided by client for the commodity in trade documents have significant discrepancies, e.g. differing quantity, quality, volume, or value of the actual commodities stated on invoices and bills of lading.
- Client provides documents that display fees or prices that do not seem to be in line with commercial considerations, inconsistent with market value, or fluctuate significantly from previous comparable transactions.
- Client provides vague descriptions of commodities in trade documents, e.g. the subject of the contract is only described generically or non-specifically.

- Client is unwilling or unable to provide supporting documents for the transactions, or use forged, falsified, fraudulent documents.
- Contracts supporting complex or regular trade transactions appear to be unusually simple, e.g. they follow a “sample contract” structure available on the Internet.