



NOTE ON MAS' CIRCULAR ON ANTI- MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM ("AML/CFT") CONTROLS IN THE VARIABLE CAPITAL COMPANY ("VCC")

Posted on November 17, 2022

Category: [CNPupdates](#)

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Published: 17 November 2022

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This Note summarises MAS' circular (dated 22 September 2022) on the AML/CFT controls in the VCC sector. Specifically, the circular sets out supervisory expectations that VCCs and their eligible financial institution ("**EFI**") should note.

For some context, VCCs are required to appoint an EFI that is regulated and supervised by MAS to conduct the necessary AML/CFT checks and perform measures. That being said, VCCs are still required to:

- (i) maintain oversight in relation to the appointed EFI; and
- (ii) have in place money laundering and terrorism financing ("**ML/TF**") risk assessment frameworks and processes.

(i) VCCs oversight of appointed EFI

- Although VCCs should appoint an EFI to conduct AML/CFT checks, VCCs remain ultimately responsible for fulfilling their AML/CFT obligations.
- VCCs should indicate that an EFI has been appointed.
- To maintain oversight, a VCC should:
 - Conduct adequate due diligence over EFIs;
 - Formally appoint the EFI before the commencement of business operations and activities by the VCCs;

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- Ensure that the AML/CFT policies and procedures implemented by their EFIs to mitigate ML/TF risks are appropriate, and subjected to the approval of the directors of the VCCs; and
- Ensure that there are arrangements to oversee the ongoing implementation of AML/CFT controls by their EFIs. Such arrangements include:

(a) having an agreed escalation process between the EFI and the VCC to ensure pertinent issues are escalated to the VCC in a timely manner; and

(b) having sufficient details (i.e., the type of issues that should be escalated, the frequency of updates, and the persons to be updated to assess needful mitigation measures) in the policies & procedures.

(ii) Customer money laundering and terrorism financing risk assessment frameworks and processes

- VCCs should have a framework to assess customers' ML/TF risks (i.e., what are the factors that will be considered, how the risk profile of customers will be determined).
- In identifying higher risks countries, apart from considering countries that the FATF has identified to have weak measures to combat ML/TF risks, VCCs should also consider other country risk factors such as corruption, tax evasion, terrorism financing, etc.
- VCCs should document customer risk assessments.
- VCCs should perform enhanced customer due diligence ("**ECDD**") measures on all customers who are identified to pose higher ML/TF risks. This includes ascertaining customers' source of wealth ("**SOW**") and source of funds ("**SOF**") for higher risk customers.
- VCCs should have the relevant policies & procedures in place for ongoing monitoring, as well as ECDD, to ensure that appropriate and timely risk mitigating measures are taken, should any customer's risk become elevated. When the risk rating of a customer is subsequently revised to higher risk post-onboarding, VCCs should obtain information to corroborate the customer's SOW and SOF.

This note provides general information and should not be relied upon as legal advice. A copy of the MAS circular referred to above is available on the MAS website: www.mas.gov.sg

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