DREW & NAPIER

Practical Implications of MAS' Proposed Amendments to Singapore's AML/CFT Regime

15 April 2025

LEGAL UPDATE

In this Update

This legal update summarizes and interprets the MAS' recent Consultation Paper on Proposed Amendments to AML/CFT Notices and Guidelines (the "**Consult Paper**"), dated 8th April 2025. The Consult Paper aims to enhance Singapore's AML/CFT regime, aligning MAS' regulation of financial institutions and variable capital companies with prevailing FATF standards. Of note are the MAS' enhanced expectations with respect to customer screening and verification of Source of Wealth and Source of Funds. The proposed amendments are set to take effect from 30 June 2025 and will apply to all financial institutions and variable capital companies.

Introduction

On 8 April 2025, the Monetary Authority of Singapore ("**MAS**") released a comprehensive consultation paper proposing significant amendments to its Anti-Money Laundering and Countering the Financing of Terrorism ("**AML/CFT**") Notices and Guidelines. These proposed changes aim to enhance the clarity, consistency, and robustness of Singapore's AML/CFT regime, aligning it more closely with evolving Financial Action Task Force ("**FATF**") standards and addressing areas identified in previous evaluations as needing improvement.

This initiative is particularly timely as Singapore is scheduled for its next Mutual Evaluation by the FATF in August 2025. The upcoming assessment will scrutinize the effectiveness of Singapore's AML/CFT measures and their compliance with FATF's 40 Recommendations. By proactively updating its regulatory framework, Singapore demonstrates its commitment to maintaining a robust financial system and its readiness for the forthcoming evaluation.

The proposed amendments are set to take effect from 30 June 2025. MAS invites feedback from all licensed, approved, authorized, designated, recognized, and exempt financial institutions and variable capital companies. Responses should be submitted by 8 May 2025. Specifically for digital payment token service providers, Drew & Napier is supporting ACCESS Blockchain Association to coordinate responses for the consultation paper and will be organizing a consultation session on 2 May 2025, at 4pm at Drew & Napier's office.

This bulletin provides an in-depth analysis of the key proposals and their practical and legal implications for regulated entities.

Proposed Update	Proposal	Action Points for FIs
a) Codification of Proliferation Financing ("PF") as a Component of ML Risk Assessment	To align the MAS' AML/CFT Notices with prevailing standards set by the FATF, MAS proposes to amend the AML/CFT Notices to clarify that ML includes PF.[1]	FIs and VCCs are further expected to incorporate findings from Singapore's Proliferation Financing National Risk Assessment Report (here) into their enterprise-wide ML/TF risk assessments, in line with MAS' emphasis on alignment with national risk assessments.
b) Enhanced Expectations on Customer Screening and Verification of Source of Wealth and Funds	To improve screening procedures for ML/TF risks, MAS intends to clarify the following: • Information sources used for screening should include prominent search engines in countries or jurisdictions closely related to the person screened. Screening should also be conducted in the native language(s) of the person screened. • There should be processes to share information on customers and related accounts across business units, such as customer due diligence and Source of Wealth ("**SoW**") information collected under MAS' AML/CFT Notices. • Staff should be provided adequate guidance on how to identify indicators of fraudulent or tampered data, documents or information. In addition, there should be clear escalation protocols requiring timely review and, where appropriate, senior management escalation of unresolved concerns related to high ML/TF risks. • Processes should be in place to ensure that observed indicators are escalated, and appropriate ML/TF risk mitigation measures applied in a timely manner. To improve how FIs and VCCs **obtain** Source of Wealth ("**SoW**") and Source of Funds ("**SoF**") information, MAS proposes the following: • To clarify that SoW also includes seed money which generated wealth. • SoW information should indicate all the wealth the customer and beneficial owner	Regulated entities must ensure that their onboarding platforms and periodic review protocols allow for verification of SoW/SoF beyond documentary compliance. MAS continues to signal increased scrutiny of high-net-worth and high-risk clients, particularly in the DPT sector. The expectation of active plausibility assessments – and not mere document collection – reflects a more substantive and forensic due diligence obligation. Importantly, the requirement to escalate implausible or unverifiable SoW/SoF to senior management reaffirms the centrality of governance in AML/CFT compliance.

[1] The FATF Standards define "PF" to refer to risk of raising, moving or making available of funds, other assets or other economic resources, or financing, in whole or in part, to individuals or entities for the purposes of the proliferation of weapons of mass destruction, including the proliferation of their means of delivery or related materials (including both dual-use technology and dual-use goods for non-legitimate purposes).

	are expected to have, and how they acquired it. • Information regarding SoW and SoF should be corroborated. • Measures should be taken to ensure that SoW and SoF are established using reliable and independent sources of information, to the extent practicable. To improve how FIs and VCCs **assess** SoW and SoF information, MAS proposes a risk-based approach: • SoW and SoF that present higher risk for ML/TF are of primary concern. If such SoW or SoF cannot be corroborated, an assessment of whether the risks are acceptable associated with not corroborating such SoW and SoF and whether additional risk-management measures should be taken should be conducted. • Additionally, if a material SoW of the customer or beneficial owner is an asset received from third parties, information should be obtained to verify the legitimacy and plausibility of the asset. • The plausibility of the third party's SoW should also be assessed. If this cannot be assessed, FIs should consider whether the risks associated with the third party's SoW are acceptable, and whether additional risk-mitigation measures are required. • Whether the customer and beneficial owner's SoW and SoF are plausible and legitimate should be assessed. If this cannot be verified, FIs should consider whether to terminate the business relationship and file an STR. • Changes in the customer's risk profile, information and/or transactions would require corroboration of the customer or beneficial owner's SoW and SoF. Such corroboration should be done promptly. • Private Banking Businesses with high-net-worth customers includes the offering of personalised financial wealth management services, financial advisory services, and financial products to high net worth individuals.	

c) Prescribed Timelines and Revised Protocols for Suspicious Transaction Reporting	MAS intends to prescribe specific timeframes for STR filings: • Within five business days of forming a suspicion unless the circumstances are exceptional or extraordinary; and • Within one business day for suspicion involving sanctions-related PARTIES. Additionally, the current obligation to extend copies of STRs to MAS will be replaced with a requirement to provide such STRs only upon MAS' request. MAS will not be prescribing specific timelines for STR investigations to be concluded, in order for suspicion to be established. Nevertheless, MAS expects FIs and VCCs to put in place robust controls and processes to ensure the timely review of suspicious transactions and mitigation of ML/TF concerns identified, which include processes to: (a) Identify and prioritise the review of concerns of higher ML/TF risks; (b) Ensure that such concerns of higher ML/TF risks are reviewed promptly; and (c) Require any such concerns of higher ML/TF risks that cannot be reviewed promptly to be escalated to senior management, or a similar oversight body, for the application of appropriate ML/TF risk mitigation measures. This aligns with FATF's emphasis on prompt reporting to financial intelligence units. Importantly, MAS is introducing a distinction between general and sanctions-related STRs, reinforcing Singapore's evolving stance on financial sanctions compliance.	Firms should assess whether internal approval workflows (especially for cross-border STRs or high-risk alerts) allow compliance with the revised timelines. Where a compliance team cannot meet the timelines, MAS expects escalation to senior management or the board. Risk assessment reports that FIs and VCCs should consider as part of their EWRA ML/TF process include, among others: the Money Laundering National Risk Assessment Report, the Terrorism Financing National Risk Assessment Report, and the Proliferation Financing National Risk Assessment Report.
d) Expansion of the Definition of "Trust Relevant Party" Under Notice TCA-N03	For trust companies, MAS proposes expanding the definition of "trust relevant party" under Notice TCA-N03 to mirror recent amendments to the Trustees Act 1967. This includes: • Protectors (irrespective of whether they have dispositive powers); • A class of potential beneficiaries; • Persons holding investment, distribution, or variation powers. This change addresses observed gaps in the scope of customer due diligence for legal arrangements and reflects FATF's 2023 revision to Recommendation 25.	Trust companies should ensure all such parties are included in CDD processes, screened, and monitored. Information on classes of beneficiaries, such as discretionary objects, must also be collected where feasible.

Conclusion

MAS' proposed amendments to the AML/CFT Notices and Guidelines mark a significant recalibration of supervisory expectations across all regulated sectors in Singapore. The changes are both timely and strategic, emerging in parallel with Singapore's upcoming FATF Mutual Evaluation in August 2025. By codifying and clarifying a number of previously informal or supervisory-practice-driven expectations, MAS is reinforcing its longstanding message: that AML/CFT compliance is not a static obligation but a living, risk-based process, driven by plausibility, responsiveness, and governance.

For regulated entities — spanning banks, insurers, capital markets licensees, payment service providers, VCCs, and trust companies — the proposed revisions will necessitate a systematic review of existing AML/CFT frameworks, controls, and escalation processes. MAS is signalling a clear intent to move beyond form-based compliance and towards a more dynamic model that places premium value on contextual risk assessments, traceable governance accountability, and credible, independent corroboration.
FIs and VCCs are advised to:

- Conduct a gap analysis against the proposed Notice and Guideline revisions, particularly on PF risk assessments, STR protocols, and SoW/SoF verification procedures.
- Review the robustness of EWRAs, ensuring that outputs from the PF NRA, ML NRA and TF NRA are operationally embedded.
- Assess internal escalation mechanisms to ensure STRs can be filed within revised MAS timelines, with appropriate senior management involvement.
- Validate that AML/CFT systems can detect the use of obfuscation tools such as mixers, tumblers, and IP anonymisers.
- Re-examine audit scopes, internal assurance processes, and senior management reporting lines for AML/CFT governance and oversight.

How Drew & Napier LLC can assist

Drew & Napier's leading Financial Regulatory Practice provides full-spectrum advisory support to financial institutions navigating evolving AML/CFT regulatory requirements in Singapore. We regularly act for clients across all MAS-regulated sectors, with experience in high-stakes AML/CFT regulatory audits, inspections, and remediation mandates.

We can support your organisation by:

- Conducting legal and regulatory reviews of AML/CFT policies, customer due diligence frameworks, and EWRA methodology.
- Advising on SoW/SoF verification thresholds, documentation standards, and escalatory protocols tailored to high-risk client segments.
- Drafting and updating internal compliance manuals, onboarding questionnaires, screening protocols and governance escalation templates.
- Reviewing STR decision-making workflows, including supplementary STR filing and internal approvals.
- Providing independent legal audit opinions and reports for boards and audit committees.
- Advising on sanctions obligations and scope of reporting obligations and reviewing transaction monitoring setup.
- Supporting board and senior management in understanding their obligations and responsibilities under PSN02, the MAS Guidelines, and the broader AML legal framework.

Specialist support for the DPT and payment sector

Our team also has deep familiarity with the regulatory priorities for DPT service providers and payment institutions, and has supported the majority of licensed, exempt and transitional entities on their licensing and ongoing licensing and ongoing compliance assessments.

We routinely advise on:

- Implementation of MAS PSN01 and PSN02, and the accompanying Guidelines for AML/CFT.
- Customised EWRA frameworks for DPT ecosystems.
- Governance and compliance upgrades in line with licensing and enforcement expectations.
- Sanctions reporting and remediation, including in collaboration with foreign counsel in relation to OFAC Voluntary Self-Disclosures.
- Support for industry engagement and representations.

Drew & Napier is also working closely with the ACCESS Blockchain Association to consolidate feedback on the Consultation Paper for submission to MAS. We will be hosting a joint consultation session on 2 May 2025, at 4:00 p.m. at our office to facilitate peer dialogue and industry calibration. If you are not able to attend, please seek for us a copy of the relevant survey to provide your feedback.

Please feel free to reach out to us if you have any query in this area:

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