Singapore announces five-pronged strategy to counter the financing of terrorism

11 October 2022
In this Update

The Monetary Authority of Singapore ("MAS") has published a five-pronged strategy to prevent, detect, investigate and enforce against terrorism financing. This strategy consists of local law enforcement and supervision and international partnership with foreign and international counterparts. Businesses, financial institutions, individuals and even non-profit organisations will need to stay vigilant and ensure that their processes effectively prevent anti-money laundering and terrorism financing. The MAS’s strong emphasis on international cooperation also means that individuals should be cognisant of the risks of extradition and repatriation.

03 BACKGROUND

03 SINGAPORE’S FIVE-POINT CFT STRATEGY

04 POINT 1: COORDINATED AND COMPREHENSIVE RISK IDENTIFICATION

04 POINT 2: STRONG LEGAL AND SANCTIONS FRAMEWORKS

05 POINT 3: ROBUST REGULATORY REGIME AND RISK TARGETED SUPERVISORY FRAMEWORK

05 POINT 4: DECISIVE LAW ENFORCEMENT ACTIONS

05 POINT 5: INTERNATIONAL PARTNERSHIPS AND COOPERATION

06 CONCLUSION
BACKGROUND

The Terrorism Financing National Risk Assessment conducted in December 2020 identified terrorism financing ("TF") as a key threat in Singapore. While Singapore remains vigilant of global and regional terrorism, the greater concern in Singapore’s context is the threat of TF. This includes the raising and moving of funds in support of terrorists, terrorist organisations and terrorism activities.

On 7 October 2022, the Monetary Authority of Singapore ("MAS") published a five-pronged strategy to prevent, detect, investigate and enforce against TF. The National Strategy for Countering the Financing of Terrorism ("CFT") provides a roadmap for the development of future action plans to combat TF.

The National CFT Strategy is an extension and restatement of Singapore’s anti-money laundering ("AML") and CFT regime. It seeks to enhance coordination across law enforcement agencies, policy makers, regulators, supervisory agencies, and the private sector.

Key TF vulnerabilities include the use of money remittance, banks, cash couriers, digital payments, precious stones and metals and non-profit organisations to unwittingly fund terrorism activities.

A summary of the National CFT Strategy is set out below. We also consider its potential implications.

SINGAPORE’S FIVE-POINT CFT STRATEGY

Singapore’s overarching CFT policy objective is to ensure that terrorism is not financed from or through Singapore. This involves detecting, deterring, and preventing TF-related activities, including those related to the generation of funds, movement of funds and use of such funds to support terrorism purposes, whether in Singapore or overseas.

Singapore has adopted a five-point strategy that comprehensively covers risk identification and management and mitigation measures.

The five points of the National CFT Strategy are:

(1) Coordinated and comprehensive risk identification.

(2) Strong legal and sanctions frameworks.

(3) Robust regulatory regime and risk targeted supervisory framework.

(4) Decisive law enforcement actions.
(5) International partnerships and cooperation.

**POINT 1: COORDINATED AND COMPREHENSIVE RISK IDENTIFICATION**

To identify TF risks, Singapore adopts a Whole-of-Government ("WOG") approach and maintains strong inter-agency coordination and has well-established cooperation committees and networks. The WOG approach is led by a high-level committee, the AML/CFT Steering Committee, comprising the Permanent Secretary of the Ministry of Home Affairs, the Permanent Secretary of the Ministry of Finance and the Managing Director of MAS.

Agencies work together to review the TF landscape regularly, taking into account current typologies as well as international standards and requirements set by international bodies such as the Financial Action Task Force ("FATF") and the United Nations.

**POINT 2: STRONG LEGAL AND SANCTIONS FRAMEWORKS**

To achieve CFT policy objectives, the following frameworks have been adopted:

(a) Key legislation to combat TF including the Terrorism (Suppression of Financing) Act 2002 ("TSOFA") and the Internal Security Act 1960. These Acts are in place to enable law enforcement agencies to take swift and effective action against terrorists, terrorist organisations and their supporters, including financiers of terrorism. They are regularly reviewed to ensure that they remain relevant and effective.

(b) A targeted financial sanctions framework, which automatically takes into account new UN designations, and is in line with the FATF standards, the United Nations Security Council Resolutions ("UNSCRs") and related conventions against terrorism and TF.

(c) A clear policy framework to identify and designate terrorists. The Inter-Ministry Committee on Terrorist Designation was established as the designated authority and is the competent authority responsible for the designation of terrorists, overseeing the listing/delisting of terrorists, and coordinating the freezing/unfreezing of terrorist funds and assets in accordance with the relevant UNSCRs.
POINT 3: ROBUST REGULATORY REGIME AND RISK TARGETED SUPERVISORY FRAMEWORK

Singapore has a robust AML/CFT regulatory framework and a strong risk focused supervisory framework for financial institutions, designated non-financial businesses and professions and non-profit organisations. Supervisors (e.g. MAS and Ministry of Law) adopt a risk-based approach and target high risk entities to:

(a) manage the ML/TF risks arising from their activities;
(b) ensure that such risks are adequately mitigated; and
(c) monitor and supervise these entities for compliance with their AML/CFT requirements.

Further, supervisors take timely steps to share TF risk information with the industry. Supervisors also work closely with the suspicious transaction reporting office (“STRO”) and other law enforcement agencies.

POINT 4: DECISIVE LAW ENFORCEMENT ACTIONS

All credible instances of TF are investigated and pursued by the Counter-Financing of Terrorism Branch of the Singapore Police Force as a distinct criminal activity. This includes commencing:

(a) independent investigations into TF allegations; and
(b) parallel financial investigations to support counter terrorism investigations and/or identify further financial networks and commonalities, if any.

Where material TF risks are identified, agencies adopt a WOG approach and work together to design and implement appropriate preventive actions to close the gaps observed.

POINT 5: INTERNATIONAL PARTNERSHIPS AND COOPERATION

Singapore’s connectivity as a major global financial centre and international transport hub makes her vulnerable as a transit point for illicit proceeds to the region and other foreign jurisdictions. International cooperation is therefore key.
Law enforcement agencies in Singapore utilise a range of international cooperation mechanisms to achieve its law enforcement objectives for TF matters. Assistance may be provided to foreign law enforcement agencies through formal requests for mutual legal assistance. TF offences are criminalised in Singapore and are extraditable under the TSOFA. The STRO exchanges financial intelligence with its foreign counterparts.

CONCLUDING REMARKS

Terrorism groups and activities continue unabated, whether globally (e.g. Islamic State of Iraq and Syria, Al-Qaeda) or regionally (e.g. Jemaah Islamiyah). They require financing which may come globally, regionally or from radicalised Singaporeans. Through the National CFT Strategy, the MAS has signalled that the Singapore Government will continue to keep a keen eye to prevent terrorism financing.

Businesses, financial institutions, individuals and even non-profit organisations need to stay vigilant to these risks, and ensure that their processes effectively prevent AML and terrorism financing. Transactions with counterparties should generate true economic value and Know Your Customer guidelines should be stringently applied. These concerns are especially pertinent with the increased use of crypto currencies for payment.

Individuals should also be cognisant of the risks of extradition and repatriation under the National CFT Strategy, which places a strong emphasis on international cooperation.

The content of this article does not constitute legal advice and should not be relied on as such. Specific advice should be sought about your specific circumstances. Copyright in this publication is owned by Drew & Napier LLC. This publication may not be reproduced or transmitted in any form or by any means, in whole or in part, without prior written approval.
For questions or comments, please contact:

**Gary Low**  
Director, Dispute Resolution  
Co-Head, Criminal Law Practice  
T: +65 6531 2497  
E: gary.low@drewnapier.com

**Victor David Lau**  
Senior Associate, Dispute Resolution  
T: +65 6531 2491  
E: victordavid.lau@drewnapier.com