

Financial Institutions

## MAS Circular Sets out Additional Guidance to FIs on Measures to Detect and Manage Sanctions-related Risks

On 31 August 2023, the Monetary Authority of Singapore ("**MAS**") issued the "Circular on ensuring effective detection of sanctions-related risks" ("**Circular**"). The Circular applies to financial institutions in Singapore, including banks, trust businesses, capital markets service providers, financial advisers, payment service providers, insurance companies and brokers (collectively referred to as "**FIs**").

The Circular sets out additional guidance on measures that should be implemented by FIs to better detect and manage sanctions-related risks. These include the following.

(a) **Establishing governance process for FIs' Board and Senior Management ("**BSM**") to exercise oversight of sanctions-related risks relating to FIs' business**

The Circular provides that a sound governance process for the BSM of an FI to exercise oversight of sanctions-related risks should include:

- BSM setting a clear risk appetite in relation to the FI's sanctions-related risks. Indirect exposure to sanctioned persons, activities or jurisdictions should be addressed.
- BSM setting clear roles and responsibilities within the FI with regard to detecting, monitoring and managing sanctions-related risks.
- Establishing risk metrics to help BSM monitor and manage the FI's exposure to significant sanctions-related risks on an ongoing basis.
- Defining an escalation process for the first and second line functions to expediently surface material sanctions-related risk events to the BSM. Material sanctions-related risk events refer to, among other things, the imposition of new sanctions on a jurisdiction that the FI operates in.

(b) **Strengthening FIs' capabilities to detect sanctions-related risks**

The Circular discusses some best practices that have been adopted by some FIs to enhance their capabilities to detect sanctions-related risks and recommend them for adoption by other FIs. They include:

- Using data analytics (DA) to detect sanctions-related risks, in addition to traditional name and transaction screening controls. This includes the use of network link analysis to identify



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additional customers with relational or transactional links to sanctioned persons, and potential sanctions evasion activities.

- Instituting retrospective reviews of wire transfer transactions to proactively identify existing customers who previously transacted with sanctioned persons for closer review ("**lookback mechanism**"). A FI should take a risk-based approach in implementing a lookback mechanism, considering the materiality and impact of different sanctions on its business operations, as well as reputational, legal and operational risks. The Circular sets out the baseline parameters that an FI should establish for the lookback mechanism to ensure that it is effective.

MAS reminds FIs to review their anti-money laundering and countering the financing of terrorism ("**AML/CFT**") frameworks and controls for any gaps with reference to the additional guidance in the Circular. FIs are expected to take steps to enhance their AML/CFT controls to address such gaps, if identified.

Click on the following link for more information:

- [MAS Circular on ensuring effective detection of sanctions-related risks](#) (available on the MAS website at [www.mas.gov.sg](http://www.mas.gov.sg))

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