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# MAS Seeks Feedback on Requirements on FI-FI Information Sharing under COSMIC for AML/CFT

## Introduction

The Financial Services and Markets Act 2022 ("**FSMA**") was amended earlier this year to, among other things, establish a new electronic information sharing system, Collaborative Sharing of money laundering ("**ML**") / terrorism financing ("**TF**") Information & Cases ("**COSMIC**"). COSMIC enables the secure disclosure, publication and sharing of risk information by prescribed financial institutions (i.e. banks in Singapore or financial institutions (other than a bank) that are prescribed under subsidiary legislation) ("**prescribed FIs**") for the prevention and detection of ML, TF and proliferation financing ("**PF**").

As a start, COSMIC will focus on three key financial crime risks in commercial banking: (i) misuse of legal persons; (ii) misuse of trade finance for illicit purposes; and (iii) PF. Under COSMIC, FIs can securely share with one another information on a "relevant party" who exhibits multiple "red flags" that may indicate potential financial crime concerns, if stipulated thresholds are met. A "relevant party" is a person who is a prescribed FI's customer, or who seeks to be or has been a customer of a prescribed FI, and has been prescribed by MAS as such a "relevant party" under subsidiary legislation.

A prescribed FI must comply with certain requirements when sharing information on COSMIC. MAS proposes setting these out in a Notice ("**COSMIC Notice**") and is seeking feedback on the draft COSMIC Notice in its Consultation Paper on the Notice Relating to FI-FI Information Sharing for anti-money laundering/combating the financing of terrorism ("**AML/CFT**") ("**Consultation Paper**"). Banks in Singapore are subject to AML/CFT requirements under [MAS Notice 626 on the Prevention of Money Laundering and Countering the Financing of Terrorism – Banks](#) ("**MAS Notice 626**"). In the Consultation Paper, MAS also seeks feedback on amendments to MAS Notice 626 to clarify the relationship and interaction between certain requirements in the COSMIC Notice and the existing AML/CFT requirements in MAS Notice 626. The proposed amendments to MAS Notice 626 are not intended to modify any AML/CFT requirement that applies to an FI that is not a prescribed FI. Feedback should be submitted by **15 December 2023**.

This Update outlines key requirements under the proposed COSMIC Notice.

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## Key Requirements under Proposed COSMIC Notice

The conditions that a prescribed FI must fulfil before it may share information on COSMIC are set out under Part 4A of the FSMA. In the COSMIC Notice, the key requirements MAS proposes to set out include:

- (a) Establishing internal policies, procedures, controls and other requirements (including risk assessment and risk mitigation measures) that a prescribed FI must comply with when sharing information under COSMIC;
- (b) Incorporating information from COSMIC as part of AML/CFT controls; and
- (c) Providing for platform safeguards, record keeping and outsourcing.

We briefly elaborate on these requirements below.

### Internal policies, procedures, controls; risk assessment and mitigation requirements etc.

- There are three modes of sharing under COSMIC if the relevant conditions under FSMA are met: (a) **Request**: where a prescribed FI requests risk information relating to certain relevant parties from another prescribed FI; (b) **Disclosure**: where a prescribed FI discloses risk information relating to certain relevant parties to another prescribed FI; and (c) **Listing**: where a prescribed FI publishes on COSMIC risk information relating to certain relevant parties.
- Prescribed FIs must establish and implement policies, procedures and controls to ensure that the prescribed FI requests, discloses or lists information on COSMIC in a systematic manner and to implement appropriate safeguards. The policies, procedures and controls must:
  - Include a framework to assess that the applicable conditions and relevant threshold criteria for a Request, a response to a Request, a Disclosure or a Listing are met;
  - Be approved by senior management and be subject to regular audits to assess its effectiveness;
  - Address how the prescribed FI will ensure that the relevant documentation and record retention policies are met.
- Additionally, prescribed FIs must comply with requirements pertaining to Request, Disclosure or Listing, including:
  - In relation to Requests and Disclosures, a prescribed FI must conduct risk assessments and take risk mitigation measures. When a prescribed FI receives risk information pursuant to a Request it initiated, or pursuant to a Disclosure from another prescribed FI, it must undertake a risk assessment of ML/TF/PF risks presented by the relevant party to whom the Request or Disclosure relates, as well as document the assessment it undertook. Prescribed FIs that are banks in Singapore ("**prescribed banks**") are required under MAS

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Notice 626 to take appropriate risk mitigation measures. Prescribed banks must consider information they have obtained from COSMIC, including the results of the abovementioned risk assessments, in performing the risk mitigation measures required under MAS Notice 626. MAS intends to elaborate on this in the Guidelines to MAS Notice 626.

- In relation to Listing, prescribed FIs are required to screen a relevant party that is a customer or prospective customer, individuals appointed to act on the relevant party's behalf, as well as its connected parties and beneficial owners, against the platform screening list when establishing business relations and subsequently on a periodic basis. MAS will amend MAS Notice 626 to clarify that the platform screening list does not constitute "lists and information provided by MAS and other relevant authorities in Singapore", and MAS does not intend to apply the more stringent screening procedures outlined in MAS 626 to the platform screening list.
- Prior to Listing or exit, prescribed FIs must meet certain requirements and engage with the relevant party. For instance, a prescribed FI must perform a holistic assessment of the risks (e.g. through other available information, such as information from its own investigations or other external sources) to determine whether to terminate or decline to establish business relations with said relevant party further to a risk assessment that it had undertaken under the COSMIC Notice. In addition, before a Listing, a prescribed FI must, unless it is not practicable to do so, engage the relevant party that is the subject of its Listing to clarify any ML/TF/PF concerns it has on the relevant party. The prescribed FI must also promptly remove the Listing if it becomes aware of new information that indicates that the threshold criteria for the Listing are no longer satisfied or if the Listing was made erroneously.

#### **Requirements to incorporate information from COSMIC as part of AML/CFT controls**

- When fulfilling their broader AML/CFT obligations under MAS Notice 626, prescribed banks are required to consider information received from COSMIC. MAS proposed amending MAS Notice 626 to clarify how risk information obtained from COSMIC should be taken into account in the performance of ongoing monitoring and enhanced customer due diligence measures.
- MAS will also amend the Guidelines to MAS Notice 626 to clarify situations when prescribed banks should take information received from COSMIC into account as part of their broader AML/CFT obligations. For further details of the amendments to Guidelines to the MAS Notice 626, please refer to Annex A of the Consultation Paper.

#### **Requirements relating to platform safeguards, record keeping, outsourcing**

- Prescribed FIs must maintain the security and integrity of platform information. Prescribed FIs are required to ensure the accuracy and completeness of information shared through COSMIC, and correct any errors or omissions, especially if a relevant party has provided further clarifications to address earlier financial crime concerns. Prescribed FIs must put in place

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systems and processes to protect the security, integrity and confidentiality of platform information, and appropriately address any event that involves a security breach.

- Prescribed FIs will be subject to record keeping requirements. For instance, prescribed FIs must prepare, maintain, and retain records in relation to all data, documents and information relating to the three modes of sharing, including results of any risk assessments undertaken, for a period of at least five years.
- Prescribed FIs may obtain an outsourced relevant service only from a service provider that has met certain requirements in an upcoming MAS Notice on the Management of Outsourced Relevant Services.

If you wish to submit feedback on the Consultation Paper or have any queries on the above development, please feel free to contact our team members below who will be happy to assist you.

# Client Update: Singapore

## 2023 DECEMBER

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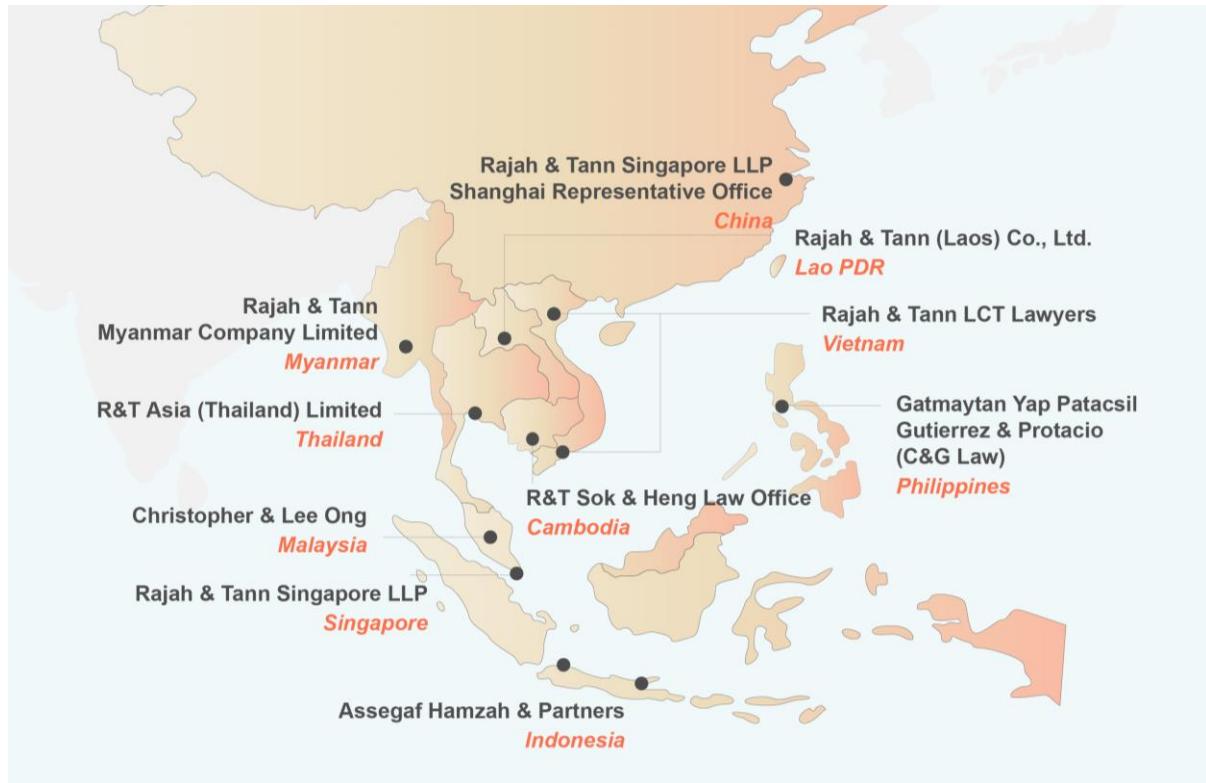
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