

RED FLAG INDICATORS FOR TRADE (ZERO GST RATED LICENSED WAREHOUSES)

General Comments

This list of indicators is meant to assist traders and declaring agents to assess the money laundering or terrorism financing risk of both existing and prospective clients. It is not an exhaustive list and the existence of any indicator(s) does not imply that the trade transaction is necessarily linked to such money laundering or terrorism financing activities. If a trader or declaring agent, in the course of their trade, profession, business or employment, knows or has reasonable grounds to suspect that any property is connected to criminal activity, he has the legal obligation to file a Suspicious Transaction Report (STR) to the Suspicious Transaction Reporting Office (STRO).

Adverse News Relating to ML/TF and Crime

- i. Client is traced to negative news or crime e.g. he is named in a news report on a crime committed, or detected when screened against UN Security Council Resolutions (UNSCRs).
- ii. Stakeholders¹/counterparties of stakeholders found to be linked to known terrorist organisations/money laundering/other offences.

Entity Behaviour - Natural Persons (Individuals) and/or Legal Persons (e.g. Companies, Businesses, Trusts, Foundations, Societies and Cooperatives)

- i. Client appears hesitant or declines to put his name on any document that would connect him with the property/goods.
- ii. Client attempts to hide the identity of the ultimate beneficial owner² or requests that the transaction be structured to hide the identity of the true client.
- iii. Client provides an address that is unknown, believed to be false, or simply a correspondence address.
- iv. Client inadequately explains the last minute substitution of the purchasing party's name.
- v. Client queries about the anti-money laundering or counter-terrorism financing reporting requirements repeatedly with no apparent reason.

¹ Examples of stakeholders include the originator/beneficiaries of the goods imported in/exported out of Singapore, employees, management staff, suppliers, and tenants.

² Beneficial owner refers to the natural person(s) who ultimately owns or controls (this means situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control) a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

- vi. Buyer is a shell company³ and representatives of the company refuse to disclose the identity of the true owners.
- vii. Client is a recently created legal entity and the amount of the transaction is large compared to their assets.
- viii. Client gave false/misleading explanation for Customer Due Diligence (CDD) purposes and/or trade transactions.
- ix. Client cannot be contacted for CDD purposes.
- x. Client is suspected of committing an offence.
- xi. Clients unwilling/unable to provide information for CDD purposes (e.g. transport documentation).
- xii. Clients used forged/fraudulent/false identity documents for CDD purposes.
- xiii. Companies lack business or operational activities.
- xiv. Companies registered in Singapore with no apparent business and low paid up capital.
- xv. Companies with recently established business with few or no employees.
- xvi. Lack of identification on one or more parties to the transaction.
- xvii. Unexplained third parties involved in the transaction (e.g. third party gives instructions).
- xviii. Entity submit falsified trade documentation when there was no actual transaction of goods/shipment (e.g. Letter of Credit, bank guarantees, trust receipts).
- xix. Singapore incorporated company or resident dealing in precious stone, precious metal or precious product (PSPM), is not on the list of registered dealers.
- xx. A foreign dealer⁴ conducts regulated dealing in Singapore, but is not on the list of registered dealers AND conducts regulated dealings for more than 90 days in a year.

³ Shell companies are companies, registered in Singapore or elsewhere with no legitimate business activities and low paid up capital.

⁴ Foreign dealer means a regulated dealer that is (i) registered or incorporated outside Singapore, in the case of a body corporate or unincorporate; or (ii) habitually resident outside Singapore, in the case of an individual; and (iii) does not have a permanent establishment, a place of management or a branch in Singapore at which the regulated dealer carries on the business of regulated dealing or business as an intermediary for regulated dealing.

High Risk Transaction Patterns

- i. Anomalies in payments/transactions that do not correspond with business objectives.
- ii. Nature of bank account transactions does not commensurate with business operations.
- iii. Client pays substantial down payment in cash and the balance is financed by an unusual source or offshore bank.
- iv. Client pays rent or the amount of a lease in advance using a large amount of cash.
- v. Transaction uses unusual or unnecessarily complex legal structures without any economic logic.
- vi. Details provided by client for the commodity in the bill of lading, invoice and actual shipment of goods have significant discrepancies.
- vii. Client has transactions with entities featured in adverse news/sanction lists.
- viii. Identity of source of funds for client's transactions cannot be immediately known.
- ix. Unable to determine relationship between parties of transaction for CDD purposes.
- x. Size and type of shipment is inconsistent with the client's and their counterparties' regular business activities.
- xi. Client has transactions involving Politically Exposed Persons (PEP) or Associate of PEPs⁵.
- xii. Goods transferred to beneficiaries with vague/non-specific names.
- xiii. The commodity is transhipped through one or more jurisdictions for no apparent economic reason.
- xiv. Circuitous route of shipment and/or circuitous route of financial transaction.

⁵ Politically Exposed Persons (PEPs).

"Politically exposed person" means a domestic politically exposed person, foreign politically exposed person or international organisation politically exposed person.

"Domestic politically exposed person" means a natural person who is or has been entrusted domestically with prominent public functions.

"Foreign politically exposed person" means a natural person who is or has been entrusted with prominent public functions by a foreign country.

"International organisation politically exposed person" means a natural person who is or has been entrusted with prominent public function by an international organisation.

- xv. Transaction involves shipment of goods inconsistent with normal geographic trade patterns.
- xvi. Any attempt to disguise/circumvent countries/regions involved in actual trade.
- xvii. Source/ destination countries/regions on Reporting Institution's high risk list⁶.
- xviii. Blatant anomalies in value versus quantity (USD 10 for 1 g of diamonds).
- xix. The origins of precious stones, precious metals or precious products appear to be fictitious.
- xx. The PSPM (especially precious metal bullion) has physical characteristics that are inconsistent with industry standards.

⁶ Please refer to the [Call for Action Jurisdictions](#) and [Other Monitored Jurisdictions](#) lists on the FATF website.