

## RED FLAG INDICATORS FOR TRUST COMPANIES

### General Comments

The list of examples given below is intended to highlight some basic ways in which money may be laundered or used for TF purposes. While each individual situation may not be sufficient to suggest that ML/ TF is taking place, a combination of such situations may be indicative of a suspicious transaction. The list is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.

The list is not exhaustive and may be updated due to changing circumstances and new methods of laundering money or financing terrorism. Trust companies are to refer to STRO's website for the latest list of red flags<sup>1</sup>.

A trust relevant party's declarations regarding the background of such transactions should be checked for plausibility. Not every explanation offered by the trust relevant party can be accepted without scrutiny.

It is reasonable to suspect any trust relevant party who is reluctant to provide normal information and documents required routinely by the trust company in the course of the business contact. Trust companies should pay attention to trust relevant parties who provide minimal, false or misleading information, or information that is difficult or expensive for the trust company to verify.

### Indicators of Suspicious Transactions

- (i) Trust relevant party evades attempts by the trust company to establish personal contact.
- (ii) Trust structure or transactions indicate some illicit purpose or are inconsistent with the trust company's knowledge of the trust relevant party, its business and risk profile and where appropriate, the source of funds. For example, substantial increase in the amount or frequency of, asset injections from or asset distributions to a trust relevant party or any other person, which is not aligned with the trust company's knowledge of, the source of wealth of the settlor, and the purpose and intended nature of the establishment of business contact.
- (iii) Trust assets are withdrawn immediately after being settled into the trust account, unless there is a plausible reason for such immediate withdrawal.
- (iv) Previously inactive trust account is now used intensively, unless there is a plausible reason for such use.
- (v) Transactions relating to the trust account are conducted with countries or entities that are reported to be associated with terrorist activities or with persons that have been designated as terrorists.

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<sup>1</sup> The website address as at 22 April 2015: <http://www.cad.gov.sg/aml-cft/suspicious-transaction-reporting-office/suspicious-transaction-reporting>

- (vi) Trust structure or transactions relating to the trust account utilise complex and opaque legal entities and arrangements, foreign private foundations that operate in jurisdictions with secrecy laws, wherein the trust company is unable to fully understand the purpose or activities of their usage.
- (vii) Transactions that are suspected to be in violation of another country's foreign exchange laws and regulations.
- (viii) Frequent changes to the address or authorised signatories.

### **Indicators of Tax Crimes Related Transactions**

- (i) Negative tax-related reports from the media or other credible information sources.
- (ii) Unconvincing or unclear purpose or motivation for having trusts established in Singapore.
- (iii) Inability to reasonably justify frequent and large asset injections into a trust or asset distributions from a trust where such injection or distribution –
  - (a) is from or to, a country or jurisdiction that presents higher risk of tax evasion; and
  - (b) from or to, a trust relevant party or any other person.
- (iv) Trust accounts managed by external asset managers who may not be adequately regulated and supervised.