

KEYNOTE ADDRESS FOR ASSOCIATION OF BANKS OF SINGAPORE FINANCIAL CRIME SEMINAR, 6 JULY 2023

1. I'm delighted to be here and to see many familiar faces in the audience today.
2. Let me begin by thanking ABS for inviting me to speak to you this morning. It's a pleasure to be back to address you on this important topic.
3. Financial institutions and designated non-financial businesses and professions, or in FATF parlance – the DNFBPs - have a crucial role to play in our efforts to combat financial crime, including money laundering, terrorism financing and proliferation financing.
4. Today's programme covers a wide range of contemporary issues relating to financial crime, including cyber-enabled fraud, information sharing and data analytics, misuse of shell companies, virtual assets, countering ransomware and proliferation financing.

5. Discussions on these issues are timely - we are having similar discussions at the FATF and within the global network.
6. I will start by outlining the global AML/CFT landscape and challenges.
7. Criminals and terrorists alike have rapidly adapted to technology and are exploiting this for nefarious purposes.
8. The sharp trajectory of growth of such crimes means that the situation is poised to get far worse.
9. The scale of financial crime is staggering. Estimates by the UN Office of Drugs and Crime¹ suggest that the amount of money laundered globally in a year is between 2 to 5% of global GDP.
10. Financial crime is a real threat to financial growth and the stability and integrity of the global financial system, a

¹ UNODC Overview of Money Laundering, (Webpage – no date)

point I have strongly registered at G20 Finance Ministers meetings.

11. Financial crime sees monies funneled away from legitimate business endeavors and the regular economy to criminals and criminal enterprise and the underground economy.
12. Financial crime is not a victimless crime as some wrongly believe. There are many victims out there who have lost their entire life savings to scammers, or have had their lives disrupted by fraud.
13. The COVID-19 pandemic accelerated the digitalisation trend, as lock-downs and travel restrictions led to increased reliance on digital banking and e-commerce platforms.
14. The benefits of convenience and the time saved by consumers is undeniable.

15. However, the unintentional consequence of this shift toward digital financial tools is that it has opened new attack vectors for criminals.
16. Criminals are able to move illicit funds more rapidly, more easily than ever before – exploiting technology and rapid payment systems to move their ill-gotten gains quickly across one or more jurisdictions to mask the money movement trail and stymie law enforcement.
17. So what is the FATF's response?
18. As many of you would know, the FATF is the global watchdog against money laundering, terrorism financing and proliferation financing.
19. We set global standards for countries to follow and the FATF, together with the 9 FATF-style Regional Bodies (FSRBs), audits countries against these standards.
20. The FATF's bite come from our ability to hold countries to account and publicly identify countries that are not taking

effective action against these crimes, including by placing them on the FATF's grey-list and black-list.

21. The FATF has been successful in raising global technical compliance with its Standards.
22. In the past 2 decades, most jurisdictions have put in place the necessary laws, institutions and systems.
23. However, technical compliance in - and of itself - does not automatically result in effectiveness of outcomes.
24. Countries have to use these laws and regulations to good effect – through preventive actions, prosecutions and convictions.
25. The FATF and its members have committed to addressing the challenges of a rapidly evolving environment and addressing effectiveness gaps.
26. The next round, the 5th round, of Mutual Evaluations (ME) will begin in 2025, and we will see the “treadmill” of ME both raised in terms of incline and speed: higher incline

because of raised FATF Standards and higher speed because this evaluation cycle will take just 6 years to complete instead of the current 10-11 years.

27. The shorter ME cycle will ensure that jurisdictions keep pace with the changing financial crime environment and make the necessary efforts to enhance their regimes.
28. It will not be sufficient to just have the necessary legislation and frameworks in place.
29. Countries need to clearly show that they are effective in achieving outcomes.
30. Beyond MEs, the FATF has also focused on thematic areas that it believes will move the needle and bring fundamental change in our collective fight against financial crime.
31. The first of these is a special focus on asset recovery.

32. It is sobering to note the UNODC estimates that less than 1% of illicit monies were recovered by law enforcement agencies globally, which is very low.
33. There are 3 implications of this low recovery rate:
34. the 1st is that criminals continue to reap, retain and enjoy profits from their criminal activities – sadly crime is paying well in many areas;
35. the 2nd is that this gives criminals the resources to pose an even greater threat to society as they grow in financial muscle; and
36. the 3rd is that more criminals, sniffing rich rewards, may be drawn to this space.
37. Beyond the statistics, we must acknowledge the hardships for the real victims.
38. Victims range widely in terms of age, education levels and socio-economic status – but the impact on them can be life-changing.

39. Some of their stories are truly heartbreaking.
40. Our ability to act in this area to recover and return assets to these victims not just mitigate their losses but give them hope.
41. This is why I have made strengthening asset recovery through having effective and comprehensive legal frameworks and meaningful international cooperation one of the key priorities of my FATF Presidency.
42. The goal is to provide national authorities with a full “toolkit” to rapidly freeze, confiscate, including through measures such as non-conviction-based confiscation, and finally recover criminal assets. This will enable us to go after criminals where it really hurts them – their ill-gotten gains.
43. We also want to drive improved implementation of these recommendations through close cooperation between the FATF, FSRBs and the Asset Recovery Networks, as well

as with other strategic partners such as the UN, IMF, World Bank and INTERPOL.

44. Under the Singapore Presidency, the FATF and INTERPOL initiated the FATF-INTERPOL Roundtable Engagement on asset recovery, abbreviated as F.I.R.E.
45. The inaugural Roundtable was held in September last year in Singapore and we will have the second global meeting in September this year in Lyon.
46. The key outcome we want to achieve is to promote the actual and timely recovery of proceeds, including from cyber-enabled scams corruption, and crypto-currencies derived from criminal activities.
47. In a separate but related initiative, we are pursuing a FATF project that focuses on the illicit financial flows linked to cyber-enabled fraud, a key risk area flagged by many countries around the world.

48. Increasingly, we are seeing that some of the proceeds of cyber-enabled fraud tend to be kept and moved by criminals in the form of virtual assets, which have grown in prominence in recent years.
49. Ransomware is another crime where virtual assets are used. Criminals demand ransom payments in crypto assets to take advantage of the anonymity they offer.
50. In 2019, the FATF strengthened its standards to prevent the misuse of virtual assets for crime or terrorism.
51. Virtual asset services providers must be properly licensed and supervised, and they must ensure that information about the originators and beneficiaries of the transaction are available, the so-called 'travel rule'.
52. 4 years after the FATF enhanced its Recommendation 15 of the FATF Standards, implementation remains low globally.

53. While a number of FATF members have made good progress, more than half of the countries that responded to a recent FATF survey had yet to take any steps towards implementing the “travel rule”, which is of great concern. This lack of regulation creates significant loopholes that criminals have exploited and must be closed.
54. The FATF has agreed that we must do more. After all, a chain is only as strong as its weakest link so all jurisdictions must be committed to expeditious implementation of the FATF Standards to ensure that the global AML/CFT regime remains robust and effective.
55. In 2024, the FATF will publish a table detailing the steps taken by FATF member jurisdictions and other jurisdictions with materially significant virtual assets activities to implement Recommendation 15.
56. The challenges I’ve touched on this morning are complex and require not just a Whole of Government approach, but a Whole of Society approach to tackle them.

57. Governments and law enforcement alone cannot effectively deal with financial crime.
58. It requires a robust response at the ecosystem level.
59. Financial institutions, payment service providers, Virtual Asset Service Providers, Financial Intelligence Units, law enforcement agencies, regulators and supervisors all have key roles to play in the prevention, detection, disruption and prosecution of such crime.
60. Speed and quality of information sharing between the public and private sectors are crucial, as rapid action is needed to intercept transfers of ill-gotten gains before they dissipate.
61. As technology becomes further entrenched in our daily lives, we must go beyond the current operating paradigm adopted by some - of looking at AML/CFT compliance as a burden, or merely a box to tick.

62. Instead, financial institutions and other digital financial solution providers should consider how AML/CFT compliance ought to be built into new products and services right upfront – i.e. compliance by design; it must not be an afterthought.
63. After all, it is also in the interest of all parties concerned to ensure that their products and services are not susceptible to abuse by criminal elements, given the risks involved, including legal, operational and reputational risks.
64. Looking ahead, the private sector must have a comprehensive understanding of ML/TF/PF risks facing their businesses and operations and adopt necessary measures to ensure that their businesses and systems are not abused by criminals.
65. FIs and others need to regularly update their risk understanding and risk assessments, leveraging key sources including FATF publications, their respective

National Risk Assessments, and updates from local authorities.

66. We have found that public-private partnerships (PPPs) between authorities and the private sector can foster more practical and pragmatic solutions than those developed separately.
67. The FATF therefore encourages FIs and DNFBPs to participate actively in such PPP engagements.
68. The PPP model is a 2-way engagement.
69. Regulators and law enforcement authorities are able to keep industry updated on developments, such as on emerging threats and new modes of crime, while authorities benefit from industry perspectives and knowledge as well as industry resources.
70. Private sector participants in turn have a direct channel to provide your views and obtain direct feedback from regulators, supervisors and law enforcement.

71. This is necessary to ensure high awareness of key risks as well as exploring and co-creating approaches and solutions to mitigate these risks.
72. Building on the data analytics capabilities of both industry and authorities, I note that the Singapore authorities and their partners are now in the process of rolling out COSMIC (or “Collaborative Sharing of ML/TF Information & Cases”).
73. COSMIC is a PPP that will enable FIs to securely share information on customers or transactions amongst each other and with authorities when they cross material risk thresholds. I look forward to hearing more about it during the discussion on COSMIC later today.
74. National authorities should also continue to provide guidance to the industry even as they seek to work together.

75. For instance, last week, the MAS published an information paper on the effective use of data analytics that I found particularly interesting.
76. It focused on the success of PPPs to drive effectiveness in dealing with the risks posed by legal persons, in line with the FATF's call to countries to focus on achieving effectiveness of outcomes.
77. Notably, the paper shared Singapore's journey with the private sector to explore and encourage the use of data analytics to tackle the ML/TF risks associated with shell companies.
78. The case studies demonstrated the use of data analytics leading to the identification of higher risk accounts, and possible sanctions evasion activities for early intervention by the FIs.
79. I also understand that this in turn led to investigations by local authorities, and issuance of advisories to alert the wider industry to the identified typologies.

80. The case studies remind us that while the criminals may be well resourced and sophisticated, there are digital tools and processes that the public and private sectors can arm ourselves with in response to fight back!
81. In concluding, let me say that all of us here must be involved in the fight against financial crime for us to succeed.
82. The challenges continue to grow in both scale and complexity, with emerging technology adding to the litany of challenges that we face.
83. Ensuring all the pieces are in place, including the right laws, knowledge, skills and competencies, as well as platforms and frameworks, is no small challenge.
84. Members of the ABS, ladies and gentlemen,
85. I am confident that with a collective sense of mission and purpose, determination, perseverance and resilience,

leveraging partnerships between the public and private sectors, we will be up to the challenge

86. and can

87. and indeed we must

88. ultimately prevail in this fight against crime and criminals.

89. Let me stop here as we segway to a short Q&A session where we can answer some of your questions.

90. Thank you for your attention!

* * * * *