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# MAS Launches COSMIC Platform for FIs to Share Information on Customers Exhibiting Red Flags to Combat ML / TF

## Introduction

On 1 April 2024, the Monetary Authority of Singapore ("**MAS**") launched COSMIC (Collaborative Sharing of Money Laundering / Terrorism Financing (ML/TF) Information & Cases), the first centralised digital platform to facilitate the sharing of customer information among prescribed financial institutions ("**Prescribed FIs**") to combat money laundering ("**ML**"), terrorism financing ("**TF**"), and proliferation financing ("**PF**") globally.

On the same day, the Financial Services and Markets Act 2022 ("**FSMA**") was amended to set out the legal basis and safeguards for such sharing. On 28 March 2024, the [MAS Notice FSM-N02 Prevention of Money Laundering and Countering the Financing of Terrorism - Financial Institutions' Information Sharing Platform](#) ("**COSMIC Notice**") was issued, providing MAS' requirements for the Prescribed FIs to establish and implement robust controls to facilitate the sharing of risk information on COSMIC and protect the confidentiality of the information being shared and the interests of legitimate customers. The COSMIC Notice took effect on 1 April 2024, save for the provisions dealing with outsourcing arrangements which will take effect on or after 11 December 2024, together with the coming into effect of the [MAS Notice 658 on Management of Outsourced Relevant Services for Banks](#).

With the launch of COSMIC, the Prescribed FIs in this initial phase (expected to last for approximately two years after its launch) currently comprise the six banks who co-developed COSMIC together with MAS (DBS, OCBC, UOB, Citibank, HSBC, and Standard Chartered Bank). 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 along the lines of (i) to (iii), if stipulated conditions and thresholds are met. A "relevant party" is a person who is, or who seeks to be, or who has been, a customer of a Prescribed FI, and who has been prescribed as such under subsidiary legislation.

This Update outlines key requirements under the FSMA and the COSMIC Notice.

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### Brief Background

By way of background, MAS previously held two Consultations on COSMIC, including:

- (a) the requirements for FI-FI information sharing under COSMIC (a summary of the Consultation Paper on Notice Relating to FI-FI Information Sharing for AML/CFT is provided in our Legal Update titled ["MAS Seeks Feedback on Requirements on FI-FI Information Sharing under COSMIC for AML/CFT"](#)); and
- (b) the scope of relevant parties whose information may be shared via COSMIC (a summary of the Consultation is provided in our article titled ["MAS Consults on Scope of Risk Information to be Shared on COSMIC"](#) in the 2023 December – 2024 January NewsBytes (page 18).

On 28 March 2024, MAS shared its responses to feedback received on both Consultation Papers in ["Response to Feedback Received on Consultation Paper on the Regulations and Notice relating to FI-FI Information Sharing for AML/CFT"](#).

Further, to clarify the relationship and interaction between certain requirements in the COSMIC Notice and the existing anti-money laundering ("AML") and countering the financing of terrorism ("CTF") requirements that banks in Singapore are already subject to, MAS cancelled the previous versions and reissued [MAS Notice 626 on Prevention of Money Laundering and Countering the Financing of Terrorism – Banks dated 28 March 2024](#) ("**Reissued Notice 626**") and accompanying [Guidelines to MAS Notice 626 on Prevention of Money Laundering and Countering the Financing of Terrorism dated 28 March 2024](#) ("**Reissued Guidelines 626**"). The Reissued Notice 626 took effect on 1 April 2024.

### Key Requirements under FSMA and 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 and supplemented by the COSMIC Notice. The key requirements for such sharing 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.

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#### Internal Policies, Procedures, Controls; Risk Assessment and Mitigation Requirements

There are three modes of sharing under COSMIC if the relevant conditions under the FSMA are met:

- (a) **Request and Response:** Where a Prescribed FI requests risk information relating to certain relevant parties from another Prescribed FI, and the requisite risk information is provided in a response.
- (b) **Disclosure:** Where a Prescribed FI provides risk information relating to certain relevant parties to another Prescribed FI.
- (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 (collectively, "**Policies**") to ensure that the Prescribed FI makes Requests, Responses, Disclosures and Listings in a systematic manner with appropriate safeguards implemented. MAS intends to elaborate on these Policies in the upcoming Guidelines accompanying the COSMIC Notice ("**COSMIC Guidelines**"). The Policies must:

- (a) include a framework to assess whether the applicable conditions and relevant threshold criteria (including high-risk indicators)<sup>1</sup> for a Request, Response, Disclosure or Listing are met, and to determine what information may be included or disclosed in the same. Risk information that may be shared include information on a relevant party's authorised signatories, beneficial owners, and officers;
- (b) include an approval framework to set out the relevant internal approvals needed to be obtained prior to a Request, Response, Disclosure or Listing;
- (c) be approved by senior management and be subject to regular audits to assess the effectiveness of the Policies and compliance with the COSMIC Notice; and
- (d) address how the Prescribed FI will ensure that the relevant documentation and record retention policies are met.

Prescribed FIs must also comply with requirements pertaining to Requests, Responses, Disclosures or Listings, including:

- (a) **In relation to Requests and Disclosures:** A Prescribed FI must conduct **risk assessments** and take **risk mitigation measures**.

<sup>1</sup> The red flags and threshold criteria have been co-developed by MAS and the initial Prescribed FIs and were shared with the Prescribed FIs privately because confidentiality is needed to prevent circumvention by criminals.

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When a Prescribed FI receives risk information as part of a Response or Disclosure, it must undertake a risk assessment of ML/TF/PF risks presented by the relevant party to whom the Request or Disclosure relates and document the assessment results.

Under Reissued Notice 626, Prescribed FIs that are banks in Singapore ("**Prescribed Banks**") are required to take appropriate risk mitigation measures and must consider information they have obtained from COSMIC, including the results of the abovementioned risk assessments, in performing the risk mitigation measures required, including in relation to politically exposed persons and other higher risk categories. MAS has elaborated on the appropriate risk mitigation measures in the Reissued Guidelines 626.

- (b) **In relation to Listings:** Prescribed FIs are required to **screen** (i) a relevant party that is a customer or prospective customer; (ii) individuals appointed to act on the relevant party's behalf; and (iii) its connected parties and beneficial owners, against the platform screening list to determine if there are any ML/TF/PF risks. This must be done when establishing business relations (or as soon as reasonably practicable thereafter) and subsequently on a periodic basis thereafter.

If the screening results in a positive hit against the platform screening list, the Prescribed FI must undertake the aforesaid risk assessment and document the results of the same. The platform screening list does not constitute "lists and information provided by MAS and other relevant authorities in Singapore" to which the more stringent screening procedures outlined in Reissued Notice 626 apply.

- (c) **Prior to Listing or exit:** Prescribed FIs must **meet certain requirements and engage with the relevant party**. MAS reminds FIs not to terminate customer relationships indiscriminately and is working closely with the initial Prescribed FIs to ensure they have robust and clear processes for deciding and handling customer exits where warranted.

For instance, in the aforesaid risk assessment, a Prescribed FI must have regard to the risk information received in the Response or Disclosure or Listing associated with the screening and the positive hit, or other relevant information (e.g. from its own investigations or external sources such as clarifications from the relevant party), before determining whether to terminate or decline to establish business relations with said relevant party, and must document such decision.

In addition, before Listing, a Prescribed FI must, unless it is not practicable, engage the relevant party that is the subject of the Listing to clarify any ML/TF/PF concerns. The Prescribed FI must document such engagements or, where it does not engage, the basis for its assessment not to engage. It must 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 that the Listing was made erroneously.

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MAS however also reminded Prescribed FIs of the importance of managing the risk of tipping off carefully when interacting with customers that present ML/TF/PF suspicion so as not to divulge information that might constitute tipping off.

#### **Requirements to Incorporate Information from COSMIC as Part of AML/CFT Controls**

When fulfilling their broader AML/CFT obligations under Reissued Notice 626, Prescribed Banks are required to consider risk information received from COSMIC, including in the performance of ongoing monitoring and enhanced customer due diligence measures.

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

- (a) Prescribed FIs are required to establish and implement systems and processes to ensure (i) the accuracy and completeness of information shared through COSMIC; and (ii) the prompt notification and correction of any errors or omissions (no later than two working days from the time that they become aware of the error or omission). MAS will elaborate on this in the upcoming COSMIC Guidelines.
- (b) Prescribed FIs must implement IT controls capable of:
  - protecting the security, integrity, and confidentiality of platform information;
  - securely transmitting and receiving information between COSMIC and the Prescribed FI;
  - preventing unauthorised use or similar risks to platform information; and
  - appropriately addressing any event that involves a security breach.
- (c) Prescribed FIs:
  - must maintain a register of officers who may access platform information, which must be approved by senior management;
  - must not allow a non-registered officer to access platform information; and
  - must ensure that registered officers do not share platform information with unregistered officers save where necessary for AML/CFT risk management purposes, with adequate safeguards.
- (d) Prescribed FIs will be subject to record keeping requirements. For instance, Prescribed FIs must prepare, maintain, and retain records of all relevant data, documents, and information for a period of at least five years.

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- (e) Prescribed FIs may obtain an outsourced relevant service which involves or may involve disclosure of platform information, only from a service provider that has met the requirements in MAS Notice 658 on Management of Outsourced Relevant Services (from 11 December 2024). In the meantime, until 10 December 2024, Prescribed FIs should take note of the already existing requirements under [MAS' Guidelines on Outsourcing dated 27 July 2016 \(last revised on 5 October 2018\)](#).

If you have any queries on the above developments, please feel free to contact our team members below who will be happy to assist you.

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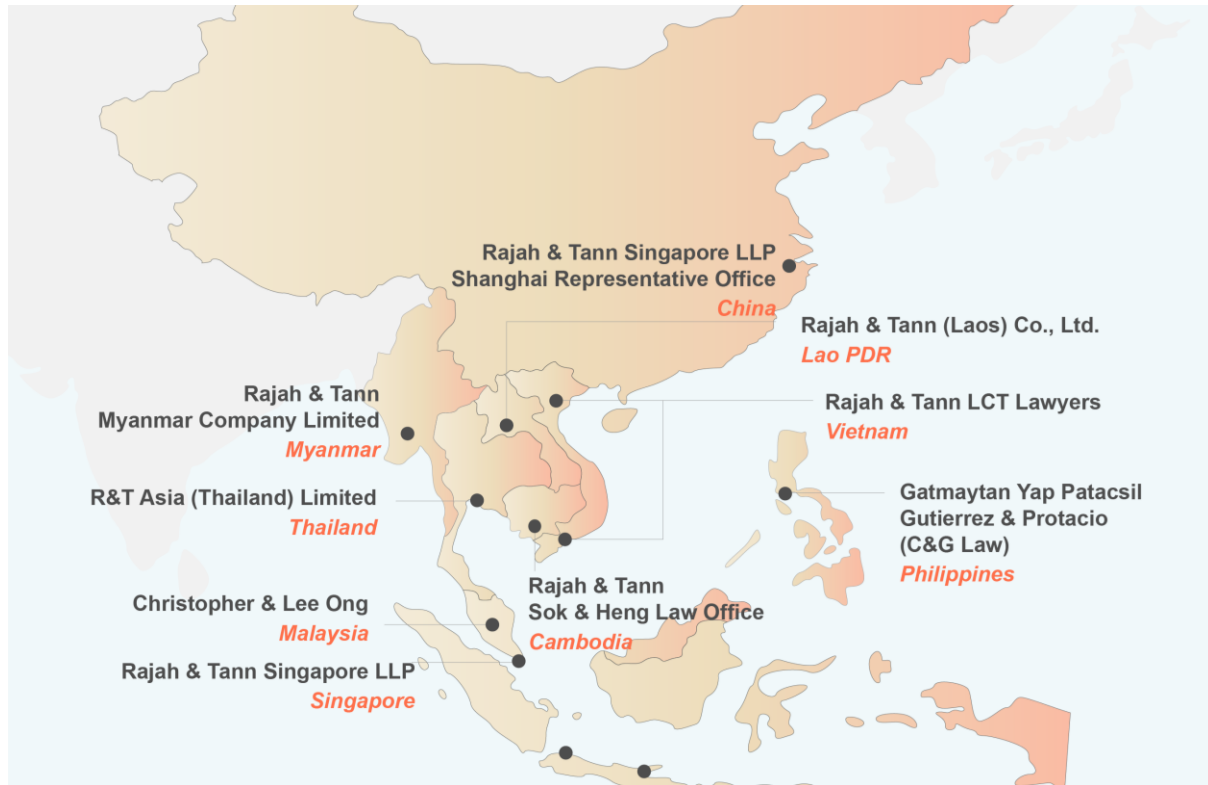
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