

# Environmental Crimes Money Laundering National Risk Assessment

MAY 2024

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## Table of Acronyms

ACIP	AML/CFT Industry Partnership
ACRA	Accounting and Corporate Registration Authority
AGC	Attorney-General's Chambers
AML/CFT	Anti-money Laundering and Combating the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
CAD	Commercial Affairs Department
CDD	Customer Due Diligence
CDSA	Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992
CITES	Convention for International Trade in Endangered Species of Wild Fauna and Flora
CPIB	Corrupt Practices Investigation Bureau
CSP	Corporate Service Providers
Customs	Singapore Customs
DNFBPs	Designated Non-Financial Businesses and Professions
Env Crimes	Environmental Crimes
Env Crimes ML	Environmental Crimes Money Laundering
Env predicate offences	Env Crime-related predicate offences
EPMA	Environmental Protection and Management Act 1999
ESA	Endangered Species (Import and Export) Act 2006
EwRA	Enterprise-wide Risk Assessment
EAM	External Asset Managers
FATF	Financial Action Task Force
FI	Financial institutions
FIU	Financial Intelligence Unit
GRA	Gambling Regulatory Authority
HNWI	High-Net-Worth Individuals
HOSSP	Hawala and other similar service providers
HWA	Hazardous Waste (Control of Export, Import and Transit) Act 1997
IAC	Inter-Agency Committee
IBA	Incineration Bottom Ash
ICA	Immigration & Checkpoints Authority
IL	Illegal Logging
INTERPOL	International Criminal Police Organisation
IWT	Illegal Wildlife Trade
LEA	Law Enforcement Agency
LTC	Licensed Trust Companies
MACMA	Mutual Assistance in Criminal Matters Act 2000
MAS	Monetary Authority of Singapore
MC	Money Changers

MHA	Ministry of Home Affairs
ML	Money Laundering
MLA	Mutual Legal Assistance
NEA	National Environment Agency
NGO	Non-Governmental Organisations
NParks	National Parks Board
NRA	National Risk Assessment
OFAC	Office of Foreign Assets Control
PSA	Payment Services Act 2019
PSPM	Precious Stones and Precious Metals
PSMD	Precious Stones and Precious Metal Dealers
PSP	Payment Service Providers
RA	Remittance Agents
RFA	Requests for Assistance
RPA	Radiation Protection Act 2007
RTIG	Risks and Typologies Inter-Agency Group
SC	Steering Committee
SEI	Spontaneous Exchange of Information
STR	Suspicious Transaction Reports
STRO	Suspicious Transaction Reporting Office
SVF	Stored Value Facilities
TBML	Trade-Based Money Laundering
UfW	United for Wildlife Industry Group
UNODC	United Nations Office of Drugs and Crime
VA	Virtual Assets
VASP	Virtual Asset Service Providers
WoG	Whole-of Government

# 1. Executive Summary

- 1.1 Environmental Crimes (Env Crimes) and the laundering of its proceeds are not victimless crimes. They disrupt and harm our environment and eco-system, with far-reaching and long-term impact on current and future generations. In July 2021, the Financial Action Task Force (FATF) noted that Env Crimes generate around US\$110 billion to US\$281 billion in criminal gains every year. It is thus important that countries take necessary steps to deal with Env Crimes and their corresponding criminal gains.
- 1.2 The Env Crimes Money Laundering (Env Crimes ML) national risk assessment (NRA) presents an overview of Singapore's Env Crimes ML risk environment and identifies the key threats, vulnerabilities, controls, and areas of enhancements. The Env Crimes ML NRA complements Singapore's broader ML risk assessments and aims to raise awareness amongst Singapore Government agencies, financial institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs), of the specific Env Crime ML risks that Singapore is exposed to. It serves as a guide for the abovementioned groups to adopt a risk-focused approach when developing and implementing strategies, policies and risk mitigation measures to address ML risks and illicit flows related to Env Crimes. In particular, the findings informed the Government's review of relevant legislative frameworks.
- 1.3 This assessment is conducted under the auspices of the Risks and Typologies Inter-Agency Group (RTIG) which oversees the identification and assessment of ML and terrorist financing risks at the whole-of government (WoG) level. The findings and mitigation steps were presented to and reviewed by the Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) Inter-Agency Committee (IAC) and endorsed by the AML/CFT Steering Committee (SC) – the committees that review and implement strategies for Singapore to combat money laundering (ML), terrorism financing (TF) and proliferation financing (PF).
- 1.4 In determining the Env Crimes ML risks to Singapore, a broad range of qualitative and quantitative threats, vulnerabilities, and control factors were considered. This government-wide exercise drew inputs from law enforcement, the financial intelligence unit, and regulatory and supervisory agencies involved in AML/CFT work in Singapore, as well as international typology reports. It also involved engagements with the private sector through the AML/CFT Industry Partnership (ACIP) and with Non-Governmental Organisations (NGOs) working on environmental causes.

## **Key Findings – Risk and Contextual Factors**

### Singapore is a transit country for Env Crimes ML

- 1.5 Singapore is an international financial centre, and an international trading and transport hub, with a highly externally-oriented economy. NGOs have also identified Singapore to be a transit country for Env Crimes and related ML, given its geographical location, including along the Asian environmental goods (Env goods)<sup>1</sup> supply routes (e.g. movement of goods between the rest of the world and countries such as Vietnam, China, Indonesia), and its financial centre which criminals could exploit to facilitate their illicit financing and trade flows. These risks, especially with respect to illegal wildlife trafficking have materialised; we have managed to seize some illegal wildlife trade (IWT) transshipments that came through Singapore.

### Legislation and Enforcement

- 1.6 Singapore has a strong and transparent legal and institutional framework for ML enforcement, prosecution, asset recovery and international cooperation. There are robust coordination mechanisms to detect ML elements in Env Crimes investigations. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992 (CDSA) is the primary legislation that criminalises the laundering of criminal benefits (self and third-party laundering) and provides for investigation and confiscation of such benefits, including the laundering of proceeds from Env Crimes in Singapore.
- 1.7 Singapore authorities are reviewing the foreign Env Crimes threats that Singapore is exposed to and intend to expand the scope of the CDSA by 2024 to include relevant Env offences (including those which emanate overseas but do not have a direct domestic equivalent, e.g. illegal logging (IL), illegal waste trafficking) as predicate offences. Given the cross-border nature of Env Crimes, and Singapore's status as a transit jurisdiction, these changes will better enable law enforcement agencies (LEAs) to investigate

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<sup>1</sup> The phrase "environmental goods" in this report broadly refers to protected species of fauna, flora, precious stones and metals, other natural resources, and waste.

cross-border laundering of proceeds of Env Crimes and provide international cooperation for these Env Crimes that take place in foreign jurisdictions.

### **Key Findings – ML Threats and Vulnerabilities**

#### Singapore is particularly exposed to Env Crimes ML threats from Illegal Wildlife Trade, Illegal Logging and Waste Trafficking

1.8 Singapore's key Env Crimes ML threats are assessed to be:

- i. **Illegal Wildlife Trade (IWT)** – This could include trafficking in items such as pangolin scales, ivory parts, and rhinoceros' horns. Singapore is a transportation and transshipment hub and situated on the supply route where wildlife and goods (such as Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)-listed timber and ivory) are moved from source to destination countries. As a result, Singapore is susceptible to trade flows arising from Env Crimes. This can also be seen from the IWT seizures and enforcement actions that LEAs and National Parks Board (NParks) have carried out over the last few years. These include the largest single seizure of 25 tonnes of pangolin scales by Singapore Customs (Customs) and NParks in two shipments from Nigeria to Vietnam in April 2019, purportedly masked as cassia seeds and frozen beef, and the largest seizure of rhinoceros horns to-date, weighing a total of 34.7kg, in Oct 2022.
- ii. **Illegal logging (IL) and waste trafficking** – International and regional typologies indicate that ML of proceeds from IL are likely to take place in regional financial centres closer to forests, and that Southeast-Asia is a primary destination for illegal disposal or storage of waste. While Singapore authorities have yet to detect ML arising from these threats so far, given the region we are in, authorities and financial institutions continue to be cognisant of and remain vigilant to these risks.

1.9 Based on our surveillance and research, one of the most commonly observed typologies associated with the above-mentioned Env Crime ML threats is trade-based money laundering (TBML). It is also observed by law enforcement (including International Criminal Police Organisation (INTERPOL)) that another underlying offence that facilitates Env Crimes ML is corruption (including bribery and embezzlement); these illicit activities could fund or facilitate the illegal acquisition and movement of Env goods and resources.<sup>2</sup>

#### Banks and cross-border payment service providers (or Remittance Agents) are at greatest risk of being exploited for Env Crimes ML

1.10 Banks and remittance agent sectors have been assessed to be the sectors most exposed to Env Crime ML risks in Singapore. These sectors are more internationally oriented and are most vulnerable to being misused to launder proceeds from Env Crimes. Banks may be exposed to Env Crime ML risks through financing trade in illegal Env goods and dealing with criminals looking to park their illegally obtained proceeds (including from Env Crime) in Singapore; remittance agents (RA) may be exposed by facilitating fund transfers across countries for such illicit activities.

1.11 Company service providers which facilitate the formation of companies including shell or front companies purporting to be involved in import and export business, as well as businesses with dealings which could be cash intensive, or provide a store of value at the integration stage, e.g. via precious stones and precious metals (PSPM), may also be vulnerable to Env Crimes ML.

1.12 Other financial and DNFBP sectors (e.g. accountants and lawyers) have also been known to feature in Env Crimes ML typologies in other countries; these sectors featured to a lesser extent in Singapore. More specific details can be found within the relevant sectorial assessments.

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<sup>2</sup> INTERPOL report "Environmental Crime and its Convergence with other Serious Crimes" (Oct 2015) provides insights into the nature of crime convergence, including corruption, within the context of environmental crime.

## 2. Introduction

### 2.1 Objective

- 2.1.1 The Env Crimes ML NRA is a product of Singapore's review of our money laundering (ML) risks related to Env Crimes. It supplements the various risk assessments that the Singapore agencies have conducted and will be conducting.
- 2.1.2 This is a targeted risk assessment which presents an overview of Singapore's Env Crimes ML risks environment and identifies the key threats and vulnerabilities, existing legislation and controls, and areas for enhancements. The Env Crimes ML NRA seeks to raise awareness amongst LEAs, the Suspicious Transaction Reporting Office (STRO) (Singapore's Financial Intelligence Unit (FIU)), regulators/supervisors, policy makers, and the private sector of Singapore's Env Crimes ML risks. This enables Singapore agencies to consider relevant legislative amendments to the CDSA and adopt a targeted and risk-focused approach when developing and implementing strategies and risk mitigation measures (including the development of intelligence and investigations) to address the ML risks related to Env Crimes.
- 2.1.3 FIs and DNFbps should also take into account the findings in this NRA and enhance their processes and controls to be more vigilant to the potential illicit financial flows relating to Env Crimes.

### 2.2 Background to Env Crimes and relevance to Singapore

- 2.2.1 Env Crimes and the laundering of their proceeds endanger the environment and have a far-reaching impact. The disruption, negative and long-term consequences to our eco-systems mean that it is not a victimless crime. For instance, it has been noted that IL contributes to deforestation, deprives forest communities of vital livelihoods, and contributes to climate change.<sup>3</sup>
- 2.2.2 The FATF has stepped up the global fight against the laundering of proceeds of Env Crimes and issued reports on "Money Laundering and the Illegal Wildlife Trade" and "Money Laundering from Environmental Crimes" in June 2020 and July 2021 respectively.<sup>4</sup>
- 2.2.3 In its July 2021 report, the FATF noted that Env Crimes generate around US\$110 billion to US\$281 billion in criminal gains every year. Interpol has also noted that "unlike the illegal trade in drugs and other illicit goods, natural resources are finite and cannot be replenished in a lab. As such, there is a sense of urgency to combat environmental crime".<sup>5</sup> It is important that countries take necessary steps to deal with Env Crimes and the laundering of their proceeds.
- 2.2.4 To address this risk, the FATF revised its glossary in October 2021 to set out examples of Env Crimes that countries should pay attention to, including criminal harvesting, extraction, or trafficking in protected species of wild flora and fauna (e.g., illegal wildlife trade (IWT) and destruction of protected trees), PSPM and other natural resources (e.g., illegal gold mining, IL), and waste (e.g., trafficking hazardous industrial waste, illegal dumping)). The FATF also clarified that countries should do so irrespective of whether they are a source, transit, or destination country.
- 2.2.5 Regionally, Southeast Asia is home to some of the world's largest illicit wildlife markets and plays a key role in the transportation of high value, highly endangered and illegally sourced African wildlife for the regional market, as well as for other parts of Asia and the global markets. It is also home to transnational organised criminal networks involved in Env Crimes, including those that operate via large national and multinational enterprises at all levels of the supply chain from the source forests to consumer markets.
- 2.2.6 Singapore is an international financial centre, and an international trading, transport and transshipment hub, with a highly externally-oriented economy. Being situated on supply routes in Asia where a high volume of goods is moved using sea routes makes Singapore vulnerable to illegal trade flows. As a financial centre, Singapore's financial institutions (such as banks), and relevant gatekeepers (such as company service providers) could be misused to launder proceeds of Env Crimes through financing and

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<sup>3</sup> Adapted from UNODC "Environmental Crime – The Trafficking of Wildlife and Timber"

<sup>4</sup> Please refer to the FATF reports:

FATF (2020), Money Laundering and the Illegal Wildlife Trade, FATF, Paris, France,

FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France,

<sup>5</sup> Extracted from Interpol "Environmental crime" webpage (<https://www.interpol.int/en/Crimes/Environmental-crime>)



trade-based activities. Given these potentialities and from the seizures of transshipment of IWT, NGOs, in our engagements, had identified Singapore to be a transit country for Env Crimes and related ML.<sup>6</sup>

## 2.3 International Conventions and Best Practices

- 2.3.1 Singapore aligns our approach with the FATF Standards, relevant international conventions, and best practices to demonstrate our continuous commitment to the global fight against the various Env Crimes.
- 2.3.2 Singapore is a signatory to the CITES. CITES ensures that international trade in wild animals and plants does not threaten their survival in the wild. Singapore's Endangered Species (Import and Export Act) 2006 (ESA) is also recognised by the CITES Secretariat as a Category 1 legislation, meaning that it meets all requirements for the implementation of CITES.<sup>7</sup>
- 2.3.3 In November 2023, Singapore signed up to an international collaboration articulated in the "Statement of Principles of a Multilateral Approach to Combating Illegal Wildlife Trade". The statement was convened by United for Wildlife (UfW), an organisation that aims to tackle IWT through fostering international cooperation. The statement affirms signatories' commitment to prevent, detect and disrupt financial activities linked to international wildlife crime.<sup>8</sup>
- 2.3.4 In addition to the above, in 1996, Singapore acceded to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal ("Basel Convention") in the control of export, import and transit of hazardous wastes. Shipments involving hazardous wastes that do not adhere to the procedures set out under the Basel Convention are deemed as illegal traffic, and Parties are required to take regulatory actions against the culprits involved. Singapore enacted the Hazardous Waste (Control of Export, Import and Transit) Act 1997 (HWA) and its Regulations to regulate the control of export, import and transit of hazardous wastes in accordance with the principles and provisions of the Basel Convention. To guide the local waste industry on types of waste and recyclables suitable for transboundary movement, National Environment Agency (NEA) has issued multiple circulars on control of hazardous wastes and other wastes.

## 3. Risk Assessment Methodology

### 3.1 Approach

- 3.1.1 The RTIG, led by the Ministry of Home Affairs (MHA) and the Monetary Authority of Singapore (MAS), oversees the identification and assessment of ML/TF risks, including Env Crimes ML risks at the WoG level. At RTIG, Singapore's Env Crimes ML threats and risk considerations, including the cases, typologies and vulnerabilities identified and the recommended mitigation steps, are discussed. RTIG's understanding of Env Crimes risks is further enhanced by the involvement of the private sector through the ACIP and engagements with NGOs working on environment causes.<sup>9</sup>
- 3.1.2 The work of the RTIG is overseen and endorsed by the IAC and the SC.<sup>10</sup>
- 3.1.3 The methodology used for this assessment takes into consideration Env Crime ML threats, the FIs and DNFBPs' inherent vulnerabilities and controls in place, as well as other risk and contextual factors relevant to Singapore when looking at each of these areas. This methodology is broadly aligned with that used in the other national-level risks assessments which Singapore conducts.

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<sup>6</sup> Over the period of April to June 2022, we consulted with the Worldwide Fund for Nature, The Nature Conservancy, Wildlife Conservation Society, Royal United Services Institute, UK (RUSI), United for Wildlife Industry Group (UfW).

<sup>7</sup> The CITES Secretariat analyses national legislations of the parties and classifies them into 3 categories based on whether the legislation meets the requirements for implementation of CITES. Please refer to <https://cites.org/eng/legislation/parties> for more details.

<sup>8</sup> The Statement of Principles encourages a "multi-jurisdictional" approach to tackling IWT. Signatories to the Statement (Australia, Canada, New Zealand, South Africa, the United Kingdom, the United States, Singapore) commit to - (a) establish AML-focused public-private partnerships to share information on money laundering of IWT, (b) guide financial institutions and regulators etc. on trends, typologies, and indicators of ML of IWT to facilitate submission of suspicious transactions reports and risk mitigation measures, (c) raise public awareness of IWT as a financial crime.

<sup>9</sup> The AML/CFT Industry Partnership (ACIP) is a private-public partnership established in April 2017 to collaboratively identify, assess, and mitigate key and emerging money laundering, terrorism financing and proliferation financing risks facing Singapore. ACIP is led by Commercial Affairs Department of the Singapore Police Force (CAD) and Monetary Authority of Singapore (MAS) and currently comprises the Association of Banks Singapore (ABS) and 9 banks. ACIP's work is also supported by various working groups which include not just experts from banks, but also those from other relevant sectors.

<sup>10</sup> The AML/CFT SC is co-chaired by the Permanent Secretaries of the MHA and the Ministry of Finance, and the Managing Director of MAS. The AML/CFT Inter-Agency Committee is co-chaired by the Deputy Secretary of the MHA and the Deputy Managing Director of MAS.

## 3.2 Env Crimes ML NRA Methodology – Sources of Information

3.2.1 In determining the Env Crimes ML risk to Singapore, a broad range of qualitative and quantitative threats, vulnerabilities, and control factors (including Singapore’s financial and legal framework) were considered. This included information and data gathered and analysed from the following sources:

- (i) Cases, risks, and typologies arising from Env Crimes and related enforcement actions, including ML in Singapore;
- (ii) Our FIU and insights from the analysis of ML-related Suspicious Transaction Reports (STRs), Requests for Assistance (RFA) and Spontaneous Exchange of Information (SEI);
- (iii) Mutual Legal Assistance (MLA) requests;
- (iv) Agencies in Singapore dealing with Env Crimes;
- (v) FI and DNFBP supervisors;
- (vi) Private sector entities such as NGOs, audit/consultancy firms and ACIP banks to gauge their Env Crimes-ML risk awareness;
- (vii) Typologies reports produced by international organisations such as the FATF, United National Office on Drugs and Crime (UNODC) and INTERPOL; and
- (viii) Other reports produced by regional and international counterparts (including regulators, LEAs and FIUs).

## 3.3 Determination of Env Crime ML Risks

3.3.1 The identification of Singapore’s key Env Crimes ML threats drives the next step of the methodology, which is to consider the vulnerability of relevant sectors in Singapore, based on each sector’s exposure to the Env Crimes ML threats and the likelihood of such threats materialising. As the Env Crimes ML threats and vulnerabilities can be mitigated to some extent by Singapore’s strong legal framework and the relevant sector’s AML/CFT controls, these factors were also considered in deriving the overall Env Crime ML risk Singapore is exposed to.

### **Determination of Env Crime ML Threats**

3.3.2 Key Env Crimes ML threats for Singapore were determined through an analysis of indicators, which have been grouped into the following four factors to provide a holistic assessment of Singapore’s key Env Crimes ML threats:

- (i) **Understanding of Singapore’s Env Crimes ML threat landscape**, by assessing the prevalence of Env Crime-related predicate offences (Env predicate offences) originating in Singapore as well as foreign predicate offences with a nexus to Singapore. Indicators considered include convictions related to Env predicate offences, quantum of proceeds of crime involved, STRs tagged to Env predicate offences, as well as formal and informal international cooperation requests related to the same.
- (ii) **Extent of Env Crimes ML activity that had materialised in Singapore**, by considering indicators such as ML investigations, prosecutions and convictions arising from the respective crime threats.
- (iii) **Singapore’s inherent exposure to Env Crimes ML based on its environmental and contextual factors**. Insights and observations were drawn from international and regional reports. The assessment also examined if crime threats that have materialised regionally or globally or shown up in typology reports would have manifested in Singapore given our risk profile. Also, authorities’ insights, including those of LEA experts, were used to assess the likelihood of predicate crimes leading to ML activities in or through Singapore.
- (iv) **Singapore’s Env Crimes ML threats through the lenses of its key foreign partners**. To enhance our risk understanding in respect of Singapore’s foreign ML threats, this factor focuses on key ML threats to Singapore as seen from the lens of its key foreign LEA and FIU partners.

**Determination of Inherent Vulnerabilities and Controls in relation to Env Crimes ML**

- 3.3.3 For purposes of this assessment, the inherent vulnerability of FIs and DNFBSs’ exposure to Env Crimes ML are risk tiered based on two categories of information gathered from LEAs and industry sources, as shown below:
- a. Information gathered from various Government agencies and sources, including Attorney-General Chamber’s (AGC), FIU, LEAs, FIs and DNFBS supervisory agencies
    - i. cases that were investigated, prosecuted and/or convicted;
    - ii. cases where international cooperation was rendered/requested through MLAs, RFAs and SEIs;
    - iii. information obtained from STRs; and
    - iv. inputs from FI and DNFBS supervisors.
  - b. Information gathered from private sector and other sources
    - i. typologies from sources such as FATF, APG;<sup>11</sup>
    - ii. engagements with private sector players such as the ACIP banks;
    - iii. engagements with relevant organisations and agencies such as NGOs, and Env Agencies; and
    - iv. open-source news on Env Crimes from the internet.
- 3.3.4 Where information gathered from individual sources indicated actual and potential involvement of the respective sectors in Env Crimes ML, this added to the risk score. The sectors were then arranged by order of high-risk tier, with the highest risk score, followed by medium-high and medium- low risk tiers. The sectors with the lowest risk score were rated as low risk.
- 3.3.5 The control factors considered include (i) the maturity of legal and supervisory framework, (ii) strength of the ML risk management framework and processes (level of risk governance and oversight and robustness in execution of controls), (iii) level of Env Crimes ML risk awareness and understanding, (iv) use of risk detection and mitigation techniques, which include suspicious transaction reporting capabilities, and (v) strength of public-private collaboration.

**Evaluation of the Env Crimes ML Risks**

- 3.3.6 The determination of Singapore’s overall Env Crimes ML risk level considered (i) the inherent ML threat to the relevant sectors; (ii) the relevant sectors’ overall vulnerability to ML, which comprises (a) the sector’s inherent vulnerability, and (b) the prevailing level of controls that Singapore has in place. The following matrix was used to arrive at the Env Crimes ML risk ratings (i.e., H: High, MH: Medium High, ML: Medium Low or L: Low), and the definitions of these risk ratings are set out in Annex 1.

Risk Ratings	Overall Vulnerability			
	Low	Medium Low	Medium High	High
Overall Threat (main driver)				
High	MH	MH	H	H
Medium High	MH	MH	MH	H
Medium Low	ML	ML	MH	MH
Low	L	L	ML	ML

**4. Risk and Contextual Factors**

**4.1 Singapore’s status as international financial centre**

- 4.1.1 Due to the high levels of financial and trade flows, Singapore is considered susceptible to ML arising from Env Crimes. In recent years, this is evidenced by several IWT seizures and prosecutions by Singapore authorities and LEAs. These seizures involved elephant ivory, pangolin scales and rhinoceros horns, and have been detected in sea cargo shipments and air passenger baggage, where Singapore was the transit

<sup>11</sup> APG refers to the Asia/Pacific Group on Money Laundering. It is an inter-governmental organization, consisting of 42 member jurisdictions. APG’s objective is to ensure that individual members effectively implement the international standards against ML, TF, and PF.

country (and not the final destination).<sup>12</sup> The most common trade route for shipments seized in transit through Singapore is between Africa and East Asia.

## 4.2 Strong domestic coordination and cooperation

### *Inter-agency collaboration*

4.2.1 Singapore adopts a WOG and multi-pronged approach to address ML arising from Env Crimes. Several agencies, such as NParks, NEA, Immigration & Checkpoints Authority (ICA), Customs, Commercial Affairs Department (CAD) and MAS have formed close working relationships, through which the agencies regularly exchange information, typologies and intelligence and coordinate on joint operations and training. This includes assessing tip-offs, formalising a robust risk assessment framework to screen and identify goods that warrant further inspection at border checkpoints, and joint enforcement. Agencies will also detect and refer possible cases of ML to CAD for investigation.

4.2.2 In recent years, NParks had successfully intercepted IWT transshipments and cargos, with the help of tip-offs and inspections by Customs and ICA. After such interceptions, NParks and CAD had jointly investigated the possible ML links in the cases. These cases are further elaborated in the “Threats” section below under case studies 1 and 2.

### *Private sector engagement*

4.2.3 Agencies also collaborate with the industry to address Env Crime ML risks. This includes raising industry awareness at industry events such as at ABS’ annual financial crime seminar, sharing red flag indicators to enhance private sector’s detection capabilities and leveraging on ACIP for timely and effective information sharing.<sup>13</sup>

4.2.4 In particular, ACIP has been used by agencies to effectively raise awareness on environmental crime specific modus operandi used by bad actors, to share risk indicators to detect money trails involved, and to highlight the need for the private sector to remain alert to Env Crimes ML risks.

## 4.3 Legislation and Enforcement

### *Legal Framework*

4.3.1 Singapore has a strong and transparent legal and institutional framework for ML enforcement, prosecution, asset recovery and international cooperation. The CDSA is the primary legislation that criminalises the laundering of criminal benefits and provides for investigation and confiscation of such benefits. This would include laundering of proceeds from Env Crimes.<sup>14</sup> Offenders prosecuted under the CDSA can be punished with a fine and/or be sentenced to imprisonment.<sup>15</sup>

4.3.2 Singapore’s legislative framework is aligned with FATF’s definition of Env Crimes under the FATF Glossary and covers a range of Env Crimes concerning flora and fauna, natural resources and have offences which are designated as ML predicate offences under the CDSA.<sup>16</sup> The Government reviews our legislative frameworks regularly. A review is ongoing with the view to enhance the relevant legislative levers to better address the threats from Env Crimes that Singapore is exposed to.

### *Enforcement*

4.3.3 The ESA is the principal legislation in Singapore governing the international trade in wildlife protected under CITES. To enhance deterrence against IWT, the penalties for offences were increased when the

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<sup>12</sup> In July 2019, a transshipment containing 8.8 tonnes of elephant ivory and 11.9 tonnes of pangolin scales were confiscated by ICA. The shipment was estimated to be worth S\$ 66.2 million and is one of the notable IWT seizures in Singapore to date.

<sup>13</sup> STRO worked with NParks to jointly develop red flag indicators in relation to IWT, which was shared with reporting entities via STRO Online Notices And Reporting platform (SONAR).

<sup>14</sup> Section 54(1) of the CDSA makes it an **offence for a person to conceal, convert, transfer, acquire or use any property which represents his benefits from criminal conduct, or remove it from the jurisdiction (i.e. self-laundering)**. Section 54(2) of the CDSA complements this provision by making it an offence for a person to conceal, convert or transfer any property, or remove from the jurisdiction (i.e. third-party laundering) property, which he knows or has reasonable grounds to believe represents another person’s benefits from criminal conduct. Singapore has designated a **wide range of offences as ML predicate offences**, which may form the basis of a charge under Section 54 of the CDSA. The list of **more than 600 serious offences** can be found in the First and Second Schedules to the CDSA. Additionally, a foreign serious offence may also form the basis of a money laundering charge.

<sup>15</sup> Any person who commits an offence under Section 54 of the CDSA is liable on conviction (i) if the person is an individual, to a fine not exceeding S\$500,000 or to imprisonment for a term not exceeding 10 years or both, (ii) if the person is not an individual, to a fine not exceeding S\$1million or twice the value of the property in respect of which the offence was committed, whichever is higher.

<sup>16</sup> Singapore’s environment-related legislations with offences designated as ML predicate offences under the CDSA: Animals and Birds Act 1965 (ABA), Endangered Species (Import and Export) Act 2006 (ESA), Wildlife Act 1965 (WA), Environmental Protection and Management Act 1999 (EPMA), Hazardous Waste (Control of Export, Import and Transit) Act 1997 (HWA), and Radiation Protection Act 2007 (RPA).

ESA was amended in 2022. The new maximum fine for an individual offender was increased to S\$100,000 per specimen and imprisonment term was raised to a maximum of six years.<sup>17</sup> For corporate offenders, which include both companies and individuals acting under the direction of companies, the penalties will be higher, at a maximum fine of S\$200,000 per specimen and maximum imprisonment term of eight years.

- 4.3.4 The ESA was also amended to enable NParks to seize and forfeit items used to conceal and convey specimens under CITES. For example, these would include timber planks used to conceal elephant ivory tusks, and vehicles such as cars and vans that were used to transport them. Safeguards were introduced to protect the identity of informers to encourage more individuals to come forward and provide information regarding IWT.
- 4.3.5 For waste trafficking, NEA's policies comply with the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal ("Basel Convention")<sup>18</sup> through the HWA, which requires local companies to seek a Basel Permit for movement of waste. Wastes controlled under the Basel Convention include household wastes, toxic industrial wastes, residues from incineration, but exclude radioactive and ship-borne wastes which are covered by other Conventions. The maximum penalties for offences relating to the import and export of hazardous or other wastes under the HWA are a fine not exceeding S\$300,000 for a body corporate, and a fine not exceeding S\$100,000 and/or imprisonment for a term not exceeding two years for an individual.
- 4.3.6 In addition, the CDSA can also be used to pursue other Env Crimes when they are linked to TBML or corruption, two of the offences which the FATF have observed is frequently linked to Env Crime ML.

#### ***International Cooperation***

- 4.3.7 International cooperation is crucial to combating transnational operations of criminal syndicates involved in Env Crimes and the laundering of its proceeds. Singapore agencies are active in exchanging intelligence, as well as providing and seeking assistance to and from their foreign counterparts. Such assistance includes formal requests for assistance made pursuant to the Mutual Assistance in Criminal Matters Act 2000 (MACMA)<sup>19</sup>, requests for assistance made by and to respective FIUs through the Egmont<sup>20</sup> channel, as well as exchange of information between Singapore's LEAs and their foreign counterparts. LEAs have cooperated with their foreign counterparts and INTERPOL and conducted joint investigations. An example is set out below.

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<sup>17</sup> The previous maximum fine for illegal trade in Appendix I, II and III species were \$50,000 per species and the maximum imprisonment term was two years. For Appendix I species, the new maximum fine and maximum imprisonment term for an individual is up to **S\$100,000 per specimen** (not exceeding aggregate of S\$500,000 or the market value of all specimens at the material time, whichever is higher) and **six years**. For Appendix II and III species, the new maximum fine and maximum imprisonment term is up to **S\$50,000 per specimen** (not exceeding aggregate of S\$500,000 or the market value of all specimens at the material time, whichever is higher) and **four years**.

<sup>18</sup> The Basel Convention is a global environmental agreement that governs the transboundary movement of hazardous wastes and their disposal, with the overarching objective to protect human health and the environment against the adverse effects of hazardous wastes. Under the Basel Convention, the transboundary movement of defined hazardous waste is subject to the Prior Informed Consent (PIC) procedure in which prior consent(s) must be obtained from the countries of import and transit prior to any hazardous waste shipments.

<sup>19</sup> The MACMA sets out the legislative framework for Singapore to request and render MLA and is key to facilitating our international cooperation efforts in criminal matters. The Second Schedule to the MACMA sets out a list of serious offences for which a full suite of MLA can be requested and rendered by Singapore. Environmental Crimes, such as the import of scheduled species without a permit, are listed in this Schedule.

<sup>20</sup> The Egmont Group is a united body of 170 Financial Intelligence Units. It provides FIUs with a platform to securely exchange expertise and financial intelligence to combat money laundering, terrorist financing and associated predicate crimes.

**Case Study 1 – Bilateral cooperation between Singapore and China leading to large-scale seizures and confiscation of pangolin scales and elephant ivory.**

Effective bilateral co-operation between China and Singapore over a sustained period led to the seizure and confiscation of pangolin scales with an estimated monetary value of US\$109.1 million and elephant ivory estimated to be worth US\$1.3 million.

In early 2019, Singapore Customs received a tip-off from Fuzhou Customs and Xiamen Customs of China regarding an illicit shipment of pangolin scales travelling from Nigeria to Vietnam, which was due to transit through Singapore. Based on this information, in April 2019, Singapore intercepted two large shipments (25.6 tonnes) of pangolin scales.

Subsequently, in July 2019, Singapore seized another container containing 11.9 tonnes of pangolin scales and 8.8 tonnes of elephant ivory, based on intelligence provided by Nanning Customs of China. In both instances, following the seizures, Singapore shared relevant information with China through MLA channels, enabling the Chinese authorities to pursue their investigations, and leading to the arrest of a Chinese national based in Vietnam.

To foster information exchange and international cooperation, including in relation to AML, Singapore LEAs also sent information relating to the seizures to other countries via INTERPOL and the International Consortium on Combatting Wildlife Crime (ICWC). Singapore's wildlife crime investigators, NParks also proactively sought financial intelligence to support its review of the case.

- 4.3.8 STRO is a member of the Egmont Group of FIUs. Through Egmont, STRO is able to share information and help other jurisdictions in a timely manner and vice versa. Over the years, STRO has helped to further the Env Crimes investigations of its foreign counterparts.
- 4.3.9 Aside from MLA requests, LEAs also cooperate with their counterparts via other channels. In addition to the exchange of information to support specific investigations, such cooperation includes cross-border joint investigations. These forms of cooperation by LEAs help to facilitate quick exchange of information crucial to further investigations.

## 5. Env Crimes Money Laundering Threats

### 5.1 Overview of key Env Crime ML threats

- 5.1.1 Singapore's key Env Crimes ML threats emanate from (i) IWT arising from pangolin scales, ivory parts, rhinoceros horns, (ii) IL relating to timber, and (iii) trafficking of hazardous waste. These observations are gathered from FIU and LEAs' data, as well as industry engagements with Env NGOs and Env Agencies, supervisors, FIs and private sector industry groups<sup>21</sup>. Based on our cases and surveillance, the typologies associated with the above-mentioned Env Crimes ML threats include TBML, misuse of shell companies, corruption and bribery, and tax evasion.
- 5.1.2 International typology reports further indicate that the laundering of proceeds from Env Crimes occurs across source, transit, and destination countries. While majority of the proceeds would usually end up in the destination country where the syndicate leader is based, laundering also occurs at other stages in the supply chain, including the source countries.<sup>22</sup> Laundering of the proceeds could also arise from the transport of wildlife in transit countries, and this would include Singapore.
- 5.1.3 While we have seized assets related to Env Crimes, Singapore authorities have thus far not secured any conviction of ML linked to Env Crimes occurring in or connected to Singapore in the course of predicate investigations into domestic Env Crimes offences or from foreign requests for assistance received (including both formal and informal). Notwithstanding, Singapore authorities remain vigilant and employ a WoG effort to mitigate the risks arising from Env Crimes ML threats.

### 5.2 Key Threats

#### ***Illegal Wildlife Trade (IWT)***

- 5.2.1 Asian countries have been involved in the transportation and transit of high value, highly endangered and illegally sourced wildlife for regional and global markets. For instance, a total of 37.5 tonnes of pangolin scales and 9 tonnes of elephant ivory were seized in Singapore in 2019. While container shipping continues to represent the most cost-effective method of transport, traffickers are also using air transport to smuggle smaller wildlife products such as pieces of ivory accessories or rhinoceros horn in the luggage of air passengers.<sup>23</sup>
- 5.2.2 IWT is observed to be the key Env Crimes threat to Singapore. We have noted the larger number of IWT seizures and enforcement actions that LEAs and NParks have carried out from 2015 to 2019. This prevalent threat arises from Singapore being a transportation hub and situated on the supply route where wildlife and Env goods are moved from source to destination countries.
- 5.2.3 Singapore agencies have worked to address this IWT threat in the following ways:
- (i) NParks has partnered with ICA and Customs to detect and stop illegally obtained wildlife and Env Goods from making its way past Singapore's checkpoints into Singapore. The following case study sets out an example of Singapore inter-agency efforts to stop Env Crimes and investigate links to ML.

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<sup>21</sup> NGOs engaged for the purposes of this risk assessment are The Nature Conservancy, Wildlife Conservation Society, World Wide Fund for Nature. Private sector stakeholders mainly refer to ACIP banks and industry workgroup United for Wildlife. Feedback was also gathered from panel discussion at the 2022 ABS and Deloitte' financial crime seminar.

<sup>22</sup> FATF (2020), Money Laundering and the Illegal Wildlife Trade, FATF, Paris, France,

<sup>23</sup> UNODC Transnational Organised Crime in Southeast Asia: Evolution, Growth, and Impact 2019

**Case Study 2 – Domestic inter-agency cooperation led to seizure of S\$3.3 million worth of elephant tusks falsely declared as groundnuts.**

In March 2018, approximately 3.5 tonnes of elephant tusks (estimated value of S\$3.3 million) were detected in a sea container arriving in Singapore enroute from Nigeria to Vietnam. The import permit declared the shipment as groundnuts. The shipment was intercepted by an ICA officer who had scanned the container and found the elephant tusks hidden amongst the gunny sacks containing groundnuts.

The case was referred by ICA to NParks for seizure of the tusks and investigations. NParks also referred the case to CAD to investigate the importer for potential ML of proceeds. The importer was sentenced to 10 months' imprisonment for offences under the ESA in February 2023. The ML investigations are ongoing.

- (ii) NParks has strengthened its ability to detect Env Crimes and ML activities. In August 2020, NParks set up the Centre for Wildlife Forensics to utilise forensics to identify and verify flora and fauna species and produce evidence that supports law enforcement and prosecution. NParks also established a K9 unit of wildlife detector dogs, to deploy at various checkpoints into Singapore to enhance efforts in detecting wildlife and wildlife products.

In October 2022, the K9 unit assisted in the detection and disruption of an attempt to smuggle S\$1.2 million of rhinoceros horns through Changi Airport. This seizure, which is described in the case study below, was the largest rhinoceros horn seizure in Singapore to date. The case also underlined the importance of international cooperation in combatting transnational crimes.

Whilst financial investigations did not reveal fund flows through Singapore, the prosecution had proceeded on a charge of ML, on the premise that the rhinoceros horns were considered benefits from criminal conduct. This represented a first attempt to target other criminal assets, apart from fund flows, as the proceeds of crime. In January 2024, the High Court issued its Grounds of Decision (GD). In its GD, the High Court accepted that the rhinoceros horns in this case were benefits from criminal conduct. However, the High Court explained that these benefits did not accrue to the primary offender ("Person B") identified in the charge because Person B had already sold the rhinoceros horns to another person ("Person C"). Thus, the rhinoceros horns as benefits from criminal conduct accrued to Person C instead. However, the accused ("Person A") had only entered into an arrangement with Person B to transport the horns, and was not aware of the presence of Person C. Hence, based on the facts, the High Court acquitted the accused of the ML charge. AGC and MHA are studying the GD to assess if changes are needed to strengthen our legal regime.

Separately, in September 2023, a new predicate offence of illegal killing and trapping wildlife was added to the CDSA<sup>24</sup> This will provide an additional avenue for the prosecution to pursue similar cases relating to the IWT, by listing the illegal wildlife as proceeds of the crime of killing or trapping wildlife.

**Case Study 3 – Domestic efforts and international cooperation leading to detection of 34.7 kg of rhinoceros horns and international cooperation leading to first ML prosecution arising from IWT.**

In October 2022, NParks seized 20 pieces of rhinoceros horns (weighing 34.7kg) that were smuggled through Singapore Changi Airport and were detected by the NParks' K9 Unit and airport security. Person A, the owner of the bags and a national of Country X, was traveling from Country X to Country Y through Singapore and was arrested.

CAD and NParks, together with the AGC, commenced a joint investigation into offences under the ESA and the CDSA.<sup>25</sup> Their collaboration through a multi-pronged approach included enforcing against IWT, as well as investigating into the ML of criminal assets, and identifying the financier and/or controller behind the illicit activities. Requests for assistance were sent to the FIUs of Country X and Country Y to further ML investigations. The investigations also

<sup>24</sup> s5C of the Wildlife Act 1965 (Killing, trapping, taking, or keeping wildlife)

<sup>25</sup> Under Section 5(1)(b) of the ESA, Person A is charged with bringing the rhinoceros horns, which is a scheduled species under the ESA, into Singapore on transit without a valid CITES permit or certificate.



involved sifting through the communications contained in the electronic devices seized from Person A.

The multi-pronged approach included working with international partners to disrupt the transnational IWT syndicate. CAD and NParks participated in an INTERPOL Operational Support Team (“OST”) deployed to Country X to assist the foreign authorities in their wildlife trafficking investigations against the syndicate. Samples of the horns were shared, for Country X to conduct forensic analyses to determine the source of the horns. This multinational joint investigation resulted in the arrest of another individual in Country X, who had facilitated the transnational smuggling of the rhinoceros horns. By coordinating both countries’ resources, expertise and information, the INTERPOL OST aimed to set a model to promote information sharing and exchange, which is vital to peel the layers involved in illegal wildlife trafficking.

Subsequent to the OST, CAD and NParks participated in a meeting with counterparts in Country X and Country Y to discuss ways to disrupt the transnational IWT syndicate. The meeting fostered greater understanding of the transnational IWT syndicate and furthered future cooperation between the countries and the INTERPOL network. AGC also initiated a formal MLA request to obtain evidence to support Singapore’s enforcement actions.

In October 2022, Person A was charged with two counts of having the rhinoceros horns in transit without a valid CITES permit, under Section 5(1) of the ESA. He has been sentenced in January 2024 to 24 months’ imprisonment, which was the maximum punishment under the ESA then. In February 2023, he was charged with one count of ML, for assisting the primary offender (Person B) to control the rhinoceros horns as benefits from criminal conduct under Section 51(1)(a) of the CDSA, but he was subsequently acquitted by the Courts of the ML charge. While the High Court agreed that the criminal assets from a predicate offence could form the benefits from criminal conduct in respect of an ML offence, it took the view that the benefits in this case had accrued to another person not known to Person A, hence the ML charge should not be made out.

### ***Illegal logging (IL) and illegal timber trade***

- 5.2.4 Illegal logging and illegal timber trade have been cited by UNODC as a key transnational crime of concern. International typologies state that the placement and layering of laundered proceeds from illegal logging and illegal timber trade were more likely to take place in regional financial centres closer to forests, such as Singapore in the case of Asia.<sup>26</sup> However, to date, Singapore has not detected cases of illegal CITES-listed timber trade.
- 5.2.5 Although the majority of the Env Crimes related STRs pertained to a mix of illegal logging of timber and illegal mining, the STRs did not lead to any actionable intelligence (i.e. ML investigations). Relatedly, a small number of RFAs from foreign authorities also involved illegal timber trade concerns, on which our LEAs had followed up, subject to limitations in domestic laws. Nonetheless, these RFAs have to date not revealed adequate information for LEAs to pursue a ML prosecution. The following case study demonstrates how financial intelligence was shared between authorities to assist in cross-border investigation of IL.

#### **Case Study 4 – Sharing of financial intelligence furthering the foreign investigation into illegal logging activities.**

Entity A was investigated for possible forestry, taxation and money laundering offences in Country B. Entity A was allegedly involved primarily in forestry activities, including the export of forest products. It was believed that in recent years, Entity A exported logs under an invalid/cancelled forest clearance permit on several occasions and subsequently received the proceeds of the sale of those exported logs in its bank accounts. The foreign FIU identified companies believed to be controlled by Entity A’s directors, including a Singapore-registered company that transferred funds to Entity A’s overseas bank accounts. STRO provided relevant financial information to the foreign FIU. The foreign FIU indicated that the information provided led to new leads and were relevant to support their ongoing investigation.

<sup>26</sup> Referenced from FERN (2015) Reflections from FERN – Stashing the cash: banks, money laundering and the battle against illegal logging

## **Waste trafficking**

- 5.2.6 Reports suggest that criminal syndicates play a significant role in developed countries faced with the problem of increasing waste production but limited waste disposal capacity. More recently, syndicates have turned their attention to Southeast Asia as a primary destination for waste, to be disposed of or stored illegally.<sup>27</sup> Given that Singapore is situated in a region which is vulnerable to the illegal import of waste, this makes us exposed to the illicit financial flows arising from such crimes.<sup>28</sup>
- 5.2.7 In Singapore, the NEA has investigated several offences which were administrative in nature, for example, failure to hold valid Basel permits and breach of allowable import and export limits. NEA has taken enforcement actions against the perpetrators as illustrated in the two cases below. Notwithstanding the administrative nature of such breaches, NEA remains alert to potential ML arising from waste trafficking.

### **Case Study 5 – Export of ferrous metal scrap without valid Basel Permit**

In August 2019, following a tipoff, NEA caught and investigated Entity A for exporting ferrous metal scrap contaminated with Incineration Bottom Ash (IBA), without a valid Basel Permit, from Singapore to Country M. IBA is a waste regulated under the Basel Convention. As such, Entity A had contravened the HWA for exporting controlled waste under the Basel Convention without a valid Basel Permit. NEA issued a notice to Entity A on 24 Oct 2019 to halt all exports of the ferrous metal to Country M until the investigation was completed. NEA issued Entity A with a warning letter on 9 Dec 2019, to reiterate the requirement to apply for a Basel Permit for such exports.

### **Case Study 6 – Export of lead batteries and compounds in excess of Basel Permit limits**

In April 2021, NEA established that Entity B had exported lead acid batteries and lead compounds from Singapore to Country K, in excess of the allowable quantity stipulated in their Basel Permit. NEA made this discovery from Entity B's submission of its Basel Permit bi-annual report. Entity B had committed an offence under the HWA. Entity B was issued with a warning letter on 6 May 2021 to remind them of the requirement to adhere strictly to the export quantities set out in their Basel permit.

## **5.3 Other predicate offences linked to Env Crimes ML**

### **Corruption, Bribery and Tax Evasion**

- 5.3.1 Corruption, including bribery, is a predicate offence known to facilitate Env Crimes ML. Corruption could fund or facilitate (i) the illegal acquisition of the Env goods/resources, or (ii) the subsequent transnational movement of the illegal products/resources. In Singapore, bribery offences are investigated by the Corrupt Practices Investigation Bureau (CPIB). The two case studies below illustrate domestic and foreign bribery with possible links to Env Crimes.

### **Case Study 7 – Corruption offences linked to dumping of hardcore waste (Domestic bribery)**

This case involved the illegal dumping of hardcore waste at a construction site managed by Koon Construction & Transport Co. Pte Ltd ("Koon Construction").

Investigations revealed that at the time, Jeffrey Chin Jen Len ("Jeffrey"), a Site Supervisor of Koon Construction, was posted to a worksite at Sengkang West, and had the authority to allow vehicles to enter the worksite to unload hardcore waste (crushed concrete which can be used to path temporary roads within worksites). Jeffrey had accepted bribes totalling S\$89,920 from various lorry drivers in return for allowing these lorry drivers to dump waste at the Sengkang West worksite.

Jeffrey was sentenced to 30-weeks' imprisonment and a penalty of S\$89,920 for corruption offences while two lorry drivers were sentenced to 20-weeks and 24-weeks imprisonment respectively.

<sup>27</sup> Global Initiative Against Transnational Organised Crime: Plastic for Profit – Tracing illicit plastic waste flows, supply chains and actors.

<sup>28</sup> FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France

### Case Study 8 – Suspected Bribery in relation to Logging Concessions in Country X (Foreign bribery)

In 2018, STRO received information that Person A and several individuals and entities from Country X who were associated with Person A were being investigated for deforestation and IL offences related to corruption, dishonestly receiving stolen property and ML. Person A had purportedly used these individuals and entities to conceal and launder the proceeds of corruption. Noting that the proceeds of corruption could have been laundered through Singapore, STRO disseminated financial intelligence to CPIB with Country X's consent. Person A was charged by the foreign authority and the charges listed Singapore as one of the countries in which the proceeds of corruption were laundered. CPIB commenced ML investigation against Person A and froze his Singapore bank accounts within the first twenty-four hours and commenced fund tracing to identify other assets that Person A might have acquired using the proceeds of corruption and seized those assets. CPIB completed the above actions rapidly in two weeks from the time when investigations commenced. CPIB also conducted a global screening of Person A's assets with financial institutions to identify all assets linked to Person A and his immediate family members in Singapore and establish whether any Singapore entities had assisted Person A in laundering criminal proceeds. Pursuant to CPIB's investigation, Person A's assets amounting to S\$31 million were seized.

To ascertain the web of illicit funds flows and assets acquired by Person A, CPIB sent MLA requests to three countries to obtain information relating to suspected entities and accounts that were linked to Person A.

However, in 2020, the foreign court acquitted Person A of all corruption and ML charges related to the timber concession contracts in Country X. As a result, Person A's assets in his Singapore's bank accounts had to be released in the absence of predicate offence, and hence no ML in Singapore.

- 5.3.2 Based on observations from international reports, Env Crimes may also converge with tax evasion when criminals attempt to avoid payment of (i) the duties and taxes on the environmental goods traversing borders and (ii) the taxes owed to authorities for use of the public land. Additionally, criminals may make use of offshore banking or corporate structures outside the jurisdiction where the Env Crimes were committed to avoid payment of taxes on the illicit proceeds derived.<sup>29</sup> Although STRO had received RFAs pertaining to Env Crimes with alleged links to tax evasion, there was insufficient information for agencies to conclude that ML activities took place. Similarly, tax offences have not featured in ML investigations and prosecutions related to Env Crimes in Singapore.

## 5.4 Summary of Threats and Risk Score

- 5.4.1 Singapore is inevitably exposed to Env Crimes ML threats due to its position as a transit country, as well as its status as a financial and trading hub in Southeast Asia – a region where significant level of Env Crimes has been observed. However, based on data from LEAs, FIU and AGC, the ML threat arising from Env Crimes does not appear to be high. Thus far, information received by the authorities have generally not disclosed sufficient nexus to Env Crimes ML in Singapore.
- 5.4.2 Nonetheless, LEAs have managed large transit seizures arising from Env Crimes in Singapore and the region, as evident from the Oct 2022 rhinoceros horns case. Also, engagements with NGOs and the private sector have indicated Singapore as susceptible to Env Crimes ML, specifically arising from IWT, IL, waste trafficking.
- 5.4.3 Considering the factors discussed above, the risk rating of Singapore's **exposure to threats** from Env Crimes ML is assessed to be **Medium Low**.

<sup>29</sup> FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France

## 6. Env Crimes Money Laundering Vulnerabilities & Risk Mitigation Measures

### 6.1 Sectors at Risk of Being Exploited for Env Crimes ML

6.1.1 Taking into account the threats from Env Crimes ML that Singapore is exposed to, and feedback from respective sector supervisors, this section expands on the key sectors in Singapore that are vulnerable to being misused to launder proceeds from Env Crimes. Other sectors not specifically identified in this report are assessed to have lower risks and exposure, considering known Env Crime ML typologies and existing AML/CFT controls.

6.1.2 The Env Crimes ML high-risk sectors identified are banks and remittance agents (RA), and the medium-high risk sectors are money changers (MC), corporate service providers (CSP), Virtual Assets Service Providers (VASPs), and casinos. The medium-low risk sectors identified are other payment service providers (PSPs) such as the prepaid and gift card issuers that provide stored value services, real estate agents, precious stones, and precious metal dealers (PSMDs) and insurers. The remaining FI and DNFBP sectors are categorised in the low-risk sector as they are assessed to have reduced risks and exposure taking into account known Env Crimes ML typologies and mitigated by their existing AML/CFT controls.

### 6.2 Sectoral risk assessment – Banks

#### **Key Exposures**

6.2.1 Singapore's analysis of known international typologies and industry engagements indicate that the banking sector is commonly used to launder Env Crime proceeds. This is due to the global network of banks that facilitate fund flows and transactions as well as trade-based financing. In addition, given the large amount and value of transactions and the anomalous nature of the transactions (e.g. the funds could have been commingled, banks would also have to deal with the challenge of distinguishing illicit transactions from legitimate transactions).

6.2.2 Based on information received from foreign counterparts and STRs filed domestically, banks accounts in Singapore may have been used as a conduit to launder proceeds of Env Crimes. While the information thus far has not disclosed sufficient nexus for prosecution and conviction of Env Crimes ML in Singapore, Singapore authorities remain vigilant to the risk of Singapore's banking system being abused for this purpose. Banks in Singapore are also cognisant of their risk exposure and put in place controls for swift identification and investigation of suspicious transactions/customers, as illustrated in case studies 9 and 10 below.

#### **Case Study 9 – Bank's capabilities to detect suspicious transactions relating to IWT**

In 2020, Bank A received intelligence from an agent bank on its corporate customer which was involved in the business of wholesale of animals. Bank A's online searches indicated allegations that the customer could be involved in irregular imports of wild animals from Africa, and investigations of the customers' transactions revealed payments totalling S\$130,000 to a South African supplier who allegedly dealt with animal smugglers. The customer explained that the payments were for the purchase of wildlife (11 cheetahs) and provided the invoice and airway bill for the transaction. Bank A noted that the wildlife was transported directly from the source country to the destination country. Bank A was unable to provide evidence as to why the financial transactions passed through Singapore despite the goods not transiting through the Singapore port. Also, Bank A was unable to validate the transactions as it could be likely that illegal wildlife was commingled with legal wildlife. As a result, Bank A filed an STR and exited the customer relationship.

#### **Case Study 10 - Bank's name screening controls to flag out adverse news relating to IWT**

In 2022, Bank B's AML/CFT name screening controls flagged out adverse news on an individual customer who was prosecuted, as the owner of a trading company, for illegally importing a container of 1,000 elephant tusks weighing 3,500kg and worth around S\$3.3 million. Based on the name screening trigger, Bank B had placed the customer on enhanced monitoring, filed an STR and eventually exited the customer relationship.

The adverse news was related to the instance where ICA detected the illegal transshipment, which was described as groundnuts, originating from Africa, and marked for re-export to Vietnam. Subsequently, in 2023, Singapore courts found the owner guilty of importing a scheduled species without a permit under the ESA and subsequently sentenced her to 10 months' jail. (See Case Study 2 above.)

## **Key Vulnerabilities**

### Status as an International Financial Centre and Transportation Hub

- 6.2.3 Singapore's status as an international financial centre and transportation hub exposes it to international money flows and trade-based financing transactions. Geographically, Singapore's location on the Asia supply route where a high volume of Env goods is moved from source countries (e.g., Indonesia, New Zealand, Africa) to destination countries (e.g., China, Laos, Vietnam) makes it vulnerable to being used as a conduit for Env Crimes ML purposes.
- 6.2.4 NGOs and industry players have indicated that Singapore banks are susceptible to the identified Env Crimes ML threats and typologies for a transit country, which are TBML, and the execution of illicit transactions linked to Env sectors (forestry, logging, mining etc).
- 6.2.5 For TBML, the main objective of bad actors is to use the trade system to launder the proceeds of crime. Singapore banks could be exposed to TBML of Env (and all other types of) goods, and risk being exploited to move funds for illicit purposes. Criminals could mask the origin of the illegally sourced goods through falsification of documents, or by moving them through transit countries to commingle legal and illegal goods. Another way is to divert containers or shipments through transit countries and switch the bills of lading or vessels. This conceals the movement of money and goods linked to Env Crimes across borders, from the source to the destination countries.
- 6.2.6 Criminals could also launder proceeds from Env goods through layering, under the guise of loans or payments, and using cash deposits, electronic payments, and third-party wire transfers. By executing transactions on behalf of such customers and providing financing and loans for seemingly legitimate Env sector projects, banks could unwittingly facilitate the movement of funds connected to Env Crimes.

### Challenges banks face in detecting Env Crimes ML

- 6.2.7 Env goods transactions are closely linked to trade financing transactions and the monies moved or received by a middleman such as a logistics or import/export company could appear legitimate until the bank dives deeper to examine the source of the funds, nature of transaction, and verify the goods against that reported in the bills of lading.
- 6.2.8 Legitimate and illicit fund flows could arise from commingling in the supply chain, trade fraud, and integration of funds in destination jurisdictions, away from where the underlying Env Crime was committed. This adds to the challenge of differentiating legitimate transactions from normal financial activity and those with potential links with Env Crimes in the absence of additional intelligence or indicators.
- 6.2.9 Overall, given their global network, banks in Singapore inevitably process high volumes of international fund flows. They could facilitate TBML transactions that are often hard to differentiate from legitimate transactions. As a result, the sector is assessed to be highly vulnerable to Env Crime ML.
- 6.3 Sectoral risk assessment – Cross border Money Transfer Services (Remittance Agents)

## **Key Exposures**

- 6.3.1 RAs are a common channel misused by bad actors to launder proceeds from environmental crime. International typologies suggest that remittance agents are misused in all three stages of the ML process and unlicensed remittance channels (e.g. Hawalas) are used to facilitate the flow of ML funds. Based on information received from foreign counterparts, RAs in Singapore may be used as a conduit to launder proceeds of Env Crimes. While the information thus far does not disclose sufficient nexus to Env Crimes ML, Singapore authorities remain vigilant to the risk of remittance businesses being misused for this purpose.

## **Key Vulnerabilities**

### Use of small but voluminous transactions

- 6.3.2 RAs are able to process large numbers of cross-border transactions quickly. Such transactions are generally small but collectively can be large. This exposes the sector to bad actors seeking to misuse the channel to move illicit funds across borders and to disguise suspicious transactions amongst legitimate ones. International typologies and industry feedback highlight that as a financial hub with an increased adoption of cashless and cross-border payment transfers in recent years, Singapore is vulnerable to this potential means used by bad actors of Env Crimes ML.
- 6.3.3 RAs enable cross-border transactions to occur at high speed, which inadvertently entice bad actors to misuse the remittance channels to facilitate illicit fund flows. As a result, the sector is assessed to be highly vulnerable to Env Crime ML.

### Use of unlicensed Remittance Agents

- 6.3.4 Globally, to avoid scrutiny of the formal financial sector, bad actors use arrangements such as Hawalas and other similar service providers (HOSSPs)<sup>30</sup>, to draw on an informal network of brokers across countries to facilitate international funds transfers without physical cross-border exchange of monies.
- 6.3.5 In Singapore, we recognise that such remitters are unlicensed and operate outside the regulatory ambit. Relevant authorities have worked together to put in place processes to mitigate such risks, including using intelligence to identify and taking action against such unlicensed players and encouraging users to utilise licensed remittance solutions through outreach and by providing easier access to licensed services.

## **6.4 Risk mitigation – High-risk sectors**

- 6.4.1 Banks and RAs are required to comply with the AML/CFT Notices MAS 626 and MAS PSN-01 respectively. These notices stipulate that banks and RAs must conduct customer due diligence (CDD) and comply with ongoing transaction monitoring requirements to detect ML, among other AML/CFT measures. Banks and RAs have been observed to leverage on their existing AML/CFT policies and procedures to review customers with Env sector linkages. Both sectors typically assess Env-related sectors as higher risk industry/business sector and apply enhanced CDD, which requires senior management approval as well as the corroboration of customer's source of wealth and funds.
- 6.4.2 An area of improvement for these two sectors is to sharpen institutional awareness of Env Crimes ML. This could be achieved by mapping the relevant risks that Singapore face as a transit country in their enterprise-wide risk assessment (EwRA) to better understand the sector's risk exposure to Env Crimes ML and take adequate mitigation actions.
- 6.4.3 In addition, it is important for authorities to continually engage the banks and RAs, to keep them abreast of latest Env Crimes ML risks and typologies, to alert them on evolving red flags and promulgate Env Crimes ML typologies (especially those relating to IWT and IL for instance) to enable banks and RAs to conduct more targeted monitoring and filing STRs for Env Crimes ML. This can be done via tripartite dialogues amongst the sectors, MAS, and LEAs, and industry events (e.g., Env Crimes ML was discussed at the Deloitte and ABS Financial Crime Seminar in May and July 2022). More recently, the international collaboration to combat IWT, which was endorsed at United for Wildlife Global Summit in Nov 2023 by seven countries, including Singapore, served to create greater awareness of the risks and need for risk mitigation.

## **6.5 Sectoral risk assessment – Money Changers**

### **Key Exposures**

- 6.5.1 International typologies suggest that bad actors smuggle cash across borders by using money changers to convert cash into higher denomination notes, especially foreign notes. While we have not experienced cases where money changers are used to launder proceeds from Env Crimes in Singapore, the cash-intensive nature and anonymity of cash suggests that money changers may unwittingly facilitate the conversion of proceeds of Env Crimes.

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<sup>30</sup> HOSSPs arrange for transfer and receipt of funds or equivalent value and settle through trade, cash, and net settlement over a long period of time. These differ from formal RAs by their use of non-bank settlement methods and often have ties to particular geographic regions, including hundi, and 'fei chen.'

## **Key Vulnerabilities**

### Cash intensive nature

6.5.2 Money changers handle large amounts of physical cash and deal with many walk-in and one-off customers. All these obscure the identity of the customers and bad actors can misuse this channel by processing multiple smaller transactions to avoid any threshold requirements to conduct due diligence checks. Bad actors also use underground money changers to smuggle money across borders. For example, an ivory smuggling group had transferred funds from China to Africa to fund their ivory collection by using a network of Chinese informal money changers based in Africa. Money in Chinese renminbi was paid into a designated Chinese account belonging to the selected money changer. Later the funds would be paid out in US dollars cash in Africa and collected by the smugglers or their accomplices.<sup>31</sup>

## 6.6 Sectoral risk assessment – Corporate Service Providers (CSPs)

### **Key Exposures**

6.6.1 CSPs are a potential means to facilitate criminals of Env Crimes ML, as CSPs offer cross-border company formation and complex company structuring services. Criminals can misuse companies incorporated through CSPs as a front company to move and hide illegal proceeds, or as a shell company to hide beneficial owners to launder proceeds from Env Crimes.

6.6.2 Lawyers and accountants can also act as intermediaries in the creation of companies and the building of complex structures, and hence facilitate the placement or layering of funds in the laundering of the proceeds of Env Crimes.

6.6.3 Although there is no evidence in Singapore to show the use of CSPs (including lawyers and accountants) for Env Crime ML, international typologies and industry feedback present that CSPs in Singapore could be vulnerable to such misuse, due to the cross-border nature of services they offer. CSPs could also be vulnerable to setting up front or shell companies that could be used for TBML schemes or other corrupt activities that would support Env Crimes. Hence, the relevant authorities in Singapore must continue to be alert and monitor this risk closely.

### **Key Vulnerabilities**

#### Use of Front Companies to commingle illegal and legal proceeds

6.6.4 Front companies are misused to launder proceeds from Env Crimes in several ways – firstly, they could facilitate the appearance of legitimate invoices and payment to suppliers through their possible ties to import-export sector; secondly, they could be set up in a complex company structure with multiple layers of ownership and multi-jurisdiction operations; and thirdly, they could be connected to legal trades and businesses of Env goods.

#### Use of shell companies to hide beneficial owners

6.6.5 International typologies present that criminals use shell companies deliberately to create as many layers as possible i.e., complex corporate structures, between the proceeds derived from Env Crimes and the account holder where funds are placed following the sale of the illegal goods. As such, funds are transferred through third-party transit countries to hide the beneficial owners. This layering of funds in a different jurisdiction from where the underlying crime was committed creates an additional barrier to identification and prosecution.

6.6.6 If CSPs provide cross-border services and shell company creation without conducting due diligence, they may unwittingly enable criminals and their financiers to obfuscate their identities, counterparties, and physical locations. Accordingly, CSPs need to stay alert to scrutinise companies which are linked to Env sectors and their ultimate beneficial owners.

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<sup>31</sup> Referenced from EIA website titled "Combating money laundering and the illegal wildlife trade" - <https://eia-international.org/wildlife/combating-money-laundering/>

## 6.7 Sectoral risk assessment – Virtual asset service providers (VASPs)

### **Key Exposures**

- 6.7.1 VASPs can be an attractive channel for bad actors to launder proceeds from Env Crimes as they facilitate transactions of anonymised, high speed and cross-border nature. There is a rising number of known cases of virtual asset payments on the dark web connected to other forms of illicit trade. Virtual assets (VAs) enable bad actors to mask their identities and the origins of funds, and hence are an emerging risk area that all countries need to be vigilant of. Singapore has seen an increasing adoption of digital asset transactions since early 2010s. Although there hasn't been any evidence of VAs/VASPs used for Env Crimes ML in Singapore, the authorities need to be aware of this emerging risk area.

### **Key Vulnerability**

#### Anonymity, speed, and cross-border nature of transfers associated with VAs

- 6.7.2 Virtual assets offer anonymity, convenience to users and enable the near-instantaneous cross-border transactions. In addition to such characteristics, VAs have anonymity-enhancing features (such as mixers, tumblers) that enable bad actors to obfuscate their identities, counterparties, and physical locations. As a result, LEAs face challenges detecting and tracing transactions involving virtual assets.

## 6.8 Sectoral risk assessment – Casinos

### **Key Exposures**

- 6.8.1 International typologies have indicated that criminal networks use casinos to facilitate wildlife trafficking. The casino industry is largely cash-based, and cash can be used to purchase casino chips which act as a store value and can be accepted as an alternative to money. As such, criminals could purchase casino chips to launder proceeds of Env Crimes at the integration stage. In Singapore, casinos have filed STRs relating to adverse news on Env Crimes linked to their casino customers.
- 6.8.2 Whilst the STR filing indicates a certain level of risk awareness on the part of casinos regarding potential laundering of Env Crimes proceeds through their operations, it also points to the vulnerability of the casinos to Env Crimes ML. However, to-date, we are not aware of any cases where casinos have been used for Env Crimes ML in Singapore.

### **Key Vulnerability**

#### Anonymity accorded to the casino chips.

- 6.8.3 Casino chips can be easily circulated amongst casino customers, especially through transactions such as purchase and redemption of casino chips, and deposits and withdrawals from casino customers' accounts. This obscures paper trails rendering it more difficult for LEAs to trace in their investigations any illicit flows that may be linked to Env Crimes ML transactions.
- 6.8.4 International typologies indicate an instance where a criminal network, tied to wildlife trafficking of pangolins, tigers, rhinoceros, and elephants, used a casino in Laos (within a special economic zone) to facilitate wildlife trafficking. Financial sanctions were imposed by the US Department of the Treasury's Office of Foreign Assets Control (OFAC) for this engagement in illicit activity and for exploiting the special economic zone.

## 6.9 Risk Mitigation – Medium high-risk sectors

- 6.9.1 In Singapore, the above mentioned medium high-risk sectors are supervised and regulated by relevant agencies for AML/CFT compliance.
- 6.9.2 CSPs in Singapore are subject to registration with the Accounting and Corporate Registration Authority (ACRA) and must comply with the corresponding AML/CFT requirements under ACRA (Filing Agents and Qualified Individuals) Regulations 2015. Lawyers and accountants that provide company formation services are also subject to registration with ACRA. Given the higher risk posed by the company formation and cross-border services offered by CSPs, the sector is required to conduct due diligence on company creation, to ascertain legitimate business activity and bona fide company registrations. CSPs are expected to stay alert to information on company business activities, trade data and tax reporting which are



important information sources to identify anomalies and suspicious behaviour of front and shell companies.

- 6.9.3 VASPs and MCs in Singapore are required to be licensed under the Payment Services Act 2019 (PSA) and are subject to a stringent licensing and regulatory regime to mitigate the inherent ML/TF risks related to the respective payment service. Pursuant to the PSA, VASPs and MCs have to comply with AML/CFT requirements, including conducting CDD and ongoing monitoring to detect suspicious transactions.
- 6.9.4 In Singapore, casinos are subject to AML/CFT controls under the Casino Control (Prevention of Money Laundering and Terrorism Financing) Regulations 2009, administered by the Gambling Regulatory Authority (GRA), and are required to conduct CDD and ongoing monitoring of transactions in casino customers' accounts<sup>32</sup> to detect and report ML. The casinos are also required to report cash transactions above S\$10,000 and obtain information to reasonably assess the relationship between the third party and casino customer, and to ascertain the reason for the usage of such funds, when in receipt of funds from third parties.
- 6.9.5 In addition to the existing regulations, it is pertinent to raise awareness of CSPs, VASPs, MCs and casinos' vulnerability to Env Crime ML. Authorities should continually engage these sectors, as part of their regulatory outreach to update on relevant and emerging Env Crime ML typologies.
- 6.10 Sectoral risk assessment – Licensed Trust Companies (LTCs), External Asset Managers (EAMs), Payment Service Providers (PSP) (Others), Real Estate Agents, Precious Stones and Precious Metal Dealers, Life Insurers

### **Key Exposures**

- 6.10.1 Professional intermediaries such as LTCs and EAMs as well as PSPs (Others) that offer stored value facilities (SVF) such as prepaid and gift cards, real estate agents, PSMs, and life insurers could also be used to launder proceeds of Env Crimes along the supply chain till destination. These entities play a vital role in understanding, detecting, and reporting suspicious activity linked to Env Crimes ML as they may be involved with customers that attempt to abuse their stored value and intermediary services to launder monies. Locally, there are no known cases of these entities being used for ML Env Crimes activities to-date.
- 6.10.2 **LTCs and EAMs** manage and invest High-Net-Worth Individuals' (HNWI) assets and monies through the establishment of trusts and fund vehicles respectively. These intermediaries may be complicit in placing and layering illicit funds that certain HNWIs could have obtained from corruption or tax evasion. **Prepaid and gift cards, real estate, PSM dealers, and life insurance policies** have intrinsic value in a compact form. Moreover, real estate, PSM dealers and insurance policies tend to maintain or increase their value over time. All these tend to be good stores of value and accepted as an alternative to monies and could be used in the layering and integration of funds in ML transactions.
- 6.10.3 Although domestically there are no known cases of the above-mentioned sectors being used for Env Crimes ML, we cannot discount them totally. Singapore may be exposed to criminals using entities in these sectors to launder proceeds from Env Crimes.

### **Key Vulnerabilities**

#### Varied levels of awareness of ML risk related to Env Crimes

- 6.10.4 LTCs and EAMs could use trusts and fund vehicles respectively to conceal the origin and beneficial ownership (BO) of illicit assets, through layers of companies in their ownership/control structure as well as in their downstream asset/investment holding structure. Such layers could create a complex structure which could increase the opacity of the trust or fund vehicle and be used to obscure the link between illicit assets/monies derived from Env Crimes and their origins.
- 6.10.5 Pre-paid and gift cards are stored value facilities which can be used to transfer and make payments for Env goods. They can be bought in large quantities and in some cases, redeemed for their monetary value outside of the country where they were originally purchased and hence, enable movement of currency out of the country where the Env goods are received. Across Asia and Africa, there are examples of criminals of Env Crime mis-using pre-paid and gift cards to launder funds from IWT.<sup>33</sup> More specifically, Republic

<sup>32</sup> Casino customers' accounts are defined as "patron account" under section 139(5) of the Casino Control Act 2006, which means a credit account, a cheque cashing account, a deposit account or any other account opened by or on behalf of a patron with a casino operator.

<sup>33</sup> Referenced from FATF (2020), *Money Laundering and the Illegal Wildlife Trade*, FATF, Paris, France

of Congo and South Africa noted such cards being used as tools in IWT. Investigations from such cases have confirmed that pre-paid cards and gift cards are also used to circumvent reporting requirements and result in tax and revenue evasion and exchange control violations.

6.10.6 Criminals could purchase high-value goods such as real estate and luxury items e.g., gold, jewellery, PSPM and insurance policies, to launder proceeds at the integration stage of the Env Crimes ML process. Given the global markets for these high-value goods and that paper trails may be obscured, detecting and tracing such items may be challenging for LEAs.

6.10.7 For example, a South Africa case involved a rhinoceros horn syndicate which used cash as the primary means of payment and followed on to launder the cash proceeds through purchase of properties and luxury vehicles worth around US\$ 1 million. In another example, an Indonesian network of companies involved in illegal transportation of wood from forest products, was found to have laundered billions of rupiah. One of the company directors had laundered the funds by placing monies in insurance policies for family members and known individuals.<sup>34</sup> There is yet another Indonesian case where US\$ 525,000 from the sale of armadillos was laundered to purchase luxury assets and services (cars, hotel visits, luxury clothes, accessories) in the first instance, and re-sold to buy gold jewellery in a follow up attempt to obscure the illicit origins of the criminal's possessions.<sup>35</sup>

## 6.11 Risk Mitigation – Medium low-risk sectors

6.11.1 The above-mentioned FI and DNFBP sectors are subject to AML/CFT controls through legislation.<sup>36</sup> While the AML/CFT supervisory regime for LTCs and EAMs are more established, these sectors could further strengthen their AML/CFT controls and enhance their monitoring of higher risk trust relevant parties and asset contributors respectively, particularly in relation to the corroboration of their source of wealth and scrutiny of their transactions to sieve out ML risks for Env Crimes.

6.11.2 As for the other medium- low-risk sectors, they tend to demonstrate varied levels of ML risk understanding related to Env Crimes as some were only subjected to AML/CFT supervisory measures more recently over the last few years e.g., PSPs (Others) and PSMDs in 2019, and Real Estate Agents in 2021. As such, these sectors may not be as sensitive to detecting suspicious activities or red flags or may not have adequate safeguards such as guidelines to sieve out ML risks for Env Crimes, which gained traction in recent years.

6.11.3 Given the sectors' potential roles as professional intermediaries or store of value, it is important for authorities to conduct regulatory outreach to these entities, to increase their understanding of ML risks and prevent them from being used as a conduit for Env Crimes ML.

## 6.12 Summary of Vulnerabilities Score and Risk Mitigation Measures

6.12.1 The vulnerability of Singapore being exploited for Env Crimes is a function of its level of geographical accessibility and finance and trade exposure to laundering of proceeds of Env Crimes, versus the strength of its controls. The above has discussed and analysed the various sectors that are vulnerable to Env Crimes ML in Singapore as well as the mitigation measures that are in place to address different levels of risks that each sector is exposed to. In addition to the controls, regulators and LEAs continually engage the various FI and DNFBP sectors in raising awareness of their risk exposure to Env Crimes ML.

6.12.2 As such, although Singapore has a certain level of exposure to ML threats from Env Crimes, its **vulnerability rating** is assessed to be **Medium-low** as it has a reasonably good level of controls.

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<sup>34</sup> Referenced from APG 2021 Yearly Typologies Report

<sup>35</sup> Referenced from FATF (2020), *Money Laundering and the Illegal Wildlife Trade*, FATF, Paris, France

<sup>36</sup> In Singapore, PSMDs are subjected to AML/CFT obligations under the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Regulations, under the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019. Real Estate Agents are subjected to AML/CFT requirements within the Estate Agents (Prevention of Money Laundering and Financing of Terrorism) Regulations 2021, under Estate Agents Act 2010. PSPs (Others) are subjected to AML/CFT requirements in MAS Notice PSN01 for Prevention of Money Laundering and Countering the Financing of Terrorism – Holder of Payment Services Licence (Specified Payment Services). LTCs and EAMs are subjected to AML/CFT obligations as per MAS Notice TCA-N03 for Prevention of Money Laundering and Countering the Financing of Terrorism – Trust Companies and MAS Notice SFA04-N02 for Prevention of Money Laundering and Countering the Financing of Terrorism – Capital Markets Intermediaries respectively.

## 7. Evaluation of the Env Crimes ML Risks

- 7.1 Overall, Singapore's risk rating for Env Crimes ML is assessed to be **Medium-low**, taking into consideration the Medium-low risk rating from the Env Crimes threats review in section 5, and overlaid with the Medium-low risk rating for the vulnerabilities posed to FIs and DNFBPs from Env Crimes ML in section 6.

## 8. Conclusion and Recommendations

- 8.1 This risk assessment outlines the key Env Crimes threats and vulnerability areas within our financial and corporate system. It will aid Singapore agencies in focusing our AML/CFT efforts on the higher risk Env Crime areas and will also enable FIs/DNFBPs (particularly those identified to be higher and medium high) to raise their risk awareness and formulate their procedures and controls to better detect and stay alert to Env Crimes ML threats and scenarios.
- 8.2 Singapore strives to assess our risk exposure to various Env Crimes risks and continually review our legislative framework to ensure its effectiveness to counter Env Crimes ML, to ensure that Singapore authorities can conduct and pursue ML investigations more effectively and to better protect Singapore's reputation and status as trusted financial and trading hub. This includes the new introduction of the predicate offence of illegal killing and trapping to the CDSA in September 2023, which provides an additional avenue to pursue cases. Also, Singapore authorities intend to review and expand the scope of predicate offences in the CDSA to include relevant foreign Env Crimes threats (including those which emanate from overseas but do not have a direct domestic equivalent, e.g. IL, illegal waste trafficking). As such, LEAs would be able to seek and provide international cooperation when such foreign predicate offences are involved.
- 8.3 There are arrangements in place between LEAs and Env Agencies to detect and refer cases involving possible ML offences arising from Env Crimes, as well as to handle seizures of illegal Env goods where there is a parallel financial investigation.
- 8.4 Given the transnational nature of Env Crimes, Singapore will continue to maintain close working relationships with overseas LEAs and contribute actively to international efforts through INTERPOL and other initiatives such as Egmont Group, and at other forums such as UfW.<sup>37</sup> This helps us better raise awareness, and render assistance to tackle the transnational criminal syndicates typically situated in developing source countries which may transit the illegal Env goods or illicit funds through Singapore.
- 8.5 Through Singapore's WoG and multi-pronged approach, Singapore agencies will continue to stay vigilant, foster private sector engagement, and enhance institutional and public risk awareness to implement effective and risk-targeted law enforcement and supervisory measures to mitigate the ML risks faced by Singapore for Env Crimes.

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<sup>37</sup> In November 2023, UfW convened the "Statement of Principles of a Multilateral Approach to Combating Illegal Wildlife Trade" and Singapore was one of 7 signatories (Australia, Canada, New Zealand, South Africa, the United Kingdom, the United States, Singapore) to the Statement. The Statement of Principles encourages a "multi-jurisdictional" approach to tackling IWT and signatories to commit to - (a) establish AML-focused public-private partnerships to share information on money laundering of IWT, (b) guide financial institutions and regulators etc. on trends, typologies, and indicators of ML of IWT to facilitate submission of suspicious transactions reports and risk mitigation measures, (c) raise public awareness of IWT as a financial crime.

# Annex 1

## Key Definition of Threat, Vulnerability and Risk ratings

Env Crime ML risks are viewed as a combination of threats and vulnerabilities.

### a. Definition of Threat Levels

Env Crime ML threat is a measure of how criminals are known to be using/have used Singapore for Env Crimes ML

The Env Crimes ML threat is assessed based on 4 factors:

- Understanding of Singapore's Env Crimes ML threats landscape
- Singapore's Env Crimes ML threats through the lenses of its key foreign partners
- Singapore's inherent exposure to Env Crimes ML based on its contextual and environmental factors
- Extent of Env Crimes ML activity that has materialised in Singapore

High	Criminals are known to be using Singapore <u>widely</u> for Env Crimes ML
Medium High	Criminals are known to be using Singapore <u>in a number of instances</u> for Env Crimes ML
Medium Low	Criminals are known to be using Singapore <u>in just a few (infrequent) instances</u> for Env Crimes ML
Low	Criminals are known to be using Singapore <u>in no instances</u> for Env Crimes ML

### b. Definition of Vulnerability Ratings

Env Crimes ML vulnerability is a measure of Singapore's level of accessibility to Env Crime ML and the strength of its controls.

High	High chance of Singapore being exploited for Env Crimes ML  Singapore can be used by criminals for Env Crime ML because of <u>high level</u> of accessibility and exposure. In most cases, controls could also be <u>weak</u> .
Medium High	Medium High chance of Singapore being exploited for Env Crimes ML  Singapore can be used by criminals for Env Crime ML because of a <u>high level</u> of accessibility and exposure. In most cases, there could be <u>some</u> level of controls.
Medium Low	Medium Low chance of Singapore being exploited for Env Crimes ML  Singapore can be used by criminals for Env Crime ML because of a <u>moderately high level</u> of accessibility and exposure. In most cases, there could be a <u>reasonably good</u> level of controls.
Low	Low chance of Singapore being exploited for Env Crimes ML  Singapore is less likely to be used by criminals for Env Crime ML because of <u>low level</u> of accessibility and exposure. In most cases, there could be a <u>good level</u> of controls

c. Definition of Risk Ratings

A four-point scale is used to assess the level of risks, which are a function of threats (which is the main driver) and vulnerabilities.

<b>Risk Ratings</b>	<b>Overall Vulnerability (main driver)</b>			
<b>Overall Threat</b>	<b>Low</b>	<b>Medium Low</b>	<b>Medium High</b>	<b>High</b>
<b>High</b>	MH	MH	H	H
<b>Medium High</b>	MH	MH	MH	H
<b>Medium Low</b>	ML	ML	MH	MH
<b>Low</b>	L	L	ML	ML

<b>H (High)</b>	High risk of criminals using Singapore for Env Crimes ML, taking in account level of exposure and extent of controls
<b>MH (Medium-High)</b>	Medium High risk of criminals using Singapore for Env Crimes ML, taking in account level of exposure and extent of controls
<b>ML (Medium-Low)</b>	Medium Low risk of criminals using Singapore for Env Crimes ML, taking in account level of exposure and extent of controls
<b>L (Low)</b>	Low risk of criminals using Singapore for Env Crimes ML, taking in account level of exposure and extent of controls