

Financial Action Task Force (FATF) and Review of Zero-GST Warehouse Licensing Conditions

23 Sep 2015



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Outline

- Overview of the Financial Action Task Force (FATF) and upcoming Mutual Evaluation
- Key Highlights of the Singapore's National Risk Assessment Report (NRA)
- Review of Zero-GST Warehouse Scheme (ZGS)
- Amendments to Zero-GST Warehouse Scheme Licensing Conditions





Overview on Financial Action Task Force (FATF) & Upcoming Mutual Evaluation



Financial Action Task Force (FATF)



- Inter-governmental organisation founded in 1989 to develop policies to combat money laundering (ML) and terrorist financing (TF)
- Global standard-setter for measures to combat money laundering and terrorist financing threats
- Measures done through FATF Recommendations
 - 40 Recommendations (revised in Feb 2012)
 - Recommendations are applied over 190 countries



FATF Mutual Evaluation for Singapore

- FATF conducts peer reviews of each member on an ongoing basis
 - To assess levels of implementation of the FATF Recommendations, providing an in-depth description and analysis of each country's system for preventing criminal abuse of the financial system



Singapore's on-site FATF Mutual Evaluation

- In Nov-Dec 2015
- Assessors from the FATF Secretariat and other countries
- Government agencies & private sector may be interviewed



Key Highlights of the Singapore's National Risk Assessment Report (NRA)



Singapore's National Risk Assessment

- Based on the FATF Guidance on National Money Laundering and Terrorist Financing Risks Assessment
- Singapore's NRA (on MOF' website) was published in January 2014
<http://www.mof.gov.sg/portals/0/data/cmsresource/Press%20Release/2013/Singapore%20NRA%20Report.pdf>
- NRA analysis include:
 - Threat analysis on money laundering and terrorist financing crimes
 - Covers **14 financial sub-sectors** (e.g. Banks, Life Insurance, Remittance Agents, etc.)
 - Covers **8 non-financial sectors** (e.g. Casinos, Lawyers, Corporate Service Providers etc.)



Singapore's National Risk Assessment

- Enable relevant authorities and the private sector to better adopt risk-appropriate anti-money laundering (AML) and countering the financing of terrorism (CFT) measures
- Enable better allocation of resources to mitigate identified risks



Focus of FATF moving beyond the Financial Sector

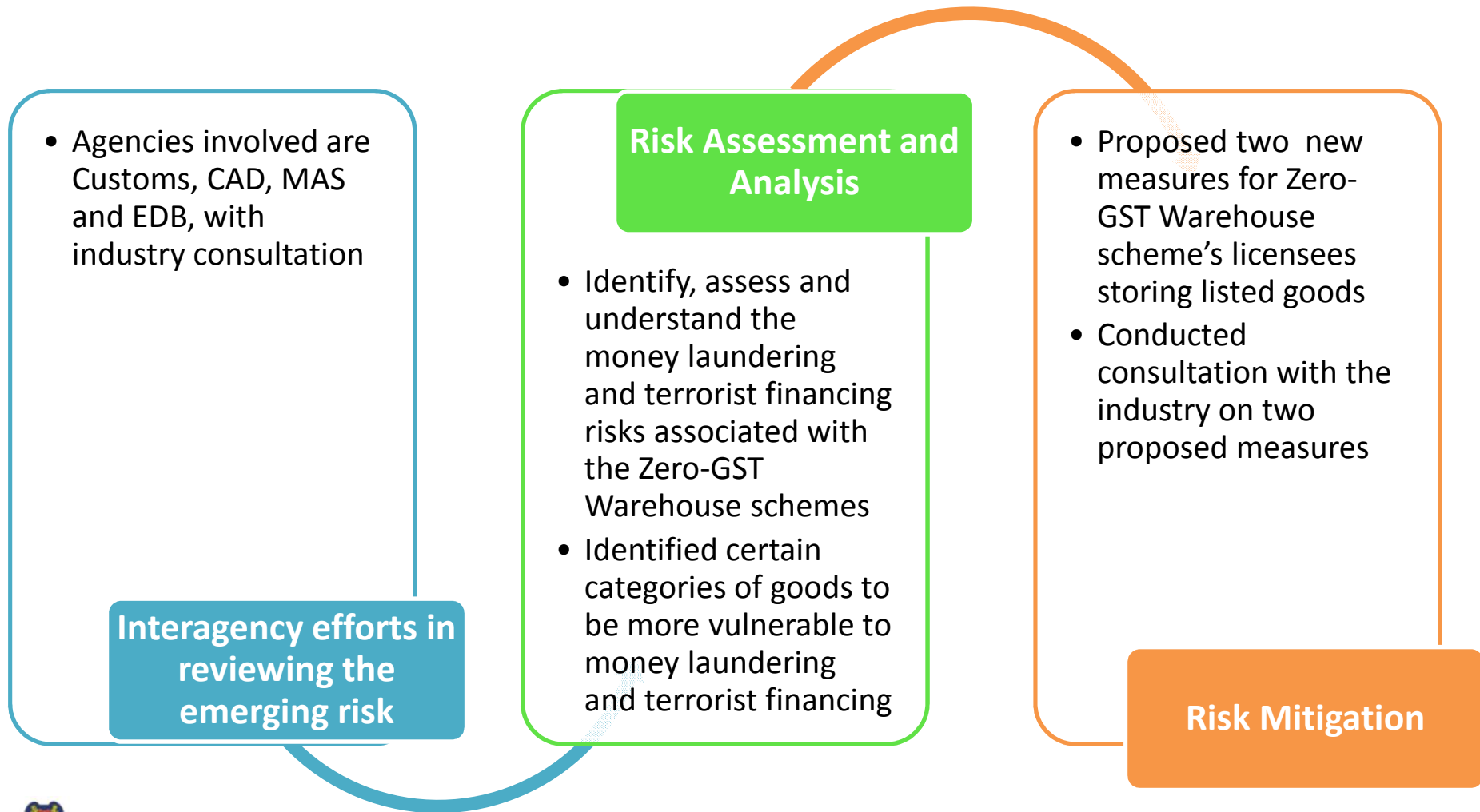
- Traditional financial sector – stronger in anti-money laundering (AML) and countering the financing of terrorism (CFT) controls than before
- AML/CFT controls are weaker in non-financial sectors
 - Designated non-financial businesses and professions (DNFBPs)
 - Casinos, real estate agents, dealers in precious metals/stones, legal professionals, trust and company service providers
 - Zero-GST Warehouse sector is not a DNFBP
- New and emerging areas of vulnerabilities are coming under closer scrutiny
- In Singapore's NRA report, Singapore has identified 3 new and emerging areas of vulnerabilities that are coming under closer scrutiny (virtual currencies, precious stones/metals, Freeport)



Review of Zero-GST Warehouse Scheme



Review of Zero-GST Warehouse Scheme



Listed Goods - Vulnerable to Money Laundering and Terrorist Financing Risks

- money laundering and terrorist financing can involve any goods. Based on international typologies, 4 types of goods (hereafter referred to as the listed goods) tend to be vulnerable to money laundering and terrorist financing risks.

Goods	HS codes
Precious stones and precious metals	62 HS codes under Chap 71
Work of art (e.g. painting, sculptures)	11 HS codes under Chap 97
Antiques over 100 years	1 HS code - 97060000
Watches with case of precious metal or of metal clad with precious metal	6 HS codes under Chap 91

Note

- 80 HS codes in all
- Legal tender coins & Investment Precious Metals (IPM) coins are excluded.



Risk Mitigating Measure 1: Screening (with effect from 1 Oct 2015)

- It is in the interest of the ZGS licensees to conduct screening on the customer who deposited the goods, and the person with control over the goods or the person with the beneficial ownership of the goods.
- We strongly encourage all ZGS licensees, especially those storing the listed goods, to adopt this good practice.
 - Protects their business from being used as a conduit for money laundering or terrorist financing.



Risk Mitigating Measure 2

(with effect from 1 Oct 2015)

Amend ZGS licensing conditions to require that for listed goods stored under ZGS licence, licensee shall obtain and maintain information on:

- i. value of the goods, **and**
- ii. identity of the customer who deposited the goods, **and**
- iii. identity of the person(s) with control over the goods **or** the identity of the person(s) with the beneficial ownership of the goods



Definitions

“Person(s) with control over the goods” refers to person(s) with the right to sell the goods, the right to assign the goods to a new owner, or the right to authorise the deposition/removal of the goods from the warehouse.

“Person(s) with the beneficial ownership of the goods” refers to the natural person(s) who has beneficial interest of the goods.



Amendments to Zero-GST Warehouse Scheme Licensing Conditions



Insertion of Preamble

(applicable to Type I, II and III)

Where an entity has been granted a licence to operate a Type I Zero-GST Warehouse (“**the Zero-GST Warehouse**”) under Licence No. <insert licence number> (“**the Licence**”), the Licence shall be subject to the following terms and conditions imposed pursuant to Regulation 94(1) of the Goods and Services Tax (General) Regulations:



Section A – Responsibilities of Licensee

(applicable to Type I)

3	The Licensee shall ensure that GST suspended goods are stored within the designated storage area(s) of the Zero-GST Warehouse. No other goods shall be stored within such designated storage area(s). Singapore Customs shall give notice in writing to the Licensee of the designated storage area(s), and may from time to time amend or revise the designated storage area(s).
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(applicable to Type II/III)

3	The Licensee shall ensure that GST suspended goods are stored within the designated storage area(s) of the Zero-GST Warehouse. Singapore Customs shall give notice in writing to the Licensee of the designated storage area(s), and may from time to time amend or revise the designated storage area(s).
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Section B – Permit Declaration and Stock/Incident Reporting

(applicable for Type I)

2	The Licensee shall label all GST suspended goods with the Customs Lot Prefix, which will be issued in writing by Singapore Customs. The GST suspended goods shall also be numbered serially from 0001 to 9999. This serial number shall also be labelled on the GST suspended good, immediately following the Customs Lot Prefix.
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(applicable for Type II/III)

2	The Licensee shall label all GST suspended goods with unique identifiers, such as Lot Number and Stock Keeping Unit (SKU).
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Section B – Permit Declaration and Stock/Incident Reporting

(applicable all new licence application)

Our Ref: FRN1092
18 Jul 2013

BRADDELL BROTHERS
100 Jurong West Road
SINGAPORE 282742

Fax No: 63379956

Dear Sir/Madam

LICENCE TO OPERATE Type II Warehouse of the Zero-GST Warehouse Scheme

We refer to your application dated 18 Jul 2013.

2 We are pleased to inform you that your application to operate Type II Warehouse of the Zero-GST Warehouse Scheme at 100 Jurong West Road SINGAPORE 282742 is approved.

Licence Information

Licence UEN No. :<<999999999999>>
Licence No. :<<BWXKX>>
Effective Date :<<DD/Month/Year>>
Expiry Date :<<DD/Month/Year>>
Customs Lot No. Prefixes :<<ABCD>>

Terms and Conditions

a) This Licence covers only the areas approved to be used as licensed premises as indicated on the plan(s) endorsed by Singapore Customs.

b) This Licence is issued subject to full compliance with the Licensing Conditions issued from time to time by Customs. Non-compliance with any of the stated conditions may result in revocation of the Licence.

c) This Licence will remain valid (subject to payment of licence fee) until cancelled or revoked.

3 Please note that a separate approval letter will be sent to you on the :

a) licensing conditions;
b) license fee payable; and
c) quantum of bank guarantee / insurance bond to be furnished to Singapore Customs (if applicable).

4 If you need further clarification, please contact SCHEMES & ENGAGEMENT Branch at customs_schemes@customs.gov.sg.

Yours sincerely

PATRICIA POH PEI PEI
HEAD SCHEMES & ENGAGEMENT BRANCH
for Director-General of Customs
Singapore Customs

This is a computer-generated letter. No signature is required.

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55 Newton Road #07 - 01, Revenue House, Singapore 307987 Tel: (65) 62513027 Fax: (65) 63379956
E-mail: customs_schemes@customs.gov.sg Website: www.customs.gov.sg



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Section B – Permit Declaration and Stock/Incident Reporting

(applicable all licence renewal)



Our Ref : <<Ref Number>>
Date : <<Date>>

<<Company Name>>
<<Company Address>>

Dear <<POC Name>>,

RENEWAL OF: ZERO-GST TYPE I/II/III WAREHOUSE

Based on the recent TradeFIRST assessment, we are pleased to inform you that <<Company Name>> has been placed in the "<<TradeFIRST Band>>" Band. The "<<TradeFIRST Band>>" Band is valid for <<Validity >> years from <<DD MMM YYYY>> to <<DD MMM YYYY>>. Therefore, <<Company Name>> is qualified to operate a Zero-GST Type I/II/III Warehouse for storage of non-dutiable products at <<insert warehouse address>> with effect from DD MMM YYYY to DD MMM YYYY, subject to the payment of annual licence fee.

- 2 We have enclosed the following documents with this approval letter:
 - a) Annex A: Conditions to operate a Zero-GST Type I/II/III Warehouse;
 - b) Assessment report which records the findings from the on-site validation; and
 - c) Zero-GST Type I/II/III Warehouse Licence Certificate
 - d) TradeFIRST Certificate [if applicable]
 - e) Layout Plan of BWxxxxx [if applicable]
 - f) Annex B: Customs Lot No. Prefixes [if applicable]



Section C (applicable for Type I, II and III)

C	INFORMATION MANAGEMENT
1	<p>The Licensee shall notify Singapore Customs in writing of any changes in the following:</p> <ul style="list-style-type: none"> • The Licensee's name and contact details; • The Licensee's customers who store goods in the Zero-GST Warehouse; • The Licensee's organisational structure; • The Licensee's representative with Singapore Customs and/or the contact details of the representative; • The Licensee's standard operating procedures; or • The Licensee's warehouse management system used for management of the Zero-GST Warehouse, if applicable.
2	<p>The Licensee shall obtain prior approval from Singapore Customs in writing before any changes are made to the following:</p> <ul style="list-style-type: none"> • Address of the Zero-GST Warehouse or; • Designated storage area(s) marked in the approved layout plan (i.e. reduction or extension of designated storage area(s)).
3	<p>In the event that there is a change to the UEN (Unique Entity Number) of the Licensee, the Licensee shall apply for a new Licence using the new UEN.</p>



Section D

D	OBTAINING AND MAINTAINING INFORMATION (ONLY APPLICABLE FOR LISTED GOODS)
1	This Part D is only applicable for the storage of goods as set out in Sub-Annex A (referred to in this Part D as the “listed goods”).
2	If any listed goods are stored in the Zero-GST Warehouse, the Licensee shall obtain and maintain information on: a) The value of the goods; b) The identity of the customer who deposited the goods; and c) The identity of the person(s) with control over the goods or the identity of the person(s) with beneficial ownership of the goods.
3	For the purposes of this Part D: a) Person(s) with control over the goods refers to person(s) with the right to sell the goods, the right to assign the goods to a new owner, or the right to authorise the depositing/removal of the goods from the warehouse. b) Person(s) with beneficial ownership of the goods refers to the natural person(s) who has beneficial interest of the goods.



Section D - Obtaining and Maintaining Information (only applicable for listed goods)

- | | |
|---|---|
| 4 | <p>Where, under this Part D, the Licensee is obliged to maintain information on a <u>natural person</u>, the Licensee shall maintain the following:</p> <ul style="list-style-type: none">a) The full name, including any aliases, of the person;b) The Unique Identification Number of the person (e.g. an identity card number, birth certificate number or passport number);c) The person's existing residential address;d) The person's date of birth;e) The person's nationality; andf) Any other information as may be required in writing by Singapore Customs. |
|---|---|



Section D - Obtaining and Maintaining Information (only applicable for listed goods)

- 5 Where, pursuant to this Part D, the Licensee is obliged to maintain information on an entity which is not a natural person, the information which the Licensee is obliged to maintain shall include:
- a) The name of the entity;
 - b) The legal nature of the entity (i.e. whether it is a company, a partnership, an association etc.);
 - c) The Unique Identification Number (if any) of the entity (e.g. the Unique Entity Number of the company (such as its incorporation number, or business registration number, company entity type));
 - d) The existing registered or business address, and if different, the principal place of business of the entity;
 - e) The entity's date and country of incorporation or registration (whichever applicable);
 - f) The name of the entity's Parent Company (if any);
 - g) The full name(s), including any aliases, and Unique Identification Number(s) of each connected party of the entity (e.g. an identity card number, birth certificate number or passport number); and
 - h) Any other information as may be required in writing by Singapore Customs.
- For the purposes of this Part D, the term “connected party” shall refer to natural persons having executive authority over an entity, including directors, partners, or managers (as the case may be).



Section E (applicable to Type I, II and III)

E	SECURITY
1	The Licensee shall take adequate measures to ensure the security of the Zero-GST Warehouse. The Licensee shall be liable to pay GST for any GST suspended goods which are lost or damaged while stored in the Zero-GST Warehouse.
2	Without prejudice to the generality of the above condition, the Licensee shall ensure that all entrances/exits and openings to the Zero-GST Warehouse are properly secured.
3	The Licensee shall obtain prior approval from Singapore Customs before making any alterations to the Zero-GST Warehouse.



Section F

(applicable to Type I, II and III)

F	RECORD KEEPING
1	The Licensee shall keep up-to-date inventory records on GST suspended goods stored in the Zero-GST Warehouse.
2	The Licensee shall maintain and retain all in-handling documents, out-handling documents, other supporting records for the movements of the GST suspended goods, and, in the case of listed goods as per Part D above, the information required for such listed goods as per Part D above, for a period of not less than 5 years.



Section G

(applicable to Type I, II and III)

G	TradeFIRST ASSESSMENT
1	In the event that the Licensee intends to renew the Licence, the Licensee shall have a valid TradeFIRST banding before the renewal of the Licence.



Section H (applicable to Type I, II and III)

H	VALIDITY OF LICENCE
1	At the end of the Licence Period, the Licence may at the discretion of the Comptroller of Goods and Services Tax (“the Comptroller”), be renewed for such further period and subject to such additional conditions as may be specified.
2	The Licence is strictly non-transferable. The Licensee must ensure that there is no sub-letting of the Zero-GST Warehouse.
3	<p>The Comptroller may, pursuant to Regulation 102 of the Goods and Services Tax (General) Regulations, at any time revoke the Licence, or suspend the Licence for such a period as the Comptroller deems fit. Without prejudice to the generality of the foregoing, situations which may lead to the termination or suspension of the Licence include:</p> <ul style="list-style-type: none"> a) Failure by the Licensee to observe the licensing conditions stated herein; b) There is non-compliance or reasonable grounds to believe that there is non-compliance by the Licensee with the laws of the Republic of Singapore; c) There is non-compliance or reasonable grounds to believe that there is non-compliance by a connected party of the Licensee with the laws of the Republic of Singapore; d) The Licensee or a connected party of the Licensee is convicted of a criminal offence in a foreign jurisdiction, and where that offence concerns fraud, money laundering, terrorist financing, customs offences, and/or other similar offences; d) Security weaknesses are discovered in the Licensee’s supply chain and are not rectified to the satisfaction of Singapore Customs; or e) The Licensee fails to comply with TradeFIRST requirements and is unable to rectify such non-compliance to the satisfaction of Singapore Customs. <p>For the purposes of this Part H, the term “connected party” shall refer to natural persons having executive authority over an entity, including directors, partners, or managers (as the case may be).</p>



Section I

(applicable to Type I, II and III)

I	BREACH OF LAWS, REGULATIONS AND CONDITIONS
1	<p>The Licensee and connected parties of the Licensee shall conform in all respects with the provisions of all laws of the Republic of Singapore.</p> <p>For the purposes of this Part I, the term “connected party” shall refer to natural persons having executive authority over an entity, including directors, partners, or managers (as the case may be).</p>



Section J

(applicable to Type I, II and III)

J	OTHERS
1	The Licensee shall provide support and assistance to Singapore Customs, including but not limited to manpower support and system access, for the purposes of any investigation, periodic audit, stock checks and supervision operations conducted by Singapore Customs.
2	The Licensee shall produce, upon request, any necessary information, records and documents to Singapore Customs within 7 working days, at the specified Singapore Customs office or station or other place, as determined by Singapore Customs.
3	The Licensee shall obtain the necessary approval(s) from other relevant authorities, where applicable.
4	Any notice, application, consent, approval, or document issued pursuant or given for the purposes of this Licence shall be deemed to have been duly given or made when it is delivered in writing by hand or email or post or fax to the Licensee at the Licensee's email address or business address or fax number (as the case may be).



Thank You



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