

SINGAPORE

PART I - DRUG AND CHEMICAL CONTROL

I. Summary

The Government of Singapore (GOS) effectively enforces its stringent counternarcotics policies through strict laws (including the death penalty), vigorous law enforcement, and active prevention programs. Singapore is not a producer of precursor chemicals or narcotics, but as a major regional financial and transportation center it is an attractive target for money launderers and drug transshipment. Corruption cases involving Singapore's counternarcotics and law enforcement agencies are rare, and their officers regularly attend U.S.-sponsored training programs (as well as regional fora on drug control). Singapore is experiencing a slight increase in drug-related crime. Ketamine-related offenses still constitute a small portion of overall drug offenses; however, documented Ketamine abuse is on the rise. Singapore is a party to the 1988 UN Drug Convention.

II. Status of Country

In 2004, there was no known production of illicit narcotics or precursor chemicals in Singapore. The Central Narcotics Bureau (CNB) works with the DEA to closely track the import of modest amounts of precursor chemicals for legitimate processing and use in Singapore. CNB's precursor unit monitors and investigates any suspected diversion of precursors for illicit use. The CNB also monitors precursor chemicals that are transshipped through Singapore to other regional countries; however, neither Singapore Customs nor the Immigration and Checkpoints Authority (ICA) keep data on in-transit or transshipped cargo unless there is a Singapore consignee involved in the shipment. Singapore notifies the country of final destination before exporting transshipped precursor chemicals. Abuse of heroin, methamphetamine, and Ketamine is on the rise.

III. Country Actions Against Drugs in 2004

Policy Initiatives. Singapore has continued to pursue a strategy of demand and supply reduction for drugs. This plan has meant that, in addition to arresting drug traffickers, Singapore has also focused on arresting and detaining drug abusers for treatment and rehabilitation. The Misuse of Drugs Act (MDA) gives the CNB the authority to commit all drug abusers to drug rehabilitation centers for mandatory treatment and rehabilitation.

Law Enforcement Efforts. Arrests for drug-related offenses registered a sharp decline of 47 percent from 2002 to 2003 (no 2004 information was available). The number of persons detained for trafficking offenses, and arrests for abuse and possession also declined. Arrests of first-time heroin abusers fell by 78 percent. Authorities executed 56 major operations during which they

crippled 30 drug syndicates and arrested a total of 74 traffickers and 1,993 abusers. The largest marijuana seizure for CNB was 9.3 kilograms of cannabis. Seizures of MDMA declined by 38 percent between 2002 and 2003, however there was an 11 percent increase in the amount of MDMA abusers arrested. The following statistics reflect 2003 arrests related to specific drugs and the corresponding percentage increase or decrease as compared to 2002 arrests: 567 heroin arrests (-74.63 percent), 114 Ecstasy arrests (+16.32 percent), 260 cannabis arrests (+41.3 percent), 369 methamphetamine arrests (-40.48 percent), and 497 Ketamine arrests (+97.22 percent).

In 2003, authorities also seized approximately 94,200 nimetazepam or Erimin 5 tablets (a depressant), an increase of about 140 percent over 2002 seizures.

Corruption. The CNB is charged with the enforcement of Singapore's counternarcotics laws. The CNB and other elements of the government are effective and there are few cases of corruption.

Agreements and Treaties. Singapore is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Singapore and the United States continue to cooperate in extradition matters under the 1931 US-UK extradition treaty. In 2000, Singapore and the United States signed a Drug Designation Agreement (DDA), strengthening existing cooperation between the two countries on drug cases. In the past, the lack of such a bilateral agreement had been an occasional handicap. The agreement provides for cooperation in asset forfeiture and sharing of proceeds in narcotics cases; in 2002, one joint case resulted in a \$1.9 million seizure of assets in Singaporean bank accounts.

The DDA has also facilitated the exchange of banking and corporate information on drug money laundering suspects and targets. This includes access to bank records, testimony of witnesses, and service of process. The DDA is the first such agreement Singapore has undertaken with another government. Singapore has signed mutual legal assistance agreements with Hong Kong and ASEAN. Singapore has signed, but has not yet ratified, the UN Convention against Transnational Organized Crime.

Cultivation/Production. There was no known cultivation or production of narcotics in Singapore in 2003 or 2004.

Drug Flow/Transit. Singapore has the busiest (in tonnage) seaport in the world, and approximately 80-90 percent of the goods handled by its port are in transit. Due to the extraordinary volume of cargo that is shipped through the port, it is likely that some of that cargo could contain illicit materials.

Singapore does not require shipping lines to submit data on the declared contents of

transshipment cargo, unless there is a Singapore consignee to the transaction. The lack of such information makes enforcement a challenge. Absent specific information about a drug shipment, GOS officials have been reluctant to impose tighter reporting or inspection requirements at the port out of concern that this would interfere with the free flow of goods and thus jeopardize Singapore's position as the region's primary transshipment port. However, scrutiny of goods at ports has increased. In January 2003, Singapore's new export control law went into effect; while the law seeks to prevent the flow of WMD-related goods, the controls introduce scrutiny of some transshipped cargo. In March, Singapore became the first Asian port to commence operations under the U.S. Container Security Initiative (CSI), under which U.S. Customs personnel prescreen U.S.-bound cargo. While this initiative is aimed at preventing weapons of mass destruction from entering the U.S., the increased information and scrutiny could also aid drug interdiction efforts.

Domestic Programs (Demand Reduction). Singapore uses a combination of punishment and rehabilitation against first-time drug offenders. Many first-time offenders are given rehabilitation instead of jail time, although the rehabilitation regime is rigorous. The government may detain addicts for rehabilitation for up to three years. In an effort to discourage drug use during travel abroad, CNB officers may now require urinalysis tests for Singapore citizens and permanent residents returning from outside the country. Those who test positive are treated as if they consumed the illegal drug in Singapore.

Adopting the theme "Prevention: The Best Remedy," Singapore authorities organize sporting events, concerts, plays, and other activities to reach out to all segments of society on drug prevention. Drug treatment centers, halfway houses, and job placement programs exist to help addicts reintegrate into society. At the same time, the GOS has toughened antirecidivist laws. Three-time offenders face long mandatory sentences and caning. Convicted drug traffickers are subject to the death penalty, regardless of nationality.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Singapore and the United States continue to enjoy good law enforcement cooperation. In FY04, approximately 24 GOS law enforcement officials (including approximately 14 from the CNB) attended training courses at the International Law Enforcement Academy (ILEA) in Bangkok on a variety of transnational crime topics.

The GOS has cooperated extensively, with the U.S. and other countries, in drug money laundering cases, including some sharing of recovered assets.

The Road Ahead. The United States will continue to work closely with Singapore authorities on all narcotics trafficking and related matters. Increased customs cooperation under the Container

Security Initiative and other initiatives will help further bolster law enforcement cooperation.

PART II - MONEY LAUNDERING AND FINANCIAL CRIMES

As a significant international financial and investment center, and in particular as a major offshore financial center, Singapore is attractive to potential launderers. Bank secrecy laws and the lack of routine currency reporting requirements make Singapore an attractive destination to foreign drug traffickers, other foreign criminals, and terrorist organizations and their supporters seeking to launder their money, and for flight capital. Money laundering occurs mainly in the offshore sector, but may also occur in the non-bank financial system, which includes large numbers of moneychangers and remittance agencies.

As a leading financial center in Southeast Asia, Singapore has been a key player in the regional effort to stop terrorist financing. Singapore has a sizeable offshore financial sector. In 2004, there were 111 commercial banks in Singapore, of which 47 were offshore banks, down slightly from 50 in December 2003. There are also 23 full banks and 36 wholesale banks in Singapore. All offshore banks are branches of foreign banks. Singapore does not permit shell banks, either in the domestic or offshore sectors. The Monetary Authority of Singapore (MAS), a semi-autonomous entity under the Ministry of Finance, serves as Singapore's Central Bank and financial sector regulator. There are no offshore trusts, although banks may open trust, nominee, and fiduciary accounts. All banks in Singapore, whether domestic or offshore, are subject to the same regulation, record keeping, and reporting requirements, including regarding money laundering and suspicious transactions.

In January 2005, as part of a draft revision of its overall anti-money laundering/counterfinancing of terrorism (AML/CFT) regulations for banks, the MAS proposed, subject to final approval, an amendment to its regulations proscribing banks from entering into, or continuing, correspondent banking relationships with shell banks—in line with the Revised Financial Action Task Force (FATF) Forty Recommendations adopted in June 2003. The new draft regulation also mandates originator information on cross-border wire transfers, in line with the FATF's Special Recommendation Seven on wire transfers. It also clarifies procedures for customer due diligence and includes a risk-based approach to customer due diligence, as well as mandating enhanced customer due diligence for foreign politically exposed persons. It furthermore extends coverage of the regulations to include terrorist financing activities.

Any person who wishes to engage in business, whether local or foreign, must register under the Companies Act. Every Singapore-incorporated company must have at least two directors, one of whom must be a resident in Singapore, and one or more company secretaries, who must be resident in Singapore. There is no nationality requirement. A company incorporated in Singapore has the same status and powers as a natural person. Bearer shares are not permitted. Casinos and Internet gaming sites are currently illegal in Singapore. However, the government is considering

lifting the ban on casinos for a specific development project. In December 2004, the Government of Singapore (GOS) invited international investors to submit proposals by February 28, 2005, to build an integrated resort with gambling facilities.

As a matter of policy, Singapore strongly opposes money laundering and terrorist financing. The Corruption, Drug Trafficking, and Other Serious Crimes (Confiscation of Benefits) Act of 1999 (CDSA) criminalizes the laundering of proceeds from narcotics and 183 other serious offenses, including foreign offenses which would be serious offenses if they had been committed in Singapore. Singapore is in the process of reviewing its list of these offenses for consistency with Recommendation 1 of the FATF's Revised 40 Recommendations, and expects to have a final list by June 2005. Financial institutions must report suspicious transactions and positively identify customers engaging in large currency transactions. Financial institutions are required to maintain adequate records, to be able to respond quickly to GOS inquiries in money laundering cases. However, there are no reporting requirements on amounts of currency brought into or taken out of Singapore. Singapore is considering implementation of FATF Special Recommendation IX, which requires the detection of cross-border movement of currency and bearer negotiable instruments

Banking regulation is the responsibility of the Monetary Authority of Singapore. The MAS performs extensive prudential and regulatory checks on all applicants for banking licenses, including a check to see if the bank is under adequate home country banking supervision. Banks must have clearly identified directors. It is illegal to perform banking transactions without a license.

In 2000, MAS first issued a series of regulatory guidelines ("Notices") requiring banks to apply "know your customer" standards, adopt internal policies for staff compliance, and cooperate with Singapore enforcement agencies on money laundering cases. These Notices are regulatory in nature and are enforceable by prosecution. Similar guidelines exist for securities dealers and other financial service providers. Banks must obtain documentation, such as passports or identity cards, from all personal customers, so that the bank can verify their names, permanent contact addresses, dates of birth, and nationalities, and conduct inquiries into the bona fides of company customers. The regulations specifically require that financial institutions obtain evidence of the identity of the beneficial owners of offshore companies or trusts. The guidelines also mandate specific record keeping and reporting requirements, outline examples of suspicious transactions that should prompt reporting, and establish mandatory intra-company point-of-contact and staff training requirements. Similar guidelines and notices exist for finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, and futures brokers and advisors. The MAS announced that it will also revise these Notices in line with the final form of the revised notice for banks.

