

## 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.

The Suspicious Transaction Reporting Office (STRO) is Singapore's Financial Intelligence Unit (FIU). Part of the Singapore Police Force's Commercial Affairs Department, it began operating on January 10, 2000. To improve its suspicious transaction reporting, STRO has begun work on a computer system to allow electronic online submission of STRs, as well as the dissemination of AML/CFT material. It plans to encourage all financial institutions and relevant professions to eventually participate in this system.

Singapore is an important participant in the regional effort to stop terrorist financing in Southeast Asia. The Terrorism (Suppression of Financing) Act, passed in 2002, criminalizes terrorist financing, although the provisions of the Act are actually much broader. In addition to making it a criminal offense to deal with terrorist property (including financial assets), the Act criminalizes the provision or collection of any property (including financial assets) with the intention that the property be used, or having reasonable grounds to believe that the property will be used, to commit any terrorist act or for various terrorist purposes.

The Act also provides that any person in Singapore, and every citizen of Singapore outside Singapore, who has information about any transaction or proposed transaction in respect of terrorist property, or who has information that he/she believes might be of material assistance in preventing a terrorism financing offense, must immediately inform the police. The Act gives the authorities the power to freeze and seize terrorist assets. The Act, which supplements and extends interim legislation enacted in November 2001, took effect January 29, 2003.

In January 2003, the Singapore Government released a white paper describing its investigations into the Jemaah Islamiyah (JI) terrorist network. The government is known to have detained 39 persons since 2001 as suspected terrorists. Three persons have been released since then, two in September 2004 and one in January 2005, with restrictions placed on their associations and movements.

In April 2004, the International Monetary Fund and the World Bank Financial Sector Assessment Program (FSAP) team published an assessment of Singapore's financial sector, which included an evaluation of the AML/CFT regime. The IMF found that Singapore's ability to freeze terrorist related funds is comprehensive. The IMF also concluded that, while Singapore has not adopted the FATF approach of designating terrorist financing offenses as predicate crimes for money laundering, Singapore appears to meet the underlying obligations of the relevant FATF Special Recommendation Two on terrorist financing.

There are few restrictions on intergovernmental terrorist financing-related mutual legal assistance even in the absence of a Mutual Legal Assistance Treaty, because Singapore is a party to the UN International Convention for the Suppression of the Financing of Terrorism, the IMF concluded. But the IMF urged Singapore to improve its mutual legal assistance, noting serious limitations on

assistance with the provision of bank records, with search and seizure of evidence, on restraining proceeds of crime, and on the enforcement of foreign confiscation orders.

On the terrorist financing front, the MAS has broad powers to direct financial institutions to comply with international obligations. These include UN Security Council Resolutions 1267, 1333, 1373, 1390, and other similar resolutions. In 2002, the MAS issued regulations to implement this authority. The regulations bar banks and financial institutions from providing resources and services of any kind which will benefit terrorists, and from doing "anything that . . . assists or promotes" terrorist financing. Financial institutions must notify the MAS immediately if they have in their possession, custody, or control any property belonging to terrorists or any information on transactions involving terrorists' funds. The regulations apply to all branches and offices of any financial institutions incorporated in Singapore, or incorporated outside of Singapore but which are located in Singapore. The regulations include a list of the entities and individuals on the UNSCR 1267 Sanctions Committee's consolidated list. Singapore updates the regulations periodically to include additional names as they are added by the UNSCR 1267 Sanctions Committee.

Alternative remittance systems exist, and are used mainly by the approximately 500,000 foreign workers in Singapore. All remittance agents, formal or informal, must be licensed and are subject to the same laws and regulations, including requirements for record keeping and the filing of suspicious transaction reports. In 2002, the regulations were strengthened. The firms now have to submit a financial statement every three months, and report the largest amount transmitted on a single day. Firms must also answer questions about the way they conduct business and about their overseas partners. Informal networks, such as hawala, that are not licensed are considered illegal.

Charities in Singapore are subject to extensive government regulation, including close oversight and reporting requirements, and restrictions that limit the amount of funding which can be transferred out of Singapore. A total of 1,669 charities were registered as of December 31, 2003. All charities must register with the Commissioner of Charities, and must, as part of the registration process, submit governing documents outlining the charity's objectives, and particulars on all trustees. The Commissioner of Charities has the power to investigate charities, including authority to search and seize records, and to restrict the transactions into which the charity can enter, suspend charity staff or trustees, and/or establish a scheme for the administration of the charity. Charities must keep detailed accounting records, and retain them for at least seven years.

Under the Charities (Fund-raising Appeals for Foreign Charitable Purposes) Regulations 1994, any charity or person who wishes to conduct or participate in any fund raising for any foreign charitable purpose must apply for a permit. The applicant has to show that at least 80 percent of

the funds raised will be used in Singapore, although the Commissioner of Charities has discretion to allow a lower percentage to be applied within Singapore. Permit holders are subject to additional record keeping and reporting requirements, including details on every item of expenditure disbursed, amounts transmitted to persons outside Singapore, and to whom the money was transmitted.

A total of 33 permits were issued in 2003 for fund raising for foreign charitable purposes. There are not restrictions or direct reporting requirements on foreign donations to charities in Singapore.

Singapore is party to the 1988 UN Drug Convention and the UN International Convention for the Suppression of the Financing of Terrorism and has signed, but has not yet ratified, the UN Convention against Transnational Organized Crime. Singapore is a member of the FATF, the Asia/Pacific Group on Money Laundering, the Egmont Group, and the Offshore Group of Banking Supervisors. Singapore will host the June 2005 Plenary meeting of the FATF, marking the first time an FATF Plenary will take place in Southeast Asia.

To bolster law enforcement cooperation and facilitate information exchange, Singapore enacted the Mutual Assistance in Criminal Matters Act (MACMA) in March 2000. The MACMA provides for international cooperation on any of the 183 predicate "serious offenses" listed under the CDSA of 1999. The provisions of the MACMA apply to countries that have concluded treaties, memoranda of understanding, or other agreements with Singapore.

In November 2000 Singapore and the United States signed the Agreement Concerning the Investigation of Drug Trafficking Offenses and Seizure and Forfeiture of Proceeds and Instrumentalities of Drug Trafficking. This was the first agreement concluded pursuant to the MACMA. This agreement, which entered into force in early 2001, facilitates the exchange of banking and corporate information on drug money laundering suspects and targets, including access to bank records. It also entails reciprocal honoring of seizure/forfeiture warrants. This agreement applies only to narcotics cases, and does not cover non-narcotics-related money laundering, terrorist financing, or financial fraud.

The Terrorism (Suppression of Financing) Act provides for mutual legal assistance in cases where there is no treaty, memorandum (MOU), or other agreement in force between Singapore and another country that is a party to the UN International Convention for the Suppression of the Financing of Terrorism. Singapore's FIU has concluded MOUs concerning cooperation in the exchange of financial intelligence with counterparts in Australia, Belgium, Japan, and the United States, and continues to actively seek MOUs with additional FIUs.

In May 2003 the Singapore Government issued a regulation pursuant to the Terrorism Act and the MACMA that enables the government to provide legal assistance to the United States and the

United Kingdom in matters related to terrorism financing offenses. Singapore concluded a mutual legal assistance agreement with Hong Kong in 2003. In 2004, Singapore signed a treaty on mutual legal assistance in criminal matters with seven other members of ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines and Vietnam. The treaty will come into effect after ratification by the respective governments.

The Government of Singapore should continue close monitoring of its domestic and offshore financial sectors. As a major financial center, it should also take measures to regulate and monitor large currency and bearer negotiable instrument movements into and out of the country, in line with the FATF's Ninth Special Recommendation, adopted in October 2004, that countries implement measures such as declaration systems, in order to detect cross-border currency smuggling. The conclusion of broad mutual legal assistance agreements is also important to further Singapore's ability to work internationally to counter money laundering and terrorist financing.