

Financial Institutions

Bill Passed to Permit FIs to Share Customer Information to Mitigate Money Laundering, Terrorism Financing & Proliferation Financing Risks

On 9 May 2023, the [Financial Services and Markets \(Amendment\) Bill](#) ("**Bill**") was passed in Parliament. The Bill amends the Financial Services and Markets Act 2022 to introduce the legislative framework for a secure digital platform named COSMIC (short for "Collaborative Sharing of ML/TF Information & Cases") to allow financial institutions ("**FIs**") to conduct sharper analysis of suspicious customer behaviours/activities to detect potential illicit activities and for FIs to warn each other of such activities.

Key features of the Bill include:

- (a) **Information sharing only permitted to mitigate money laundering, terrorism financing, and proliferation financing risks and when objective thresholds are met.** FIs may only share information if the customer's behaviour or transaction activities exhibit pre-determined red flags that cross stipulated thresholds. MAS will issue a directive to FIs detailing the threshold criteria for each of them, and the list of "red flags" associated with each threshold. There are three modes under which information may be shared through COSMIC: (i) Request: FI requests information from another FI; (ii) Provide: FI proactively provides information to another FI; (iii) Alert: FI placing the customer on a watchlist to alert other FIs. The mode of sharing will depend on the extent of a customer's "red flag" behaviours, with the thresholds progressively higher from Request, Provide and Alert.
- (b) **FIs will be provided with statutory protection from civil liability regarding their disclosure of risk information on COSMIC**, subject to the disclosure having been made with reasonable care and in good faith, and in accordance with the disclosure thresholds.
- (c) **Protection for Legitimate Customers.** Before sharing information on COSMIC, FIs must perform risk assessment to discover if there are valid reasons for the customer's behaviour/ profile and give customers the opportunity to address the bank's risk concerns. After information has been shared on COSMIC, the FI must conduct an independent risk assessment of a customer, and should not terminate a customer relationship by relying solely on the information received on COSMIC or from COSMIC. FIs must also ensure that the information shared on COSMIC is accurate and complete, and correct any errors or omissions.

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- (d) **Safeguards on the use of and access to information on COSMIC.** FIs will be prohibited from disclosing the information obtained from COSMIC except in certain specified circumstances, for instance to comply with Court orders or requests from the police to facilitate investigations. FIs must maintain strong information cybersecurity measures for COSMIC data. This includes having robust cybersecurity and encryption measures, as well as systems and processes to guard against unauthorised use and disclosure of information.
- (e) **Access and use of COSMIC information by the Monetary Authority of Singapore (MAS) and the Suspicious Transaction Reporting Office** for anti-money laundering/countering the financing of terrorism (AML/CFT) purposes.

The Second Reading Speech on the Bill is available [here](#). You may also wish to refer to our earlier writeup in the March 2023 Newsbytes when the Bill was introduced (available [here](#)).

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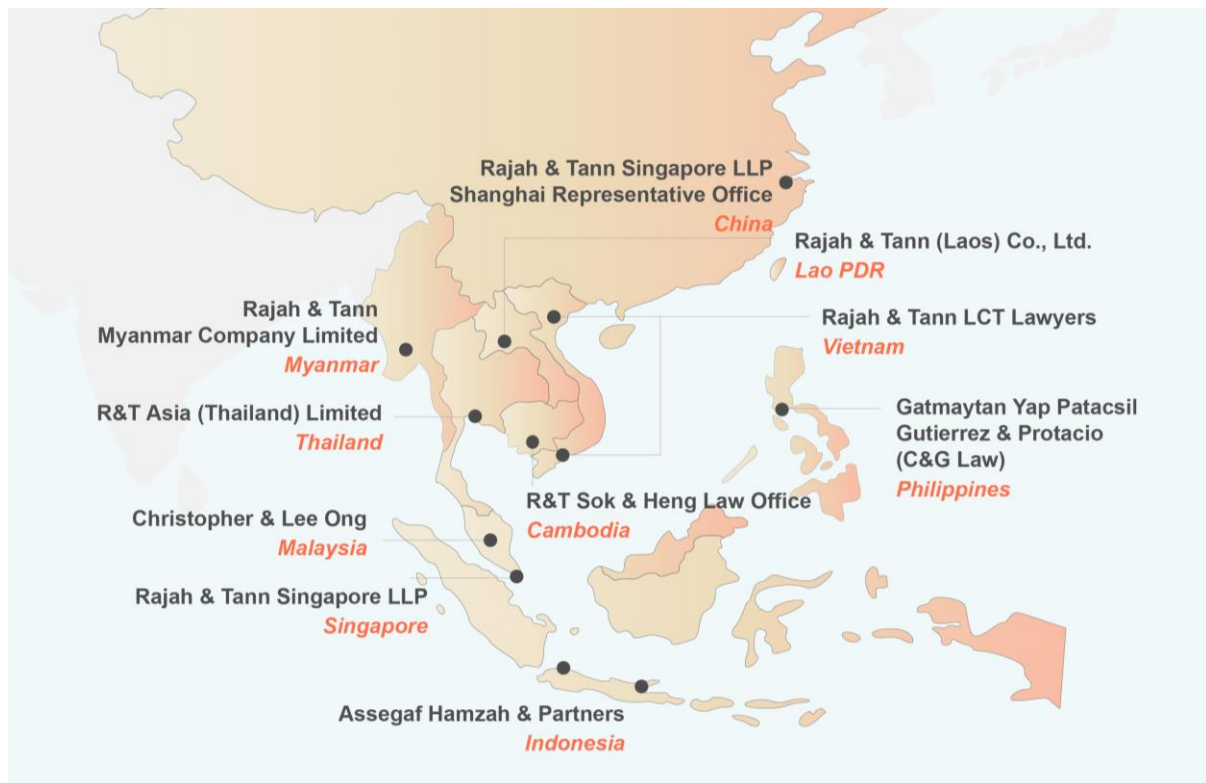
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