

# 2023 FINANCIAL CRIME RISK FACTSHEET

## SINGAPORE



THEMIS



## Geography, Economy and Context

Singapore is the only sovereign 'country-city-island' in the world, widely recognised as an independent state, situated in the Malay Peninsula and comprising 64 islands and islets distributed between Indonesia and Malaysia. The country has overcome its lack of natural resources and early turbulence to take its place as a highly developed nation and one of the Four Asian Tigers, via extensive external trade - especially the export of IT and consumer electronics products, medical and optical devices, pharmaceuticals - and its strong financial services sector (it is seen as Southeast Asia's leading financial and high-tech hub).

The city of Singapore was ranked as one of the top five most expensive cities to live in in 2023 by [Bloomberg](#). The country scores highly across social indicators, including life expectancy and quality, education, housing, employment rates, healthcare and personal safety. Singapore is ranked 12th on the UN Human Development Index of countries globally, with a high score of 0.939 (out of 1) and is the only Asian country with an AAA sovereign rating from all major rating agencies. Since the Financial Action Task Force rated Singapore poorly in its 2008 mutual evaluation report, the state has worked assiduously to improve its AML compliance and governance and is now regarded as one of the world's leading financial crime enforcement authorities, boasting one of Asia's most stringent regulatory regimes.

## AML/CFT Compliance and Sanctions

Compliant with 20 FATF Recommendations; Largely Compliant with 17; Partially Compliant with 3, as assessed in the FATF's last Mutual Evaluation Follow-up Report, published in 2019. No evidence of sanctions in place.





# Financial Crime Risks



## Bribery and Corruption

In the 2022 Transparency International Corruption Perceptions Index, Singapore was ranked the 5th best country in the world in terms of low perceptions of corruption, with numerous rigorous audit controls in place nationally to safeguard against this risk.



## Money Laundering

Despite having one of the lowest domestic crime rates in the world, the country's position as an international financial, investment and transit hub puts it at risk, especially given the high levels of transnational organised crime, corruption and other predicate offences undertaken in its neighbours' territory. Limited large currency reporting requirements and the burgeoning growth of its private banking and asset management sectors are also risk factors. The Tax Justice Network (TJN) rates Singapore's vulnerability to illicit financial flows at 67/100 (where 100 is the most vulnerable), stating that it is most at risk from trading partners such as Panama and Hong Kong. Illegal funds are also known to transit through Singapore from Australia into the rest of Asia, with banks, remittance agents, individual money mules and shell companies all utilised. However, more recently, there have been pushes to tighten controls with the most recent 2022 Basel AML Index ranking Singapore as 100/128 (where 128 is the best country), with an index score of 4.28, suggesting medium risk.



## Drug and Weapons Trafficking

As Singapore is at risk as a source of precursor and essential chemicals used in the illicit production of narcotics and a prominent trade hub. The country is one of the largest distributors of acetic anhydride in Asia (used in heroin production). Furthermore, significant volumes of ephedrine (a methamphetamine) from India and Taiwan and pseudoephedrine (and amphetamine) from India, China, Germany and Taiwan pass through its ports, exported on to Vietnam, Cambodia, Malaysia and Nepal. Singapore is also part of a South-East Asia transit route through Thailand and Malaysia for small arms trafficking into India and Pakistan to support militant violence. Singapore's harsh punishment, particularly towards drug related charges aims to combat these risks and as such Singapore was still ranked low risk on the Global Organized Crime Index in 2021.



## Environmental Crime

Singapore acts as major transit hub for pangolins and ivory to the rest of the Asia-Pacific region, as well as shark fins and meat, rays, reptiles for skins, and birds for the pet trade and aviculture industry. Singapore also has its own domestic demand and market for illegally trafficked products, including tortoises from India, and sea cucumber and fish maw (traditional luxury seafoods consumed widely across Asia, which are suffering globally from depleted populations), and is home to a prolific unlicensed online bird trade. Wildlife trafficking is predominantly via container shipping and related laws in Singapore are "generally adequate" and conviction rates are high. New amendments to the law governing the illegal wildlife trade have increased the maximum jail time to six years, marking an effort to adequately punish offenders and as of June 2023, Singapore had crushed all of its ivory stockpile for the first time.



### Modern Slavery and Human Trafficking

The 2023 [Trafficking in Persons Report](#) cites good law enforcement prevention, protection and detection efforts but reports that foreign work permit holders (comprising around a quarter of Singapore's labour force) are at risk of trafficking. Construction, domestic service, performing arts, manufacturing, service industry and commercial sex migrants can assume large debts to recruitment agents, placing them at risk for debt bondage, and foreign women who travel to Singapore to work in its entertainment or regulated sex sector are vulnerable to sex trafficking. There are also low numbers of Singapore residents engaging in child sex tourism abroad, especially in nearby Batam in Indonesia. The crews of some long-haul boat fishing vessels that transit or dock at Singaporean ports have used physical abuse to force men into labour.



### Cybercrime

There was a 25% increase in the number of scam and cybercrime cases in 2022 compared to the previous year. Phishing scams, job scams, e-commerce scams, investment scams, and friend call scams were the most prevalent in 2022, with most perpetrated on messaging platforms and social media. The total amount lost from scams in 2022 was over \$660 million in 2022, an increase of 4.5% from 2021.



### Fraud

There has been a marked increase in the number of cases of fraud witnessed across Singapore. Between 2021 and 2022, the Singaporean Police Force reported that there was a 75% increase in the number of e-commerce scam cases reported. Many of these fraud cases have been attributed to rising smartphone e-commerce; app-based shopping platform fraud is the most common source, alongside fake event tickets and non-delivery of digital purchases. Interestingly, the majority of those perpetrating this type of crime are young people, aged 29 and below, despite jail sentences that carry a maximum prison sentence of ten years. Elsewhere, business misconduct, asset misappropriation, procurement fraud and consumer fraud have grown in prominence over the pandemic, in line with global trends. In the [2022 IBM Global Financial Fraud Impact Report](#), Singapore ranked second in percentage of respondents who have experienced fraud across several categories.



### Terrorist Financing

Whilst there has been very little evidence of terrorist financing being committed in or flowing into Singapore, several terrorist groups operate actively in the region (including ISIS, Al Qaeda and Jemaah Islamiyah), and have carried out attacks over the past decade. Radicalised individuals also pose a threat. The Monetary Authority of Singapore (MAS) states that its geographic proximity to terrorist activity and hub status inherently expose Singapore to TF and highlights the following risk areas: money remittances, banks, non-profit organisations, cross-border cash movement, digital payment token service providers, and precious stones and metals dealers.



### Tax Crime and Financial Secrecy

Responsible for 3.9% of global tax havenry, with about USD4.2 billion lost annually to tax abuse (split evenly between multinational corporations and individuals), according to the [TJN](#), which estimates Singapore's tax loss through evasion as equivalent to 69.52% of its health budget. There are also [estimates](#) that the level of offshore wealth flows in the country will grow at the second-fastest pace of any global financial hub, trailing just Hong Kong (even in 2015, Singapore held about [an eighth](#) of the global stock of total offshore wealth). Singapore provides a range of [secrecy offerings](#), like the Private Trust Company and its Le Freeport, allowing high net worth individuals to store valuables exempt from duties and taxes and subject to vaguer customs declarations, and offers numerous tax exemptions and loopholes for corporations. Its tax treaties with other countries have also been exploited by arbitrage practices like 'round tripping', where Singaporean shell companies are used to invest, disguise and return money to countries like India.

## Key Financial Crime Vulnerabilities



### Organised Crime Groups

Singapore has seen an increase in gang-related activities, especially in relation to drug trafficking, cyber scams, and unlicensed money lending, and particularly from [Chinese Triads](#), born out of traditional 'secret societies', with funds also derived from extortion and prostitution and bolstered by violence.



### Abuse of Shell Companies

Singapore's banks closed the accounts of several [onshore shell companies](#) during 2021, following the detection of unlawful transactions, with the MAS noting that whilst criminals may still use offshore companies, they are also shifting to onshore companies to evade detection. The relative ease of establishing companies in Singapore renders it vulnerable to such threats.



### Gold Smuggling and Trade-Based Money Laundering

Regionally, gold is frequently used as a commodity in trade-based money laundering (TBML) schemes and account settling in underground financial systems, and Singapore is both a major transshipment hub and located on a key global trade route. Gold is largely smuggled out of Singapore and Dubai into [India](#), with [airline crew](#) sometimes complicit. Singapore also hosts ten free trade zones which have been recognised by authorities as vulnerable to trade fraud and TBML.



### Transshipment Hub

The Port of Singapore is the world's busiest transshipment port, acting as a principal commercial nexus for trade and financial flows between Asian markets and the Middle East, inherently exposing it to myriad regulatory risks. This includes the volume of business 'touched' by countries subject to heavy international sanctions, including Iran and North Korea (until commercial ties with Pyongyang were severed in 2017, Singapore was a main trading partner of North Korea).



# Relevant Case

## Nickel Trading Fraud

In February 2022, Ng Yu Zhi, a Singaporean businessman and director at Envy Global Trading and Envy Asset Management, was handed 18 new charges in court related to allegations of involvement with Singapore's biggest investment fraud schemes pertaining to nickel trading. Ng purportedly transferred over USD 35 million from June 2020 to February 2021 from two HSBC accounts to various companies, banks and individuals for expenses, like jewellery from Louis Vuitton, and to pay American Express card bills totalling in excess of USD 12 million.

### SUMMARY OF KEY INDEXES

Corruption Perceptions Index	Trafficking in Persons Index	Global Terrorism Index	Basel AML Index	National Cyber Security Index	Corporate Tax Haven Index	Financial Secrecy Index	Date of publication of last AML/CFT FATF Mutual Evaluation Report
Transparency International  (1 = high perception of corruption; 100 = low perception)	US Department of State  (Tier 1 = low risk; Tier 3 = high risk)	Institute for Economics and Peace  (0 = no risk; 10 = high risk)	Basel Institute of Governance  (1 = high risk country; 128 = low risk country)	e-gov  (1 = low risk; 10 = high risk)	Tax Justice Network  (1 = high risk or enablement of tax abuse)	Tax Justice Network  (1= country with the highest risk or highest secrecy)	
83/100	Tier 1	0/10	100/128	31/162	9/70	3/141	2016 (and Follow Up Report in 2019)

