

**KEYNOTE ADDRESS by DIRECTOR CAD,
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FOR ABS FINANCIAL CRIME CONFERENCE
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Theme: Nuts and Bolts of Combating Financial Crime

Title: Unraveling Financial Crime: Ridding the Weeds in the Garden

Introduction

Mr David Conner, Chairman ABS,

Distinguished guests,

Ladies and gentlemen,

Good morning,

I am delighted to be here today at the Association of Bank in Singapore Financial Crime Conference to speak about combating financial crime. As the conduit through which both legitimate and illegitimate funds flow, the financial sector is a natural focal point in preventing and combating financial crime. I therefore welcome this opportunity to discuss this issue together with you.

Changing Landscape of Financial Crime

Financial crime has frequently been described as an illicit activity which generates proceeds of crime. It may include scams, credit card fraud, fraud by company directors, market manipulation activities, money laundering and so on.

Technological advancements have aided the expansion of the scope of financial crime over the years: Criminals are adept at utilising technological advancements to further their criminal activities.

Some twenty years ago, we defined ATM crime as someone getting hit over the head and having money that they had just withdrawn from the ATM stolen. Later, it was shoulder-surfing, that is watching someone punch in their PIN and taking any ATM receipt left behind. More recently, criminals attach tiny pin-hole cameras and card skimmers to ATMs to steal the PIN and other banking information from unsuspecting customers. ATM crime has thus evolved.

The urgent task of law enforcement is to keep pace with rapidly improving technology to neutralise any new crime threats and old crimes in new guises. To be very honest, law enforcement has to constantly strive to keep up with sophisticated criminals. Such criminals may be highly educated, technologically savvy and even well funded through previous illicit activities. They do not have to play by any rules or be bound by territorial consideration, whereas law enforcement has to abide by proper and established investigative processes and face jurisdictional challenges in fighting trans-national financial crimes.

Domestic and International Cooperation

Singapore has adopted a multi-pronged approach in responding to financial crime risks. Our efforts are centred on having a sound and comprehensive framework, intolerance for crimes, an efficient judiciary, and a long established

culture of compliance and effective monitoring. This approach is driven by multiple agencies working hand-in-hand to combat financial crime. One of these agencies is the Commercial Affairs Department; the principal financial crime investigation agency in Singapore. Our holistic approach in setting up a robust legal, supervisory and enforcement framework and our commitment to be part of the global network of cooperation in combating crime has led to high standards in inhibiting financial crime and preserving our integrity as a safe international commercial hub.

It is important to realise that financial crime is not merely a domestic menace. Frequently it has an international dimension – it may be conceived in one jurisdiction, perpetrated on victims in others and the proceeds concealed in yet elsewhere. This mobility impacts our ability to investigate and prosecute financial crimes. Thus, the need for international cooperation and coordination now occupies an important position. One recent notable success of international cooperation is the expeditious arrest and extradition of Richard Yong, the former Chairman of the National Kidney Foundation. This was made possible by CAD's good working relationships and professionalism of the Hong Kong Police and our Attorney-General Chambers.

Accolades and Successes

Speaking of successes, Singapore was ranked Number 7 on The World Economic Forum's Global Competitiveness Report 2007-2008, improving one

notch from the previous year. Singapore's police service was also ranked fourth out of 131 countries for her reliability in protecting businesses from criminals. The 2007 PWC Global Economic Crime Survey also found that Singapore companies had few incidents of economic crime relative to the size of our economy.

Singapore's overarching framework to combat money laundering has also been internationally recognised. We have done well in the recent joint Mutual Evaluation Assessment by the Financial Action Task Force (FATF) and the Asia Pacific Group on Money Laundering. In fact, Singapore obtained one of the best results among the 21 FATF countries that have been evaluated so far.

Economic Cost of Financial Crime

Nonetheless, as a developed and open free market economy, Singapore faces a range of financial crime risks. Globalisation, the creation of a common market, the free movement of capital and goods generates great potential for business and economic growth. However, they also provide "ripe" opportunities for financial crimes.

These financial crimes, in all its myriad forms, present significant costs to our economy. The costs of financial crime may be direct – in terms of losses to individuals or corporations, or they may be indirect in terms of damage done to the wider economy, and crucially – of damage done to investor confidence in our financial institutions, products and systems. In fact, the reputational and legal

consequences for financial institutions being identified with the proceeds of illegal activity are very serious. With loss of reputation comes loss of credibility and ultimately, loss of competitiveness.

A more severe impact that financial crime brings to the business environment is the loss of trust. When an institution fails due to commercial malpractice, the fall-out can include widespread loss of trust in the sector itself, whether it be the corporate, securities, financial or even the charities sector. Thus, it is pertinent that our efforts must be focused on protecting our commercial environment from criminal exploitation.

Rational Choice Theory – Making Financial Crime Unprofitable

For those of you familiar with the Rational Choice Theory, you would be able to appreciate the assumption that every person, including a criminal, is rational. A person is attracted to an illicit venture if he perceives that it will make him better off than the other alternatives available to him. A criminal will commit a crime if he assesses that his risk of being caught is low, and the rewards are high. To effectively deter crime, we have to enhance the likelihood of criminals being caught and reduce their rewards in committing crime. In CAD, we have for many years relied on this approach towards tackling financial crime.

We have enhanced our ability at early detection of criminal activities through the use of Suspicious Transaction Reports and other intelligence sources as well as

community engagement. Our emphasis on asset recovery has also substantially (and in some cases, totally) remove the financial incentives for the criminals.

Weeds in the Garden City

Singapore has often been dubbed as a beautiful garden city or to quote Minister of National Development, Mr Mah Bow Tan, a “City in a Garden”. Financial crimes are, however, in some sense, like weeds in our garden city. Their presence inhibits our economy from flourishing as well as taint the garden. In order to keep our garden attractive and viable, we must be vigilant in getting rid of these weeds.

The past year has been characterised by unprecedented efforts in combating the influx of syndicated scams which are commonly referred to as Phone scams. These Phone scams, practically unheard of in 2006, claimed 378 victims who lost \$4.6 million in 2007. This is something that some of you may have even come across.

In the lottery or lucky draw scams, victims are told to pay an advance fee into a designated account, whether overseas or local, before they could claim their prizes. This ruse claimed a significant number of victims who lost between \$200 and \$350,000 each. At times, the perpetrators would also recruit Singaporeans to open bank accounts on their behalf and in return, the account holders may receive a few hundred dollars commission for facilitating the schemes. These

accounts would be used for receiving money from victims of the lottery scam. Through our investigative efforts, CAD had successfully incarcerated at least one international crime syndicate that had utilised these bank accounts as conduits in perpetuating the scams.

By August 2007, the phone scams had evolved and mystery callers would call to threaten a victim's family members with hurt if a ransom was not paid. The next month, conmen, masquerading as police or court officers, would advise victims to remit money so as to close investigations into crimes they have never committed in the first place. A notable new trick employed by these fraudsters is that the telephone number of a Police department or Subordinate Court would appear on the caller ID of the victim's phones. That is how fast technology has progressed. More recently, we are also seeing these scams being perpetuated through short-message services (SMS).

In order to solve the cases, we will need to work tirelessly like a "weed removal specialist" and continue to train ourselves to be effective in removing these weeds in the best possible way. We have also developed highly specialised training curriculum for all our investigators to ensure that we remain proficient and *au fait* with the latest commercial crime trends.

Weeds Removal - Money Laundering Investigations

The key challenge however is not just about removing surface weeds of commercial crime but to eradicate its roots. As the Chinese proverb goes, “There is the need to get rid of the roots for otherwise, it will grow again”; Money laundering can be likened to roots of the weeds as it underpins all forms of financial crime. Apart from crippling and preventing commercial crime, we need to remove the incentive for such crimes. CAD therefore investigates into both the predicate and the money laundering aspects, with a particular focus on asset recovery. Asset recovery does not just prevent and deter future crime, but also raises the “cost” of crime and allows restitution to victims and society. We regard this as a necessary and powerful deterrent for tackling financial crime.

In the past year, we have also reinforced our energies on punishing money launderers and seizing proceeds of their crimes. This resulted in 13 persons being convicted of the offence in 2007 and another 18 convictions in the first six months of 2008. For instance, the unlicensed moneylender Lim Buay Koon (which sounds like “buay koon” in Hokkien) who attempted to hide his money while he was on court bail would have probably experienced a few more sleepless nights as we stripped him of the fruits of his crimes. Other cases in which the illicit benefits were seized include the pirate Xiao Saiyuan who was involved in the sale of counterfeit products and the accomplices of David Rasif (the fugitive lawyer), Bernard Ong and Michael Lye, who helped to conceal the gold bars which Rasif had converted from his “dirty” monies. All these cases involve extensive funds tracing to identify the proceeds of crime.

The message from the cases ring loud and clear: we are resolute in making sure that criminals are deprived of their ill-gotten gains and we will not hesitate to nab and incarcerate those who are involved and have assisted in concealing proceeds from criminal conduct.

Private and Public Partnership

In gardening, there are many tools of the trade and while one can pick up many of them, the suppliers of these tools play an equally important role in maintaining our beautiful garden. We have actively engaged our suppliers by conducting regular outreach programs. During these sessions we often share with them how they can participate as stakeholders in bringing down the barometer of financial crime.

These suppliers or stakeholders can be our eyes, watching over the garden and to help spot any germinating weeds. They can provide us with the most up-to-date information and also highlight any new trends that they have observed in their work. If they detect something amiss, they can flag out these suspicions to us so that we, being the weed removal specialists, can work on destroying the weeds.

Often, financial institutions hold first-hand information on suspicious transactions which could potentially reveal criminal schemes. Financial information, generated

and held by these institutions, is therefore important and necessary to hold criminals to account.

Choo Saew Wee allegedly slipped his hands into post boxes and pulled out letters which contained cheques. He would erase the name of the original payee and write his or an accomplice's name. To ensure that the bank would not get suspicious he copied the cheque issuer's signature on to tracing paper and signed it beside the altered name. The scam was uncovered after several financial institutions complained to the police that many cheques had the names of payees altered. If we did not receive information from the stakeholders, we would not be able to detect and remove this weed so quickly and easily.

Besides working with financial institutions, we also actively engage other stakeholders from the private sector. For example on 4 July this year, we successfully organised the Online Merchant Fraud Forum, which was attended by major online merchants including Apple Computers, Zuji, Enets, credit card companies and the card-issuing banks. This provided an excellent platform to discuss general online credit card fraud trends, case studies and share best practices. The forum ended with a discussion on the formation of an Online Merchant Watch Group which is operated and self-funded by the private sector to share fraud-intelligence relating to fraudulent online transactions. We are positive that the Online Merchant Watch Group will form a reliable group of stakeholders

who could share useful tips and play an important role in eradicating online payment card fraud.

The Role of the Private Sector – Systems and Vigilance

An effective enforcement regime also require governments to ensure that the financial sectors remain transparent, accountable, and well protected. This will only work if the financial institutions themselves effectively implement the international standards and best practices of due diligence, record keeping, AML/CFT compliance, and other measures that are expected of globally recognised financial institutions.

We are pleased to say that financial institutions have been hardworking stakeholders and have been instrumental in preventing the growth of weeds. Going back to the ATM crime example, many banks have installed anti-skimming devices to protect their customers from exposure to ATM crime. Another commendable act of vigilance was carried out by various financial institutions when they expeditiously stopped a number of dubious payments and managed to prevent victims of scams from losing their money. We also want to give recognition to the many financial institutions that have made valuable suspicious transaction reports to us. These reports have been critical in solving many crimes, some of which are high profile and significant. We look forward to working together with our stakeholders in future to come up with more new and innovative ways to remove weeds.

The Role of the Private Sector – Employing the Right Person for the Job

As a gardener I could have the best tools in the world to remove weeds, however if the integrity of my suppliers is dubious and instead of supplying me with the best quality seeds to plant beautiful flowers, they contaminate the seeds, which result in more weeds sprouting up all over the garden, then my wish of having a beautiful garden would never come to pass. Linking this back to combating financial crimes, we could put in place a robust regulatory and enforcement framework, but ultimately our systems are only as good as our people. A world-class enforcement system could be severely compromised if the integrity of the people who form the system is lacking.

Sad to say, we have seen some cases in the past year involving fraud committed by bank officers, people who make up the core of our financial systems. Such occurrences, though not frequent, would cause a dent and may even result in lost of confidence in the otherwise good reputation of the banks involved.

Here, I would like to caution that we should also be careful about assuming that a well-educated person with an affluent background will certainly be of high integrity. Our investigations have shown the involvement of relatively senior bank officers in criminal activities. For example, a former Senior Vice President and Director of a nominee company was involved in concocting a complex share selling scam as well as crafted fictitious documents in support of his scheme. A

former Managing Director created fictitious invoices to deceive a bank into disbursing monies and a former Senior Relationship Manager faked a customer's signatures on bank documents to cover up for her clerical error.

The lack of integrity of our people will pose a serious threat to our financial system no matter how robust our system is. It is thus pertinent that our financial sector recruits people of the highest integrity.

Conclusion - Raising Our Game

All in all, we have built a track record and reputation as a beautiful garden city. We have a clean and well-regulated financial system with a robust anti-money laundering framework. But we cannot afford to be complacent. Criminals in this new age are tenacious in probing the financial systems for gaps. They are creative in devising new methods to overcome safeguards. Therefore we have to continue to be vigilant, hone our skills and be on the alert for any new variety of weeds that could threaten the beauty of our garden. This is a continuing challenge: as we react to the most recent attacks, the criminals move on to new ways of achieving their objectives. We have to keep raising our game.

To raise our game, it is pertinent that we keep abreast of the latest developments through updates from our suppliers such as the financial institutions. We would also exchange tips on the best gardening practices with our fellow weed removal specialists in the international arena. Indeed, active collaboration and partnership

among industry, the regulator and other international enforcement agencies is critical to maintaining the integrity of Singapore's financial sector. Only then would we be able to become good gardeners and maintain the beauty of our garden which could in turn attract more bees and butterflies for pollination.

On this note, let me finish by thanking you, once again, for your participation; and may I wish you all a productive day.