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**MEDIA RELEASE**

**MAS directs BSI Bank to shut down in Singapore**

Singapore, 24 May 2016...The Monetary Authority of Singapore (MAS) announced today that it has served BSI Bank Limited (BSI Bank) notice of intention to withdraw its status as a merchant bank in Singapore for serious breaches of anti-money laundering requirements, poor management oversight of the bank's operations, and gross misconduct by some of the bank's staff.

2 In addition, MAS has referred to the Public Prosecutor the names of six members of BSI Bank's senior management and staff to evaluate whether they have committed criminal offences.

3 BSI Bank has been operating as a merchant bank in Singapore since November 2005 where it offers private banking services. It is a wholly-owned subsidiary of BSI SA, a bank founded in 1873 and headquartered in Switzerland.

**Assurance for customers of BSI Bank**

4 Clients and customers of BSI Bank are assured that the Bank is solvent and has assets in excess of its liabilities and commitments. It also has the full support of its parent bank, BSI SA, in Switzerland. MAS is working closely with the Swiss Financial Market Supervisory Authority (FINMA), the home regulator of BSI SA, to oversee an orderly closure of BSI Bank in Singapore.

5 MAS notes that FINMA has approved the acquisition of the entire BSI Group by EFG International, a bank authorised by FINMA and headquartered in Switzerland. In the interest of the customers of BSI Bank, MAS will allow the transfer of the Singapore subsidiary's assets and liabilities to the Singapore branch of EFG Bank AG or to the parent entity, BSI SA.

**Withdrawal of merchant bank status**

6 In 2011, MAS inspected BSI Bank and found policy and process lapses at the front office and weak enforcement by control functions. The lapses were rectified. In 2014, MAS inspected the bank again and uncovered serious shortcomings in its due diligence checks on assets underlying the investment funds structured for the bank's customers. Given repeated findings of weaknesses in its control regime, MAS instructed BSI Bank's management to increase scrutiny of the bank's risk management processes and internal controls. A more intrusive third inspection by MAS in 2015 revealed multiple breaches of anti-money laundering regulations and a pervasive pattern of non-compliance.

7 MAS' decision to withdraw BSI Bank's status as a merchant bank takes into account the repetitive lapses as well as the 2015 inspection findings which revealed:

- widespread control failures which led to numerous serious breaches of various anti-money laundering regulations
- poor and ineffective oversight by the senior management of BSI Bank
- unacceptable risk culture, with blatant disregard for compliance and control requirements as well as MAS' regulations
- numerous acts of gross misconduct by certain staff

8 Specific regulatory lapses include the processing of multiple unusual transactions which were essentially pass-through trades often without economic substance. Approvals of such transactions were based purely on faith of client representations despite deficient documentation and concerns raised by the bank's compliance officers.

9 This is the first time that MAS is withdrawing its approval for a merchant bank since 1984, when Jardine Fleming (Singapore) Pte Ltd was shut down for serious lapses in its advisory work.

#### **Referral of BSIS senior management and staff to the Public Prosecutor**

10 MAS found considerable evidence of gross dereliction of duty and failure to discharge oversight responsibilities on the part of BSI Bank's senior management. Their ineffective governance led to a poor risk culture, which prioritised questionable customer demands ahead of compliance with anti-money laundering regulations and the bank's own internal controls.

11 Several of the bank staff also committed wilful acts of misconduct, such as:

- making material misrepresentations to auditors
- abetting improper valuations of assets; and
- taking instructions from persons other than customers' authorised representatives on matters relating to customers' accounts

12 The severe lapses and failings in BSI Bank, which led to MAS' decision to withdraw the bank's status as a merchant bank, were the result of the actions or omissions of these individuals.

13 MAS has referred to the Public Prosecutor the names of the following six members of BSI Bank's senior management and staff to evaluate whether they have committed criminal offences:

- Mr Hans Peter Brunner, former CEO
- Mr Raj Sriram, former Deputy CEO
- Mr Kevin Michael Swampillai\*, Head of Wealth Management Services
- Mr Yak Yew Chee, former Senior Private Banker
- Mr Yeo Jiawei\*\*, former Wealth Planner; and
- Ms Seah Yew Foong Yvonne, former Senior Private Banker

\* Mr Swampillai is currently suspended by the bank.

\*\* Mr Yeo is currently in remand and has been charged by the Public Prosecutor for various offences.

### **Imposition of financial penalties**

14 MAS has also served BSI Bank notice to impose financial penalties amounting to \$13.3 million for 41 breaches of MAS Notice 1014 - Prevention of Money Laundering and Countering the Financing of Terrorism. The breaches include failure to perform enhanced customer due diligence on high risk accounts, and to monitor for suspicious customer transactions on an ongoing basis.

### **MAS' expectations of financial institutions**

15 MAS requires financial institutions in Singapore to comply strictly with its regulations on anti-money laundering and countering the financing of terrorism. Like all major international financial and business centres, Singapore faces an inherent risk of being used as a conduit for illicit financial flows. Financial institutions operating in Singapore are therefore expected to have rigorous systems and processes to thwart this risk, including high standards of vigilance in on-boarding clients and monitoring transactions.

16 Mr Ravi Menon, Managing Director, MAS, said, "BSI Bank is the worst case of control lapses and gross misconduct that we have seen in the Singapore financial sector. It is a stark reminder to all financial institutions to take their anti-money laundering responsibilities seriously. Controls need to be robust, surveillance vigilant, and the management culture must emphasise professional integrity and risk consciousness."

17 MAS is conducting supervisory reviews of several other financial institutions and bank accounts through which suspicious and unusual transactions have taken place. MAS will not hesitate to take actions against these institutions if they are found to have breached regulations or fallen short of expectations.

18 Mr Menon said, "MAS is absolutely committed to safeguarding the integrity and reputation of Singapore's financial centre. On this, there can be no compromise."

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