

The cost of keeping Hong Kong and Singapore financially open

Banks can withdraw from business that is costly to verify, but financial centres ultimately bear the impact

By Ramkishan S Rajan

ON OCT 1, the US Treasury designated Russia's A7 payment network as a significant transnational criminal organisation, adding to sanctions already imposed on A7 entities in August 2025.

Washington cited alleged assistance to Iran and its proxies, which A7 denies.

The case raises a broader question about how banks can keep legitimate customers connected when the origins of a payment are difficult to establish.

For an individual bank, closing an account that requires costly checks can be a sensible way to limit exposure.

But if enough banks reach the same conclusion, firms engaged in legal trade may struggle to find a bank willing to serve them in hubs such as Hong Kong and Singapore.

A *Financial Times* (FT) investigation on Sep 22 found that Hong Kong accounts at Standard Chartered received US\$1.1 billion from A7-linked entities between late 2024 and August 2025. Accounts at DBS in Hong Kong received US\$273 million over the same period.

DBS said it had no direct relationship with A7, and had taken appropriate action concerning an account identified by FT. Standard Chartered emphasised its commitment to anti-money laundering reporting but declined further comment. The reporting does not establish that either bank violated sanctions.

The Open Source Centre explains how the Russian connection can be concealed. It documented that A7 uses its own software to produce forged invoices stripped of references to Russia, so the bank processing a payment may not see the Russian customer behind it.

As I argued on The Australian Strategic Policy Institute Blog, closer cooperation between US authorities and Asian supervisors could help expose the front companies involved.

Yet, each bank must still judge for itself which payments it is willing to process.

Lenders' exposure to US sanctions

For banks handling Russia-related business, local rules are only one factor in that judgment. Those rules also differ between Singapore and Hong Kong.

Both hubs implement the United Nations' sanctions, but neither is generally obliged to enforce unilateral measures imposed by other jurisdictions.

Singapore's targeted financial restrictions on Russia in 2022 were an exceptional national decision.

Foreign Minister Vivian Balakrishnan called the invasion an "existential issue for us", citing the threat to the sovereignty of



Singapore's Collaborative Sharing of Money Laundering/Terrorism Financing Information and Cases platform initially focused on financial risks including the misuse of companies and of trade finance, both relevant to A7's alleged methods. PHOTO: TAY CHU YI, BT

small states. Hong Kong, by contrast, maintained its UN-based approach to sanctions.

Despite the difference in policy towards Russia, banks in both financial hubs face exposure to US secondary sanctions.

Under these measures, Washington can penalise non-US banks for significant dealings with certain sanctioned parties, even when a payment is made in Hong Kong or Singapore dollars, and does not pass through a US bank.

Penalties can include freezing a bank's US assets or cutting off the accounts through which US banks process its payments.

For banks with large US operations or with clients who need to make US dollar payments, the risk of being cut off from the US financial system can outweigh the income from keeping any one customer.

Checking whether a payment carries sanctions risk is costly, partly because warning signs can be difficult to interpret.

In its alert on A7, the US Treasury's Financial Crimes Enforcement Network lists goods descriptions that do not match a supplier's business as one red flag, but

notes that no single red flag is conclusive.

Establishing whether a payment is linked to A7 may require tracing ownership across several jurisdictions.

If the fees a customer generates do not cover the cost of these checks, it may be cheaper to refuse the payment or close the account, even without establishing a sanctions breach.

In October 2024, a Bloomberg report illustrated how compliance concerns could prompt a broader withdrawal from Russia-related business.

It said OCBC would stop handling Russia-related transactions, citing an unnamed person familiar with the matter who attributed the decision to operational compliance challenges. The lender declined to comment.

The planned halt also covered OCBC's private bank, Bank of Singapore, and went beyond Singapore's targeted sanctions, which restricted dealings with specified banks and activities rather than all Russia-related business.

DBS, meanwhile, continued to serve Russian wealth clients. In December 2024, *The Business Times* reported that the bank had hired additional Russian-speaking private bankers.

Russian clients faced committee checks on sanctions status and sources of wealth, and a higher minimum asset requirement than other private banking clients.

Some business that one bank drops may move to another, though possibly on stricter terms. Yet neither news reports in 2024 established whether customers los-

ing Russia-related payment services could obtain those services elsewhere, or at what cost where that was possible.

The same calculation applies between banks. Compliance costs influence whether banks keep holding accounts for banks in other countries and making payments on their behalf – an arrangement known as correspondent banking.

A 2020 Bank for International Settlements study found that active correspondent banks globally fell by 20 per cent between 2011 and 2018, even as the value of payments rose, with profitability and compliance concerns among the main reasons for withdrawal.

Customers of a bank that loses such a relationship may find it harder to make international payments, even when neither they nor their bank is officially sanctioned.

The value of data

To lower the cost of sanctions and anti-money laundering checks, regulators can improve banks' access to up-to-date information identifying the people who ultimately own or control companies.

They can also give banks a fuller picture of suspected financial crime by enabling them to share relevant information.

In Singapore, Cosmic – which stands for Collaborative Sharing of Money Laundering/Terrorism Financing Information and Cases – was launched in April 2024, initially focused on financial risks including the misuse of companies and of trade finance, both relevant to A7's alleged methods.

Hong Kong's Finest – Financial Intelligence Evaluation Sharing Tool – began in June 2023 with a pilot covering companies suspected of fraud-related money laundering.

Neither platform certifies that a payment is lawful, and each bank remains responsible for its own exposure.

As these platforms mature, regulators should assess whether they help banks retain lawful business and follow what happens to firms after banks close their accounts or refuse their payments.

To do so, regulators can ask banks for anonymised summaries explaining account closures and payment refusals.

They could also commission independent surveys of affected firms on whether they obtained the services they needed elsewhere, how long that took and whether routine payments became more expensive.

Such monitoring should draw on existing information, where possible, and keep new reporting demands modest so that it does not add unduly to banks' already onerous compliance costs.

Hong Kong and Singapore have a wider interest in preserving the connections through which firms trade and raise finance. If law-abiding firms cannot obtain routine payment services, the resulting difficulties can weaken the appeal of both hubs as places to do business.

A financial centre is, in the end, only as open as its banks are willing to be.

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