



## Guernsey Financial Services Commission

### **INSTRUCTION (NUMBER 04/2019) FOR SPECIFIED BUSINESSES**

29 November 2019

#### **ICELAND**

This Instruction is made under Section 49AA(6) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 as amended (“the Law”).

This Instruction is being issued in light of Iceland’s removal from Appendix C (Equivalent Jurisdictions) of the Handbook for Countering Financial Crime and Terrorist Financing (“the Handbook”) following the FATF’s statement issued in October 2019 on “Improving Global AML/CFT Compliance: On-Going Process” which identifies Iceland as a jurisdiction with strategic AML/CFT deficiencies.

It requires specified businesses to apply full customer due diligence measures to existing business relationships with Iceland where the reliable introducer arrangements or the intermediary provisions in Schedule 3 to the Law and relevant rules in the Handbook were used.

All references to Schedule 3 to the Law and rules in the Handbook should be construed as covering all relevant provisions of the legislation and handbooks for financial services business and prescribed businesses, which the Schedule and the Handbook replaced on 31 March 2019.

#### **ACTION TO BE TAKEN**

As a matter of urgency, and in any event by 31 January 2020:

1. A specified business must identify any business relationships with a *relevant connection*\* to Iceland where the specified business has used the provisions in paragraphs 6 or 10 of Schedule 3 to the Law and relevant rules in chapters nine and ten of the Handbook regarding Appendix C Businesses, Intermediary Relationships and Introduced Business.
2. For all such business relationships identified under point 1 where reliance has been placed on an introducer in accordance with paragraph 10 of Schedule 3, the specified business must ensure that measures required under paragraph 4 of Schedule 3 and associated rules in the Handbook regarding customer due diligence are met for each of those business relationships;



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3. For all such business relationships identified under point 1 where the specified business's customer carries on a business in Iceland which is regulated and supervised for anti-money laundering and terrorist financing purposes and to which the specified business has applied the measures in section 9.6 of the Handbook, it must ensure that the verification measures required under paragraph 4 of the Schedule and associated rules in the Handbook are met;
4. For all such business relationships identified under point 1 where the intermediary is treated as the customer in accordance with paragraph 6 of Schedule 3 and rules in section 9.8 of Chapter 9 of the Handbook, the specified business must either:
  - a. Ensure that the correspondent relationship requirements set out in paragraph 5(1)(b) of the Schedule and rules in Section 8.6 of the Handbook are met; or
  - b. Ensure that the measures required under paragraph 4 of the Schedule and associated rules in the Handbook regarding customer due diligence are met for each of the intermediary's customers;
5. A specified business must notify the Commission where it is unable to remediate any business relationship identified in point 1 in accordance with either points 2, 3 or 4 by 31 January 2020, detailing the additional risk controls put in place for those business relationships.

The Commission recognises that there may be exceptional circumstances where a specified business cannot complete elements of points 2, 3 or 4 above prior to 31 January 2020. In these circumstances, the Commission would expect a specified business to apply the requirements of paragraph 7 of the Schedule and rules in section 4.5 of the Handbook regarding timing of identification and verification. However, where customer due diligence cannot be completed a specified business should, in accordance with paragraph 9 of Schedule 3 and rules in section 4.7 of the Handbook, terminate the business relationship and consider whether a disclosure should be made to the Financial Intelligence Service.

The Commission will review the action taken by specified businesses to comply with this Instruction during on-site inspections and by other supervisory means as necessary.

*\*relevant connection* is defined under paragraph 5(10) of Schedule 3.