



## **STATEMENT ON ANTI-MONEY LAUNDERING STANDARDS FOR EXISTING CUSTOMERS**

The Commission is issuing this statement in order to provide financial services businesses with a clear statement of the standard which it will adopt in the revised Guidance Notes on the Prevention of Money Laundering and Countering the Financing of Terrorism, following the introduction on 20 June 2003 of the revised Forty Recommendations by the Financial Action Task Force on Money Laundering (FATF). Representatives of the finance sector in Guernsey have requested clarification of the Commission's policy in respect of the identification and verification requirements for existing customers.

For the purposes of this statement existing customers are customers taken on before 1 January 2000. For customers taken on after that date financial services businesses are (and have been) required to verify the identity of all of their customers (or in certain defined circumstances, outsource that verification to an introducer) as a matter of law.

Accordingly, from the date of this statement, the Commission expects financial services businesses to adopt the standard embodied in FATF Recommendation 5.

Each financial services business should:-

- a) review all existing business relationships and, taking account of all relevant factors, assess the risk of each business relationship;
- b) assess the level of identification and verification documentation held for each high risk customer and underlying principal;
- c) as a matter of priority, identify the business relationships where the identification and verification documentation held in respect of high risk business relationships is not deemed sufficient to allow the risk to be managed and take the measures necessary to obtain due diligence information appropriate to the risk; and
- d) for lower risk customers, ensure that the business relationship is understood and that an appropriate level of information is held on the customer(s).

Each financial services business is best placed to assess the risk profile of its own customer base and the extent and nature of any additional documentation that might be required.

However, the information required in respect of low risk business and lower risk customers (for example, locally resident retail customers who have a relationship

which is understood by the financial services business) may be less extensive than that required for new customers. This approach should avoid disproportionate demands on lower risk customers.

With reference to introduced business, the Commission issued a statement on 18 December 2003. The principles laid out in that statement apply to existing business and customers. However, in order to avoid disproportionate demands on lower risk customers who have been introduced to the financial services business, the financial services business may, in order to satisfy the requirements of sub-paragraph d) above, at a minimum:

- a) ensure the risk based assessment made by the introducer is adequate and appropriate; and
- b) ensure that the business relationship is understood and that an appropriate level of information is held on the customer(s).

Introducers are expected to co-operate effectively with financial services businesses to enable the accepting financial services business to satisfy itself as to the information held by, and the risk based assessments made by, the introducer.

Financial services businesses may use commercial, electronic databases or other means to verify address as an alternative to requesting utility bills. In addition, client databases and records held by financial services businesses may be filtered to review business relationships and to determine the risk profiles or to assess whether satisfactory identification and verification documentation is already held. However financial services businesses should be aware that the risk profile of a particular business relationship may change over time.

The general policy of each financial services business towards the assessment of the risk of its customer base should be documented and approved at local board level or senior manager level. It is of primary importance that the financial services business satisfies itself that, on a risk based assessment, the identification and verification documentation held is adequate.

The Commission is not issuing more detailed recommendations at this stage on how the FATF standard should be applied in practice. Over the coming months the Commission will work with industry, by way of observation during on-site visits and by way of discussions, to develop such recommendations for inclusion in the revised Guidance Notes. A revised version of the Guidance Notes will be issued only after full consultation with industry and the other Crown Dependencies.

30 June 2004

## APPENDIX

### **Risk Criteria**

The following risk criteria (which should not be considered exhaustive) may be used by each financial services business as a guide when assessing the risk of business relationships to ensure that the identification and verification documentation held is of a standard in accordance with the risk:-

1. customer type e.g. high profile/PEP;
2. geographical origin of customer;
3. geographical sphere of customer's activities;
4. nature of activity (e.g. trading activities or activities identified in a Business from Sensitive Sources Notice issued by the Guernsey Financial Services Commission);
5. source of funds;
6. source of wealth;
7. turnover;
8. value of business relationship;
9. frequency of activity;
10. type and complexity of business relationship;
11. size of cash withdrawals;
12. whether hold or retained mail arrangements are in place;
13. whether an account/business relationship is dormant;
14. whether there is any form of delegated authority in place (e.g. powers of attorney);
15. whether bearer shares are in existence; and
16. suspicion or knowledge of money laundering, terrorist financing or other crime.