
STATUTORY INSTRUMENTS

2007 No. 2157

The Money Laundering Regulations 2007

PART 2

CUSTOMER DUE DILIGENCE

Enhanced customer due diligence and ongoing monitoring

14.—(1) A relevant person must apply on a risk-sensitive basis enhanced customer due diligence measures and enhanced ongoing monitoring—

- (a) in accordance with paragraphs (2) to (4);
- (b) in any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

(2) Where the customer has not been physically present for identification purposes, a relevant person must take specific and adequate measures to compensate for the higher risk, for example, by applying one or more of the following measures—

- (a) ensuring that the customer's identity is established by additional documents, data or information;
- (b) supplementary measures to verify or certify the documents supplied, or requiring confirmatory certification by a credit or financial institution which is subject to the money laundering directive;
- (c) ensuring that the first payment is carried out through an account opened in the customer's name with a credit institution.

(3) A credit institution ("the correspondent") which has or proposes to have a correspondent banking relationship with a respondent institution ("the respondent") from a non-EEA state must—

- (a) gather sufficient information about the respondent to understand fully the nature of its business;
- (b) determine from publicly-available information the reputation of the respondent and the quality of its supervision;
- (c) assess the respondent's anti-money laundering and anti-terrorist financing controls;
- (d) obtain approval from senior management before establishing a new correspondent banking relationship;
- (e) document the respective responsibilities of the respondent and correspondent; and
- (f) be satisfied that, in respect of those of the respondent's customers who have direct access to accounts of the correspondent, the respondent—
 - (i) has verified the identity of, and conducts ongoing monitoring in respect of, such customers; and
 - (ii) is able to provide to the correspondent, upon request, the documents, data or information obtained when applying customer due diligence measures and ongoing monitoring.

- (4) A relevant person who proposes to have a business relationship or carry out an occasional transaction with a politically exposed person must—
- (a) have approval from senior management for establishing the business relationship with that person;
 - (b) take adequate measures to establish the source of wealth and source of funds which are involved in the proposed business relationship or occasional transaction; and
 - (c) where the business relationship is entered into, conduct enhanced ongoing monitoring of the relationship.
- (5) In paragraph (4), “a politically exposed person” means a person who is—
- (a) an individual who is or has, at any time in the preceding year, been entrusted with a prominent public function by—
 - (i) a state other than the United Kingdom;
 - (ii) a Community institution; or
 - (iii) an international body,including a person who falls in any of the categories listed in paragraph 4(1)(a) of Schedule 2;
 - (b) an immediate family member of a person referred to in sub-paragraph (a), including a person who falls in any of the categories listed in paragraph 4(1)(c) of Schedule 2; or
 - (c) a known close associate of a person referred to in sub-paragraph (a), including a person who falls in either of the categories listed in paragraph 4(1)(d) of Schedule 2.
- (6) For the purpose of deciding whether a person is a known close associate of a person referred to in paragraph (5)(a), a relevant person need only have regard to information which is in his possession or is publicly known.