

Who are you?

Anne Davis explains that knowing your client is an essential part of an anti-money laundering customer due diligence process.

➤ FURTHER INFORMATION

Counter-signatories for passports (list of professions that are within the scope of the Money Laundering Regulations): tinyurl.com/z3fcujs
The Passport Office certification service: tinyurl.com/apgtch6
IFA anti-money laundering pages: tinyurl.com/y9x32djh

TEN SECOND SUMMARY

- 1 Money Laundering Regulations require client due diligence processes for all clients.
- 2 A face-to-face meeting should be used to verify the identity of the client and their documents.
- 3 Online verification services confirm a person's existence, but not that they are that person.

Following on from the Institute's recent anti-money laundering workshops, we have had some queries from members on client due diligence measures, in particular client identification and verification.

By way of a recap, the current and forthcoming Money Laundering Regulations require client due diligence to be conducted for existing and new clients. This must be undertaken on an ongoing basis and, at the very least, checking that client information held is up to date should be part of a member's annual review with their client.

The purpose of client due diligence, along with a documented client risk assessment, is to know and verify a client's identity and understand their activities so any potential money laundering or terrorist financing risks can be managed effectively. As well as assisting in establishing the identity and acceptability of a client, the due diligence process helps practices to build a greater understanding of a client's normal business activities. Through understanding what is normal, both practices and businesses will be better placed to detect what is abnormal, which may be indicative of money laundering or terrorist financing activity.

The key principles of client due diligence are:

- client identification;
- risk assessments; and
- client verification.

Queries from members have focused on client identification and verification.

Face-to-face meetings

Should members meet clients face-to-face? Ideally, yes because a face-to-face meeting ensures that the person sitting in front of you is the same person as shown in the photographic identification documents that have been provided. These might be a passport, driving licence or other documents from an independent and

reliable source. If this is not possible, perhaps because an existing client whose passport has expired has moved, the client can be asked to have their current photographic documentation certified. Where a copy is received by post, consider the standing of the person certifying the copy. Members may wish to specify from whom certification may be accepted. These might be the lists of counter-signatories for passports or from the professions that are within the scope of the Money Laundering Regulations.

The Passport Office also offers a certification service, which may be of help in these circumstances. A practice can set its own AML policy, which would include a list of the parties from whom it is willing to accept certification. It is important to identify the person who has certified a document. Do not forget that a client that you have not met will, by default, be a high risk.

Online verification

We have also been asked whether online subscription services replace the need to obtain photographic identification documents?

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Some subscription services seek to provide access to information to assist in verifying an individual's identity. Many such services can be accessed online and are often used by businesses to supplement paper verification checks as part of their client risk assessments.

The IFA's view is that using online verification services only cannot adequately verify that the client is who they claim to be. This is because their physical identity cannot be confirmed without reliable and independent photographic identification, ideally at a client meeting. Photographic identification is not available from these online services. Although they can help to verify that a particular person exists, they cannot confirm that the client is that person. Therefore, obtaining hardcopy photographic documents from an independent and reliable source is an essential part of risk assessment and client verification.



Anne Davis is Head of Regulation and Policy at the IFA. She has responsibility for regulation, policy, disciplinary, anti-money laundering and making representations in response to consultations affecting the profession. She is a chartered accountant and has a wide range of experience in management and financial accounting, project management, system implementation, policy and regulation. Anne has worked in retail, financial services and the not-for-profit sector. She is also a trustee for a couple of charities.
E: AnneD@ifa.org.uk