



THE INTERNATIONAL ASSOCIATION OF BOOK KEEPERS
GUIDANCE ON THE MONEY LAUNDERING REGULATIONS 2007

Money Laundering Regulations 2007

1. The Money Laundering Regulations 2007 come into force on 15th December 2007 and revoke the Money Laundering Regulations 2003. Failure to comply with the regulations is a criminal offence, carrying on conviction on indictment to a potential fine and / or imprisonment for a term of up to two years.
2. This guidance summarises the only key elements of the regulations that will affect you as a book-keeper. Reading this guidance is not a substitute for reading the regulations.

For further information please look on <http://www.hmtreasury.gov.uk>

3. If you are in doubt as regards your obligations, do seek legal advice immediately.

Do the regulations apply to me?

4. If you are in private practice, the answer is almost certainly, yes. The regulations apply to a wide range of professions and businesses including auditors, insolvency practitioners, external accountants and tax advisers.
5. You will fall within the definition of an “external accountant” if you are a firm or sole practitioner who by way of business provides accountancy services to others.*

* The regulations define ‘external accountant’ as someone who provides accountancy services by way of business to other persons, when providing such services. Accountancy services is understood to include any service provided under a contract for services (not a contract of employment) which pertains to the recording, review, analysis, calculation or reporting of financial information.

6. The regulation also applies to any person or firm who trades in goods when he receives in respect of a transaction or several linked transaction a total cash payment of or equivalent to 15,000 euros.

Who will be monitoring me?

7. Your Association is under a duty to effectively monitor and secure compliance by you of the Regulations.
8. This may mean your Association sends an assessor to attend your office and review your files to check you are complying with the Regulations.
9. Your Association views compliance with the requirements of the Regulations and the Terrorism Act and the Proceeds of Crime Act very seriously. If in the course of their monitoring your Association discovers that either you or any your clients are engaged in money laundering, they will report this to the Serious Organised Crime Agency.
10. If you are already a member of another supervisory body, please notify the Association and we will liaise with the other supervisory body so that monitoring visits are not duplicated.

What do I have to do? Policies and procedures

11. You need to implement policies and procedures to ensure you and your practice comply with the new Regulations.
12. These policies and procedures will need to deal with (a) Customer due diligence and ongoing monitoring (b) Reporting (c) Internal Control (d) Risk assessment and management and (e) How compliance is to be managed and monitored and how the policies and procedures are going to be communicated within your practice.

13. The policies and procedures should set out (a) how to identify and examine complex or unusually large transactions, unusual patterns of transactions which have no apparent economic or visible lawful purpose and any other activity which the relevant person regards as particularly likely by its nature to be related to money laundering or terrorist financing (b) which specify the taking of additional measures, where appropriate, to prevent the use for money laundering or terrorist financing of products and transactions which might favour anonymity (c) to determine whether a client is a politically exposed person (d) if you are not a sole proprietor with no employees, identifying a member of staff as the “nominated officer” and requiring that staff report to him with money laundering information and vesting him with the responsibility for considering whether there are grounds for suspect money laundering or terrorist financing.

What do I have to do? Customer due diligence

14. You must undertake customer due diligence whenever you establish a business relationship, carry out a new project or piece of work, if you suspect money laundering or terrorist financing or if you doubt the truth or the documents or information you have previously obtained for the purposes of identification or verification.
15. Customer due diligence involves (a) identifying the client and checking the client's identity against documents, data or information obtained from a reliable and independent source (b) identifying the client's owner and taking adequate measures, on a risk-sensitive basis, to check his identity so that you can be satisfied that you know who the owner is, including, in the case of a company, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement; and (c) obtaining information on the purpose and intended nature of the business relationship. The owner of a company is, for these purposes, someone who owns or controls more than 25% of the shares or voting rights.

16. The customer due diligence needs to be undertaken before the business relationship is established or the work is undertaken but it may be completed during the establishment of the relationship if it is necessary not to interrupt the normal course of business and there is little risk of money laundering occurring.
17. If you cannot comply with the customer due diligence requirements you must not carry out a transaction with or for the client through a bank account, not establish a business relationship or carry out an occasional transaction with the client, terminate any existing business relationship with the client and consider whether you are required to make a disclosure by Part 7 of the Proceeds of Crime Act 2002 or Part 3 of the Terrorism Act 2000.
18. You are entitled to rely on customer due diligence already conducted by others who have a similar duty under a duty under the Money Laundering Regulations 2007 or its EEA member state equivalent. Before you can do so you should obtain confirmation in writing from the other professional that he has undertaken the appropriate customer due diligence and he holds satisfactory proofs of identity. You will need to retain on your client records a copy of this written confirmation from the other professional.
19. The Regulations provide for simplified due diligence in respect of certain transactions and clients such as UK and EEA credit and financial institutions, public authorities, independent legal professionals and companies whose securities are listed on a regulated market who are themselves already subject to disclosure obligations.
20. By contrast, there are provisions for enhanced due diligence by you if, for example, (a) the situation by its nature can present a higher risk of money laundering or terrorist financing (b) the client is not physically present for identification purposes or (c) the client is a politically exposed person - that is to say someone who in the previous year has been entrusted with a prominent public

function by a state other than the UK, a community institution or international body or one of their associates or immediate family.

What do I have to do? Ongoing Monitoring

21. Customer due diligence needs to be conducted from time to time on an ongoing basis to ensure all your records about your client are kept up to date..
22. You will also need to monitor on an ongoing basis your professional relationship with your clients by looking at the work you have undertaken for him over the course of your dealings (including, where necessary, the source of his funds) to ensure that the transactions are consistent with your knowledge of the client, his business and his risk profile.
23. The frequency in which this is undertaken will depend on your appraisal of the risk that the client might present. You should judge the level of risk a client presents by reference to the type of the client, the business relationship and transaction involved.
24. Remember that you will need to be able to justify your judgement as to the level of risk to your Institute.

What do I have to do? Record Keeping

25. You will need to record and preserve all evidence and supporting documents you have obtained to verify the identity of the client and in the course of the ongoing due diligence.
26. Records should be kept for a period of five years after completion of (whichever is later) of the last activity arising out of the transaction you were instructed in or the end of your business relationship with your client.

What do I have to do? Training employees

27. You need to train all your employees about the Money Laundering Regulations 2007, The Proceeds of Crime Act 2002 and section 18 and 21A Terrorism Act 2000.

28. You need to train all employees about how to identify and deal with transactions that may involve money laundering.

These further guidelines are to be read in conjunction with the new guidance on Anti-Money laundering published as an exposure draft by the Consultative Committee of Accountancy Bodies (CCAB). The IAB will be adopting the CCAB guidance as the overriding guidelines for our members.

Approval of the CCAB guidance along with these further guidelines is being sought from HM Treasury and if granted, this will mean that Courts must consider the content of the guidance when determining whether a book-keeper's conduct gives rise to an offence under either the Proceeds of Crime Act 2002 or the Money Laundering Regulations 2007.