# Guide to the Money Laundering and Terrorist Financing (Amendment) Regulations 2019

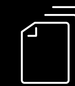
January 2020

# Introduction

Just prior to Christmas 2019 the Government released new Regulations which amend the 2017 Money Laundering and Terrorist Financing Regulations; the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (the **“2019 Regulations”**). These Regulations implement the EU Fifth Money Laundering Directive.

# Background

The enactment of the EU Fifth Money Laundering Directive followed a review of the potential gaps left unaddressed by the Fourth Money Laundering Directive. The aim is to tackle emerging issues, such as issues with prepaid cards, and cryptocurrency. The scope of the activities regarded as being in the regulated sector is also increased to include:



Crypto asset exchange provider

Custodian wallet providers

Letting Agents

Art Dealers

In addition, there is focus on improving transparency in relation to beneficial owners, in no small part because of the issues flagged up in the Panama and Paradise Papers and increased due diligence on transactions from high risk countries.

# Issues for Lawyers

Not all of the amendments are relevant to lawyers and in this short guide we will focus on the main changes which will impact law firms. There can be no substitute for reading both the new 2019 Regulations and considering how they impact on the original 2017 Regulations. Both sets of Regulations can be found at:
http://www.legislation.gov.uk/uksi/2019/1511/made
http://www.legislation.gov.uk/uksi/2017/692/contents/made

# Regulation 1, 2019 Regulations

**In force**

The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 were laid before Parliament on the 20th December 2019. Most of the 2019 Regulations will come into force on the 10th January 2020, except: y Regulation 5(5)(c) in relation to anonymous prepaid cards which comes into force on 10th July 2020. y Regulation 6 and 12(b) in relation to safe deposit boxes, which comes into force on the 10th September 2020.

**Comments:**

Whilst the time between the publication of the 2019 Regulations and the in-force date is short, firms will be expected to be in a position to comply as soon as possible.

**The following Regulators have commented on the changes:**

1. **1. Law Society of Scotland – 19th December 2019**
   The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 will shortly be amended to take account of changes imposed by the EU's Fifth Money Laundering Directive. The statutory instrument was laid before Parliament on Friday 20 December and is available to view on the UK Parliament's website. Please note that the amended Regulations will come into force on 10 January 2020 and we expect firms to take rapid action to ensure compliance. The Society recognises the short lead-in time for businesses to implement new requirements and will take a proportionate and risk-based approach to non-compliance after this date. In order to support our membership through these changes, we have been working closely with other legal sector supervisors to agree and jointly publish a "Key Changes Document", which will be issued on 10 January 2020 or very shortly thereafter. We will publicise this document on our website, via a direct email to MLROs, and via the usual social media channels – please look out for this.
   **See:** https://www.lawscot.org.uk/news-and-events/law-society-news/fifth-money-laundering-directive/

2. **SRA – 14th November 2019**
   **warning notice**
   New money laundering regulations are due to come into force by 10 January 2020, and firms will need to update their processes at that time. We will also be changing our processes in line with the new EU and Government requirements.
   **See:** https://www.sra.org.uk/solicitors/resources/money-laundering/guidance-support/

# Regulation 4(9)(a), 2019 Regulations

**Complex or unusually large**

**4(9) In Regulation 19(4) (policies, controls and procedures) –**

a. Iin sub-paragraph (a)(i), for "and" in sub-paragraph (aa) and for "and" after that sub-paragraph substitute "or";

**Comments:**

Previously a firm's policies, controls and procedures needed to:

> "Provide for the identification and scrutiny of any case where a transaction is complex and unusually large, or there is an unusual pattern of transactions and the transaction or transactions have no apparent economic or legal purpose."

The changes introduced by the 2019 Regulations require identification and scrutiny of transactions which are either complex or unusually large or the transaction or transactions have no apparent economic or legal purpose. As ever with AML, there is no clear line in the sand, no magic figure or description of the factors which make a transaction complex. Your assessment is likely to be judged in relation to the normal activity of the client. What is large or complex for one client may not be for another. Again, it will be important that in large and complex matters, you record your assessment of whether this is typical or unusual for the client and what CDD you will undertake as a result.

**Revised Regulation 19(4)(a)**

4. **The policies, controls and procedures referred to in paragraph (1) must include policies, controls and procedures –**
   a. which provide for the identification and scrutiny of –
   i. any case where –
   aa. a transaction is complex or unusually large, or there is an unusual pattern of transactions
   bb. he transaction or transactions have no apparent economic or legal purpose
   ii. any other activity or situation which the relevant person regards as particularly likely by its nature to be related to money laundering or terrorist financing

# Regulation 4(9)(b), 2019 Regulations

**New Technology**
**4(9)(b) in sub-paragraph (c) –**
i. for "technology is", substitute "new products, new business practices (including new delivery mechanisms) or new technology are";
ii. after "adoption of such", insert "products, practices or";
iii. after "this new", insert "product, practice or".

## Comments:
This is a widening of the requirement to consider the risks from new technologies to include new products and business practices. This is to future proof the requirements. When the Fourth Money Laundering Directive was being discussed, prepaid cards and cryptocurrencies were not seen as a significant money laundering risk, hence the Fifth Directive. You will need to make sure you incorporate any new products you offer into your firm wide risk assessment, as well as consider carefully the potential for money laundering by clients who are involved in new business practices or with technology.

**Revised Regulation 19(4)(c)**

**4. The policies, controls and procedures referred to in paragraph (1) must include policies, controls and procedures –**
c. which ensure that when new products, new business practices (including new delivery mechanisms) or new technology are adopted by the relevant person, appropriate measures are taken in preparation for, and during, the adoption of such products, practices or technology to assess and if necessary mitigate any money laundering or terrorist financing risks this new product, practice or technology, may cause



# Regulation 4(10), 2019 Regulations

**Sharing information within the group**
**4(10) In regulation 20(1)(b) (policies, controls and procedures: group level), at the end add ", including policies on the sharing of information about customers, customer accounts and transactions;".**

## Comments:
This won't apply to most firms but will apply in the case of larger firms with group structures.

**Revised Regulation 20(1)(b)**

**20. – (1) A relevant parent undertaking must –**
a. ensure that the policies, controls and procedures referred to in regulation 19(1) apply –
i. to all its subsidiary undertakings, including subsidiary undertakings located outside the United Kingdom; and
ii. to any branches it has established outside the United Kingdom; which is carrying out any activity in respect of which the relevant person is subject to these Regulations;
b. establish and maintain throughout its group the policies, controls and procedures for data protection and sharing information for the purposes of preventing money laundering and terrorist financing with other members of the group, including policies on the sharing

which is carrying out any activity in respect of which the relevant person is subject to these Regulations;

b. establish and maintain throughout its group the policies, controls and procedures for data protection and sharing information for the purposes of preventing money laundering and terrorist financing with other members of the group, including policies on the sharing of information about customers, customer accounts and transactions;

# Regulation 4(11), 2019 Regulations

**Training Agents**

**4(11) In regulation 24(1) (training) –**

a. in sub-paragraph (a), after "relevant employees" insert ", and any agents it uses for the purposes of its business whose work is of a kind mentioned in paragraph (2),";
b. in sub-paragraph (b), after "relevant employees" insert "and to any agents it uses for the purposes of its business whose work is of a kind mentioned in paragraph (2)".

**Comments:**

This amendment expands the scope of the people you need to train, to Agents who, whilst they may not be employees, may be able to identify or prevent money laundering or terrorist financing. You may have already considered whether your firm has any agents in your Bribery Act or Prevention of Tax Evasion procedures.

**Revised Regulation 24(1)**

**24. – (1) A relevant person must –**

a. take appropriate measures to ensure that its relevant employees and any agents it uses for the purposes of its business whose work is of a kind mentioned in paragraph (2), are –
   i. made aware of the law relating to money laundering and terrorist financing, and to the requirements of data protection, which are relevant to the implementation of these Regulations; and
   ii. regularly given training in how to recognise and deal with transactions and other activities or situations which may be related to money laundering or terrorist financing;
b. maintain a record in writing of the measures taken under sub-paragraph (a), and in particular, of the training given to its relevant employees and to any agents it uses for the purposes of its business whose work is of a kind mentioned in paragraph (2);



# Regulation 5(1)(c), 2019 Regulations

**Renewing CDD on existing clients**

**5(1)(c) in paragraph (8), before sub-paragraph (a) insert –**

za. when the relevant person has any legal duty in the course of the calendar year to contact an existing customer for the purpose of reviewing any information which –
i. is relevant to the relevant person's risk assessment for that customer, and
ii. relates to the beneficial ownership of the customer, including information which enables the relevant person to understand the ownership or control structure of a legal person, trust, foundation or similar arrangement who is the beneficial owner of the customer
zb. when the relevant person has to contact an existing customer in order to fulfil any duty under the International Tax Compliance Regulations 2015(1);".

**Comments:**

If you have a legal duty under International Tax Regulations, or you have another duty to contact a client in the course of the calendar year to review information relevant to their risk assessment or their beneficial ownership structure, you will need to renew your CDD information.

**Revised Regulation 27(8)**

**8. A relevant person must also apply customer due diligence measures –**

za. when the relevant person has any legal duty in the course of the calendar year to contact an existing customer for the purpose of reviewing any information which –
i. is relevant to the relevant person's risk assessment for that customer, and
ii. relates to the beneficial ownership of the customer, including information which enables the relevant person to understand the ownership or control structure of a legal person, trust, foundation or similar arrangement who is the beneficial owner of the customer;
zb. when the relevant person has to contact an existing customer in order to fulfil any duty under the International Tax Compliance Regulations 2015(1);". a. at other appropriate times to existing customers on a risk-based approach;
b. when the relevant person becomes aware that the circumstances of an existing customer relevant to its risk assessment for that customer have changed.

# Regulation 5(2), 2019 Regulations

**Understanding the ownership of a legal person**

**5(2) In regulation 28 (customer due diligence measures) –**

a. after paragraph (3) insert –

(3A) Where the customer is a legal person, trust, company, foundation or similar legal arrangement the relevant person must take reasonable measures to understand the ownership and control structure of that legal person, trust, company, foundation or similar legal arrangement.";

### Comments:

This section extends the requirement to identify the people involved in a non-natural person, e.g. a trust, so that you also take reasonable measures to understand the ownership and control of that non-natural person.

**New Regulation 28(3A)**

(3A) Where the customer is a legal person, trust, company, foundation or similar legal arrangement the relevant person must take reasonable measures to understand the ownership and control structure of that legal person, trust, company, foundation or similar legal arrangement;



# Regulation 5(2)(b), 2019 Regulations

**Recording steps made where a beneficial owner of a body corporate cannot be identified**

**5(2)(b) for paragraph (8) substitute –**

**(8) If paragraph (7) applies, the relevant person must –**

a. keep records in writing of all the actions it has taken to identify the beneficial owner of the body corporate;

b. take reasonable measures to verify the identity of the senior person in the body corporate responsible for managing it, and keep records in writing of –

i. all the actions the relevant person has taken in doing so, and

ii. any difficulties the relevant person has encountered in doing so.";ownership and control structure of that legal person, trust, company, foundation or similar legal arrangement.";

### Comments:

This section provides for additional steps which must be taken where the beneficial owner of a body corporate cannot be identified.

**Revised Regulation 28(8)**

**7. This paragraph applies if (and only if) the relevant person has exhausted all possible means of identifying the beneficial owner of the body corporate and –**

a. has not succeeded in doing so, or

b. is not satisfied that the individual identified is in fact the beneficial owner.

**8. If paragraph (7) applies, the relevant person must –**

a. keep records in writing of all the actions it has taken to identify the beneficial owner of the body corporate;

b. take reasonable measures to verify the identity of the senior person in the body corporate responsible for managing it, and keep records in writing of –

i. all the actions the relevant person has taken in doing so, and

ii. any difficulties the relevant person has encountered in doing so.

# Regulation 5(2)(c), 2019 Regulations

**Electronic Verification**
**5(2)(c) after paragraph (18) insert –**
"(19) For the purposes of this regulation, information may be regarded as obtained from a reliable source which is independent of the person whose identity is being verified where –

a. it is obtained by means of an electronic identification process, including by using electronic identification means or by using a trust service (within the meanings of those terms in Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23rd July 2014 on electronic identification and trust services for electronic transactions in the internal market(2)); and
b. that process is secure from fraud and misuse and capable of providing an appropriate level of assurance that the person claiming a particular identity is in fact the person with that identity."

## Comments:

Many firms already use electronic verification in their processes, and this should give reassurance to the Regulator's views in this regard. However, remain cautious. Not all systems can reassure you that "the person claiming a particular identity is in fact the person with that identity". Also, be aware, contrary to some of the marketing we have seen by providers of these systems, this does not make the use of electronic verification mandatory.

**New Regulation 28(19)**
**(19) For the purposes of this regulation, information may be regarded as obtained from a reliable source which is independent of the person whose identity is being verified where –**

a. it is obtained by means of an electronic identification process, including by using electronic identification means or by using a trust service (within the meanings of those terms in Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23rd July 2014 on electronic identification and trust services for electronic transactions in the internal market (2)); and
b. that process is secure from fraud and misuse and capable of providing an appropriate level of assurance that the person claiming a particular identity is in fact the person with that identity.".



# Regulation 5(3), 2019 Regulations

**Requirement to report discrepancies in registers**
**5(3) After regulation 30 (timing of verification) insert –**
"Requirement to report discrepancies in registers"

**30. A. – (1) Before establishing a business relationship with –**

a. a company which is subject to the requirements of Part 21A of the Companies Act 2006 (information about people with significant control) (3),
b. an unregistered company which is subject to the requirements of the Unregistered Companies Regulations 2009(4),
c. a Limited Liability Partnership which is subject to the requirements of the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009(5), or
d. an eligible Scottish partnership which is subject to the requirements of the Scottish Partnerships (Register of People with Significant Control) Regulations 2017(6),

a relevant person must collect proof of registration or an excerpt of the register from the company, the unregistered company or the Limited Liability Partnership (as the case may be) or from the registrar (in the case of an eligible Scottish partnership).

2. **The relevant person must report to the registrar any discrepancy the relevant person finds between information relating to the beneficial ownership of the customer –**
   a. which the relevant person collects under paragraph (1); and
   b. which otherwise becomes available to the relevant person in the course of carrying out its duties under these Regulations.
3. **The relevant person is not required under paragraph (2) to report information which that person would be entitled to refuse to provide on grounds of legal professional privilege in the High Court (or in Scotland, on the ground of confidentiality of communications in the Court of Session).**
4. **The registrar must take such action as the registrar considers appropriate to investigate and, if necessary, resolve the discrepancy in a timely manner.**
5. **A discrepancy which is reported to the registrar under paragraph (2) is material excluded from public inspection for the purposes of section 1087 of the Companies Act 2006 (material not available for public inspection), including for the purposes of that section as applied –**
   a. to unregistered companies by paragraph 20 of Schedule 1 to the Unregistered Companies Regulations 2009;
   b. to Limited Liability Partnerships by regulation 66 of the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009; and
   c. to eligible Scottish partnerships by regulation 61 of the Scottish Partnerships (Register of People with Significant Control) Regulations 2017.
6. **A reference to the registrar in this regulation is to the registrar of companies within the meaning of section 1060(3) of the Companies Act 2006.**

## Comments:

Firms must now collect proof of registration or an excerpt from the relevant register for a company, LLP, Scottish Partnership or trust and report any discrepancies which they find relating to the beneficial ownership of the customer. It is not yet clear (as at 7th January 2020) how to report or when, so firms should check with their Regulator or the relevant registry on identifying an issue.

It should be noted that this reporting responsibility does not extend to information which is subject to Legal Professional Privilege or in Scotland, on the grounds of confidentiality of communications in the Court of Session.

### New Regulation 30A

**30. A. – (1) Before establishing a business relationship with –**

a. a company which is subject to the requirements of Part 21A of the Companies Act 2006 (information about people with significant control)(3),
b. an unregistered company which is subject to the requirements of the Unregistered Companies Regulations 2009(4),
c. a Limited Liability Partnership which is subject to the requirements of the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009(5), or
d. an eligible Scottish partnership which is subject to the requirements of the Scottish Partnerships (Register of People with Significant Control) Regulations 2017(6),

a relevant person must collect proof of registration or an excerpt of the register from the company, the unregistered company or the Limited Liability Partnership (as the case may be) or from the registrar (in the case of an eligible Scottish partnership).

**2. The relevant person must report to the registrar any discrepancy the relevant person finds between information relating to the beneficial ownership of the customer –**

a. which the relevant person collects under paragraph (1); and
b. which otherwise becomes available to the relevant person in the course of carrying out its duties under these Regulations.

**3. The relevant person is not required under paragraph (2) to report information which that person would be entitled to refuse to provide on grounds of legal professional privilege in the High Court (or in Scotland, on the ground of confidentiality of communications in the Court of Session).**

**4. The registrar must take such action as the registrar considers appropriate to investigate and, if necessary, resolve the discrepancy in a timely manner.**

**5. A discrepancy which is reported to the registrar under paragraph (2) is material excluded from public inspection for the purposes of section 1087 of the Companies Act 2006 (material not available for public inspection), including for the purposes of that section as applied –**

a. to unregistered companies by paragraph 20 of Schedule 1 to the Unregistered Companies Regulations 2009;
b. to Limited Liability Partnerships by Regulation 66 of the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009; and
c. to eligible Scottish partnerships by Regulation 61 of the Scottish Partnerships (Register of People with Significant Control) Regulations 2017.

**6. A reference to the registrar in this Regulation is to the registrar of companies within the meaning of section 1060(3) of the Companies Act 2006.**

# Regulation 5(4)(a), (c) & (d), 2019 Regulations

**EDD and ongoing monitoring required where a party is established in a high risk third country**

**5(4) In Regulation 33 (duty to apply enhanced customer due diligence) –**

a. in paragraph (1)(b) –
i. omit "or transaction";
ii. at the end insert "or in relation to any relevant transaction where either of the parties to the transaction is established in a high-risk third country";
c. for paragraph (3) substitute –

**"(3) For the purposes of paragraph (1)(b) –**

a. a "high-risk third country" means a country which has been identified by the European Commission in delegated acts adopted under Article 9.2 of the fourth money laundering directive as a high-risk third country;
b. a "relevant transaction" means a transaction in relation to which the relevant person is required to apply customer due diligence measures under Regulation 27;
c. being "established in" a country means –
i. in the case of a legal person, being incorporated in or having its principal place of business in that country, or, in the case of a financial institution or a credit institution, having its principal regulatory authority in that country; and
ii. in the case of an individual, being resident in that country, but not merely having been born in that country.";
d. after paragraph (3) insert –

**"(3A) The enhanced due diligence measures taken by a relevant person for the purpose of paragraph (1)(b) must include –**

a. obtaining additional information on the customer and on the customer's beneficial owner;
b. obtaining additional information on the intended nature of the business relationship;
c. obtaining information on the source of funds and source of wealth of the customer and of the customer's beneficial owner;
d. obtaining information on the reasons for the transactions;
e. obtaining the approval of senior management for establishing or continuing the business relationship;
f. conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied and selecting patterns of transactions that need further examination.";

**Comments:**

It is now mandatory to conduct enhanced client due diligence and ongoing monitoring where either the client or another party to a transaction is established in a high risk third country. Regulation 33(3) now provides that this is a country identified by the EU following enactment of the Fourth Money Laundering Directive. Currently (as at 7th January 2020) those countries are:

- Afghanistan
- Bosnia and Herzegovina
- Democratic People's Republic of Korea y Ethiopia
- Guyana
- Iran
- Iraq
- Lao PDR
- Pakistan
- Sri Lanka
- Syria
- Trinidad and Tobago
- Tunisia
- Uganda
- Vanuatu
- Yemen

Firms may want to amend their training, policy and matter risk assessments to ensure that clients or parties from these jurisdictions are identified, and EDD and ongoing monitoring is applied.

New Regulation 33(3A) provides for the steps which you will need to take if such a transaction is identified. The steps are likely to be similar to the steps you have in place for a PEP.

### Revised Regulation 33(1)(b)

b. in any business relationship with a person established in a high-risk third country or in relation to any relevant transaction where either of the parties to the transaction is established in a high-risk third country;

### Revised Regulation 33(3)

**3. For the purposes of paragraph (1)(b) –**

a. a "high-risk third country" means a country which has been identified by the European Commission in delegated acts adopted under Article 9.2 of the fourth money laundering directive as a high-risk third country;
b. a "relevant transaction" means a transaction in relation to which the relevant person is required to apply customer due diligence measures under Regulation 27;
c. being "established in" a country means –
i. in the case of a legal person, being incorporated in or having its principal place of business in that country, or, in the case of a financial institution or a credit institution, having its principal regulatory authority in that country; and
ii. in the case of an individual, being resident in that country, but not merely having been born in that country.

### New Regulation 33(3A)

**3. A. The enhanced due diligence measures taken by a relevant person for the purpose of paragraph (1)(b) must include –**

a. obtaining additional information on the customer and on the customer's beneficial owner
b. obtaining additional information on the intended nature of the business relationship
c. obtaining information on the source of funds and source of wealth of the customer and of the customer's beneficial owner
d. obtaining information on the reasons for the transactions
e. obtaining the approval of senior management for establishing or continuing the business relationship
f. conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

# Regulation 5(4)(b), 2019 Regulations

### Additional factors when EDD must be applied

**5(2)(b) for paragraph (8) substitute –**

"(f) in any case where –

i. a transaction is complex or unusually large,
ii. there is an unusual pattern of transactions, or
iii. the transaction or transactions have no apparent economic or legal purpose, and";

## Comments:

Previously EDD would be required if all of the above factors were present, but now the presence of any of them will require EDD. Whether a matter is complex, unusually large or there is an unusual pattern will be likely to be judged in relation to the client's individual profile. For example, what seems complex for one client, might not be complex for another more commercially sophisticated client. Keeping records of the assessment will be critical in demonstrating compliance.

### Revised Regulation 33(1)(f)

**33. (1) A relevant person must apply enhanced customer due diligence measures and enhanced ongoing monitoring, in addition to the customer due diligence measures required under Regulation 28 and, if applicable, Regulation 29, to manage and mitigate the risks arising –**

f. in any case where –
i. a transaction is complex or unusually large,
ii. there is an unusual pattern of transactions, or
iii. the transaction or transactions have no apparent economic or legal purpose, and;

# Regulation 5(4)(f), 2019 Regulations

**Additional factors which may indicate EDD will be required**

**5(4)(f) in paragraph (6) –**

i. after sub-paragraph (a)(vi) insert –

vii. vii. the customer is the beneficiary of a life insurance policy;

viii. viii. the customer is a third country national who is applying for residence rights in or citizenship of an EEA state in exchange for transfers of capital, purchase of a property, government bonds or investment in corporate entities in that EEA state;";

ii. ii. in sub-paragraph (b)(iii), for "electronic signatures" substitute "an electronic identification process which meets the conditions set out in Regulation 28(19)";

iii. iii. after sub-paragraph (b)(vi) insert –

vii. vii. there is a transaction related to oil, arms, precious metals, tobacco products, cultural artefacts, ivory or other items related to protected species, or other items of archaeological, historical, cultural or religious significance or of rare scientific value;"

**Comments:**

The new 2019 Regulations detail further factors which may indicate the need for EDD. Firms may need to review their training, policies and risk assessments to ensure that staff are aware of these additional factors. It is interesting to note that a matter would not be considered as needing EDD if it were non-face to face electronic verification compliant with the new Regulation 28(19). Note that not all providers will be able to meet that requirement.

**Revised Regulation 33(6)(a) & (b)**

**6. When assessing whether there is a high risk of money laundering or terrorist financing in a particular situation, and the extent of the measures which should be taken to manage and mitigate that risk, relevant persons must take account of risk factors including, among other things –**

a. customer risk factors, including whether –

i. the business relationship is conducted in unusual circumstances;

ii. the customer is resident in a geographical area of high risk (see sub-paragraph (c));

iii. the customer is a legal person or legal arrangement that is a vehicle for holding personal assets;

iv. the customer is a company that has nominee shareholders or shares in bearer form;

iv. the customer is a business that is cash intensive;

v. the corporate structure of the customer is unusual or excessively complex given the nature of the company's business;

vi. the customer is the beneficiary of a life insurance policy;

vii. the customer is a third country national who is applying for residence rights in or citizenship of an EEA state in exchange for transfers of capital, purchase of a property, government bonds or investment in corporate entities in that EEA state;

b. product, service, transaction or delivery channel risk factors, including whether –

i. the product involves private banking;

ii. (the product or transaction is one which might favour anonymity;

ii. the situation involves non-face-to-face business relationships or transactions, without certain safeguards, such as an electronic identification process which meets the conditions set out in Regulation 28(19);

v. payments will be received from unknown or unassociated third parties;

v. new products and new business practices are involved, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products;

vi. the service involves the provision of nominee directors, nominee shareholders or shadow directors, or the formation of companies in a third country;

vii. there is a transaction related to oil, arms, precious metals, tobacco products, cultural artefacts, ivory or other items related to protected species, or other items of archaeological, historical, cultural or religious significance or of rare scientific value

# Summary

The majority of the 2019 Regulations have very little impact on law firms, but there are some significant changes which will impact a firm's policies and procedures.

Money Laundering Compliance Officers (or COLPs) should review the relevant parts of the 2019 Regulations and consider how to implement the changes in order to demonstrate compliance.

**MLCOs are likely to need to:**

1. Review the firm's risk assessment given the new factors identified in the 2019 Regulations
2. Review the firm's policies in relation to identification of complex, unusually large transactions or those without a clear economic or legal purpose.
3. Review the firm's policies and procedures to ensure that the additional factors indicating where EDD is required are noted, and the process in relation to high risk third countries are followed.
4. Review the firm's CDD processes to ensure that the changes to the requirements to renewing CDD are included.
5. Prepare a procedure for reporting discrepancies identified during the CDD process.
6. Communicate these changes to the 2017 Regulations and the firm's policies to the firm's staff, including where relevant any agents. Teal Compliance has a team of experts who can assist with all of these areas, so please let us know if we can help.

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