

Money Laundering Regulations 2017

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Lockton is the world's largest privately owned global insurance broker.

More than 6,000 professionals at Lockton provide 50,000 clients around the world with risk management, insurance, employee benefits consulting, and retirement services that improve their businesses. From its founding in 1966 in Kansas City, Missouri, Lockton has attracted entrepreneurial professionals who have driven its growth to become the largest privately held, independent insurance broker in the world and 9th largest overall. For eight consecutive years, Business Insurance magazine has recognized Lockton as a "Best Place to Work in Insurance."

Our 96% client retention rate speaks for itself.



Over 6,000 associates



90% reinvestment due to our private ownership



Over \$21 billion premiums placed



Clients in over 125 countries



Over 50,000 clients



80+ offices worldwide



Exceptional client retention rate (96%)



\$1.34 billion revenues



Over 10% annual organic growth since 2000

Contents

- Background to the regulations
- Review of the main changes
- Practical examples

Background

- 4MLD
 - Aligning EU states
 - Remove ambiguities
- Timing
- 5MLD being debated before 4MLD implemented

Business Relationship

Now includes

- Formation of a company
- Estate Agents have relationships with purchaser as well as the seller

Not directly relevant

Shows direction of travel

- Aligning sectors
- Closing gaps

Risk Assessment

- SNRA
 - Due June
 - Methodology
- NRA
 - First NRA published October 2015
 - Solicitors High Risk
 - Update process has commenced

Risk Assessment

- Regulator
 - Must take it into account
 - No news on when it will be available
 - Risk Outlook



Firm Risk Assessment

- Who are your clients
- Where are your clients, or their funds coming from
- What services are you providing to your clients
- How do you provide your services to your clients
- Size and nature of your business

Policies, controls and procedures

- Establish based on Risk Assessment
- Written record of steps taken
- Include
 - Risk Management
 - Internal controls
 - CDD
 - Reporting and record keeping
 - Monitoring compliance with the above policies

Internal Controls

- Define nature and size of your business
- Appoint a compliance officer
- Screening (inc agents)
 - Knowledge
 - Integrity
- Inform supervisor of the nominated officer
- Independent Audit
 - CDD
 - Source of funds
 - Accounts Procedures

Training

- Employees and agents
- Content
 - AML
 - Terrorist Financing
 - Data Protection
- Frequency

Customer Due Diligence

Existing customer

- Identity of the client or beneficial owner has changed
- Transaction not consistent with known activities
- Change in purpose and nature of the relationship with the client

Customer Due Diligence

CDD on corporate body

- Law to which it is subject and its Memorandum of Association
- Where Beneficial Owner, must verify them and where they are a legal person take reasonable measures to understand ownership and control structure
- Do not satisfy by relying on the PSC registers
- Verify the identity of someone acting on behalf on someone else

Customer Due Diligence

- Ongoing monitoring
 - Transactions including source of funds
 - Undertake reviews of records to ensure they are up to date
- New Beneficial Ownership definition
 - Now includes the beneficiaries of trusts

Enhanced Due Diligence

Must be carried out:

- High risk of AML/TF
- Transaction with a person in a high risk third country
- PEP or family member of a PEP
- Complex or large transaction
- Unusual pattern of transactions

Enhanced Due Diligence

When assessing whether high risk, must take into account:

- Customer risk factors including
 - Where the client a vehicle for holding personal assets
- Product and service risk factors
 - Where it involves a non face to face business relationship
 - Payments received from unknown third parties
 - Formation of companies in third countries
- Geographical risk factors
 - Sanctions

Politically Exposed Person

- Definition Changed
 - Members of Governing Bodies of Political Parties
 - Boards of International Organisations
- Domestic PEPs
 - Bank Of England Act and Financial Services Act 2016
 - FCA Guidance

Data Protection

- Must provide new customers with
 - information pursuant to s16 of DPA
 - a statement that the personal data will only be processed for the AML/CTF purposes
- Retain data for 5 years, after which it must be destroyed unless
 - Required by law or for Court Proceedings
 - Express consent of the data subject

Pooled Client Account

- Automatic SDD provision removed
- Banks can apply SDD to PCA provided that
 - Firm is low risk for AML/CTF
 - Firm provides information on who they hold money for within 2 working days
- Banks assessment of low risk?
- Client consent to provide information to the bank?



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