

# Practice Assurance

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The logo for the Accounting and Finance Association (AAT), consisting of the lowercase letters 'aat' in a green, sans-serif font, with a horizontal line through the top of the 't'.



# Overview

- Eight steps to compliance
- Risk Assessments
- Identification of Beneficial Owners
- Reporting



# Eight steps to compliance (1)

## **Appoint MLRO**

- Senior position
- Internal reports
- Appoint DMLRO



# Eight steps to compliance (2)

## **Compliance Manual**

- Best practice
- Reference tool
- Include policy statement



# Eight steps to compliance(3)

## Training

- ‘Relevant employees’
- Annually
- Can be tailored



# Eight steps to compliance (4)

## **Verify clients**

- Part of CDD
- Manual or electronic
- Beneficial owners



# Eight steps to compliance (5)

## **Risk based approach**

- Understand risk client poses
- Obtain information on client
- Use manual forms
- Existing clients – separate list



# Eight steps to compliance (6)

## Reporting

- Reporting procedures in place
- Staff to MLRO
- MLRO to NCA
- Document decisions





# Eight steps to compliance (7)

## Record keeping

- Be able to prove compliance
- Training, risk assessments, reports etc.
- Manual or electronically



# Eight steps to compliance (8)

## **Be supervised**

- Register
- 22 professional bodies
- HMRC



# Risk assessments

- Identify
- Assess
- Implement
- Monitor
- Record



# Risk assessments

- Identify the ML & terrorist financing risks
- Assess the risks
- Implement controls to manage risks
- Monitor the operation of controls
- Appropriate recording keeping



# Risk assessments

## Identify

- Size and structure of business
- Business activities
- Products and services



# Risk assessments

## Assessing the risks (1)

- Types of clients
- Geographical area of clients
- How you engage your clients



# Risk assessments

## Assessing the risks (2)

- Client's business activities
- Payment processes – is it cash based?
- Movement of client's funds



# Risk assessments

## **Clients who pose a risk (1)**

- Clients who carry out large one-off transactions
- Clients who are not local to your business
- Clients who handle large amounts of cash





# Risk assessments

## **Clients who pose a risk (2)**

- Complicated ownership structure
- Regular transactions to the same group/individual
- Unwilling to provide evidence of ID



# Risk assessments

## **Implement the risk**

- Apply Customer Due Diligence
- Ongoing monitoring



# Risk assessments

## Monitoring the risk

- Sudden increase in business
- Unusual transactions
- Untypical types of customer



# Risk assessments

## Record Keeping

- Demonstrate to Supervisory Body that procedures are in place
- Records – what has been done and why
- Supporting evidence of verification
- Records kept for 5 years after termination of business relationship



# Risk assessments

## Summary

- Regular assessments
- Appropriate monitoring procedures
- Regularly review and test procedures



# Beneficial owner

## Establishing a relationship

- Details of the client's business activity
- Understand the source and origin of the funds

## Beneficial Owners

- Understand the structure of the business



# Beneficial owner

## What is a beneficial owner?

### Corporate bodies

- Individual who owns or controls more than 25% of shares or voting rights
- Identify the beneficial owner(s) and control structure

### Partnerships

- Individual who controls/entitled to more than 25% of the capital or profits

### Charities

- Usually trustees



# Beneficial owner

## What is a beneficial owner?

### Trusts

- Individual who is entitled to a specified interest in at least 25% of the capital or trust controller

### Estates of deceased persons

- Executor or administrator of the estate





# Reporting

## Dis-engagement

- Letter of dis-engagement
- Avoid risk of tipping off



# Reporting

- MLROs should take steps to protect confidential source
- Only refer to source's name once in the source ID field but nowhere else
- Do not refer to names of staff that made internal report
- Highlight any particular concerns about safety (physical, reputational etc.)



# Reporting

- SAR to NCA can have adverse effects on client relationship
  - NCA – National Crime Agency replaced SOCA as from 7 October 201
  - [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk)
- Maintaining the confidentiality of SARs is important to NCA
- Agencies that are involved have a duty to keep source confidential



# Reporting

Cannot be sued for breach of confidentiality when report to NCA provided

- Report is made properly and promptly
- You acted in good faith



# Tipping off

- Do not tip off the relevant person
- Do not tell anyone that a report has been made
- Asking normal questions is not tipping off
- Asking unnecessary questions or investigating further may make you liable



# Source of information

- The Consultative Committee of Accountancy Bodies (115 pages)
  - With ML Regulations 2007, POCA 2002 & CTA 2000
- HMRC Notice MLR8 (79 pages)
- Compliance departments at your Supervisory Body

# ML offences

- Standard Chartered Bank - £7.6m fine for failure to comply
- TV Boss jailed for insurance scam
  - 124 false claims linked to company owned by TV bos
- Doorstop fraud
  - Cold calling contractors charged £16,400 for work assessed at £590
  - Builder jailed for 7 years for overcharging for poor workmanship – wife guilty for handling bank affairs



# ML offences

- Family jailed and ordered to pay back £423,942
  - Sale of counterfeit goods and drug trade
- Family of 8 arrested in £51M ML probe connected to tax evasion
  - HMRC encourage tax fraud to be reported to Customs Hotline





# Contact details

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