

Responding Party	Document Reference	Requested Change	Rationale for change	Other Comment
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.2.2; pg. 30	<p>Current text: "Assess and document the circumstances under which it would be reasonably warranted due to the ML/TF risk to verify the identity of any beneficial owners and procedures to be applied in these circumstances."</p> <p>Suggested change: "Assess and document the degree of verification of the identity of any beneficial owners required depending on the ML/TF risk and procedures to be applied in these circumstances."</p>	<p>The current wording implies that verification of beneficial owners is optional. Section 33(2)(b) does not offer any exemption to verification of beneficial owners. It only offers flexibility in the measures to be taken, and the extent to which the identity of the beneficial owner's identity is verified.</p>	
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.2.2; pg. 30	<p>Current text: " Firms should note that while there is an obligation to identify all beneficial owners and verify the identity of beneficial owners on a risk based approach"</p> <p>Suggested change "Firms should note that while there is an obligation to identify all beneficial owners and verify the identity of beneficial owners to the extent warranted by the assessed ML/TF risk"</p>	<p>This sentence seems to contradict the sentence referenced above. One suggests verification of beneficial owner is required only in some cases, and the other states that verification of beneficial owner is an obligation</p>	
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.2.2; pg. 30	<p>Current text: "In all other instances, firms are required to verify the beneficial owner's identity in accordance with Section 33(2) to ensure that they are satisfied that they know who the beneficial owner is. "</p> <p>Suggested change: "In all instances, firms are required to verify the beneficial owner's identity in accordance with Section 33(2) to ensure that they are satisfied that they know who the beneficial owner is."</p>	<p>Under section 33(2) there are no instances where verification of a beneficial owner is not required Guidance is required on section 33(6) and how it interacts with section 33(5) for financial institutions.</p> <p>Guidance is also required on how a firm should establish that there is no real risk of money laundering e.g. names of all beneficial owners to be screened first.</p> <p>Guidance is also required on when it can be assumed that prior verification would interrupt the normal conduct of business--can this exemption be applied across an entire industry sector?</p>	
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.2.3; pg. 31	<p>There is no reference to section 33(6) in this section which imposes new obligation on financial institutions--prohibiting the processing of transactions prior to completion of verification of the customer.</p>	<p>Guidance is also required on how the following are defined in practice- establishing a relationship, opening an account, processing a transaction.</p>	

KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.2.6; pg. 33	<p>Second bullet point in blue box: "The firm is satisfied, <b>either</b> that the third party is a person that is supervised or monitored for compliance with the requirements specified under 4AML, or requirements equivalent to those under 4AML, <b>or</b> on the basis of the arrangement, the Third Party will forward to the firm, as soon as practicable after a request from the firm, any CDD documents or information obtained."</p>	<p>There is no provision in section 40 for accepting a reliance arrangement with a firm not supervised for requirements equivalent to 4MLD. This is suggested in the wording through the either/or options presented.</p>
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.2.6; pg.34	<p>Suggested change: "the firm is satisfied, that the third party is a person that is supervised or monitored for compliance with the requirements specified under 4AML, or requirements equivalent to those under 4AML, <b>and</b> on the basis of the arrangement, that the Third Party will forward to the firm, as soon as practicable after a request from the firm, any CDD documents or information obtained."</p>	<p>There is no provision in section 40 for accepting a reliance arrangement with a firm not supervised for requirements equivalent to 4MLD. This is suggested in the wording through the either/or options presented.</p>
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.4.1; pg. 38	<p>Current text: "Adjusting the frequency of CDD updates and reviews of the business relationship, for example carrying these out only when trigger events occur such as the customer looking to take out a new product or service or when a certain transaction threshold is reached"</p>	<p>This sentence conflicts with section 5.3 page 35 where it is stated that "periodic reviews of all customers" should be carried out at a minimum. If we rely only on trigger events, and a trigger event never occurs, then no review will ever be carried out.</p>
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.7; pag. 43	<p>Blue box-current text: "Section 38 of the CJA 2010 sets out the EDD requirements firms are required to undertake in relation to establishing new correspondent relationships, where the respondent institution is situated outside of the EU."</p>	<p>The current wording suggests that the requirements do not apply to existing correspondent relationships. For financial institutions these are new requirements, and will not have been carried out in the past. The legislation does not indicate that there is any exemption for existing correspondent relationships.</p>
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 5.7; pg. 43,44	<p>Suggested change: "Section 38 of the CJA 2010 sets out the EDD requirements firms are required to undertake in relation to correspondent relationships, where the respondent institution is situated outside of the EU."</p>	<p>This also conflicts with wording on page 52 (Governance) where it is advised that senior management approvals for the continuance of a correspondent relationship should be retained.</p>
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 9	<p>More clarity required in explanation of correspondent relationships</p>	<p>The explanation provided on what a correspondent relationship is appears to narrow the legislative definition and will create confusion for firms in identifying correspondent relationships.</p>
KB Associates (Clifton Fund Consulting Ltd.); KBA Consulting Management Ltd.	Section 9	<p>Requirement to delete personal data held solely for CDD purposes once retention periods have expired is not addressed</p>	<p>This is a new requirement, and guidance would be welcome</p>