



## United Kingdom - AML KYC Regulations

### Document History

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10.09.2019	1.0	
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**Disclaimer:** Neither Shufti Pro nor the authors of this document shall be held responsible, liable or accountable for the contents of this document. The responsibility to comply with AML - KYC regulations lies with the Client. Achieving full compliance with legal obligations requires a thorough analysis of the specific situation, organizational requirements, and regulatory practices. The information provided in this document should be seen as an overview of requirements and measures towards conducting proper and satisfactory Identity Verification procedures. This document suggests general measures in line with recommendations, resources, or procedures provided by relevant laws and authorities to support identity verification requirements. The mere reference to or reliance placed on this document alone does not constitute a warranty of any system nor does it guarantee legal compliance. It remains the sole responsibility of the Client to comply with its legal obligations.

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## 1. Introduction

The United Kingdom introduced the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) effective from 26 June 2017. The Act aims to ensure that the UK's anti-money laundering regime implements the EU Fourth Money Laundering Directive and is in line with the Financial Action Task Force's standards and recommendations. This act builds on the Money Laundering regulations of 2007 and introduced some significant changes.

## 2. Scope

The 'United Kingdom - AML KYC Regulations' report may be used as a reference to highlight information from the UK's Financial Conduct Authority '*The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations - 2017*' and '*The Money Laundering and Terrorist Financing (Amendments) Regulations - 2019*'

Under the guidelines from the Bank of England (BoE) and the aforementioned Act(s), this document highlights the necessary requirements for AML and KYC procedures, in particular, Identity Verification required in the United Kingdom. These requirements are approximated from relevant information/laws/directives from the aforementioned document.

## 3. Definitions

- **Client**: Shufti Pro's customer is referred to as the Client.
- **Customer**: The client's customer whose subject to the KYC - AML checks.
- **End-user**: The client's customer is referred to as the end-user but from Shufti Pro's perspective.
- **Document Verification**: The process of verifying the authenticity of a government-issued identity document.
- **Identity Verification**: The process of verifying the identity of the client's customers.
- **Proof of Identity**: Any government-issued identity document that can be used to identify an individual (natural person).
- **EDD**: Enhanced Due Diligence (EDD) is a process that executes a greater level of scrutiny related to the potential business relationships.
- **Third-Party Diligence**: Outsourcing of the due diligence process to an external party by the Client who is originally responsible for carrying out due diligence activities.
- **PEP**: Politically Exposed Person (PEP) is a person with a higher risk for potential involvement in bribery/corruption.
- **Due Diligence**: Refers to the measures taken to mitigate risk before entering into an agreement or carrying out a financial transaction with another party.

## 4. References

- [UK - Anti-money Laundering and Counter Financing of Terrorism Act](#)
- [The Money Laundering and Transfer of Funds \(Information\) \(Amendment\) \(EU Exit\) Regulations 2019](#)
- [The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2019](#)

## 5. Due Diligence Requirements

### 5.1. Identity Verification Requirements

As per the requirements of the United Kingdom regulations, these are the following ID attributes required for the purpose of identifying a natural person (Individual) from official documents.

- Full Name;
- Date of Birth;
- Address.

### 5.2. Compliant CDD Methods

We (Shufti Pro) may apply one or more of the following measures at the request of the Client to perform Identity Verification on its behalf. Where an End-user is an individual, who does not present himself to the Client for verification in physical presence.

- 5.2.1. Shufti Pro shall perform verification of the End-user's identity on the basis of independent sourced documents that are highlighted in 5.3. These documents provide reasonable reliability to the confirmation of the identity in the United Kingdom. Shufti Pro shall ensure that documents being utilized are photo-based biometric identification documents that suffice requirements for Identity Verification.
- 5.2.2. Shufti Pro can also perform verification of the End-user's identity through a real-time audio-video transmission, where a live, interactive video session is carried out between an Identification Expert and the End-user. During this session, the End-user will be asked to show their identity documents. The End-user will also be asked to perform some random gestures as a part of a liveness check.
- 5.2.3. For the purpose of verifying the End-user's identity, Shufti Pro shall also verify the documents that are submitted. We utilize our specialized Document Verification service to perform checks on the authenticity of the document. This includes checks on security features such as holograms, tapered/crumpled edges, doctored elements, form inconsistencies, document expiration, MRZ, reflected colors and microprinting.

### 5.3. Documents Required for Verification

The following documents are considered in the United Kingdom as Proof of Identity:

#### Identity Verification

- Driving License;
- Passport;
- Residence Permit.

#### Address Verification

The following documents are considered in the United Kingdom as proof of address:

- A current utility bill (such as gas, electricity, telephone or mobile phone bill);
- UK or foreign bank credit card/bank statement (dated within the last three months and not printed from the internet);
- UK council tax bill (for the current year);

### 5.4. Timing of Verification

Identity Verification is not limited to a one-time, one instance process. In fact, it is required in multiple instances as per regulations. The application and choice of when to deploy Identity Verification procedures depend on your requirements and its conveyance to Shufti Pro.

You are to pursue Identity Verification when you onboard a new Customer. If you are dealing with transaction data, you should apply Identity Verification as per the monetary thresholds defined in UK's regulations. In other instances, Identity Verification becomes more important to employ if you face higher risks from your Customers. A high risk situation would be any instance where an Individual might represent above normal exposure of money laundering related threats to you.

## 6. Politically Exposed Persons and EDD Measures

As per the Enhanced Due Diligence requirements under United Kingdom's regulations, you are required to determine if your Customer is a Politically Exposed Person, holds a public office, or exhibits a higher risk profile. In order to fulfill your obligations, Shufti Pro provides you its *AML Screening service*. The service screens an individual's selected ID attributes of *Name* and *DOB* against watchlists of global regulatory authorities, foreign and domestic databases, compromised PEPs and sanctioned individuals.

The service highlights the category of the PEP based on the degree of risks they pose and also any immediate family member, or a close associate of the PEP.

You may utilize such services as per your requirements. This includes before or after establishing a relationship with your Customer.

## **7. Reliance on External Services**

United Kingdom regulations state that you may seek the services of a third party to apply measures of due diligence. Regulations also require you to collect all such data (Diligence Information) from the third party, without undue delay. In this scenario, We will be the external third-party service provider to you.

The UK's Act states that you, regardless of reliance on a third party, remain liable for maintaining all such compliance and fulfilling AML and KYC obligations.

## **8. Record Retention**

As per the United Kingdom's Act, you are required to retain data for not less than five (5) years. These are a part of your AML and KYC obligations for due diligence. In the case where this information is processed, collected and managed by a relevant third-party. You are liable to collect all such necessary information (Due Diligence Data) from the third party without undue delay.

## **9. The Money Laundering and Terrorist Financing (Amendment) Regulations 2019**

New additional high-risk factors when assessing the need for enhanced due diligence, and seek additional information and monitoring in certain cases.

These may occur where:

- there are relevant transactions between parties based in high-risk third countries;
- the customer is the beneficiary of a life insurance policy;
- the customer is a third-country national seeking residence rights or citizenship in exchange for transfers of capital, purchase of a property, governments bonds or investment in corporate entities;
- non-face to face business relationships or transactions without certain safeguards, for example, as set out in regulation 28 (19) concerning electronic identification processes;
- transactions related to oil, arms, precious metals, tobacco products, cultural artifacts, ivory or other items related to protected species, or archeological, historical, cultural and religious significance, or of rare scientific value.

Amendments to regulation 38 regarding electronic money mean that firms can only forego customer due diligence measures in situations where:

- the maximum amount which can be stored electronically is €150 (previously €250)
- the payment instrument used in connection with the electronic money (the relevant payment instrument) is:
  - not reloadable, or
  - is subject to a maximum limit on monthly payment transactions of €150, which can only be used in the UK (previously €250)

- the relevant payment instrument is used exclusively to purchase goods or services
- anonymous electronic money cannot be used to fund the relevant payment instrument