



ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM CODE 2019

Index

Paragraph	Page
PART 1 – INTRODUCTORY	3
1 Title	3
2 Commencement	3
3 Interpretation.....	3
PART 2 – GENERAL REQUIREMENTS	13
4 Procedures and controls.....	13
PART 3 – RISK BASED APPROACH	14
5 Business risk assessment	14
6 Customer risk assessment	15
7 Technology risk assessment	15
PART 4 – CUSTOMER DUE DILIGENCE AND ONGOING MONITORING	16
8 New business relationships	16
9 Introduced business	18
10 Continuing business relationships	19
11 Occasional transactions	20
12 Beneficial ownership and control	21
13 Ongoing monitoring	24
PART 5 – ENHANCED MEASURES	29
14 Politically exposed persons	26
15 Enhanced customer due diligence	27
PART 6 – EXEMPTIONS AND SIMPLIFIED MEASURES	29
16 Acceptable applicants	29
17 Persons in a regulated sector acting on behalf of a third party	30
18 Generic designated business	33
19 Eligible introducers	34
20 Miscellaneous	37

21	Transfer of a block of business.....	39
----	--------------------------------------	----

PART 7 – REPORTING AND REGISTERS 40

22	Money Laundering Reporting Officer	40
23	Money Laundering Reporting Officer: Insurers and insurance intermediaries...	41
24	Reporting procedures	41
25	Internal disclosures	42
26	External disclosures	42
27	Registers of disclosures	
28	Register of money laundering and financing of terrorism enquiries	

PART 8 – COMPLIANCE AND RECORD KEEPING 43

29	Monitoring and testing compliance	43
30	New staff appointments	43
31	Staff training	44
32	Record keeping	44
33	Record retention	45
34	Record format and retrieval	46

PART 9 – MISCELLANEOUS 47

35	Groups, foreign branches and subsidiaries	47
36	Shell banks	48
37	Correspondent services	48
38	Fictitious, anonymous and numbered accounts	49
39	Responding to customer due diligence requests.....	49

PART 10 – OFFENCES AND REVOCATIONS 50

40	Offences	50
41	Revocations	51



*Proceeds of Crime Act 2008, and
Terrorism and Other Crime (Financial Restrictions) Act 2014*

ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM CODE 2019

*Laid before Tynwald: xx May 2019
Coming into Operation: 1 June 2019: SD 2019/xxxx*

The Department of Home Affairs makes the following Code under section 157 of the Proceeds of Crime Act 2008 and section 68 of the Terrorism and Other Crime (Financial Restrictions) Act 2014, after consulting such persons and bodies that appeared to it to be appropriate¹.

PART 1 – INTRODUCTORY

1 Title

This Code is the Anti-Money Laundering and Countering the Financing of Terrorism Code 2019.

2 Commencement

This Code comes into operation on 1 June 2019.²

3 Interpretation

(1) In this Code —

“acceptable applicant” means a customer in relation to whom the conditions of paragraph 16(3) (Acceptable applicants) are met;

¹ Section 157(4) of the Proceeds of Crime Act 2008 and section 68(4) of the Terrorism and Other Crime (Financial Restrictions) Act 2014 require the Department of Home Affairs to consult any body or person that appears to it to be appropriate, before making a Code under those sections.

² Section 223(5) of the Proceeds of Crime Act 2008 and section 68(5) of the Terrorism and Other Crime (Financial Restrictions) Act 2014 require a Code to be made under section 157 of the Proceeds of Crime Act 2008 or section 68 of the Terrorism and Other Crime (Financial Restrictions) Act 2014 to be laid before Tynwald as soon as practicable after they are made, and if Tynwald at the sitting at which the codes are laid or at the next following sitting so resolves, the codes cease to have effect.

“AML/CFT” means anti-money laundering and countering the financing of terrorism;

“AML/CFT legislation” means the requirements of the following enactments —

- (a) section 9 of the Prevention of Terrorism Act 1990³;
- (b) sections 7 to 11 and 14 of the Anti-Terrorism and Crime Act 2003;
- (c) Part 3 of the Proceeds of Crime Act 2008;
- (d) Parts 2 to 4 of the Terrorism and Other Crime (Financial Restrictions) Act 2014; and
- (e) this Code,

“beneficial owner” means a natural person who ultimately owns or controls the customer, or on whose behalf a transaction or activity is being conducted and includes —

- (a) in the case of a legal person other than a company whose securities are listed on a recognised stock exchange, a natural person who ultimately owns or controls (whether through direct or indirect ownership or control, including through bearer share holdings) 25% or more of the shares or voting rights in the legal person;
- (b) in the case of any legal person, a natural person who otherwise exercises ultimate effective control or significant influence over the management of the legal person;
- (c) in the case of a legal arrangement, the trustee or other person who exercises ultimate effective control or significant influence over the legal arrangement; and
- (d) in the case of a foundation, a natural person who otherwise exercises ultimate effective control or significant influence over the foundation;

“beneficiary” includes any ultimate owner or controller of a beneficiary if applicable;

“business in the regulated sector” has the meaning assigned by paragraph 2(1)(a) of Schedule 4 to the Proceeds of Crime Act 2008;

“business relationship” means an arrangement between 2 or more persons where —

- (a) at least one of those persons is acting in the course of a business; and

³ Although this Act has been repealed it is possible for proceedings to be taken in respect of acts which took place when it was in force.

- (b) the purpose of the arrangement is to facilitate the carrying on of business in the regulated sector between the persons concerned on a frequent, habitual or regular basis;

“business risk assessment” has the meaning given in paragraph 5 (business risk assessment);

“collective investment scheme” has the meaning given in section 1 of the Collective Investment Schemes Act 2008;

“competent authority” means all Isle of Man administrative and law enforcement authorities concerned with AML/CFT, including the Isle of Man Financial Services Authority, the Isle of Man Gambling Supervision Commission, the Department of Home Affairs, the Isle of Man Constabulary, the Financial Intelligence Unit, the Attorney General, and the Customs and Excise and Income Tax Divisions of the Treasury;

“customer” of a relevant person—

- (a) means a person —
 - (i) seeking to form a business relationship or carry out an occasional transaction; or
 - (ii) carrying on a business relationship or carrying out an occasional transaction,

with a relevant person who is carrying on business in the regulated sector in or from the Island and includes a person introduced to the relevant person within the meaning of paragraph 19;

- (b) in relation to an insurer includes the person beneficially entitled to the assets to fund the premium;
- (c) in any case where a financial product (including a life assurance policy) has been assigned or transferred by its holder (to another person (**“the assignee”**)), includes an assignee; and
- (d) where the context so admits includes the beneficial owner of a customer;

“customer due diligence” (except in the expression **“enhanced customer due diligence”**) means the measures specified in paragraphs 8 to 14, 16 to 21 and 37;

“customer risk assessment” has the meaning given in paragraph 6 (customer risk assessment);

“designated business” means a person that is registered by the Isle of Man Financial Services Authority to undertake designated business as defined in Schedule 1 to the Designated Businesses (Registration and Oversight) Act 2015;

“director” and **“officer”** include —

- (a) In relation to a limited liability company to which the Limited Liability Companies Act 1996 applies, a member, manager or registered agent of such a company;
- (b) for a company to which the Companies Act 2006 applies, a member, manager or registered agent of such a company;
- (c) for a limited partnership with legal personality to which sections 48B to 48D of the Partnership Act 1909 apply —
 - (i) if a general partner is a natural person, that person;
 - (ii) if a general partner is a body corporate, the directors and officers of that body corporate;
 - (iii) if a general partner is a foundation, the council members (or equivalent) of that foundation;
- (d) for a foundation, a member of the council (or equivalent) of the foundation; and
- (e) for a legal arrangement, a trustee;

“eligible introducer” refers to the circumstances covered in paragraph 19 (Eligible Introducer) it includes situations where reliance, in relation to verification of a customer’s identity, is placed on a third party and that verification is not required to be produced to the relevant person if the conditions in paragraph 19 are met;

“employee” and **“worker”** of a relevant person have the same meanings as in section 173 of the Employment Act 2006 and include an individual who —

- (a) works under a contract of employment or any other contract of service for a relevant person;
- (b) practises alone or with others under the terms of a partnership agreement for a relevant person;
- (c) is otherwise engaged within the business of a relevant person, in all cases where the individual undertakes to do or perform, directly or indirectly, any work or service for a relevant person, whether or not engaged directly by a relevant person or through another entity forming part of the group of entities of which a relevant person is a part, and a relevant person is not by virtue of the contract a customer of the individual; or
- (d) is a director or officer of a relevant person;

“enhanced customer due diligence” means the steps specified in paragraph 15 (enhanced customer due diligence) which are additional to the measures

specified in paragraphs 8 to 21 and 37, for the purpose of identifying and verifying the identity of customers and other persons;

“exempted occasional transaction” means an occasional transaction (whether a single transaction or a series of linked transactions) where the amount of the transaction or, as the case may be, the aggregate in the case of a series of linked transactions, is less in value than —

- (a) €5,000 in relation to the activity in paragraph 2(6)(a) (regulated activity) of Schedule 4 to the Proceeds of Crime Act 2008, specifically Class 8(1) bureau de change and 8(3) cheque encashment only of the Regulated Activities Order;
- (b) €1,000 in relation to the activity in paragraph 2(6)(a) (regulated activity) of Schedule 4 to the Proceeds of Crime Act 2008, specifically Class 8(4) money transmission services (apart from cheque encashment) of the Regulated Activities Order and paragraph 2(6)(s) virtual currency of Schedule 4 to the Proceeds of Crime Act 2008; or
- (c) €15,000 in any other case;

“external disclosure” means a disclosure made under paragraphs 24(f) (reporting procedures) and 26 (external disclosures);

“external regulated business” means business outside the Island that is undertaking equivalent activities to paragraph 2(6)(a), (b), (c), (d), (e), (f) (g) (regulated activity) of Schedule 4 to the Proceeds of Crime Act 2008 and is –

- (a) Subject to AML/CFT requirements and has procedures and controls that are at least equivalent to this Code;
- (b) regulated or supervised under the law of a jurisdiction listed on List C for AML/CFT purposes by an authority (whether a governmental or professional body and whether in the Island or elsewhere) empowered (whether by law or by the rules of the body) to regulate or supervise such business for such purposes;

unless the relevant person has reason to believe that the jurisdiction in question does not apply, or insufficiently applies, the FATF Recommendations in respect of the business of that person;

“FATF Recommendations” means the Recommendations made by the Financial Action Task Force (**“FATF”**) which are recognised as the global standards in relation to AML/CFT;

“financing of terrorism” includes the financing of proliferation and is to be construed in accordance with the definitions of **“financing”**, **“terrorism”** and **“proliferation”** in section 3 of the Terrorism and Other Crime (Financial Restrictions) Act 2014;

“foundation” means a foundation established under the Foundations Act 2011 or a foundation or similar entity established under the law of another jurisdiction;

“**group**”, in relation to a body corporate (“B”), means –

- (a) B;
- (b) any other body corporate that is B’s holding company (“H”) or B’s subsidiary;
and
- (c) any other body corporate that is a subsidiary of H, and “**subsidiary**” and “**holding company**” shall be construed in accordance with section 1 of the Companies Act 1974 or section 220 of the Companies Act 2006 (as applicable);

“**information**” includes data;

“**insurer**” means a person authorised to carry on insurance business under section 8 of the Insurance Act 2008 or to whom a permit is issued under section 22 of that Act;

“**internal disclosure**” means a disclosure made under paragraphs 24(c) (reporting procedures) and 25 (internal disclosures);

“**introducer**” refers to the circumstances covered in paragraph 9 (introduced business), it includes situations where a customer is introduced to a relevant person by a person (“**the introducer**”) who provides elements of the customer due diligence to the relevant person, however reliance is not placed on this introducer within the meaning of paragraph 19 (eligible introducer);

“**legal arrangement**” includes —

- (a) an express trust; or
- (b) any other arrangement that has a similar legal effect (including a *fiducie*, *treuhand* or *fideicomiso*),

and includes a person acting for, or on behalf of, a legal arrangement referred to in paragraph (a) or (b) such as a trustee;

“**legal person**” includes any body corporate or unincorporate capable of establishing a business relationship with a relevant person or of owning property;

“**life assurance policy**” includes investment related insurance policies;

“**List A**” is a list maintained by the Department of Home Affairs on its website specifying jurisdictions regarding which the FATF (or a FATF-style regional body) has made a call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial risks of ML/FT emanating from the jurisdiction;

“List B” is a list maintained by the Department of Home Affairs on its website specifying jurisdictions with strategic AML/CFT deficiencies or those considered to pose a higher risk of ML/FT;

“List C” is a list maintained by the Department of Home Affairs on its website specifying jurisdictions which are considered to have an AML/CFT regime of equivalent standard to that of the Island in relation to key areas of the FATF Recommendations;

“ML/FT” means money laundering and financing of terrorism or both, and includes attempted money laundering and financing of terrorism;

“money laundering” means an act that falls within section 158(11) of the Proceeds of Crime Act 2008;

“Money Laundering Reporting Officer” or **“MLRO”** means an individual appointed under paragraph 22 (MLRO) and paragraph 23 (MLRO – insurers and insurance intermediaries) and includes a deputy MLRO appointed under paragraph 22(3);

“National Risk Assessment” is a jurisdiction’s evaluation of a its ML/FT risks which aims to ensure that actions are co-ordinated domestically to combat ML/FT and proliferation, as required under the FATF recommendations;

“nominee company” means a wholly-owned subsidiary that complies with paragraphs 2.7 or 3.1 of Schedule 1 to the Financial Services (Exemptions) Regulations 2011⁴ or similar legislation in a jurisdiction included in List C;

“occasional transaction” means any transaction (whether a single transaction or series of linked transactions), other than a transaction carried out in the course of an established business relationship, formed by a relevant person; and

for the purposes of this definition, a business relationship is an **“established business relationship”** if it is formed by a relevant person where that person has identified, and taken reasonable measures to verify the identity of the person who, in relation to the formation of that business relationship, was the customer;

“politically exposed person” or **“PEP”** means any of the following —

- (a) a natural person who is or has been entrusted with prominent public functions (“P”), including —
 - (i) a head of state, head of government, minister or deputy or assistant minister;

¹ SD 0885/11 as amended by SD 0374/13, SD 0374/2013, SD 2016/0100, SD 2016/0186, SD 2017/0262, SD 2017/0345

⁵ SD884/11 as amended by SD0373/13, SD2016/0099, SD2016/0188, SD 2017/0344

- (ii) a senior government official;
 - (iii) a member of parliament;
 - (iv) a senior politician;
 - (v) an important political party official;
 - (vi) a senior judicial official;
 - (vii) a member of a court of auditors or the board of a central bank;
 - (viii) an ambassador, *chargé d'affaires* or other high-ranking officer in a diplomatic service;
 - (ix) a high-ranking officer in an armed force;
 - (x) a senior member of an administrative, management or supervisory body of a state-owned enterprise; or
 - (xi) a senior member of management of, or a member of, the governing body of an international entity or organisation;
- (b) any of the following family members of P —
- (i) a spouse;
 - (ii) a partner considered by national law as equivalent to a spouse;
 - (iii) other known close personal relationships not covered by subparagraph (i) or (ii) such as a partner, boyfriend or girlfriend;
 - (iii) a child or the spouse or partner of a child;
 - (iv) a brother or sister (including a half-brother or half-sister);
 - (v) a parent;
 - (vi) a parent-in-law;
 - (vii) a grandparent; or
 - (viii) a grandchild;
- (c) any natural person known to be a close associate of P, including —
- (i) a joint beneficial owner of a legal entity or legal arrangement, or any other close business relationship, with P;
 - (ii) the sole beneficial owner of a legal entity or legal arrangement known to have been set up for the benefit of P;
 - (iii) a beneficiary of a legal arrangement of which P is a beneficial owner or beneficiary; or
 - (iv) a person in a position to conduct substantial financial transactions on behalf of P;

“regulated person” means —

- (a) any person holding a financial services licence issued under section 7 of the Financial Services Act 2008;
- (b) any person authorised under section 8 the Insurance Act 2008;
- (c) any person registered under section 25 of the Insurance Act 2008;
- (d) a retirement benefits schemes administrator registered under section 36 of the Retirement Benefits Schemes Act 2000; or

- (e) a person holding an online gambling licence issued under section 4 of the Online Gambling Regulation Act 2001;

“Regulated Activities Order” means the Regulated Activities Order 2011 (as amended 2018)⁵

“relevant person” means a person carrying on business in the regulated sector which is included in paragraphs 2(6)(a) – (v) of Schedule 4 to the Proceeds of Crime Act 2008;

“sanctions list” means the list of persons who are subject to international sanctions which apply in the Island which is maintained by the Customs and Excise Division of the Treasury;

“senior management” means the directors or persons who are nominated to ensure that the relevant person is effectively controlled on a day-to-day basis and who have responsibility for overseeing the relevant person’s proper conduct;

“shell bank” or “shell entity” means a bank, or other entity, that is —

- (a) incorporated in a jurisdiction in which it has no physical presence; and
- (b) not affiliated with a financial services group that is subject to effective consolidated supervision;

and for the purposes of this definition —

“consolidated supervision”, in relation to a financial services group, means supervision of the group by a regulatory body on the basis of the totality of its business, wherever conducted;

“financial services group” means a group of companies whose activities include to a significant extent activities that are, or if carried on in the Island would be, regulated activities under the Financial Services Act 2008; and;

“physical presence” means the presence of staff and management based in the jurisdiction who operate at a level at which they are able to make meaningful decisions in respect of the functions and activities of the bank or entity;

“source of funds” means the origin of the particular funds or other assets involved in a business relationship or occasional transaction and includes the activity that generated the funds used in the business relationship or occasional transaction, and the means through which the funds were transferred;

⁵ SD884/11 as amended by SD0373/13, SD2016/0099, SD2016/0188, SD 2017/0344

“source of wealth” means the origin of a customer’s entire body of wealth and includes the total assets of the customer;

“suspicious activity” means any activity, including the receipt of information, which in the course of a business relationship, occasional transaction or attempted transaction that causes the relevant person to —

- (a) know or suspect; or
 - (b) have reasonable grounds for knowing or suspecting,
- that the activity or information is related ML/FT;

“technology risk assessment” has the meaning given in paragraph 7 (technology risk assessment), it includes both new and developing technologies;

“transaction” includes attempted transactions;

“trusted person” means —

- (a) a regulated person;
- (b) a nominee company owned by a regulated person, where the regulated person is responsible for the nominee company’s compliance with the AML/CFT legislation;
- (c) an advocate within the meaning of the Advocates Act 1976 or a registered legal practitioner within the meaning of the Legal Practitioners Registration Act 1986 and who is registered as a designated business for those activities;
- (d) an accountant who is registered as a designated business for this activity;
- (e) a person who acts in the course of external regulated business and is regulated under the law of a jurisdiction included in List C, unless the relevant person has reason to believe that the jurisdiction in question does not apply, or insufficiently applies, the FATF Recommendations in respect of the business of that person; or
- (f) a nominee company owned by a person who acts in the course of external regulated business and is regulated under the law of a jurisdiction included in List C where the person is responsible for the nominee company’s compliance with the AML/CFT requirements, unless the relevant person has reason to believe that the jurisdiction in question does not apply, or insufficiently applies, the FATF Recommendations in respect of the business of that person; and

“unusual activity” means any activity or information received in the course of a business relationship, occasional transaction or attempted transaction where —

- (a) a transaction has no apparent economic or lawful purpose, including a transaction which is —
 - (i) complex;
 - (ii) both large and unusual; or
 - (iii) of an unusual pattern;
 - (b) the relevant person becomes aware of anything that causes the relevant person to doubt the identity of a person it is obliged to identify;
 - (c) the relevant person becomes aware of anything that causes the relevant person to doubt the good faith of a customer, beneficial owner, beneficiary, introducer or eligible introducer.
- (2) In this Code, a reference to an amount of currency expressed in euros is to be construed as meaning that amount converted into, and expressed as, an amount of any other currency, including fiat or virtual currency.

PART 2 – GENERAL REQUIREMENTS

4 Procedures and controls

- (1) A relevant person must not enter into or carry on a business relationship, or carry out an occasional transaction, with or for a customer or another person unless the relevant person —
- (a) establishes, records, maintains and operates procedures and controls in relation to —
 - (i) risk based approach in accordance with Part 3;
 - (ii) customer due diligence and ongoing monitoring in accordance with Part 4;
 - (iii) enhanced measures in accordance with Part 5;
 - (iv) exemptions and simplified measures in accordance with Part 6;
 - (v) reporting and registers in accordance with Part 7;
 - (vi) compliance and record keeping in accordance with Part 8;
 - (vii) the miscellaneous provisions in accordance with Part 9;
 - (viii) determining whether a customer or any known beneficial owner is included on the sanctions list; and
 - (ix) internal controls and communication matters that are appropriate for the purposes of forestalling and preventing ML/FT;
 - (b) takes appropriate measures for the purpose of making its employees and workers aware of —
 - (i) the AML/CFT legislation; and

- (ii) the procedures and controls established, recorded, maintained and operated under head (a);
 - (c) monitors and tests compliance with the AML/CFT legislation in accordance with paragraph 29; and
 - (d) provides or arranges education and training for staff in accordance with paragraph 31.
- (2) The procedures and controls referred to in sub-paragraph (1) must -
 - (a) have regard to the materiality and risk of ML/FT including whether a customer poses a higher risk of ML/FT;
 - (b) enable the relevant person to manage and mitigate the risks of ML/FT that have been identified by the relevant person when carrying out the requirements of this Code; and
 - (c) be approved by the senior management of the relevant person.
- (3) A relevant person must register on the designated reporting platform provided by the Financial Intelligence Unit.⁶
- (4) The ultimate responsibility for ensuring that customer due diligence complies with this Code is that of the relevant person, regardless of any outsourcing or reliance on third parties during the process.

PART 3 – RISK ASSESSMENT AND ONGOING MONITORING

5 Business risk assessment

- (1) A relevant person must carry out an assessment that estimates the risk of ML/FT posed by the relevant person's business and customers.
- (2) The business risk assessment must be —
 - (a) undertaken as soon as reasonably practicable after the relevant person commences business;
 - (b) recorded in order to be able to demonstrate its basis; and
 - (c) regularly reviewed (and details of any review must be recorded) and, if appropriate, amended so as to keep the assessment up-to-date.

⁶ As required by sections 142 to 144 of the Proceeds of Crime Act 2008 and sections 11,12 and 14 of the Anti-Terrorism and Crime Act 2003

- (3) The business risk assessment must have regard to all relevant risk factors, including —
- (a) the nature, scale and complexity of the relevant person's activities;
 - (b) the findings of the most recent National Risk Assessment relating to the Island and, if appropriate, the National Risk Assessment of other jurisdictions with which the relevant person has significant connections;
 - (c) the products and services provided by the relevant person;
 - (d) the manner in which the products and services are provided, including whether the relevant person meets its customers;
 - (e) the involvement of any third parties for elements of the customer due diligence process, including where reliance is placed on a third party;
 - (f) customer risk assessments carried out under paragraph 6; and
 - (g) technology risk assessments carried out under paragraph 7.

6 Customer risk assessment

- (1) A relevant person must carry out an assessment that estimates the risk of ML/FT posed by a customer.
- (2) A customer risk assessment must be —
- (a) undertaken prior to the establishment of a business relationship or the carrying out of an occasional transaction with or for that customer;
 - (b) recorded in order to be able to demonstrate its basis; and
 - (c) regularly reviewed (details of any review must be recorded) and, if appropriate, amended so as to keep the assessment up-to-date.
- (3) The customer risk assessment must have regard to all relevant risk factors, including —
- (a) the business risk assessment carried out under paragraph 5;
 - (b) the nature, scale, complexity and location of the customer's activities;
 - (c) the manner in which the products and services are provided to the customer;
 - (d) the risk factors included in paragraph 15(5) and (6);

- (e) the involvement of any third parties for elements of the customer due diligence process, including where reliance is placed on a third party; and
- (f) whether the relevant person and the customer have met during the business relationship or its formation or in the course of an occasional transaction.

7 Technology risk assessment

- (1) A relevant person must carry out an assessment that estimates the risk of ML/FT posed by any technology to the relevant person's business.
- (2) The technology risk assessment must be —
 - (a) undertaken as soon as reasonably practicable after the relevant person commences business;
 - (b) undertaken prior to the launch or implementation of new products, new business practices and delivery methods including new delivery systems;
 - (c) undertaken prior to the use of new or developing technologies for both new and pre-existing products;
 - (d) recorded in order to be able to demonstrate its basis; and
 - (e) regularly reviewed (details of any review must be recorded) and, if appropriate, amended so as to keep it up-to-date.
- (3) The technology risk assessment must have regard to all relevant risk factors including —
 - (a) technology used by the relevant person to comply with AML/CFT legislation;
 - (b) the business risk assessment carried out under paragraph 5;
 - (c) the products and services provided by the relevant person;
 - (d) the manner in which the products and services are provided by the relevant person; considering delivery channels and payment mechanisms;
 - (e) digital information and document storage;
 - (f) electronic verification of documents; and
 - (g) data and transaction screening systems.

PART 4 – CUSTOMER DUE DILIGENCE AND ONGOING MONITORING

8 New business relationships

- (1) A relevant person must, in relation to each new business relationship, establish, record, maintain and operate the procedures and controls specified in sub-paragraph (3).
- (2) Subject to sub-paragraph (4), the procedures and controls must be undertaken —
 - (a) before a business relationship is entered into; or
 - (b) during the formation of that relationship.
- (3) Those procedures and controls are —
 - (a) identifying the customer;
 - (b) verifying the identity of the customer using reliable, independent source documents, data or information;
 - (c) verifying the legal status of the customer using reliable, independent source documents, data or information;
 - (d) obtaining information on the nature and intended purpose of the business relationship; and
 - (e) taking reasonable measures to establish the source of funds, including, where the funds are received from an account not in the name of the customer —
 - (i) understanding and recording the reasons for this;
 - (ii) identifying the account holder and on the basis of materiality and risk of ML/FT taking reasonable measures to verify the identity using reliable, independent source documents, data or information; and;
 - (iii) If the account holder is assessed as posing a higher risk of ML/FT, satisfying the requirements in paragraph 15.
- (4) In exceptional circumstances the verification of the identity of the customer in accordance with sub-paragraph (3)(b) may be undertaken after the formation of the business relationship if —
 - (a) it occurs as soon as reasonably practicable;
 - (b) the delay is essential so as not to interrupt the normal course of business;

- (c) the customer has not been identified as posing a higher risk of ML/FT;
 - (d) the risks of ML/FT are effectively managed;
 - (e) the relevant person has not identified any unusual activity or suspicious activity;
 - (f) the relevant person's senior management has approved the establishment of the business relationship and any subsequent activity until sub-paragraph (3)(b) has been complied with; and
 - (g) the relevant person ensures that the amount, type and number of transactions is appropriately limited and monitored.
- (5) Except as provided in sub-paragraph (4) and Part 6, where the requirements of this paragraph are not met, the procedures and controls must provide that—
- (a) the business relationship must proceed no further;
 - (b) the relevant person must terminate the business relationship; and
 - (c) the relevant person must consider making an internal disclosure.

9 Introduced business

- (1) This paragraph applies where a customer is introduced to a relevant person by a person who provides elements of the customer due diligence (the **"introducer"**).
- (2) the relevant person must comply with —
- (a) this paragraph; and
 - (b) such of paragraphs 8 or 11, as are applicable.
- (3) The relevant person must carry out a customer risk assessment in accordance with paragraph 6 and sub-paragraph (4).
- (4) The risk assessment referred to in sub-paragraph (3) must—
- (a) include a risk assessment of the introducer;
 - (b) indicate whether the introducer has met the customer;
 - (c) indicate whether customer due diligence information provided by the introducer has —
 - (i) been obtained by the introducer directly from the customer; or
 - (ii) been obtained by the introducer from any third parties; and

(d) if sub-paragraph (4)(c)(ii) applies, indicate -

- (i) how many third parties were involved;
- (ii) who those third parties were;
- (iii) whether any third party is not a trusted person; and
- (iv) whether the third party is in a List C jurisdiction.

(5) If sub-paragraph (4)(c)(ii) applies, and the third party is not a trusted person, or there is more than one third party involved in the process then, for the purposes of verifying the identity of the customer either -

- (i) the relevant person must meet the customer; or
- (ii) If the introducer is a trusted person the introducer or the relevant person must meet the customer.

(6) If the risk assessment indicates higher risk, the relevant person must undertake enhanced customer due diligence on the customer in accordance with paragraph 15 including, reasonable measures to establish the source of wealth of the customer and any beneficial owner of the customer.

(7) The relevant person must be satisfied that—

- (a) the customer due diligence information and any evidence produced in respect of the identity of the customer conforms to the requirements of this Code; and
- (b) there is no reason to doubt the veracity of the documents produced to evidence the customer's identity.

(8) If the relevant person cannot be satisfied as to the customer's identify in accordance with the relevant provisions of this Code—

- (a) the business relationship or occasional transaction must proceed no further;
- (b) the relevant person must consider terminating that business relationship; and
- (c) the relevant person must consider making an internal disclosure.

10 Continuing business relationships

(1) A relevant person must, in relation to each continuing business relationship, establish, record, maintain and operate the procedures and controls specified in sub-paragraph (3).

(2) The procedures and controls must be undertaken during a business relationship as soon as reasonably practicable.

- (3) Those procedures and controls are —
 - (a) an examination of the background and purpose of the business relationship;
 - (b) if satisfactory verification of the customer's identity was not obtained or produced, requiring such verification to be obtained or produced in accordance with paragraph 8;
 - (c) if satisfactory verification of the customer's identity was obtained or produced determining whether it is satisfactory under this Code; and
 - (d) if verification of the customer's identity is not satisfactory for any reason, that the relevant person is required to take measures to verify the customer's identity in accordance with paragraph 8.
- (4) The relevant person must keep written records of any examination, steps, measures or determination made or taken under this paragraph.
- (5) Except as provided in Part 6, where the requirements of this paragraph are not met within a reasonable timeframe, the procedures and controls must provide that—
 - (a) the business relationship must proceed no further; and
 - (b) the relevant person must consider terminating the business relationship; and
 - (c) the relevant person must consider making an internal disclosure.

11 Occasional transactions

- (1) A relevant person must, in relation to an occasional transaction, establish, record, maintain and operate the procedures and controls specified in subparagraph (3).
- (2) The procedures and controls must be undertaken before the occasional transaction is entered into.
- (3) Those procedures and controls are —
 - (a) identifying the customer;
 - (b) verifying the identity of the customer using reliable, independent source documents, data or information;
 - (c) verifying the legal status of the customer using reliable, independent source documents, data or information;

- (d) obtaining information on the nature and intended purpose of the occasional transaction; and
 - (e) taking reasonable measures to establish the source of funds including the measures specified in paragraph 8(3)(e).
- (4) Subject to sub-paragraph (6), if the transaction is an exempted occasional transaction the requirements of sub-paragraphs (3)(b) and (3)(c) cease to apply.
- (5) Subject to sub-paragraph (6), if the transaction is an exempted occasional transaction the requirements of paragraph 12(2)(a)(ii) cease to apply.
- (6) Sub-paragraphs (4) and (5) do not apply if –
- (a) the customer is assessed as posing higher risk of ML/FT; or
 - (b) the relevant person has identified any suspicious activity.
- (7) Except as provided in sub-paragraph (4) and Part 6, where the requirements of this paragraph are not met, the procedure must provide that—
- (a) the occasional transaction must not be carried out; and
 - (b) the relevant person must consider making an internal disclosure.

12 Beneficial ownership and control

- (1) This paragraph applies when a relevant person is operating any of the procedures and controls required by Parts 4, 5 and 6.
- (2) A relevant person must, in the case of any customer —
- (a) which is not a natural person –
 - (i) identify who is the beneficial owner of the customer, through any number of persons or arrangements of any description; and
 - (ii) subject to paragraphs 11(5), 16(2), 18(2) take reasonable measures to verify the identity of any beneficial owner of the customer, using reliable, independent source documents, data or information, such that the relevant person is satisfied that it knows who the beneficial owner is;
 - (b) subject to paragraphs 17 and 20, determine whether the customer is acting on behalf of another person and, if so –
 - (i) identify that other person; and
 - (ii) take reasonable measures to verify that other person's identity using reliable, independent source documents, data or information;

- (c) determine whether a person is acting on behalf of a customer and verify that any person purporting to act on behalf of the customer is authorised to do so; and, if so –
 - (i) identify that other person, and
 - (ii) take reasonable measures to verify the identity of that person using reliable, independent source documents, data or information.
- (3) Without limiting sub-paragraph (2) a relevant person must, in the case of a legal arrangement, identify and take reasonable measures to verify the identity of the beneficial owner –
 - (a) in the case of an express trust, by identifying -
 - (i) the trustees or any other controlling party;
 - (ii) any known beneficiaries;
 - (iii) any class of beneficiaries and, in respect of a class of beneficiaries where it is not reasonably practicable to identify each beneficiary details sufficient to identify and describe the class of persons who are beneficiaries;
 - (iv) the protector (if any);
 - (v) the enforcer (if any);
 - (vi) the settlor or other person by whom the legal arrangement is made or on whose instructions the legal arrangement is formed; and;
 - (vii) any other natural person exercising ultimate effective control over the trust traced through any number of persons or arrangements of any description;
 - (b) in the case of other types of legal arrangement by identifying any natural persons in equivalent or similar positions to those mentioned in head (a), traced through any number of persons or arrangements of any description.
- (4) Without limiting sub-paragraph (2) a relevant person must, in the case of a foundation, identify and take reasonable measures to verify the identity of the beneficial owner by identifying -
 - (a) the council members (or equivalent);
 - (b) any known beneficiaries;
 - (c) any class of beneficiaries, and in respect of a class of beneficiaries where it is not reasonably practicable to identify each beneficiary, details sufficient to identify and describe the class of persons who are beneficiaries;
 - (d) the founder and any other dedicator; and
 - (e) any other natural person exercising ultimate effective control over the foundation through any number of persons or arrangements of any description;

- (5) Without limiting sub-paragraphs 2 and 4, in respect of a customer that is a legal person, the relevant person must identify and take reasonable measures to verify the identity of the beneficial owner by obtaining the following information –
- (a) the identity of the beneficial owner who ultimately has a controlling interest in the legal person;
 - (b) if it is not possible to comply with head (a) or where no natural person is the ultimate beneficial owner, the relevant person must identify and take reasonable measures to verify the identity of any natural person who exercises control of the legal person; and
 - (c) if it is not possible to comply with head (a) or (b) or where no natural person is the ultimate beneficial owner, the relevant person must identify and take reasonable measures to verify the identity of any natural person, who exercises control of the legal person through other means, such as acting as a senior managing official.
- (6) Without limiting sub-paragraphs (2) to (5), in the case of a customer that is a legal arrangement or a legal person the relevant person must -
- (a) obtain the name and address of any other natural person who has the power to direct the customer's activities and take reasonable measures to verify that information using reliable, independent source documents, data or information;
 - (b) obtain information concerning the person by whom, and the method by which, binding obligations may be entered into or imposed on the customer; and
 - (c) obtain information to understand the nature of the customer's business and the ownership and control structure of the customer.
- (7) Subject to paragraph 20(7) and without limiting sub-paragraphs (2) to (6), the relevant person must not, in the case of a customer that is a legal person or a legal arrangement, make any payment or loan to a beneficial owner of that person or a beneficiary of that arrangement unless it has —
- (a) identified the recipient or beneficiary of the payment or loan;
 - (b) on the basis of materiality and risk of ML/FT, verified the identity of the recipient or beneficiary using reliable, independent source documents, data or information; and

- (c) understood the nature and purpose of that payment or loan in accordance with paragraph 13.
- (8) Without limiting sub-paragraphs (2) to (7) in the case of a life assurance policy, an insurer must —
 - (a) identify any named beneficiary and take reasonable measures to verify the beneficiary’s identity using reliable, independent source documents, data or information;
 - (b) in respect of a class of beneficiaries where it is not reasonably practicable to identify each beneficiary, obtain details sufficient to identify and describe the class of persons who are beneficiaries, to satisfy the insurer that it will be able to verify the identity of the beneficiaries at the time of pay-out; and
 - (c) where a policy is assigned to a third party, identify the third party and take reasonable measures to verify their identity using reliable, independent source documents, data or information.
- (9) Without limiting sub-paragraphs (2) to (8) in the case of a life assurance policy, an insurer must not make any payment or loan to a beneficiary or assignee of a life assurance policy unless it has verified the identity of each beneficiary or assignee using reliable, independent source documents, data or information.
- (10) Without limiting sub-paragraphs (2) to (9) in the case of a life assurance policy where a payment is to be made by an insurer to an account not in the name of the customer or beneficiary –
 - (a) the reasons for this must be understood and recorded;
 - (b) this account holder must be identified, and on the basis of materiality and risk of ML/FT reasonable measures must be taken to verify the identity of the account holder using reliable, independent source documents, data or information; and
 - (c) if the account holder is assessed as posing a higher risk of ML/FT the requirements of paragraph 15 must be satisfied.
- (11) Except as provided in Part 6, where the requirements of this paragraph are not met within a reasonable timeframe, the procedures and controls must provide that —
 - (a) the business relationship must proceed no further;
 - (b) the relevant person must consider terminating the business relationship; and

(c) the relevant person must consider making an internal disclosure.

13 Ongoing monitoring

- (1) A relevant person must perform ongoing and effective monitoring of any business relationship or occasional transaction, including —
 - (a) a review of information and documents held for the purpose of customer due diligence to ensure they are up-to-date, accurate and appropriate, in particular where the relationship poses a higher risk of ML/FT;
 - (b) appropriate scrutiny of transactions and other activities to ensure that they are consistent with —
 - (i) the relevant person's knowledge of the customer, the customer's business and risk profile source of funds for the transaction;
 - (ii) the business risk assessment carried out under paragraph 5;
 - (iii) the customer risk assessment carried out under paragraph 6; and;
 - (iv) technology risk assessments carried out under paragraph 7;
 - (c) monitoring whether the customer, or any known beneficial owner, is listed on the sanctions list.
- (2) Where a relevant person identifies any unusual activity in the course of a business relationship or occasional transaction the relevant person must —
 - (a) perform appropriate scrutiny of the activity;
 - (b) conduct enhanced customer due diligence in accordance with paragraph 15; and
 - (c) consider whether to make an internal disclosure in accordance with paragraph 25.
- (3) Where a relevant person identifies any suspicious activity in the course of a business relationship or occasional transaction an internal disclosure must be made in accordance with paragraph 25.
- (4) The extent and frequency of any monitoring under this paragraph must be determined —
 - (a) on the basis of materiality and risk of ML/FT;
 - (b) in accordance with the risk assessments carried out under Part 3; and;

- (c) having particular regard to whether a customer poses a higher risk of ML/FT.

(5) A relevant person must record the date when each review of the business relationship takes place and details of any examination, steps, measures or determination made or taken under this paragraph.

PART 5 – ENHANCED MEASURES

14 Politically exposed persons

- (1) A relevant person must establish, record, maintain and operate appropriate procedures and controls for the purpose of determining whether any of the following is, or subsequently becomes, a PEP —
 - (a) any customer;
 - (b) any natural person having power to direct the activities of a customer;
 - (c) any beneficial owner or known beneficiary; and
 - (d) in relation to a life assurance policy, the beneficiary and any beneficial owner of the beneficiary.
- (2) A relevant person must establish, record, maintain and operate appropriate procedures and controls for requiring the approval of its senior management —
 - (a) before any business relationship is established with;
 - (b) before any occasional transaction is carried out with or for; or
 - (c) before a business relationship is continued with,
a domestic PEP who has been identified as posing a higher risk of ML/FT, or any foreign PEP.
- (3) A relevant person must take reasonable measures to establish the source of wealth of —
 - (a) a domestic PEP who has been identified as posing a higher risk of ML/FT; and
 - (b) any foreign PEP.
- (4) A relevant person must perform ongoing and effective enhanced monitoring of any business relationship with —

- (a) a domestic PEP who has been identified as posing a higher risk of ML/FT; and
 - (b) any foreign PEP.
- (5) To avoid doubt, this paragraph does not remove the requirement for the relevant person to meet the requirements of paragraph 15 (enhanced customer due diligence) where a PEP has been identified as posing a higher risk of ML/FT.
- (6) Where the requirements of this paragraph are not met within a reasonable timeframe, the procedures and controls must provide that —
- (a) the business relationship or occasional transaction must proceed no further;
 - (b) the relevant person must consider terminating the relationship; and;
 - (c) the relevant person must consider making an internal disclosure.
- (7) In this paragraph —

“domestic PEP” means a PEP who is or has been entrusted with prominent public functions in the Island and any family members or close associates of the PEP regardless of the location of that natural person, those family members or close associates; and

“foreign PEP” means a PEP who is or has been entrusted with prominent public functions outside of the Island and any family members or close associates of the PEP, regardless of the location of that natural person, those family members or close associates.

15 Enhanced customer due diligence

- (1) A relevant person must establish, record, maintain and operate appropriate procedures and controls in relation to undertaking enhanced customer due diligence.
- (2) Enhanced customer due diligence includes –
- (a) considering whether additional identification information needs to be obtained and, where it is considered necessary, obtaining such additional information;
 - (b) considering whether additional aspects of the identity of the customer and any beneficial owner need to be verified by reliable independent source documents, data or information and, where it is considered necessary, taking reasonable measures to obtain such additional verification;

- (c) taking reasonable measures to establish the source of the wealth of a customer and any beneficial owner;
 - (d) undertaking further research, where considered necessary, in order to understand the background of a customer and the customer's business; and
 - (e) considering what additional ongoing monitoring should be carried out in accordance with paragraph 13 and the carrying out of that additional ongoing monitoring.
- (3) A relevant person must conduct enhanced customer due diligence —
- (a) where a customer poses a higher risk of ML/FT as assessed by the customer risk assessment;
 - (b) without limiting paragraph 13, in the event of any unusual activity; and
 - (c) without limiting paragraph 25, in the event of any suspicious activity, unless the relevant person reasonably believes conducting enhanced customer due diligence will tip-off the customer.
- (4) For the avoidance of doubt, if higher risk of ML/FT within the meaning of sub-paragraph (3)(a) is assessed, then paragraphs 8(4), 11(5), 16, 17, 18, 19, 20(2), (5) and (7), (8) and (9) do not apply.
- (5) Matters that pose a higher risk of ML/FT include—
- (a) a business relationship or occasional transaction with a customer that is resident or located in a jurisdiction in List A; and
 - (b) a customer that is the subject of a warning in relation to AML/CFT matters issued by a competent authority or equivalent authority in another jurisdiction.
- (6) If sub-paragraph (5)(a) or (b) apply, the relevant person's senior management must approve the establishment, or continuation, of the business relationship or the occasional transaction.
- (7) Matters that may pose a higher risk of ML/FT include—
- (a) activity in a jurisdiction the relevant person deems to be higher risk of ML/FT;
 - (b) a business relationship or occasional transaction with a customer resident or located in a jurisdiction in List B;
 - (c) activity in a jurisdiction in List A or B;
 - (d) a situation that by its nature presents an increased risk of ML/FT;

- (e) a business relationship or occasional transaction with a PEP;
 - (f) a company that has nominee shareholders or shares in bearer form;
 - (g) the provision of high risk products;
 - (h) the provision of services to high-net-worth individuals;
 - (i) a legal arrangement;
 - (j) persons performing prominent functions for international organisations;
 - (k) circumstances in which the relevant person and the customer have not met —
 - (i) during the business relationship or during its formation; or
 - (ii) in the course of an occasional transaction; and
 - (l) if the beneficiary of a life assurance policy is a legal person or legal arrangement;
- (8) Except as provided in Part 6, where the requirements of this paragraph are not met within a reasonable timeframe, the procedures and controls must provide that —
- (a) the business relationship or occasional transaction must proceed no further;
 - (b) the relevant person must consider terminating that relationship; and;
 - (c) the relevant person must consider making an internal disclosure.

PART 6 – EXEMPTIONS AND SIMPLIFIED MEASURES

16 Acceptable applicants

- (1) If each of the conditions in sub-paragraph (3) are met, verification of the identity of a customer is not required to be produced for —
- (a) a new business relationship and paragraph 8(3)(b) ceases to apply; or
 - (b) an occasional transaction and paragraph 11(3)(b) ceases to apply.
- (2) If each of the conditions in sub-paragraph (3) are met, paragraph 12(2)(a) ceases to apply.
- (3) The conditions referred to in sub-paragraphs (1) and (2) are that the relevant person —

- (a) knows the identity of the customer and the beneficial owner (if any) and has no reason to doubt those identities;
- (b) has not identified the customer as posing a higher risk of ML/FT;
- (c) knows the nature and intended purpose of the business relationship or occasional transaction;
- (d) has not identified any suspicious activity; and
- (e) is satisfied that —
 - (i) the customer is acting on its own behalf and not on behalf of a third party; and
 - (ii) either -
 - (A) the customer is a trusted person; or
 - (B) a company listed on a recognised stock exchange or a wholly owned subsidiary of such a company in relation to which the relevant person has taken reasonable measures to establish that there is effective control of the company by an individual, group of individuals or another legal person or legal arrangement (which persons are treated as beneficial owners for the purposes of this Code).

17 Persons in a regulated sector acting on behalf of a third party

- (1) This paragraph applies only to a regulated person holding a licence issued under section 7 of the Financial Services Act 2008 to carry on regulated activities under –
 - (a) Class 1 (deposit taking);
 - (b) Class 2 (investment business);
 - (c) Class 3 (services to collective investment schemes); or
 - (d) Class 8 (money transmission services),
 of the Regulated Activities Order.
- (2) Where the regulated person determines that a customer is acting on behalf of another person who is an underlying client of the customer (“underlying client”), the regulated person need not comply with paragraph 12(2)(b) if each of the following conditions are met —
 - (a) the regulated person is satisfied that the customer is a person specified in sub-paragraph (6);
 - (b) the regulated person is satisfied the customer is regulated and supervised, or monitored for and has measures in place for compliance with, customer due diligence and record keeping requirements in line with FATF Recommendations 10 and 11;

- (c) the customer has identified and verified the identity of the underlying client in accordance with paragraphs 8 to 12 or the AML/CFT legislation and has no reason to doubt the identity;
 - (d) the customer has risk assessed the underlying client in accordance with paragraph 6 or the AML/CFT legislation and has confirmed to the regulated person that any underlying client in the arrangement does not pose a higher risk;
 - (e) the regulated person and the customer know the nature and intended purpose of the business relationship with the underlying client;
 - (f) the customer has taken reasonable measures to establish the source of funds of the underlying clients
 - (g) neither the regulated person nor the customer has identified any suspicious activity;
 - (h) written terms of business are in place between the regulated person and the customer in accordance with sub-paragraph (3); and
 - (i) the customer does not pose a higher risk of ML/FT.
- (3) The written terms of business required to be in place in accordance with sub-paragraph (2)(h) must require the customer to —
- (a) supply to the regulated person information concerning the identity of any underlying client —
 - (i) in the case of a person to whom sub-paragraph (6)(a), (b), (c) or (e) applies, on request; and
 - (ii) in relation to persons to whom head (d) or (f) of that sub-paragraph applies, immediately;
 - (b) supply to the regulated person immediately on request copies of the evidence verifying the identity of the underlying clients and all other due diligence information held by the customer in respect of the underlying client in any particular case;
 - (c) confirm to the regulated person that the arrangement does not involve an underlying client in the arrangement who has been assessed as higher risk by the customer;
 - (d) inform the regulated person specifically of each case where the customer is not required or has been unable to verify the identity of an underlying client;

- (e) inform the regulated person if the customer is no longer able to comply with the provisions of the written terms of business because of a change of the law applicable to the customer; and
 - (f) do all things as may be required by the regulated person to enable the regulated person to comply with its obligations under sub-paragraph (2).
- (4) In satisfying the conditions of sub-paragraph (2), the regulated person must take reasonable measures to ensure that —
- (a) the evidence produced or to be produced is satisfactory; and
 - (b) the customer due diligence procedures and controls of the customer are fit for purpose.
- (5) The regulated person must take reasonable measures to satisfy itself that —
- (a) the procedures for implementing this paragraph are effective by testing them on a random and periodic basis at least once every 12 months; and
 - (b) the written terms of business confer the necessary rights required by this paragraph on the regulated person
- (6) The persons referred to in sub-paragraph (2)(a) are —
- (a) a regulated person;
 - (b) a nominee company of a regulated person where the regulated person is responsible for the nominee company's compliance with the AML/CFT legislation;
 - (c) a collective investment scheme (except for a scheme within the meaning of Schedule 3 (exempt schemes) to the *Collective Investment Schemes Act 2008*) where the manager or administrator of such a scheme is a regulated person;
 - (d) where the person referred to in sub-paragraph (2)(a) is an equivalent scheme in a jurisdiction in List C where the manager or administrator of that scheme is a person referred to in head (f);
 - (e) a designated business;
 - (f) a person who acts in the course of external regulated business and who is —
 - (i) regulated under the law of a jurisdiction in List C; and
 - (ii) subject to AML/CFT requirements and has procedures and controls that are at least equivalent to this Code,

but does not solely carry on activities equivalent to either or both of Class 4 (corporate services) or Class 5 (trust services) under the Regulated Activities Order; and

- (g) a nominee company of a person specified in head (e) where that person is responsible for the nominee company's compliance with the equivalent AML/CFT legislation.
- (7) If suspicious activity is identified this paragraph ceases to apply and an internal disclosure must be made.
- (8) If the regulated person is unable to comply with any of the provisions of this paragraph, this paragraph ceases to apply and the regulated person must comply with the requirements of Part 4.
- (9) In this paragraph "**underlying client**" includes a beneficial owner of that underlying client.

18 Generic designated business

- (1) If each of the conditions in sub-paragraph (3) are met and the relevant person is conducting generic designated business, verification of the identity of a customer is not required to be produced for –
 - (a) a new business relationship and paragraph 8(3)(b) ceases to apply;
or
 - (b) an occasional transaction and 11 (3)(b) ceases to apply.
- (2) if each of the conditions in sub-paragraph (3) is met paragraph 12(2)(a)(ii) ceases to apply.
- (3) The conditions referred to in sub-paragraphs (1) and (2) are that the relevant person —
 - (a) has identified the customer and the beneficial owner (if any) and has no reason to doubt those identities;
 - (b) has not identified the customer as posing a higher risk of ML/FT;
 - (c) knows the nature and intended purpose of the business relationship or occasional transaction;
 - (d) has not identified any suspicious activity; and
 - (e) has taken reasonable measures to establish the source of funds in accordance with paragraph 8(3)(e).
- (4) in this paragraph –

“generic designated business” means designated business carried on by a relevant person that is “generic” in that any business relationship or one-off transaction entered into between the relevant person and the customer exists solely for the purpose of the relevant person giving advice to the customer and does not relate to a specific transaction or transactions and the relevant person does not participate in a financial transaction on behalf of the customer.

19 Eligible introducers

- (1) If a customer is introduced to a relevant person by a third party, other than an introducer to which paragraph 9 applies, (the “**eligible introducer**”), the relevant person may, if it thinks fit, comply with this paragraph, instead of paragraphs 8 or 11 provided –
 - (a) the eligible introducer agrees to the relevant person doing so; and
 - (b) each of the conditions in sub-paragraph (4) and (5) is met.
- (2) The relevant person must establish, maintain and operate a customer risk assessment procedure in accordance with paragraph 6.
- (3) The procedures and controls must be undertaken before a business relationship or occasional transaction is entered into.
- (4) Verification of a customer’s identity is not required to be produced by the eligible introducer if the relevant person —
 - (a) has identified the customer and the beneficial owner (if any) and has no reason to doubt those identities;
 - (b) knows the nature and intended purpose of the business relationship;
 - (c) has taken reasonable steps to establish the source of funds including the measures specified in paragraph 8(3)(e);
 - (d) has not identified any suspicious activity;
 - (e) is satisfied that —
 - (i) the eligible introducer is a trusted person other than a nominee company of either a regulated person or a person who acts in the course of external regulated business;
 - (ii) each of the conditions in sub-paragraph (5) are met; or
 - (iii) the transaction is an exempted occasional transaction; and
 - (f) has conducted a risk assessment of the eligible introducer and is satisfied that the eligible introducer does not pose a higher risk of ML/FT.
- (5) The conditions referred to in sub-paragraph (4)(e)(ii)-are that -

- (a) the relevant person and the eligible introducer are bodies corporate in the same group;
- (b) the group operates AML/CFT programmes and procedures which conform to Part 4 and 5 and paragraphs 32 to 34;
- (c) the operation of those programmes and procedures is supervised at a group level by an appropriate authority; and
- (d) the group's AML/CFT policies adequately mitigate any risk associated with a jurisdiction for the time being specified on List A or List B.

(6) The relevant person must not enter into a business relationship with a customer that is introduced by an eligible introducer unless written terms of business are in place between the relevant person and the eligible introducer.

(7) Without limiting sub-paragraphs (4) and (5), those terms of business must require the eligible introducer to —

- (a) verify the identity of all customers introduced to the relevant person sufficiently to comply with the AML/CFT legislation;
- (b) take reasonable measures to verify the identity of the beneficial owner (if any);
- (c) establish and maintain a record of the verification of identity for at least 5 years calculated in accordance with paragraph 33(1);
- (d) establish and maintain records of all transactions between the eligible introducer and the customer if the records are concerned with or arise out of the introduction (whether directly or indirectly) for at least 5 years calculated in accordance with paragraph 33(1);
- (e) supply to the relevant person immediately on request, copies of the evidence verifying the identity of the customer and the beneficial owner (if any) and all other customer due diligence information held by the eligible introducer in any particular case;
- (f) supply to the relevant person immediately copies of the evidence verifying the identity of the customer and the beneficial owner (if any) and all other customer due diligence information, in accordance with paragraph 8 or 11 (as applicable), held by the eligible introducer in any particular case if —
 - (i) the eligible introducer is to cease trading;
 - (ii) the eligible introducer is to cease doing business with the customer;

- (iii) the relevant person informs the eligible introducer that it no longer intends to rely on the terms of business referred to in this paragraph; or
 - (iv) the eligible introducer informs the relevant person that it no longer intends to comply with the terms of business referred to in paragraph;
 - (g) inform the relevant person specifically of each case where the eligible introducer is not required or has been unable to verify the identity of the customer or the beneficial owner (if any) within a reasonable timeframe; and in such a case—
 - (i) the business relationship or occasional transaction must proceed no further;
 - (ii) the relevant person must consider terminating that business relationship; and
 - (iii) the relevant person must consider making an internal disclosure in relation to that business relationship or occasional transaction;
 - (h) inform the relevant person if the eligible introducer is no longer able to comply with the provisions of the written terms of business because of a change of the law applicable to the eligible introducer; and
 - (i) do all such things as may be required by the relevant person to enable the relevant person to comply with its obligation under sub-paragraph (8).
- (8) A relevant person must ensure that the procedures under sub-paragraph (2) are fit for the purpose of ensuring that the evidence produced or to be produced is satisfactory and that the procedures of the eligible introducer are likewise fit for that purpose.
- (9) A relevant person must take measures to satisfy itself that —
- (a) the procedures for implementing this paragraph are effective by testing them on a random and periodic basis no less than once every 12 months; and
 - (b) the written terms of business confer the necessary rights on the relevant person to satisfy the requirements of this paragraph.
- (10) In order to rely on an eligible introducer a relevant person must —
- (a) take measures to satisfy itself that the eligible introducer is not itself reliant on a third party for the verification of identity of the customer in accordance with paragraphs 8 or 11, (as applicable); and
 - (b) take such measures as necessary to ensure it becomes aware of any material change to the eligible introducer's status or the status of the jurisdiction in which the eligible introducer is regulated.

- (11) Where the requirements of this paragraph are not met within a reasonable timeframe, the procedure must provide that —
- (a) the business relationship or occasional transaction must proceed no further;
 - (b) the relevant person must consider terminating that business relationship; and
 - (c) the relevant person must consider making an internal disclosure.
- (12) The ultimate responsibility for ensuring that customer due diligence procedures comply with the terms of this Code remains with the relevant person and not with the eligible introducer.

20 Miscellaneous

- (1) Sub-paragraphs (2) to (6) apply to—
- (a) an insurer effecting or carrying out of a contract of insurance; and
 - (b) an insurance intermediary who, in the course of business carried on in or from the Island, acts as an insurance intermediary in respect of the effecting or carrying out of a contract of insurance.
- (2) An insurer or insurance intermediary need not comply with Parts 4 and 5 and paragraph 19 if the contract of insurance referred to in sub-paragraph (1) is a contract where —
- (a) the annual premium is less than €1,000, or a single premium, or series of linked premiums, is less than €2,500; or
 - (b) there is neither a surrender value nor a maturity value (for example, term insurance).
- (3) In respect of a contract of insurance satisfying sub-paragraph (2) an insurer may, having paid due regard to the risk of ML/FT, consider it appropriate to comply with Parts 4 and 5 and paragraph 19 but to defer such compliance unless a claim is made or the policy is cancelled.
- (4) If —
- (a) a claim is made under a contract of insurance referred to in sub-paragraph (1) that has neither a surrender value nor a maturity value (for example on the occurrence of an insured event); and
 - (b) the amount of the settlement is greater than €2,500;
- the insurer must satisfy itself as to the identity of the policyholder or claimant (if different to the policyholder).

(5) An insurer or insurance intermediary need not comply with sub-paragraph (4) if settlement of the claim is to —

- (a) a third party in payment for services provided (for example to a hospital where health treatment has been provided);
- (b) a supplier for services or goods; or
- (c) the policyholder where invoices for services or goods have been provided to the insurer,

and the insurer believes the services or goods to have been supplied in respect of the insured event.

(6) If -

- (a) contract of insurance referred to in sub-paragraph (1) is cancelled resulting in the repayment of premiums; and;
- (b) the amount of the settlement is greater than €2,500,

the insurer or insurance intermediary, must comply with Parts 4 and 5 and paragraph 19.

(7) In respect of a pension, superannuation or similar scheme that provides retirement benefits to employees, if contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme, the relevant person —

- (a) may treat the employer, trustee or any other person who has control over the business relationship, including the administrator or the scheme manager, as the customer; and
- (b) need not comply with paragraph 12(2)(b).

(8) Where -

(a) a customer is —

- (i) a collective investment scheme (except for a scheme within the meaning of Schedule 3 (exempt schemes) to the *Collective Investment Schemes Act 2008*), or
- (ii) an equivalent arrangement in a jurisdiction in List C; and

(b) the manager or administrator of such a scheme or equivalent arrangement is —

- (i) a regulated person; or
- (ii) a person who acts in the course of external regulated business carrying on equivalent regulated activities in a jurisdiction in List C;

the relevant person need not comply with paragraph 12(2)(b)

- (9) The Isle of Man Post Office need not comply with Parts 3 or 4, if it sees fit, when it —
- (a) issues or redeems a postal order up to the value of £50;
 - (b) issues or administers funds on behalf of other Government Departments or Statutory Boards;
 - (c) accepts payment for Government utilities or Statutory Boards up to the value of £650 in cash or £5,000 by other means of payment;
 - (d) accepts payments on behalf of utilities and telecom service providers up to the value of £650 in cash or £5,000 by other means of payment;
 - (e) accepts payments on behalf of a third party from customers of that party in respect of provision by that third party of goods or services, provided that the third party has been assessed as posing a low risk of ML/FT, up to the value of £650 in cash or £5,000 by other means of payment; and
 - (f) accepts donations on behalf of a charity, provided that the charity is registered in the Island and has been assessed as posing a low risk of ML/FT, up to the value of £650 in cash or £5,000 by other means of payment.
- (10) Sub-paragraphs (2), (5), (7), (8) and (9) do not apply if –
- (a) the customer is assessed as posing higher risk of ML/FT; or
 - (b) the relevant person has identified any suspicious activity.
- (11) If the relevant person has identified any suspicious activity the relevant person must make an internal disclosure.

21 Transfer of a block of business

- (1) This paragraph applies where the relevant person (the “**purchaser**”) acquires a customer or group of customers from another relevant person (the “**vendor**”)
- (2) The acquired customer or group of customers constitutes a new business relationship for the purchaser and customer due diligence in respect of that new business relationship may be provided to the purchaser by the vendor, if each of the conditions in sub-paragraph (3) are met.
- (3) The conditions referred to in sub-paragraph (2) are -

- (a) the vendor is, or was —
 - (i) a regulated person;
 - (ii) a collective investment scheme (except for a scheme within the meaning of Schedule 3 (exempt schemes) to the Collective Investment Schemes Act 2008) where the manager or administrator of such a scheme is a regulated person, or where the vendor is an equivalent scheme in a jurisdiction in List C where the manager or administrator of that scheme is a person referred to in sub-head iv);
 - (iii) a designated business;
 - (iv) a person who acts in the course of external regulated business and who is —
 - (A) regulated under the law of a jurisdiction in List C; and
 - (B) subject to AML/CFT requirements and has procedures and controls that are at least equivalent to the Code,
 but does not solely carry on activities equivalent to either or both of Class 4 (corporate services) or Class 5 (trust services) under the Regulated Activities Order; and
- (b) the purchaser —
 - (i) has identified the customer and the beneficial owner of the customer (if any) and has no reason to doubt those identities;
 - (ii) undertakes a risk assessment of the customer and has not identified the customer as posing a higher risk of ML/FT;
 - (iii) knows the nature and intended purpose of the business relationship;
 - (iv) has taken reasonable measures to establish the source of funds;
 - (v) has not identified any suspicious activity; and
 - (vi) has put in place appropriate measures to remedy, in a timely manner, any deficiencies in the customer due diligence of the acquired customer or group of customers.

(4) Where a customer has been identified by the vendor or purchaser as posing a higher risk of ML/FT the purchaser must undertake its own enhanced customer due diligence in respect of that customer in accordance with paragraph 15.

PART 7 – REPORTING AND REGISTERS

22 Money Laundering Reporting Officer

- (1) A relevant person must appoint a Money Laundering Reporting Officer (“**MLRO**”) to exercise the functions required under paragraphs 24 and 26.
- (2) To be effective in the exercise of those functions an MLRO must —

- (a) be sufficiently senior in the organisation of the relevant person or have sufficient experience and authority;
- (b) have a right of direct access to the directors or as the case may be, partners, or the managing board of the relevant person; and
- (c) have sufficient time and resources to properly discharge the responsibilities of the position.

(3) A relevant person may appoint a Deputy Money Laundering Reporting Officer (“**Deputy MLRO**”) in order to exercise the functions required under paragraphs 24 and 26 in the MLRO’s absence.

23 Money Laundering Reporting Officer: insurers and insurance intermediaries

- (1) Without limiting paragraph 22, the MLRO of an insurer or insurance intermediary must -
 - (a) in the case of an insurer, an insurance intermediary registered under section 24 or an insurance manager registered under section 23 of the Insurance Act 2008, be resident in the Island;
 - (b) be treated as a principal control officer for the purposes of the notice required under section 29(1) of the Insurance Act 2008;
 - (c) retain responsibility for all external disclosures including where a branch or subsidiary is in another jurisdiction; and
 - (d) be sufficiently senior in the insurer or insurance intermediary’s organisation or have sufficient experience and authority including where the MLRO is not an employee of the insurer;⁷
- (2) Where an MLRO holds more than one appointment sub-paragraphs (1) (a), (b) and (d) apply to each appointment.

24 Reporting procedures

A relevant person must establish, record, maintain and operate reporting procedures and controls that -

- (a) enable all its directors or, as the case may be, partners, all other persons involved in its management, and all appropriate employees and workers to know to whom any suspicious activity is to be disclosed;
- (b) ensure that there is a clear reporting chain to the MLRO;

⁷ For example is part of an insurance manager

- (c) require an internal disclosure to be made to the MLRO if any information, or other matters that come to the attention of the person handling that business, are in that person's opinion suspicious activity;
- (d) ensure that the MLRO has full access to any other information that may be of assistance and that is available to the relevant person;
- (e) require the MLRO to consider internal disclosures in light of all other relevant information available to the MLRO for the purpose of determining whether the activity is, in the MLRO's opinion, suspicious activity; and
- (f) enable the information to be provided as soon as is practicable to the Financial Intelligence Unit as an external disclosure if the MLRO knows or suspects, or has reasonable grounds for knowing or suspecting, the activity is ML/FT.

25 Internal disclosures

Where a relevant person identifies any suspicious activity in the course of a business relationship or occasional transaction the relevant person must —

- (a) conduct enhanced customer due diligence in accordance with paragraph 15 unless the relevant person reasonably believes conducting enhanced customer due diligence will tip-off the customer; and
- (b) make an internal disclosure.

26 External disclosures

- (1) Where an internal disclosure has been made, the MLRO must assess the information contained within the disclosure to determine whether there are reasonable grounds for knowing or suspecting that the activity is related to ML/FT.
- (2) The MLRO must make an external disclosure to the Financial Intelligence Unit in accordance with the reporting procedures and controls established under paragraph 24 as soon as is practicable if the MLRO —
 - (a) knows or suspects; or
 - (b) has reasonable grounds for knowing or suspecting,
 that the activity is related to ML/FT.
- (3) If the MLRO is of the view that there are not reasonable grounds for knowing or suspecting that the activity is related to ML/FT, but the MLRO believes that it would assist the Financial Intelligence Unit in the exercise of any its functions, the MLRO may make a disclosure to the Financial

Intelligence Unit under section 24 of the Financial Intelligence Unit Act 2016.

- (4) A disclosure under sub-paragraph (3) does not breach –
 - (a) any obligation of confidence owed by the MLRO; or
 - (b) any other restriction on the disclosure of information (however imposed).

27 Registers of disclosures

- (1) A relevant person must establish and maintain separate registers of —
 - (a) all internal disclosures;
 - (b) all external disclosures and
 - (c) any other disclosures to the Financial Intelligence Unit.
- (2) The registers must include details of —
 - (a) the date on which the disclosure is made;
 - (b) the person who made the disclosure report;
 - (c) for internal disclosures, whether it is made to the MLRO or deputy MLRO;
 - (d) for external disclosures, the reference number supplied by the Financial Intelligence Unit; and
 - (e) information sufficient to identify any relevant papers or records.
- (3) The registers of disclosures required by sub-paragraph (1) may be contained in a single document if the details required to be included in those registers under sub-paragraph (2) can be presented separately for each type of disclosure on request by a competent authority.

28 Register of money laundering and financing of terrorism enquiries

- (1) A relevant person must establish and maintain a register of all ML/FT enquiries received by it from competent authorities.
- (2) The register must be kept separate from other records and include —
 - (a) the date of the enquiry;
 - (b) the nature of the enquiry;

- (c) the name and agency of the enquiring officer;
- (d) the powers being exercised; and
- (e) details of the accounts or transactions involved.

PART 8 – COMPLIANCE

29 Monitoring and testing compliance

(1) A relevant person must establish, record, maintain and operate appropriate procedures and controls for monitoring and testing compliance with the AML/CFT legislation, so as to ensure that —

- (a) the relevant person has robust and recorded arrangements for managing the risks identified by the business risk assessment carried out in accordance with paragraph 5;
 - (b) the operational performance of those arrangements is suitably monitored; and
 - (c) prompt action is taken to remedy any deficiencies in arrangements.
- (2) A report to the board of directors (if applicable) of the relevant person must be submitted, at least annually, describing –
- (a) the business' AML/CFT environment including any developments in relation to AML/CFT legislation;
 - (b) progress on any internal developments in relation the relevant person's policies and procedures and controls for AML/CFT;
 - (c) activities undertaken by the relevant person during the period covered by the report; and
 - (d) the results of any testing undertaken in sub-paragraph (1)
- (3) A relevant person must ensure there is a suitable person at management level to exercise the functions specified in this paragraph.
- (4) To be effective in the exercise of the functions the suitable person must –
- (a) be sufficiently senior in the organisation of the relevant person or have sufficient experience and authority;
 - (b) have a right of direct access to the directors or as the case may be partners, or the managing board of the relevant person; and

- (c) have sufficient time and resources to properly discharge the responsibilities of the position.

30 New staff appointments

A relevant person must establish, record, maintain and operate appropriate procedures and controls to enable the relevant person to satisfy itself of the integrity of new directors, officers or as the case may be, partners of the relevant person and of all new appropriate employees and workers.

31 Staff training

(1) A relevant person must provide or arrange education and training, including refresher training, at least annually, for –

- (a) all directors, officers or, as the case may be, partners;
- (b) any other persons involved in its senior management; and
- (c) appropriate employees and workers.

(2) The education and training referred to in sub-paragraph (1) must make those persons aware of –

- (a) the provisions of the AML/CFT legislation;
 - (b) any personal obligations in relation to the AML/CFT legislation;
 - (c) the reporting procedures and controls established under paragraph 24;
 - (d) the relevant person's policies and procedures and controls for AML/CFT as required by paragraph 4;
 - (e) the recognition and handling of unusual activity and suspicious activity;
 - (f) their personal liability for failure to report information or suspicions in accordance with internal procedures and controls, including the offence of tipping off; and
 - (g) new developments, including information on current techniques, methods and trends in ML/FT.
- (3) Where there have been significant changes to AML/CFT legislation, or the relevant person's policies and procedures, the relevant person must provide appropriate education and training to the persons referred to in sub-paragraph (1) within a reasonable timeframe.
- (4) The relevant person must maintain records which demonstrate compliance with this paragraph.

32 Record keeping

(1) A relevant person must keep —

- (a) a copy of the documents obtained or produced under Parts 3 to 6, and paragraph 37 (including identification information, account files, business correspondence records and the results of any analysis undertaken) or information that enables a copy of such documents to be obtained;
- (b) a record of all transactions carried out in the course of business in the regulated sector, including identification information, account files, business correspondence records and the results of any analysis undertaken; and
- (c) such other records as are sufficient to permit reconstruction of individual transactions and compliance with this Code.

33 Record retention

(1) In this paragraph a relevant person includes a former relevant person.

(2) A relevant person must keep the records required by this Code for at least the period specified in sub-paragraph (3) or (4)—

(3) In the case of records required by sub-paragraph 32(b), the records must be kept for a period of 5 years from the date of the completion of the transaction.

(4) In the case of records to which sub-paragraph (3) does not apply, the records must be kept for a period of 5 years beginning on the date on which —

- (a) all activities relating to an occasional transaction or a series of linked transactions were completed; or
- (b) in respect of other activities —
 - (i) the business relationship was formally ended; or
 - (ii) if the business relationship was not formally ended, when all activities relating to the relationship were completed.

(5) Without limiting sub-paragraph (1), if —

- (a) an external disclosure has been made to the Financial Intelligence Unit under paragraphs 24(f) and 26;
- (b) the relevant person knows or believes that a matter is under investigation by a competent authority; or

- (c) the relevant person becomes aware that a request for information or an enquiry is underway by a competent authority,

the relevant person must retain all relevant records for as long as required by the competent authority.

34 Record format and retrieval

- (1) In this paragraph a “relevant person” includes a former relevant person.
- (2) In the case of any records required to be established and maintained under this Code —
 - (a) if the records are in the form of hard copies kept in the Island, the relevant person must ensure that they are capable of retrieval without undue delay;
 - (b) if the records are in the form of hard copies kept outside the Island, the relevant person must ensure that the copies can be sent to the Island and made available within 7 working days; and
 - (c) if the records are not in the form of hard copies (such as records kept on a computer system), the relevant person must ensure that they are readily accessible in or from the Island and that they are capable of retrieval without undue delay.
- (3) A relevant person may rely on the records of a third party in respect of the details of payments and transactions by customers if it is satisfied that the third party will —
 - (a) produce copies of the records on request; and
 - (b) notify the relevant person if the third party is no longer able to produce copies of the records on request.

PART 9 – MISCELLANEOUS

35 Groups, foreign branches and subsidiaries

- (1) Where a relevant person is the head office of a group it must ensure the group has group wide programmes in respect of ML/FT which are applicable to all branches and subsidiaries of the group.
- (2) A relevant person must ensure that any branch or subsidiary in a jurisdiction outside the Island takes measures consistent with this Code and guidance issued by a competent authority for AML/CFT, to the extent permitted by that jurisdiction’s laws.

- (3) If the minimum measures for AML/CFT in such a jurisdiction differ from those required by the law of the Island, the relevant person must apply appropriate additional measures to manage the ML/FT risk and ensure that any branch or subsidiary in that jurisdiction applies the higher standard, to the extent permitted by that jurisdiction's laws.
- (4) A relevant person must inform the relevant competent authority within a reasonable timeframe when a branch or subsidiary is unable to take any of the measures referred to in sub-paragraphs (2) or (3) because it is prohibited by the laws of the jurisdiction concerned.
- (5) This paragraph applies where the branch or subsidiary is undertaking an activity which is equivalent to those activities which are included in Schedule 4 to the Proceeds of Crime Act 2008.

36 Shell entities

- (1) A relevant person must not –
 - (a) enter into or continue a business relationship; or
 - (b) carry out an occasional transaction;
with a shell bank or shell entity.
- (2) A relevant person must take adequate measures to ensure that –
 - (a) it does not enter into or continue a business relationship; or
 - (b) carry out an occasional transaction;
with a respondent institution that permits its accounts to be used by a shell bank or shell entity.

37 Correspondent services

- (1) This paragraph applies to a business relationship or an occasional transaction, which involves correspondent services or similar arrangements.
- (2) A relevant person must not enter into or continue a business relationship or carry out an occasional transaction to which this paragraph applies with a financial institution or designated business in another jurisdiction unless it is satisfied that the respondent institution or designated business does not permit its accounts to be used by shell banks or shell entities.
- (3) Before entering into a business relationship or carrying out an occasional transaction to which this paragraph applies, a relevant person must —
 - (a) obtain and document sufficient information about the respondent institution or designated business to fully understand and risk assess the nature of its business and its customer base;
 - (b) determine and document from publicly available information —

- (i) the reputation of the respondent institution or designated business;
 - (ii) the quality of the supervision to which it is subject;
 - (iii) whether it has been subject to investigation or regulatory action in respect of ML/FT; and
 - (vi) whether the respondent is included on the sanctions list.
- (c) assess and document the AML/CFT procedures and controls maintained by the respondent institution or designated business, and ascertain that they are adequate and effective;
- (d) ensure that the approval of the relevant person’s senior management is obtained; and
- (e) clearly understand and document the respective responsibilities of each institution including the relevant person and the respondent institution or designated business with respect to AML/CFT measures.
- (4) If a business relationship or occasional transaction to which this paragraph applies involves a payable-through account, a relevant person must be satisfied that the respondent institution or designated business —
- (a) has taken measures that comply with the requirements of the FATF Recommendations 10 and 11 (customer due diligence and record keeping) with respect to every customer having direct access to the account; and
 - (b) will provide the relevant person on request with relevant verification of the identity of the customer.
- (5) in this paragraph -
- “correspondent services”** means banking, money or value transfer services and other similar relationships provided by a financial institution in one jurisdiction (**“the correspondent institution”**) to a financial institution in another jurisdiction (**“the respondent institution”**);
- “payable-through account”** means an account maintained by a correspondent institution that may be operated directly by a customer of the respondent institution;

38 Fictitious, anonymous and numbered accounts

A relevant person must not set up or maintain an anonymous account, numbered account or an account in a name that it knows, or has reasonable cause to suspect, is fictitious for any new or existing customer.

39 Responding to customer due diligence requests - trustees

- (1) This paragraph applies to a person acting as a trustee, who is licenced under paragraph Class 5 of the Regulated Activities Order.
- (2) On request from a person to which sub-paragraph (2) applies, a trustee may disclose any information it holds relating to —
 - (a) the trust;
 - (b) the beneficiaries of the trust; and
 - (c) the assets of the trust.
- (3) This sub-paragraph applies to —
 - (a) a competent authority;
 - (b) where a trustee and designated business have a business relationship in relation to the trust, the designated business; and
 - (c) where a trustee and regulated persons have a business relationship in relation to the trust, the regulated person as defined in paragraph 3(1) excluding a person specified in paragraph (e) of that definition.
- (4) The power to disclose information under sub-paragraph (1) has effect despite any obligation as to confidentiality or other restriction on the disclosure of information imposed by statute, common law, contract or otherwise.

(4) A trustee of a relevant trust must maintain accurate and up-to-date records in writing regarding basic information on regulated agents of, and service providers to, the trust.

(5) A trustee must disclose its status when entering into a business relationship or carrying out an occasional transaction with a designated business or regulated person.

(6) In this paragraph –

“regulated agent” means a regulated person acting in relation to the trust on behalf of —

- (a) the settlor;
- (b) the trustee;
- (c) the protector (if any);
- (d) the beneficiaries; and
- (e) any other natural person exercising ultimate effective control over the trust; and

“service provider” means a person who provides services to the trustee in relation to the trust and includes —

- (a) a provider of investment advice; or

- (b) a provider of managerial services, accountancy services, tax advisory services, legal services, trust services or company services.

PART 10 – OFFENCES AND REVOCATIONS

40 Offences

- (1) A person who contravenes the requirements of this Code is guilty of an offence and liable —
 - (a) on summary conviction to custody for a term not exceeding 12 months or to a fine not exceeding level 5 on the standard scale, or to both;
 - (b) on conviction on information, to custody not exceeding 2 years or to a fine, or to both.
- (2) In determining whether a person has complied with any of the requirements of this Code, a court may take account of —
 - (a) any relevant supervisory or regulatory guidance given by a competent authority that applies to that person; or
 - (b) in a case where no guidance falling within head (a) applies, any other relevant guidance issued by a body that regulates, or is representative of, any trade, business, profession or employment carried on by that person.
- (3) In proceedings against a person for an offence under this paragraph, it is a defence for the person to show that it took all reasonable measures to avoid committing the offence.
- (4) If an offence under this paragraph is committed by a body corporate or foundation and it is proved that the offence —
 - (a) was committed with the consent or connivance of; or
 - (c) was attributable to neglect on the part of, an officer of the body, the officer, as well as the body, is guilty of the offence and liable to the penalty provided for it.
- (5) If an offence under this paragraph is committed by a partnership that does not have legal personality, or by an association other than a partnership or body corporate, and it is proved that the offence —
 - (a) was committed with the consent or connivance of; or
 - (b) was attributable to neglect on the part of,

a partner in the partnership or a person concerned in the management or control of the association, the partner or the person concerned, as well as the partnership or association, is guilty of the offence and liable to the penalty provided for it.

- (6) In this paragraph “officer” also includes —
- (a) a director, manager or secretary;
 - (b) a person purporting to act as a director, manager or secretary; and
 - (c) a member, if the affairs of the body are managed by its members.

42 Revocations

The following are revoked —

- (a) the Anti-Money Laundering and Countering the Financing of Terrorism Code 2015⁸ ;
- (b) the Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Code 2018⁹;
- (c) Insurance (Anti-Money Laundering Regulations) 2008¹⁰;
- (d) Guidance Notes on Anti-Money Laundering and Preventing the Financing of Terrorism for Insurers (Long-Term Business)¹¹.

MADE XXXX

NAME

Minister for Home Affairs

⁸ SD 2015/0102

⁹ SD 2018/0242

¹⁰ SD 144/08

¹¹ SD 2015/0316

EXPLANATORY NOTE

(This note is not part of the Code)

This Code revokes and replaces the Anti-Money Laundering and Terrorist Countering the Financing of Terrorism Code 2015 for businesses in the regulated sector other than those to which the Anti-Money Laundering and Countering the Financing of Terrorism (Gambling Code) 2019 and the Anti-Money Laundering and Countering the Financing of Terrorism (Specified Non-Profit Organisations) Code 2019 applies.

This Code is made jointly under section 157 of the Proceeds of Crime Act 2008 and section 68 of the Terrorism and Other Crime (Financial Restrictions) Act 2014. It contains provisions in line with the Financial Action Task Force's Recommendations on preventing money laundering and the financing of terrorism.

This Code also revokes the Insurance Anti-Money Laundering Regulations 2008 and Guidance Notes on Anti-Money Laundering and Preventing the Financing of Terrorism for Insurers (Long-Term Business) 2008. Where appropriate provisions specific to insurance business have been incorporated into this Code.

Failure to comply with the requirements of this Code is an offence for which this Code specifies the penalties. In addition section 157 of the Proceeds of Crime Act 2008 and section 68 of the Terrorism and Other Crime (Financial Restrictions) Act 2014 enable the Isle of Man Financial Services Authority to make regulations under which a civil penalty in respect of a contravention of this Code may be imposed.