
STATUTORY INSTRUMENTS

2017 No. 692

The Money Laundering, Terrorist Financing and Transfer
of Funds (Information on the Payer) Regulations 2017

PART 3

Customer Due Diligence

CHAPTER 3

Simplified customer due diligence

Application of simplified customer due diligence

37.—(1) A relevant person may apply simplified customer due diligence measures in relation to a particular business relationship or transaction if it determines that the business relationship or transaction presents a low degree of risk of money laundering and terrorist financing, having taken into account—

- (a) the risk assessment it carried out under regulation 18(1);
- (b) relevant information made available to it under regulations 17(9) and 47; and
- (c) the risk factors referred to in paragraph (3).

(2) Where a relevant person applies simplified customer due diligence measures, it must—

- (a) continue to comply with the requirements in regulation 28, but it may adjust the extent, timing or type of the measures it undertakes under that regulation to reflect its determination under paragraph (1); and
- (b) carry out sufficient monitoring of any business relationships or transactions which are subject to those measures to enable it to detect any unusual or suspicious transactions.

(3) When assessing whether there is a low degree of risk of money laundering and terrorist financing in a particular situation, and the extent to which it is appropriate to apply simplified customer due diligence measures in that situation, the relevant person must take account of risk factors including, among other things—

- (a) customer risk factors, including whether the customer—
 - (i) is a public administration, or a publicly owned enterprise;
 - (ii) is an individual resident in a geographical area of lower risk (see sub-paragraph (c));
 - (iii) is a credit institution or a financial institution which is—
 - (aa) subject to the requirements in national legislation implementing the fourth money laundering directive as an obliged entity (within the meaning of that directive), and
 - (bb) supervised for compliance with those requirements in accordance with section 2 of Chapter VI of the fourth money laundering directive;

- (iv) is a company whose securities are listed on a regulated market, and the location of the regulated market;
- (b) product, service, transaction or delivery channel risk factors, including whether the product or service is—
 - (i) a life insurance policy for which the premium is low;
 - (ii) an insurance policy for a pension scheme which does not provide for an early surrender option, and cannot be used as collateral;
 - (iii) a pension, superannuation or similar scheme which satisfies the following conditions—
 - (aa) the scheme provides retirement benefits to employees;
 - (bb) contributions to the scheme are made by way of deductions from wages; and
 - (cc) the scheme rules do not permit the assignment of a member's interest under the scheme;
 - (iv) a financial product or service that provides appropriately defined and limited services to certain types of customers to increase access for financial inclusion purposes in an EEA state;
 - (v) a product where the risks of money laundering and terrorist financing are managed by other factors such as purse limits or transparency of ownership;
 - (vi) a child trust fund within the meaning given by section 1(2) of the Child Trust Funds Act 2004⁽¹⁾;
 - (vii) a junior ISA within the meaning given by regulation 2B of the Individual Savings Account Regulations 1998⁽²⁾;
- (c) geographical risk factors, including whether the country where the customer is resident, established or registered or in which it operates is—
 - (i) an EEA state;
 - (ii) a third country which has effective systems to counter money laundering and terrorist financing;
 - (iii) a third country identified by credible sources as having a low level of corruption or other criminal activity, such as terrorism (within the meaning of section 1 of the Terrorism Act 2000⁽³⁾), money laundering, and the production and supply of illicit drugs;
 - (iv) a third country which, on the basis of credible sources, such as evaluations, detailed assessment reports or published follow-up reports published by the Financial Action Task Force, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development or other international bodies or non-governmental organisations—
 - (aa) has requirements to counter money laundering and terrorist financing that are consistent with the revised Recommendations published by the Financial Action Task Force in February 2012 and updated in October 2016; and
 - (bb) effectively implements those Recommendations.

(1) 2004 c.6.

(2) S.I. 1998/1870. Regulation 2B was inserted by S.I. 2011/1780.

(3) 2000 c.11.

(4) In making the assessment referred to in paragraph (3), relevant persons must bear in mind that the presence of one or more risk factors may not always indicate that there is a low risk of money laundering and terrorist financing in a particular situation.

(5) A relevant person may apply simplified customer due diligence measures where the customer is a person to whom paragraph (6) applies and the product is an account into which monies are pooled (the “pooled account”), provided that—

- (a) the business relationship with the holder of the pooled account presents a low degree of risk of money laundering and terrorist financing; and
- (b) information on the identity of the persons on whose behalf monies are held in the pooled account is available, on request to the relevant person where the pooled account is held.

(6) This paragraph applies to—

- (a) a relevant person who is subject to these Regulations under regulation 8;
- (b) a person who carries on business in an EEA state other than the United Kingdom who is—
 - (i) subject to the requirements in national legislation implementing the fourth money laundering directive as an obliged entity (within the meaning of that directive), and
 - (ii) supervised for compliance with those requirements in accordance with section 2 of Chapter VI of the fourth money laundering directive.

(7) In determining what simplified customer due diligence measures to take, and the extent of those measures, when paragraph (1) applies, credit institutions and financial institutions must also take account of any guidelines issued by the European Supervisory Authorities under Article 17 of the fourth money laundering directive.

(8) A relevant person must not continue to apply simplified customer due diligence measures under paragraph (1)—

- (a) if it doubts the veracity or accuracy of any documents or information previously obtained for the purposes of identification or verification;
- (b) if its risk assessment changes and it no longer considers that there is a low degree of risk of money laundering and terrorist financing;
- (c) if it suspects money laundering or terrorist financing; or
- (d) if any of the conditions set out in regulation 33(1) apply.