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Policy paper

Money laundering and terrorist financing (amendment) regulations 2019

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The money laundering and terrorist financing (amendment) regulations 2019 (MLRs) come into force on 10 January 2020, updating existing regulations.

HMRC will update guidance shortly to reflect the new regulations.

You should review the updated guidance so that you can continue to reduce the risk of your business being used to launder criminal money or finance terrorism, and remain compliant with the MLRs.

While all firms must be fully compliant with the new requirements from 10 January 2020, HMRC will take into account the short lead-in time businesses have had to implement all the new requirements in assessing the response to any non-compliance.

HMRC will assess each case on its own merits.

The key changes for HMRC customers are below.

1. Money service businesses and trust or company service providers who apply to register from 10 January 2020 will not be able to carry out relevant activity until HMRC has determined their application for registration.
2. HMRC will now supervise 2 new groups of businesses that are subject to the new anti-money laundering regulations. High value items can be a good way of hiding criminal proceeds and laundering money, so the regulations are being expanded to include businesses who are:

Letting agents which rent out property valued at 10,000 euros or more for a minimum of one calendar month, including both commercial and residential property - the online system for these letting agency businesses to register will open in May 2020.

Those in the art market who deal in sales, purchases, and storage of works of art with a value of 10,000 euros or more, whether this is for a single transaction or series of linked transactions, regardless of payment method used - art market participants can register via the online system from 10 January 2020.

Businesses must register by 10 January 2021.

Specific changes to the regulations that may affect your business include:

- regulation 11(d) provides an expanded definition of what a tax adviser is, which means anyone who provides support with tax matters will now come under the definition of an accountancy service provider
- regulation 13 (3) to (7) defines letting agency businesses
- regulation 14 defines what an art market participant is and what a 'work of art' is

- regulation 19 means that businesses need to carry out a money laundering risk assessment of new products, business practices, or technologies before they implement them
- regulation 20 sets out requirements in respect of business group-wide policies on the sharing of information about customers, customer accounts, and transactions for money laundering/terrorist financing purposes
- regulation 24 agents of money service business principals who are delivering the regulated business must receive relevant training from their principals
- regulation 26 (7)(b) sets out requirements to ensure individuals convicted of relevant offences do not act in key roles in regulated firms
- regulation 27 requires art market participants to apply customer due diligence measures on all transactions of 10,000 euros or more regardless of payment method
- regulation 27 sets out requirements for relevant persons to apply customer due diligence measures where there is a legal duty under the relevant international tax compliance regulations, or a duty to review information relevant to the risk assessment or beneficial ownership of the customer
- regulation 28 sets out requirements for measures to be taken to understand the ownership and control structure of persons, trusts and companies as a customer, and to verify the identity of senior managing officials responsible for managing corporate bodies, particularly when the beneficial owner cannot be identified
- regulation 28 sets out circumstances in which information may be regarded as being reliable and independent of the person providing it where it has been obtained by means of an electronic identification process
- regulation 30(a) sets out a requirement to check trust and company beneficial ownership registers before establishing a business relationship, and to report any discrepancies found to companies house
- regulation 33 sets out requirements to apply enhanced due diligence, explains what a 'relevant person' is, and what 'being established' means
- regulation 33 extends the factors a responsible person must consider when assessing the risk of money laundering to include whether the customer is third country national applying for residency rights in an EEA state
- regulation 33 extends 'risky' products to include oil, arms, precious metals and tobacco
- regulation 38 reduces the threshold for which low risk electronic money products can be exempt from customer due diligence from 250 euros to 150 euros
- regulation 56 explains that money service business and trust or company service businesses who apply to register from 10 January 2020 will not be able to carry out relevant activity until they are registered with HMRC