

# ANTI-MONEY LAUNDERING COMPLIANCE MANUAL TEMPLATE

[COMPANY'S NAME] [LIMITED/LLP]

DATE: [date] [2022/2023]

## NOTES:

- This anti-money laundering (“**AML**”) compliance manual template can be used by businesses subject to the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (the “**MLR**”) including:
  - credit institutions;
  - financial institutions;
  - auditors, insolvency practitioners, external accountants and tax advisers;
  - independent legal professionals;
  - trust or company service providers;
  - estate agents and letting agents;
  - high value dealers;
  - casinos;
  - art market participants;
  - cryptoasset exchange providers; and
  - custodian wallet providers.
- This template was last updated by FSREG on 1 January 2023.

***[This document is a preview only. To purchase the full template, please visit: <https://fsreg.com/aml-compliance-manual/>]***

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## INTRODUCTION

This AML manual (the “**Manual**”) summarises the main rules, policies and procedures that apply to [company’s name] [Limited/LLP] (the “**Firm**”) under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (the “**MLR**”).

It also provides in the Appendix template KYC forms to carry on customer due diligence (“**CDD**”) on the Firm’s customers.

The Firm’s staff must read this Manual carefully and comply with its provisions at all times. In case of doubt, the Firm’s compliance officer ([INSERT NAME]) (the “**Compliance Officer**”) must be consulted.

This Manual is not intended to be comprehensive and should not be used as a substitute for reading the full rules and guidance contained in the MLR and any other laws and regulations that apply to the Firm.

This version of the Manual was approved by the [directors/managing members] of the Firm on [INSERT DATE].

Any reference in this Manual to a “**Regulation**” is a reference to the relevant regulation contained in the MLR, the current version of which can be found at the following link: <https://www.legislation.gov.uk/ukxi/2017/692>.

Any reference in this Manual to a “**Schedule**” is a reference to the relevant schedule contained in the MLR.

# CHAPTER 1 – APPLICATION AND DEFINITIONS

## 1.1 APPLICATION

The Firm is subject to the MLR because it is a “relevant person” acting in the course business in the United Kingdom.

The Firm is a “relevant person” because it:

- (1) is a [DELETE ALL THAT DO NOT APPLY - credit institution; financial institution; auditor, insolvency practitioner, external accountant and tax adviser; independent legal professional; trust or company service provider; estate agent and letting agent; high value dealer; casino; art market participant; cryptoasset exchange provider; custodian wallet provider]; and
- (2) does not come within the exclusions set out in Regulation 15 (Exclusions) which, among other things, excludes the application of the MLR to persons engaging in financial activity only “on an occasional or very limited basis”.

For the above purposes, [DELETE ALL THAT DO NOT APPLY:

- (1) a “credit institution” is defined in summary as:
  - (a) a credit institution as defined in Article 4.1(1) of the capital requirements regulation; or
  - (b) a branch (as defined by Article 4.1(17) of that regulation) located in the United Kingdom of an institution falling within sub-paragraph (a) (or an equivalent institution whose head office is located in a third country) wherever the institution's head office is located, when it accepts deposits or other repayable funds from the public or grants credits for its own account (within the meaning of the capital requirements regulation), or when it bids directly in auctions in accordance with the emission allowance auctioning regulation or the UK auctioning regulations on behalf of its clients.<sup>1</sup>
- (2) a “financial institution” is defined in summary as:
  - (a) an undertaking, including a money service business, other than an institution referred to in Regulation 10(3) (Credit institutions and financial institutions) when the undertaking carries out one or more listed activity;
  - (b) an authorised person (within the meaning of section 31 of FSMA), who has permission under Part 4A of FSMA to carry out or effect contracts of insurance, when carrying out or effecting any contract of long-term insurance (an “insurance undertaking”);
  - (c) a person (other than a person falling within one of the exclusions to the definition of “investment firm” in article 3(1) of the Regulated Activities Order), whose regular occupation or business is the provision to other persons of an investment service or the performance of an investment activity on a professional basis, when:
    - (i) providing investment services or performing investment activities (within the meaning of that article); or
    - (ii) bidding directly in auctions in accordance with the emission allowance auctioning regulation or the UK auctioning regulations on behalf of its clients;

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<sup>1</sup> Regulation 10 (Credit institutions and financial institutions).

- (d) a person falling within paragraph 1(k) of Part 1 of Schedule 3 to the Regulated Activities Order, when bidding directly in auctions in accordance with the emission allowance auctioning regulation or the UK auctioning regulation on behalf of clients of the person's main business;
  - (e) a collective investment undertaking, when marketing or otherwise offering its units or shares;
  - (f) an insurance intermediary as defined in Article 2.5 of Directive 2002/92/EC of the European Parliament and of the Council of 9th December 2002 on insurance mediation, with the exception of a tied insurance intermediary as mentioned in Article 2.7 of that Directive, when it acts in respect of contracts of long-term insurance;
  - (g) a branch located in the United Kingdom of a person referred to in sub-paragraphs (a) to (f) (or an equivalent person whose head office is located in a third country), wherever the person's head office is located, when carrying out any activity mentioned in sub-paragraphs (a) to (f);
  - (h) the National Savings Bank;
  - (i) the Director of Savings, when money is raised under the auspices of the Director under the National Loans Act 1968.
- (3) an “auditor” is defined in summary as any firm or individual who is:
- (a) a statutory auditor within the meaning of Part 42 of the Companies Act 2006 (statutory auditors), when carrying out statutory audit work within the meaning of section 1210 of that Act (meaning of statutory auditor); or
  - (b) a local auditor within the meaning of section 4(1) of the Local Audit and Accountability Act 2014 (general requirements for audit), when carrying out an audit required by that Act.<sup>2</sup>
- (4) an “insolvency practitioner” is defined in summary as any firm or individual who acts as an insolvency practitioner within the meaning of section 388 of the Insolvency Act 1986 or article 3 of the Insolvency (Northern Ireland) Order 1989.
- (5) an “external accountant” is defined in summary as a firm or sole practitioner who by way of business provides accountancy services to other persons, when providing such services.
- (6) a “tax adviser” is defined in summary as a firm or sole practitioner who by way of business provides material aid, or assistance or advice, in connection with the tax affairs of other persons, whether provided directly or through a third party, when providing such services.
- (7) an “independent legal professional” is defined in summary as a firm or sole practitioner who by way of business provides legal or notarial services to other persons, when participating in financial or real property transactions concerning:
- (a) the buying and selling of real property or business entities;
  - (b) the managing of client money, securities or other assets;
  - (c) the opening or management of bank, savings or securities accounts;
  - (d) the organisation of contributions necessary for the creation, operation or management of companies; or

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<sup>2</sup> Regulation 11 (Auditors and others).

- (e) the creation, operation or management of trusts, companies, foundations or similar structures,

and, for this purpose, a person participates in a transaction by assisting in the planning or execution of the transaction or otherwise acting for or on behalf of a client in the transaction.<sup>3</sup>

- (8) a “trust or company service provider” is defined in summary as a firm or sole practitioner who by way of business provides any of the following services to other persons, when that firm or practitioner is providing such services:
  - (a) forming companies or other legal persons;
  - (b) acting, or arranging for another person to act:
    - (i) as a director or secretary of a company;
    - (ii) as a partner of a partnership; or
    - (iii) in a similar capacity in relation to other legal persons;
  - (c) providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or legal arrangement;
  - (d) acting, or arranging for another person to act, as:
    - (i) a trustee of an express trust or similar legal arrangement; or
    - (ii) a nominee shareholder for a person other than a company whose securities are listed on a regulated market.
- (9) an “estate agent” is defined in summary as a firm or a sole practitioner, who, or whose employees, carry out estate agency work, when the work is being carried out.<sup>4</sup>
- (10) a “letting agent” is defined in summary as a firm or sole practitioner who, or whose employees, carry out letting agency work, when carrying out such work.
- (11) a “high value dealer” is defined in summary as a firm or sole trader who by way of business trades in goods (including an auctioneer dealing in goods), when the trader makes or receives, in respect of any transaction, a payment or payments in cash of at least 10,000 euros in total, whether the transaction is executed in a single operation or in several operations which appear to be linked.<sup>5</sup>
- (12) a “casino” is defined in summary as the holder of a casino operating licence and, for this purpose, a “casino operating licence” has the meaning given by section 65(2)(a) of the Gambling Act 2005 (nature of licence).
- (13) an “art market participant” is defined in summary as a firm or sole practitioner who:
  - (a) by way of business trades in, or acts as an intermediary in the sale or purchase of, works of art and the value of the transaction, or a series of linked transactions, amounts to 10,000 euros or more; or
  - (b) is the operator of a freeport when it, or any other firm or sole practitioner, by way of business stores works of art in the freeport and the value of the works of art so stored for a person, or a series of linked persons, amounts to 10,000 euros or more.

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<sup>3</sup> Regulation 12 (Independent legal professionals and trust or company service providers).

<sup>4</sup> Regulation 13 (Estate agents and letting agents).

<sup>5</sup> Regulation 14 (High value dealers, casinos, auction platforms and art market participants).

- (14) a “cryptoasset exchange provider” is defined in summary as a firm or sole practitioner who by way of business provides one or more of the following services, including where the firm or sole practitioner does so as creator or issuer of any of the cryptoassets involved, when providing such services:
- (a) exchanging, or arranging or making arrangements with a view to the exchange of, cryptoassets for money or money for cryptoassets;
  - (b) exchanging, or arranging or making arrangements with a view to the exchange of, one cryptoasset for another; or
  - (c) operating a machine which utilises automated processes to exchange cryptoassets for money or money for cryptoassets.<sup>6</sup>
- (15) a “custodian wallet provider” is defined in summary as a firm or sole practitioner who by way of business provides services to safeguard, or to safeguard and administer:
- (a) cryptoassets on behalf of its customers; or
  - (b) private cryptographic keys on behalf of its customers in order to hold, store and transfer cryptoassets,
- when providing such services.]

Under Regulation 15(3), a person is to be considered as engaging in financial activity “on an occasional or very limited basis” if all the following conditions are met:

- (1) the person's total annual turnover in respect of the financial activity does not exceed £100,000;
- (2) the financial activity is limited in relation to any customer to no more than one transaction exceeding 1,000 euros, whether the transaction is carried out in a single operation, or a series of operations which appear to be linked;
- (3) the financial activity does not exceed 5% of the person's total annual turnover;
- (4) the financial activity is ancillary and directly related to the person's main activity;
- (5) the financial activity is not the transmission or remittance of money (or any representation of monetary value) by any means;
- (6) the person's main activity is not that of a person falling within Regulation 8(2)(a) to or (h) to (k) (Application); and
- (7) the financial activity is provided only to customers of the main activity of the person and is not offered to the public.

## 1.2 CARRYING ON BUSINESS IN THE UNITED KINGDOM

The Firm is regarded as carrying on business in the United Kingdom because it [LIST ALL RELEVANT FACTORS SUCH AS “has its registered office and head office in the UK and most of its customers are based in the UK.”]

*[Please note Regulation 9 (Carrying on business in the United Kingdom)<sup>7</sup> which states that a relevant person (“A”) is to be regarded as carrying on business in the United Kingdom in the following two cases even if A would not otherwise be regarded as doing so:*

- (1) *the first case is where:*

<sup>6</sup> Regulation 14A (Cryptoasset exchange providers and custodian providers).

<sup>7</sup> Regulation 9 (Carrying on a business in the United Kingdom).



- (a) *A's registered office (or if a does not have a registered office, A's head office) is in the United Kingdom; and*
  - (b) *the day-to-day management of the carrying on of A's business is the responsibility of (i) that office, or (ii) another establishment maintained by A in the United Kingdom.*
- (2) *the second case is where:*
  - (a) *A is a casino which provides facilities for remote gambling; and*
  - (b) *either (i) at least one piece of remote gambling equipment is situated in Great Britain, or (ii) no such equipment is situated in Great Britain but the facilities provided by a are used there.]*

### **1.3 SUPERVISORY AUTHORITIES**

The Firm's supervisory authority/authorities is/are: [PLEASE DELETE AS APPROPRIATE –

- (1) the Financial Conduct Authority (the “**FCA**”);
- (2) His Majesty's Revenue and Customs (“**HMRC**”);
- (3) the following professional bodies [SEE THE LIST CONTAINED IN MLR SCHEDULE 1]

## CHAPTER 2 – RISK ASSESSMENT AND CONTROLS

### 2.1 GENERAL RISK ASSESSMENT

The Firm must take appropriate steps to identify and assess the risks of money laundering and terrorist financing to which its business is subject.

In carrying out this risk assessment, the Firm must take into account:

- (1) information made available to them by the supervisory authority under Regulations 17(9) (Risk assessment by supervisory authorities) and 47 (Duties of supervisory authorities: information); and
- (2) risk factors including those relating to:
  - (a) its customers;
  - (b) the countries or geographic areas in which it operates;
  - (c) its products or services;
  - (d) its transactions; and
  - (e) its delivery channels.

In deciding what steps are appropriate, the Firm must take into account the size and nature of its business.

The Firm must keep an up-to-date record in writing of all the steps it has taken, unless its supervisory authority notifies it in writing that such a record is not required.

The Firm must provide the risk assessment it has prepared, the information on which that risk assessment was based and any record required to be kept, to its supervisory authority on request.<sup>8</sup>

The Firm last conducted its risk assessment on [DATE]. A summary of the Firm's risk assessment is as follows:

- (a) main risk factors relating to the Firm's customers: [FIRM TO COMPLETE E.G. POLITICALLY EXPOSED PERSONS, NON-FACE TO FACE INVESTORS, ETC.];
- (b) main risk factors relating to the countries or geographic areas in which the Firm operates: [FIRM TO COMPLETE E.G. NON-EU COUNTRIES];
- (c) main risk factors relating to the Firm's products or services: [FIRM TO COMPLETE E.G. INVESTMENTS, HIGH-VALUE ITEMS, CRYPTOCURRENCY, ETC.];
- (d) main risk factors relating to the Firm's transactions: [FIRM TO COMPLETE E.G. CASH TRANSACTIONS, MULTI-JURISDICTIONAL TRANSACTIONS, ETC.]; and
- (e) main risk factors relating to the Firm's delivery channels: [FIRM TO COMPLETE E.G. NON-FACE TO FACE, TELEPHONE/INTERNET ONLY, ETC.].

### 2.2 RISK ASSESSMENT IN RELATION TO PROLIFERATION FINANCING

The Firm must take appropriate steps to identify and assess the risks of proliferation financing to which its business is subject.

"Proliferation financing" is defined for these purposes as the act of providing funds or financial services for use in the manufacture, acquisition, development, export, trans-shipment, brokering, transport, transfer, stockpiling of, or otherwise in connection with the possession or use of, chemical, biological, radiological or nuclear weapons, including the provision of funds or financial services in connection with

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<sup>8</sup> Regulation 18 (Risk assessment by relevant persons).