

News

Carry out proper due diligence on clients in high-risk countries

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HM Treasury amended the money laundering regulations on 29 March 2022 in order to implement a new list of high-risk third countries (schedule 3ZA). The full list can be found on the Government's website [<https://www.legislation.gov.uk/uksi/2021/392/made>] . This change reflects the Financial Action Task Force's updated list of monitored jurisdictions that are required to make improvements to their AML regimes.

The current list has been expanded to include the United Arab Emirates. The United Arab Emirates are Abu Dhabi, Dubai, Sharjah, Umm al Quwain, Fujairah, Ajman and Ras al Khaimah.

For clients or counter parties 'established in' these and other listed countries, you must undertake enhanced due diligence in compliance with specific requirements set out in regulation 33(3A) of the regulations. The Legal Sector Affinity Group Anti-Money Laundering Guidance [<https://www.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lsg-aml-guidance.pdf?version=496f8e>] (section 16.8.2) defines these measures as obtaining;

- additional information on the client and on the client's beneficial owner
- additional information on the intended nature of the business relationship
- information on the source of funds and the source of wealth of the client and the client's beneficial owner
- information on the reasons for the transactions
- the approval of senior management for establishing or continuing the business relationship
- conducting enhanced monitoring of the business relationship including increasing the frequency and number of checks or other controls applied; and selecting patterns of transactions that trigger a requirement of further explanation to your practice.

Group-wide controls

Regulation 20(3) also requires firms to ensure their third-country branches and subsidiaries in countries with weaker AML requirements than the UK apply measures equivalent to those in the UK.

Regulation 33(1)(b) and 20(3) taken together create a requirement for firms to ensure any of their branches or subsidiaries based in countries set out in schedule 3ZA apply measures equivalent to the enhanced customer due diligence measures set out in regulation 33(3A) that the branch or subsidiary would be required to implement were they based in the UK.