



HM TREASURY

Money Laundering Regulations 2007

AN INFORMATION SHEET FOR FIRMS

- This is a very simple summary of the rules.
- If you are a firm with questions about what the rules mean for you, you should contact your anti-money laundering supervisor or refer to relevant guidance from bodies such as the Joint Money Laundering Steering Group.
- If you are member of the public with detailed questions about the application of the Regulations contact the firm involved or write to HM Treasury

New anti-money laundering regulations will take effect in the UK on 15th December 2007.

This information sheet is designed primarily for firms, and summarises the changes that the new regulations will introduce. This sheet explains the purpose of the anti-money laundering Regulations, explains why they are changing, and sets out sources of further information.

Why do we have anti-money laundering Regulations in the UK?

The UK faces serious and ever changing threats from crime and terrorism, and finance is the lifeblood of both. Our strategy is to detect, disrupt and deter crime and terrorism through a range of strategies, including measures to restrict criminal access to the financial system.

The UK is part of a wider international effort to meet these challenges, and participates in international talks to make sure the rules remain effective. New international recommendations were issued in 2003, and in turn the European Union adopted the Third Money Laundering Directive. The Government is now implementing new Regulations in the UK to give effect to the European Directive.

What are the rules?

The Money Laundering Regulations require firms to put preventative measures in place. They require firms to ensure that they know their customers (including conducting customer identification and verification and undertake ongoing monitoring where applicable), to keep records of identity and to train their staff on the requirements of the Regulations. The Proceeds of Crime Act 2002 and the Terrorism Act 2000 provide the criminal offences of money laundering and terrorist financing and impose obligations on firms and individuals to report suspicions of money laundering or terrorist financing.

What is changing?

In summary the new Regulations:

- provide more detailed obligations regarding customer due diligence, for example, explicit requirements for firms to undertake ongoing monitoring of business relationships and for firms to identify not just the customer but the beneficial owner of the customer;
- require firms to vary customer due diligence and monitoring according to the risk of money laundering or terrorist financing;
- require firms to take enhanced customer due diligence measures in higher risk situations, while allowing firms to take reduced identification measures for specific situations with a lower risk of money laundering;
- allow firms to rely on certain other firms for undertaking customer identification; and
- clarify the arrangements for the supervision of firms, including those that will be supervised for the first time.

Which businesses are covered?

Most UK financial firms (banks, building societies, money transmitters, bureaux de change, cheque cashers, savings and investment firms) are covered. In addition the Regulations cover legal professionals (when undertaking some activities) accountants, tax advisers, auditors, insolvency practitioners, estate agents, casinos, high value dealers when dealing in goods worth over 15,000 Euro and trust or company service providers.

WANT TO KNOW MORE?

This is a very simple introduction to the subject. If you want to know more about the Government's commitment to fighting money laundering and tackling the financing of terrorism you can read a report called "The financial challenge to crime and terrorism" published by HM Treasury and others in February 2007. The report provides the background to the challenges we face, explains the framework for action and sets out our shared priorities for the five years up to 2012. It is available from the Treasury website, www.hm-treasury.gov.uk

Industry guidance

HM Treasury will be working with many other organisations, including supervisory authorities and trade bodies, to build on the existing money laundering guidance for firms. The courts and supervisory bodies will take into account a firm's compliance with any Treasury approved guidance.

I'm a business that might be affected by the new Regulations – what should I do?

You should contact your money laundering supervisor. You may have to register and possibly pay a fee. There are civil and criminal penalties for firms that don't register when they should, and for other offences or failures to comply with the rules.

If you are a member of a trade association or professional body they should be able to help you.

Useful contacts

These are some of the main regulators and professional bodies concerned. Remember, if you are a firm and need to be supervised for the first time you should contact your money-laundering supervisor.

Financial Services Authority (FSA) – for financial firms etc - visit

http://www.fsa.gov.uk/Pages/About/What/financial_crime/money_laundering/3mld/index.shtml

Queries from firms – FSA Firm Contact Centre – 0845 606 9966

Queries from consumers – FSA Consumer Contact Centre – 0845 606 1234

Queries on the scope of the FSA's new functions – moneylaunderingregulations@fsa.gov.uk

Gambling Commission – for casinos - visit <http://www.gamblingcommission.gov.uk>

HM Revenue and Customs (HMRC) – for money service bureau, high value dealers, accounting service professionals and trust and company service providers- visit <http://www.hmrc.gov.uk/mlr>. National Advice Service (0845 010 9000)

OFT- for consumer credit firms, estate agents – visit

http://oft.gov.uk/oft_at_work/markets/services/money-laundering

Certain accountancy bodies, the Solicitors Regulatory Authority and the Bar Council, (and their equivalents throughout the UK), also act as supervisory bodies. The full list of supervisory bodies is in the Regulations.

WARNING - PENALTIES

If you are a firm that should be supervised for money laundering purposes and fail to comply with the rules you may be liable to civil or criminal penalties.

IF YOU SUSPECT MONEY LAUNDERING OR TERRORIST FINANCING

Please see the following website which gives advice on submitting suspicious activity reports. <http://www.soca.gov.uk/financialIntel/suspectActivity.html>

The anti-money laundering unit of HM Treasury has produced this summary.