



**MONEY LAUNDERING &
THE FINANCING OF TERRORISM**

**GUIDELINES FOR FINANCIAL
INSTITUTIONS**

Update

[ISSUED 18 MAY 2010]

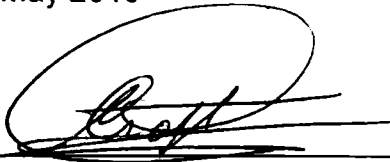
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NOTICE

To All Financial Institutions: TAKE NOTICE that pursuant to the powers of the Director of ONDCP under section 43 of the Prevention of Terrorism Act 2005 and the Supervisory Authority under section 11(vii) of the Money Laundering (Prevention) Act 1996, the Money Laundering & Financing of Terrorism Guidelines are hereby updated by the amendment annexed hereto.

This amendment addresses the issue of the utilization of the business relationship prior to verification of identity.

18 May 2010

A handwritten signature in black ink, appearing to read 'Croft', is written over a horizontal line. The signature is stylized and includes a large loop at the beginning.

Lt. Col. Edward Croft,
Director of ONDCP and
Supervisory Authority under the
Money Laundering (Prevention) Act 1996

ANNEX

AMENDMENT

The Money Laundering and Financing of Terrorism Guidelines, which may be referred to herein as the MLFTG or ML/FTG are hereby amended as follows:

1. In Part I of the MLFTG, paragraph 2.1.14A is repealed and replaced with the following:

“2.1.14A (1) Regulation 4(3)(c) of the Money Laundering (Prevention) Regulations 2007 (as amended) provides for transactions to proceed where satisfactory evidence of identity has not been obtained provided it is in accordance with a direction from the Supervisory Authority.

(2) Financial institutions should note carefully, that where a business relationship or one-off transaction has commenced but satisfactory evidence of identity has not yet been obtained, then if a situation is involved ***where it is essential not to interrupt the normal conduct of business***, the financial institution may permit the customer to utilise the business relationship prior to the identification of the customer or beneficial owner provided that:

- (a) verification occurs as soon as reasonably practicable;
- (b) a clear statement as to why the financial institution considers that a situation is involved *where it is essential not to interrupt the normal conduct of business* is recorded and kept as a financial transaction document;
- (c) the money laundering risks are effectively managed by the financial institution in accordance with established risk management principles and documented decisions that set out the conditions under which utilization of the business relationship may occur. (See also ML/FTG Part II, Chapter 1, paragraph 1.3);
- (d) the risk management procedures include a set of measures:
 - a. that limit
 - (i) the number of transactions that can be carried out;
 - (ii) the types of transactions that can be carried out;
 - (iii) the amounts involved in transactions that can be carried out;
 - b. that require the monitoring of large or complex transactions being conducted outside of expected norms for the type of relationship involved;
 - (c) the financial institution has obtained from the customer information on the customer's:
 - (i) name
 - (ii) address

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- (iii) date of birth
- (iv) place of birth.

(3) Situations where it may be essential not to interrupt the normal conduct of business are:

(a) Life insurance business in relation to identification of the beneficiary under the policy. Identification and verification should take place in all cases at or before the payout or the time when the beneficiary intends to exercise vested rights under the policy.

(b) Securities transactions, where it is required to perform transactions very rapidly according to market conditions at the time the customer is contacting the financial institution, and performance of transaction is required before verification of identity is completed;

(c) Non face-to-face business.”