
STATUTORY INSTRUMENTS

2017 No. 692

**The Money Laundering, Terrorist Financing and Transfer
of Funds (Information on the Payer) Regulations 2017**

PART 3

Customer Due Diligence

CHAPTER 2

Enhanced customer due diligence

Enhanced customer due diligence: credit institutions, financial institutions and correspondent relationships

34.—(1) A credit institution or financial institution (the “correspondent”) which has or proposes to have a correspondent relationship with another such institution (the “respondent”) from a third country must, in addition to the measures required by regulation 33—

- (a) gather sufficient information about the respondent to understand fully the nature of its business;
- (b) determine from publicly-available information from credible sources the reputation of the respondent and the quality of the supervision to which the respondent is subject;
- (c) assess the respondent's controls to counter money laundering and terrorist financing;
- (d) obtain approval from senior management before establishing a new correspondent relationship;
- (e) document the responsibilities of the respondent and correspondent in the correspondent relationship; and
- (f) be satisfied that, in respect of those of the respondent's customers who have direct access to accounts with the correspondent, the respondent—
 - (i) has verified the identity of, and conducts ongoing customer due diligence measures in relation to, such customers; and
 - (ii) is able to provide to the correspondent, upon request, the documents or information obtained when applying such customer due diligence measures.

(2) Credit institutions and financial institutions must not enter into, or continue, a correspondent relationship with a shell bank.

(3) Credit institutions and financial institutions must take appropriate enhanced measures to ensure that they do not enter into, or continue, a correspondent relationship with a credit institution or financial institution which is known to allow its accounts to be used by a shell bank.

(4) For the purposes of this regulation—

- (a) “correspondent relationship” means—

Status: Point in time view as at 26/06/2017. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, Section 34. (See end of Document for details)

- (i) the provision of banking services by a correspondent to a respondent including providing a current or other liability account and related services, such as cash management, international funds transfers, cheque clearing, providing customers of the respondent with direct access to accounts with the correspondent (and vice versa) and providing foreign exchange services; or
 - (ii) the relationship between and among credit institutions and financial institutions including where similar services are provided by a correspondent to a respondent, and including relationships established for securities transactions or funds transfers;
- (b) a “shell bank” means a credit institution or financial institution, or an institution engaged in equivalent activities to those carried out by credit institutions or financial institutions, incorporated in a jurisdiction in which it has no physical presence involving meaningful decision-making and management, and which is not part of a financial conglomerate or third-country financial conglomerate;
- (c) in sub-paragraph (b), “financial conglomerate” and “third-country financial conglomerate” have the meanings given by regulations 1(2) and 7(1) respectively of the Financial Conglomerates and Other Financial Groups Regulations 2004 ^{M1}.

Marginal Citations

M1 [S.I. 2004/1862](#), to which there are amendments not relevant to these Regulations.

Status:

Point in time view as at 26/06/2017. This version of this provision has been superseded.

Changes to legislation:

There are currently no known outstanding effects for the The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, Section 34.