



FINANCIAL CRIME MODULE

CONSULTATION



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MODULE	FC: Financial Crime
CHAPTER	FC-1: Customer Due Diligence Requirements

FC-1.7 ~~Introduced Business from Professional Intermediaries~~ [This Section was deleted in XX 2023]

FC-1.7.1

~~A licensee may only accept customers introduced to it by other financial institutions or intermediaries, if it has satisfied itself that the introducer concerned is subject to FATF equivalent measures and customer due diligence measures. Where licensees delegate part of the customer due diligence measures to an introducer, the responsibility for meeting the requirements of Chapters 1 and 2 remains with the licensee, not the introducer.~~

FC-1.7.2

~~Licensees may only accept introduced business if all of the following conditions are satisfied:~~

- ~~(a) The customer due diligence measures applied by the introducer are consistent with those required by the FATF 40 + 9 Recommendations;~~
- ~~(b) A formal agreement is in place defining the respective roles of the licensee and the introducer in relation to customer due diligence measures. The agreement must specify that the customer due diligence measures of the introducer will comply with the FATF 40 + 9 Recommendations;~~
- ~~(c) The introducer is able to provide all relevant data pertaining to the customer's identity, the identity of the customer and beneficial owner of the funds and, where applicable, the party/parties on whose behalf the customer is acting; also, the introducer has confirmed that the licensee will be allowed to verify the customer due diligence measures undertaken by the introducer at any stage; and~~
- ~~(d) Written confirmation is provided by the introducer confirming that all customer due diligence measures required by the FATF 40 + 9 Recommendations have been followed and the customer's identity established and verified. In addition, the confirmation must state that any identification documents or other customer due diligence material can be accessed by the licensee and that these documents will be kept for at least five years after the business relationship has ended.~~

FC-1.7.3

~~The licensee must perform periodic reviews ensuring that any introducer on which it relies is in compliance with the FATF 40 + 9 Recommendations. Where the introducer is resident in another jurisdiction, the licensee must also perform periodic reviews to verify whether the jurisdiction is in compliance with the FATF 40 + 9 Recommendations.~~



MODULE	FC: Financial Crime
CHAPTER	FC-1: Customer Due Diligence Requirements

FC-1.7 Introduced Business from Professional Intermediaries (continued)

FC-1.7.4

~~Should the licensee not be satisfied that the introducer is in compliance with the requirements of the FATF 40 + 9 Recommendations, the licensee must conduct its own customer due diligence on introduced business, or not accept further introductions, or discontinue the business relationship with the introducer.~~



MODULE	FC: Financial Crime
CHAPTER	FC-1: Customer Due Diligence Requirements

FC-1.11 Reliance on Third Parties for Customer Due Diligence

FC-1.11.1 The measures stipulated in this Section apply to licensees placing reliance on the CDD measures performed by a third party regulated financial institution. The third-party financial institution will usually have an existing business relationship with the customer which is independent from the relationship to be formed by the customer with the licensee and the third party would apply its own procedures to perform the CDD measures. This is different from an outsourcing relationship in which the outsourced entity is subject to the licensee's control and direction for the effective implementation of the CDD procedures in accordance with the procedures prescribed by the licensee.

FC-1.11.2 Licensees may rely on a third party, which is either a CBB licensee or an overseas financial institution which is regulated for compliance with FATF standards, in order to perform the following elements of customer due diligence (CDD) measures or to introduce business:

- (a) Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information;
- (b) Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner, such that the licensee is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this includes the licensee understanding the ownership and control structure of the customer; and
- (c) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship.

FC-1.11.3 In case of such reliance on third parties, the ultimate responsibility for compliance with the CDD measures remains with the licensee. In addition, reliance cannot be placed on third parties for EDD measures, however, the licensee may have arrangements with them to obtain the necessary documentation or information.

FC-1.11.4 Licensees must ensure that its AML/CFT policies and procedures adequately address specific requirements for reliance on third parties for conducting CDD in compliance with this Section. Licensees must conduct periodic reviews of the arrangements with third parties to ensure compliance with the requirements in this Section.



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CHAPTER	FC-1: Customer Due Diligence Requirements

FC-1.11 Reliance on Third Parties for Customer Due Diligence

FC-1.11.5 Licensees that rely on a third-party financial institutions for conducting CDD must ensure that the following criteria are met:

- (a) Licensees must immediately obtain the necessary information concerning the elements (a) to (c) of the CDD measures stipulated in Paragraph FC-1.11.1;
- (b) Licensees must take adequate steps to satisfy themselves that copies of identification data and other relevant documentation relating to the CDD requirements will be made available from the third party upon request without delay;
- (c) Licensees must satisfy themselves that the third party is regulated and supervised for, and has measures in place for compliance with, CDD and record keeping requirements in line with FATF Recommendations 10 and 11;
- (d) Licensees must not rely on third party financial institutions in countries considered as high risk, non-cooperative or inadequately regulated with respect to AML/CFT standards set by FATF. The licensee must have regard to information available on the level of country risk and ensure that it takes appropriate steps to identify, assess and understand the money laundering and terrorism financing risks relevant to the countries or jurisdictions that the third-party financial institution operates in when determining the countries that meet such conditions;
- (e) Licensees must enter into a written agreement with the third party which must specify the rights, responsibilities and obligations of both the parties, including requirements relating to record keeping and setting out an approach for provision of the documents and information exchange. The agreement must also specify measures to be taken if the third-party ceases business or otherwise the arrangement is terminated; and
- (f) Whenever a licensee has identified deficiencies in the CDD measures undertaken by the third party in respect of customers onboarded previously, the licensee must reperform the CDD to remedy the deficiencies.

FC-1.11.6 A licensee may rely on a third-party financial institution that is part of the same financial group, subject to the following conditions:

- (a) The group applies CDD and record keeping requirements consistent with FATF Recommendations 10, 11 and 12 and has in place internal controls in accordance with FATF Recommendation 18;
- (b) The implementation of CDD, record keeping and AML/CFT measures are supervised at a group level by a financial services regulatory authority for compliance with AML/CFT requirements consistent with standards set by the FATF; and
- (c) Country risk is adequately mitigated by the group's AML/CFT policies.