

MLR 8 at a glance sector specific helpsheet

Money Transmission Businesses and Payment Service Providers: Transfer of funds between UK and overseas customers.

Money Laundering risks			
Risk	Explanation	Triggers	Mitigating these risks
Customers	It is important to have a general understanding of the risk profile of your customers based on the type of customers, purpose of transactions, source and destination of funds and the expected value and frequency of transactions. This will enable the identification of unusual transactions or patterns of transactions without an obvious economic or lawful purpose, which could be suspicious.	<p>Non face-to-face transactions.</p> <p>New customers undertaking large transactions.</p> <p>Customers carrying out regular large transactions.</p> <p>Customers undertaking a number of transactions below the amount requiring ID in a short period of time.</p> <p>A number of customers sending payments to the same individual.</p> <p>Customers with complex ownership structures with the potential to conceal source of funds or underlying beneficiaries.</p> <p>Customers who are not local to the business.</p>	<p>Effective risk assessment of the business and its customers.</p> <p>Verification of identity appropriate to the risk and at least in line with guidance in MLR8 Appendix 5.</p> <p>Additional ID verification where the customer is not physically present.</p> <p>Purpose of transaction and source of funds enquiries for business relationships and higher risk transactions.</p>

<p>Product/ transaction types</p> <p>Overseas remittances</p>	<p>Overseas remittances can be used by criminals and terrorists to move criminal cash outside of the conventional banking systems in order to reduce the likelihood of detection.</p> <p>This is helped by the fact that money transmitters deal with large volumes of cash transactions outside of business relationships, ie one-off or occasional transactions that are not done through a personal account, thereby increasing the risk of impersonation fraud and 'smurfing' - where a number of people of a suitable appearance each remit an inconspicuous amount of cash to avoid the identification of the person who is actually sending very large amounts of money to fund further crime or terrorism.</p>	<p>Complex or unusually large transactions.</p> <p>Unusual patterns of transactions which have no apparent economic or visibly lawful purpose.</p> <p>A sudden increase in business from an existing customer that is not consistent with known sources of income.</p> <p>Peaks of activity at particular locations or at particular times.</p> <p>Large numbers of transactions slightly below the limit for verification of ID.</p>	<p>Put in place robust systems to identify unusual transactions or patterns of transactions.</p> <p>Ensure such transactions are scrutinised and appropriate enquiries are made.</p> <p>Ensure staff understand and can recognise suspicious activity and follow procedures for reporting suspicious transactions to the Nominated Officer/MLRO.</p>
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<p>Channel</p> <p>Cash transactions</p> <p>Use of agents</p>	<p>Money transmission is inherently high risk due to the fact that it deals in the movement of money, often cash, across international borders.</p> <p>Agency relationship, where the money transmission business is dependent on an agent for customer contact can create a risk of regulatory non-compliance and weaknesses that could be exploited by criminals or terrorists.</p>	<p>High value cash remittances.</p> <p>Cash funding and cash pay-outs.</p> <p>Little communication exists between the money transmission business and the agent.</p>	<p>Ensure agents undergo 'fit and proper' type scrutiny.</p> <p>Ensure agents and their employees are trained in anti-money laundering procedures, including how to recognise high risk and suspicious activity and make reports to the Nominated Officer/MLRO.</p> <p>Monitor agent's compliance with ID verification and internal reporting procedures.</p>
<p>Geography</p>	<p>The countries in which the product operates may give rise to a higher risk of money laundering because of a generally higher crime rate or likelihood of money laundering or terrorist financing.</p>	<p>Source or destination of funds from or to areas of high levels of drugs crime, terrorist activity etc.</p> <p>Lack of knowledge regarding origin or destination of funds.</p>	<p>Keep up to date with news on money laundering or terrorist financing cases via SOCA, FATF or press reports. Consult the Treasury sanctions website.</p>