

Regulation 33(1)(b) and
(3)

5.5.11

There are two separate scenarios for which EDD measures must be applied when a high-risk third country is involved: Where there is a business relationship with a person established in a high-risk third country, or when a firm is undertaking a relevant transaction where either of the parties is established in a high-risk third country.

A ‘high-risk third country’ means a country specified in Schedule 3ZA of the ML Regulations¹. EDD and enhanced ongoing monitoring is required from the date a country is added to this list.

Being ‘established in’ a country for a legal person means being incorporated in or having its principal place of business in that country, for a financial or credit institution it means having its principal regulatory authority in that country, or for an individual it means being resident in that country (not just being born there).

A ‘relevant transaction’ means a transaction to which a firm must apply CDD measures under Regulation 27. These are occasional transactions that either exceed €15,000, or they are a transfer of fund amounts within the meaning of Article 3.9 of the funds transfer regulation that exceed €1,000;

In this context a relevant transaction therefore relates to an occasional transaction which the firm undertakes for the customer outside of an established business relationship, and does not include ongoing payment activities undertaken within an established business relationship.

In any business relationship with a person established in a high risk third country or in relation to any relevant transaction where either party is established in a high risk third country, EDD measures must include obtaining:

- additional information on the customer and their beneficial owner;
- additional information on the intended nature of the business relationship;
- information of the source of funds and source of wealth of the customer and their beneficial owners;
- information on the reasons for the transactions;
- approval of senior management for establishing and continuing the business relationship;
- conducting enhanced monitoring of the business relationship by increasing the number and timing of controls, and selecting patterns of transactions that need further examination.

All of these additional EDD measures must be applied to new and existing customers, but the extent thereof may be considered and adjusted based on the level of risk of the customer.

See also Annex 5-IV.

¹ (as amended by The Money Laundering and Terrorist Financing (Amendment) (High-Risk Countries) Regulations 2022); See also: <https://www.gov.uk/government/publications/money-laundering-advisory-notice-high-risk-third-countries--2>