

*(ii) Where the intermediary is the agent of the customer*

- 5.6.36 A firm should understand and document who its customer is and which of the underlying parties it has a business relationship with (i.e. customers that require risk-based CDD measures).
- 5.6.37 Depending on jurisdiction, where the customer is an intermediary carrying on appropriately regulated business, and is acting on behalf of another, and the firm determines that the situation presents a low degree of risk of ML/TF, the product provider may decide to carry out SDD measures on both the customer and on the underlying party (see paragraph 5.3.134).
- 5.6.38 Where the firm takes instruction from the underlying customer, or where the firm acts on the underlying customer's behalf (e.g. as a custodian) the firm then has an obligation to carry out CDD measures in respect of that customer, although the reliance provisions (see paragraphs 5.6.4ff) may be applied. Where the underlying party is a low risk customer of the firm, SDD may be applied.
- 5.6.39 In these circumstances, in verifying the identity of the underlying customer, the firm should take a risk-based approach. It will need to assess the AML/CTF regime in the intermediary's jurisdiction, the level of reliance that can be placed on the intermediary and the verification work it has carried out, and as a consequence, the amount of evidence that should be obtained direct from the customer.
- 5.6.40 In particular, where the intermediary is located in a higher risk jurisdiction, or in a country listed as having material deficiencies, the risk-based approach should be aimed at ensuring that the business does not proceed unless the identity of the underlying customers have been verified to the product/service provider's satisfaction.