

Policy for Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF)

Policy Purpose

This Policy forms an outline of the work done by Independent Bookkeeping Ltd to both identify and prevent the risk of ML/TF (Money Laundering and Terrorist Financing) to the firm. The different steps identified within this policy acts in combination with each other and forms an integral part of all aspects of Independent Bookkeeping Ltd's work.

Consequently, individual sections of the policy should not be read or considered in isolation.

Similarly, Independent Bookkeeping Ltd is conscious that for it to have an effective and compliant AML/CTF (Anti-Money Laundering/Counter Terrorist Financing) approach it must follow its own policies and procedures diligently and be clear to document both in any occasion of variations from its policies and procedures and reasons for such variations. Such controls over the implementation of its policy are crucial.

Following on from this, Independent Bookkeeping Ltd has a strict policy of not varying from its own policies and procedures without the documented approval of senior management.

Through documentation of robust compliance with a comprehensive and effective set of policies and procedures Independent Bookkeeping Ltd will make every effort possible to be compliant with law and guidance in the areas of ML/TF and to play its part in both the prevention and identification of both money laundering and terrorist financing.

Independent Bookkeeping Ltd recognises that the aims of the funding of terrorism is different to those seeking to launder money but is aware that there are many similarities between how the two distinct goals are sought to be achieved. It is, however, clear that this policy, when applied to both its own Firm Risk Assessment and policies and controls, will be the same policies, procedures and controls to achieve the ability to identify and report relevant activity under TACT (Terrorism Act 2000) and POCA (Proceeds of Crime Act 2002).

Regulated Firm Under MLR 2017

Independent Bookkeeping Ltd provides services that fall within one or more of the definitions of categories of services which are regulated services within the definitions under Regulation 11 and 12 of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) ("the regulations") as enacted on the 26/06/2017 and as subsequently amended. The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 enacted on 10 January 2020 and The Money Laundering and Transfer of Funds (Information) (Amendment) (EU Exit) Regulations 2019 enacted on the day of the UK left the EU.

2017 regs: <http://www.legislation.gov.uk/ukxi/2017/692/made>

2020 update: <http://www.legislation.gov.uk/ukxi/2019/1511/contents/made>

2020 EU exit: <http://www.legislation.gov.uk/ukxi/2019/253/contents/made>

Auditor

Insolvency Practitioner

External Accountant

Tax Adviser (as amended by the 2020 regs. update)

Trust or Company Service Provider

Schedule of Firm Services

- Bookkeeping
- Payroll
- Auto-Enrolment Administration
- Indirect Tax (Including VAT returns)
- Indirect Tax Advisory (including VAT registration)
- Tax planning (tax payable to UK tax authorities)
- Accounts preparation - management/cashflow/budgeting
- Accounts preparation - financial statements (Annual Accounts and Reports)
- Filing submission to HMRC / Companies House
- Accounts submission to the proper authority (Charity Commission, ATOL, or overseas tax authorities for example)
- Charity Independent Examinations

Independent Bookkeeping Ltd Approach to AML/CTF

Independent Bookkeeping Ltd is aware that it is obliged to comply with the legislation, guidance and best practice that is in force from time to time in relation to AML/CTF that is relevant to services offered by Independent Bookkeeping Ltd.

Independent Bookkeeping Ltd is aware of the damage done to people and property through Money Laundering (ML) and Terrorist Financing (TF) and recognises that it has a part to play in both preventing and identifying ML and TF. Laundered money has been described as the oxygen to crime, terrorism and tax avoidance. To cut off the support of oxygen is seen as a key goal of all of those within the regulated sector.

However, Independent Bookkeeping Ltd is aware that it is not empowered as a law enforcement agency and must be careful not to overstep its role as set out in the legislation and guidance.

Independent Bookkeeping Ltd is committed to a high level of compliance through a robust and wide-ranging approach to AML/CTF compliance that touches on all aspects of Independent Bookkeeping Ltd's service provision.

Independent Bookkeeping Ltd understands that the principal money laundering offences are laid out in POCA (Proceeds of Crime Act 2002). POCA explains what constitutes both criminal conduct and criminal property. In simple terms, criminal property is the proceeds of criminal conduct (committing a crime).

Independent Bookkeeping Ltd is clear that it is what becomes of the criminal property that POCA details as the main money laundering offences. The Firm is also clear that POCA does not just apply to the author of the crime that created the proceeds but to any other persons involved in dealing with those proceeds. It is what happens to the proceeds of crime that is money laundering.

Independent Bookkeeping Ltd understands that the Proceeds of Crime Act (2002) (POCA) is very broad in its

definitions of money laundering. Part 7 of POCA S.327 (concealing), S.328 (arrangements) and S.329 (acquisition, use and possession) explains the offences that constitutes money laundering in relation to Criminal Property. Here is a link to POCA: <https://www.legislation.gov.uk/ukpga/2002/29/contents>

Criminal Property is defined in POCA as well as Criminal Conduct.

Criminal Property, in summary, is a person's benefit from Criminal Conduct which in summary is conduct that constitutes an offence in the UK.

POCA 2002 s.340 contains the following:

2) Criminal conduct is conduct which—

a) constitutes an offence in any part of the United Kingdom, or

b) would constitute an offence in any part of the United Kingdom if it occurred there.

3) Property is criminal property if—

a) it constitutes a person's benefit from criminal conduct or it represents such a benefit (in whole or part and whether directly or indirectly), and

b) the alleged offender knows or suspects that it constitutes or represents such a benefit.

From these open definitions it can be seen that there is an all crimes approach to what constitutes relevant criminal conduct in relation to money laundering in UK law, also included are offences that took place elsewhere and had they taken place in the UK would have been an offence.

For ease of reference the main money laundering offences under POCA 2002 are listed below:

s 327: An offence is committed if a person conceals, disguises, converts, transfers or removes from the jurisdiction property which is, or represents, the benefit of criminal conduct (i.e. the proceeds of crime) and the person knows or suspects represents such a benefit

s 328: An offence is committed when a person enters into or becomes concerned in an arrangement which he knows or suspects will facilitate another person to acquire, retain, use or control benefit from criminal conduct and the person knows or suspects that the property is benefit from criminal conduct

s 329: An offence is committed when a person acquires, uses or has possession of property which he knows or suspects represents benefit from criminal conduct

It should be noted that S.340 (11) of POCA includes planning or attempting an offence under S.327, 328 and 329.

(11) Money laundering is an act which—

(a) constitutes an offence under section 327, 328 or 329,

(b) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (a),

(c) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (a), or

(d) would constitute an offence specified in paragraph (a), (b) or (c) if done in the United Kingdom.

Independent Bookkeeping Ltd is alive to the risk of being involved with the proceeds of crime and, for example, moving or holding third party property which is the proceeds of crime could make it guilty of money laundering. The firm understands that its robust approach to AML/CTF is part of its own defences against being drawn into laundering the proceeds of another person's crime and therefore potentially being guilty of an offence under POCA itself.

Independent Bookkeeping Ltd is also aware that it is POCA and TACT that place an obligation on it to identify and make Suspicious Activity Reports (SARs) to the National Crime Agency (NCA).

Independent Bookkeeping Ltd is aware that there is no de minimus level for its reporting obligations under POCA and TA. The firm's commitment to its reporting obligations is detailed later in this policy document.

Independent Bookkeeping Ltd is not an expert in criminal law relevant in the UK or globally and, as such, realises the flexibility that is introduced by POCA which includes "suspicion" and "grounds for suspicion" as reportable matters alongside "knowledge" or "grounds for knowledge".

Independent Bookkeeping Ltd, therefore, recognises matters to be reported include matters where there is a suspicion that conduct has taken place that is known to be a crime and something that has taken place that there is a suspicion is criminal conduct.

What is Risk?

The first UK National Risk Assessment of Money Laundering and Terrorist Financing (NRA) was issued in October 2015. The NRA 2015 provided a useful insight into how the UK HM Treasury and the UK Home Office viewed the state of money laundering and terrorist financing in the UK at the time. A 2nd NRA was issued in October 2017 which builds on 2015. The 2017 NRA recognises the same factors that make the UK attractive for legitimate financial activity make it attractive for criminals and terrorists.

Independent Bookkeeping Ltd awaits the release of the next National Risk Assessment and will review its approach to and implementation of measures to identify and prevent money laundering and terrorist financing in the light of the information contained within the next National Risk Assessment.

Listed below is an extract from the NRA 2017 which includes a breakdown of how risk is recognised along with some key definitions used within the document; these definitions are very useful in highlighting the interaction of key terms used within the firm's approach to risk.

Annex A

Methodology

A.1 The methodology used for the 2017 NRA was similar to that used for the 2015 NRA. This follows the three key stages identified in FATF guidance, of identification, assessment and evaluation of evidence within the context of the 'Management of Risk in Law Enforcement (MoRiLE) model. Unlike 2015, the same methodology was used for both the money laundering and terrorist financing elements of this assessment.

A.2 Several key terms used throughout the assessment are defined below:

- **Threat** - People or activities with the potential to cause harm. Money laundering threats include predicate offences and criminals who commit them, while terrorist financing threats include those groups and

individuals conducting terrorist activity.

- Vulnerability - Things that can be exploited by the threat. Vulnerabilities can also be reduced through mitigation.
- Consequence - The impact or harm that money laundering or terrorist financing may cause, including the effect of the underlying criminal and terrorist activity on financial systems and institutions.
- Risk - A function of threat, vulnerability and consequence. Inherent risks can be weighed against mitigating factors to assess net risks.

A.3 The first stage of the assessment, identification, focused on identifying evidence which had emerged since the last NRA was conducted in 2015. This included evidence submitted by law enforcement agencies, government departments, supervisors, firms and non-governmental organisations, as well as other published evidence. After collecting and reviewing this evidence, further evidence was gathered to fill gaps identified. Calls for evidence were issued to all supervisory bodies and firms in all sectors considered, and roundtables or bilateral meetings were held to follow these up where possible. Altogether, this resulted in contributions submitted by over 200 organisations across the different sectors considered, with evidence gathering prioritised according to the risk profiles involved.

A.4 The second stage involved analysing the data provided by stakeholders to establish the risks present, assess the likelihood of them materialising, and understand their impact. Evidence for all sectors, activities or products considered was categorised against one of the following risk factors under the categories of threat, vulnerability, likelihood and mitigation:

- ability to use the product or service to mask the source or ownership of asset
- ability to use the product or service to mask the destination of funds
- level of complexity of the product or service
- level of exposure of the product or service to high risk persons or jurisdictions
- speed with which transactions relating to the product or service can be completed
- typical volume and frequency of transactions relating to the product or service
- accessibility of the product or service
- criminal or terrorist intent to exploit the product or service
- capacity and capability of law enforcement agencies to mitigate the money laundering or terrorist financing risks around the product or service
- capacity and capability of supervisors or regulators to mitigate the money laundering or terrorist financing risks around the product or service
- capacity and capability of firms to mitigate the money laundering or terrorist financing risks around the product or service

A.5 Given the largely hidden nature of money laundering and terrorist financing, the evidence used to assess these risk factors relies on a combination of hard data, case studies and expert judgment from law enforcement agencies, supervisory authorities and those responsible for AML/CTF within firms.

A.6 The final stage of the assessment was the evaluation of the relative exposure of each sector to risk using the identified and assessed evidence. As part of this, areas were ranked by relevant experts from government and law enforcement against the risk factors outlined above, using an adapted Management of Risk in Law Enforcement (MoRiLE) model to establish money laundering and terrorist financing risk rankings for each area. The MoRiLE model evaluates inherent risk, based on vulnerabilities and the likelihood of criminals or terrorists exploiting these, followed by evaluating mitigating factors to calculate the net risk in an area. The consequences of criminals or terrorists successfully moving money through a particular sector or area were also considered throughout this assessment.

A.7 It should be noted that the risk rating is a relative assessment, and a rating of low risk does not mean that there is no risk within a sector. Money laundering and terrorist financing may still take place through low risk sectors at a significant level and all sectors or areas covered are assessed to be exposed to some level of risk.

Accountancy Service Providers (ASPs) is the title given to those who are regulated for AML/CTF in the sector within which Independent Bookkeeping Ltd operates.

The NRA 2015 lists the ASP sector as the sector with the second highest risk in the UK of money laundering and in particular had the highest risk of all sectors for the likelihood of money laundering taking place.

Independent Bookkeeping Ltd is aware that the risk assessment of the sector within which it works is not static and it is recognised that steps to stay up to date with the changing risk profile and relevant risk to this sector.

Chapter 6

Accountancy services

Summary and risks

6.1 The 2015 NRA assessed the key risks around the accountancy sector to be: complicit accountancy professionals facilitating money laundering; collusion with other parts of the regulated sector; coerced professionals targeted by criminals; creation of structures and vehicles that enable money laundering; provision of false accounts; failure to identify suspicion and submit SARs; and mixed standards of regulatory compliance with relatively low barriers to entry for some parts of the sector.

6.2 Accountancy services remain attractive to criminals due to the ability to use them to gain legitimacy, create corporate structures or transfer value. While the 2015 NRA identified intelligence gaps around the role of professionals in high-end money laundering, recent work by law enforcement has helped significantly to develop our understanding of this area. Some of those accountants involved in money laundering cases are assessed to be complicit or wilfully blind to money laundering risks, though the majority of these cases are likely to involve criminal exploitation of negligent or unwitting professionals.

6.3 The 2015 NRA assessed accountancy services to be at high risk of exploitation for money laundering. The inherent risks and vulnerabilities of accountancy services remain due to the value of these services to those engaging in high-end money laundering, and these services remain prevalent in cases identified by law enforcement, though there are strict controls in place in certain areas. There is therefore still assessed to be a high risk of money laundering for accountancy services. Accountancy services are not judged to be attractive for terrorist financing, and there is no specific evidence of these services being abused by terrorists, so the terrorist financing risk associated with the sector is assessed to be low.

6.4 Accountants can be engaged in a range of activities and services and can be supervised by various bodies. Recent work by law enforcement has helped to identify in greater detail those services at greatest risk of being exploited. In 2016, the UKFIU reported that the most common areas identified by SARs were the creation and operation of companies, facilitating financial transactions (including through client accounts) and tax evasion. These areas are judged as being at highest risk of being exploited for money laundering.

Law enforcement agencies assess the highest risk situations to be those where a combination of these services is provided.¹

6.5 The 2015 NRA reported that in 2014 there were over 23,000 firms carrying out accounting, bookkeeping

and auditing activities and tax consultancy in the UK. In 2016 this figure was over 24,000, with 87% employing less than ten employees.²

6.6 The term ‘accountant’ is not a protected term, and qualifications are not required to offer accountancy services. Both professional body supervised and HMRC supervised accountants may have a variety of qualifications, though HMRC also supervises a greater proportion of accountants without qualifications. It is not possible to clearly delineate distinct risk profiles along these lines. Overall, investigations feature cases where money laundering has been facilitated by a range of both professional body supervised and other accountants, though some national agencies currently only have investigations focusing on professional body supervised accountants. Law enforcement agencies assess that accountants with professional body status are attractive for those seeking to engage in high-end money laundering due to the credibility that their services can confer.

Company formation and termination

6.7 The involvement of accountants in company formation and other company services, whether in the UK or overseas, is assessed to be the accountancy service at highest risk of exploitation. Company formation continues to be exploited by criminals to mask the ownership of assets or transfer these assets between persons. Company formation services are assessed to pose higher risks when offered by accountants than when offered by specialised company formation agents, as criminals may also access and exploit the accountant’s wider services. These risks apply to a select group of accountants, with under 25% of those accountancy firms supervised under the MLRs estimated to provide trust or company services (ranging from company formation, company secretarial services and registered office services).³ These services are estimated to be offered by a greater proportion of professional body supervised accountants than HMRC supervised accountants.

1 The largest accountancy firms provide the full range of services, though are generally assessed to have mature controls in place including through division of responsibility within the firm. Smaller firms which nonetheless provide a range of services are assessed to remain at high risk.

2 ‘Business population estimates 2016’, Office for National Statistics, October 2016

3 Precise proportions cannot currently be calculated as some supervisors do not record whether their members conduct TCSP activities.

Box 6.A: Accountancy services and company formation

Case study: A professional body supervised accountant was a joint director of a UK-registered company, together with a Russian national. Using this company, the accountant established structures to move over \$60 million through jurisdictions including Russia, Cyprus, Latvia, the Czech Republic and the British Virgin Islands. The stated purpose of the company was to provide high-end leisure services. The accountant and their co-director intended to use the company and associated company structures to provide money laundering opportunities to sanctioned individuals in Russia, and more generally to assist illicit asset movement from Russia.

6.8 Company liquidation and associated services (including insolvency practice, which may be conducted by certain accountancy professionals) also pose a risk of criminals masking the audit trail of money laundered through a company and transferring the proceeds of crime. The scope for abuse of insolvency services is mitigated to some extent by the licensing of practitioners, the strict set of obligations through the Insolvency Act and recent changes through the Small Business, Enterprise and Employment Act 2015. However, there remains evidence of insolvency and wider company liquidation services being abused.

Box 6.B: Accountancy services and company liquidation

Case study: A substantial food manufacturing company was acquired by individuals connected to an OCG through abuse of insolvency procedures. The company was acquired, through the assistance of a professional body supervised accountant, using funds from suspicious sources involving creditor write-offs exceeding £1 million. Once acquired, the company was suspected of being used to launder criminal cash. There was evidence indicating that the company was managing large sums of cash on-site using two distinct safes in a manner that supported this suspicion. The accountant was subsequently expelled as a member by the relevant professional body supervisor in respect of matters arising from this acquisition.

False accounting

6.9 Accountancy services have also been exploited to provide a veneer of legitimacy to falsified accounts or documents used to conceal the source of funds. For example, law enforcement agencies have observed accountants reviewing and signing off accounts for businesses engaged in criminality, thereby facilitating the laundering of the proceeds. In many cases accounts have been falsified by criminals and unwittingly signed off by accountants, while in others accountants have been assessed to be complicit.

6.10 The risk of false accounting can arise in relation to both high-end and cash-based money laundering, with accountants involved in the account preparation or review processes for both small and large businesses. Some services, such as audit, are assessed in general to be at lower risk of exploitation because of a strict set of statutory obligations and the small group of registered practitioners who offer the service. For smaller companies, criminals may seek an accountant to sign off their accounts to fulfil reporting requirements imposed by their bank or by Companies House.

Box 6.C: False accounting

Case Study: A multi-million pound fraud was conducted through the selling of unregulated self-invested personal pension products to UK investors. Within this main fraud, a smaller, sub-fraud was perpetrated using a double invoice scheme to enable one UK based sales agent to take a 65% commission from each investment to allow the payment of pension 'cash-back' to certain investors. A professional-body supervised accountant, responsible for the company's accounts and payroll, routinely signed off duplicate invoice payments to UK and overseas bank accounts in the name of that sales agent and of an off-shore sales agent under a false identity. In reality, the off-shore sales agent was in fact the UK based sales agent, and the off-shore company and account belonged to the UK based sales agent. The accountant also set up the payments of false invoices into the suspect company director's overseas bank accounts, some of which were then paid into the accountant's personal UK bank account. The case uncovered serious accounting irregularities within the company. The company director, the chief commercial officer and the chief executive were convicted of conspiracy to commit fraud, conspiracy to furnish false information, fraudulent trading and offences under the Bribery Act 2010, though the accountant himself was ultimately acquitted. As such this case demonstrates the risk of accountants being exploited by others to enable the illicit movement of money.

Misuse of client accounts

6.11 Law enforcement agencies have observed misuse of accountants' client accounts for money laundering. There is a risk posed by accountants performing high value financial transactions for clients with no clear business rationale to be involved, allowing criminals to transfer funds through bank accounts with little scrutiny as a means to complicate the audit trail. Most accountancy firms rarely hold client money, and most supervisors have strict rules in place around the use of client accounts in addition to the MLRs. For example, several supervisors introduced new regulations in 2017 to ensure that firms' client accounts are only used in relation to relevant accountancy services.

Box 6.D: Misuse of accountants' client accounts

Case study: In the case of a multi-million pound investment fraud, a professional body-supervised accountant allowed an individual (who has since been convicted of fraud) to use the accountant's bank accounts to receive money from private investment clients deceived by the fraudster. On instructions, the accountant paid money out of these accounts to the fraudster's personal bank accounts.

Tax services

6.12 Tax services are unlikely to be used to launder the proceeds of other crimes, but law enforcement agencies do observe accountancy services being used to facilitate tax evasion and VAT fraud. Practitioners in the sector accept the risk that prospective clients may be looking to engage in tax evasion and to launder the proceeds, and there is ongoing work among professional bodies (for example through the guidance on Professional Conduct in Relation to Taxation, developed in collaboration between the accountancy sector and HMRC and updated in March 2017) to promote wider responsibilities around tax in the accountancy sector.

Box 6.E: Tax services

Case study: A client purchased a company, with a debt in the region of £8 million included in the company purchase. A direct settlement of the debt would have resulted in a large tax liability applicable, totalling approximately £3 million. The accountant devised a scheme by which settlement of this debt could take place outside of the UK, thereby circumventing the UK tax system and payment to HMRC.

Supervision, compliance and law enforcement response

6.13 The 2015 NRA identified risks in the sector relating to inconsistent supervision of accountancy firms (despite good practice in areas) and some examples of poor AML/CTF compliance by practitioners. While these risks remain, the government is taking action to promote more effective supervision through the introduction of OPBAS, which will oversee the adequacy of all AML/CTF supervisory arrangements of professional body supervisors in the UK.

6.14 The 2015 NRA assessed that the number of SARs submitted by the accountancy sector was relatively low, and numbers have continued to decline with accountants and tax advisers submitting 4,254 SARs in 2015/16.⁴

⁴ 'Suspicious Activity Reports (SARs) Annual Report 2017', NCA, October 2017

6.15 Since 2015, the UKFIU has forged a stronger relationship with supervisors with the ambition of enabling better information sharing. The UKFIU participates in quarterly meetings with the accountancy sector through the recently established Accountancy Engagement Group. The group consists of those organisations submitting the highest numbers of SARs in the sector and shares information on accountancy SAR trends and patterns. The

group is currently developing an accountancy SAR template, tailored to the different types of services provided and offering examples specifically from that sector.

6.16 The need for systems, procedures and staff in place to handle sensitive information has historically constrained cooperation between supervisors and law enforcement. However, cooperation has improved since 2015, for example through supervisors developing an accountancy risk assessment methodology with input from law enforcement, and the Home Office's 'Flag it up' campaign run over the last two years to increase firms' understanding of money laundering risk and reporting obligations. Law enforcement agencies report that the new written risk assessment obligation and approval test (to check key personnel for relevant criminal convictions) introduced through the MLRs will further strengthen the sector's compliance and risk.

Risks Relevant the Trust or Company Service Providers (TCSPs) Sector

Extract from National Risk Assessment 2017:

Chapter 9

Trusts and corporate structures

Summary and risks

9.1 The 2015 NRA highlighted that companies and trusts (and similar structures) are known globally to be misused for money laundering. As a global financial centre, with individuals and businesses from all over the world choosing to invest and do business here, the UK is particularly exposed to criminal exploitation of otherwise legitimate economic activities and structures. As such, corporate structures and trusts are used in almost all high-end money laundering cases, including to launder the proceeds of corruption. There is insufficient evidence to quantify the exact extent of money laundering through corporate structures and trusts (both UK registered and overseas), though the vast majority of UK trusts, companies and partnerships are assessed to be used for legitimate purposes.

9.2 The UK has implemented a series of reforms since 2015 to increase the transparency of UK incorporated legal persons and arrangements, and to prevent their misuse for illicit purposes. These reforms include, but are not limited to, the introduction of the publicly accessible PSC register; the abolition of bearer shares; the introduction of a register of trusts with tax consequences; and the introduction of Unexplained Wealth Orders. It is too early to measure the impact of many of these reforms, but we expect these measures to go some way towards preventing the misuse of companies and trusts and assisting law enforcement agencies in their investigations where misuse does occur.

9.3 Certain vulnerabilities around both overseas and UK registered corporate structures and trusts make them attractive to money launderers. These include the ability for criminals to create complex and opaque structures, comprising multiple legal entities and arrangements across multiple jurisdictions, which can be used to obscure who really owns and controls assets. Companies, partnerships and trusts can be set up and dissolved with relative ease and low cost and used to transfer large sums of money at less risk of detection from law enforcement or the regulated sector. While the 2015 NRA identified these features as common vulnerabilities of both corporate structures and trusts without applying specific risk scorings, this assessment specifically compares the risks of abuse.

9.4 Law enforcement agencies have identified very little evidence of UK trusts (those governed by UK law and/or administered in the UK) being abused for money laundering purposes. The risk of criminals exploiting UK trusts to launder money is therefore assessed to be low. The precise extent of abuse of UK trusts remains an intelligence gap. However, there are significantly higher risks associated with overseas trusts. There are no

known cases of UK trusts being abused for terrorist financing, and the risk for terrorist financing is also assessed to be low.

9.5 While the vast majority of companies and partnerships are used for legitimate purposes, law enforcement agencies assess that criminals seeking to hide wealth or enable money laundering are likely to use companies and partnerships in order to do so. The risk of criminals seeking to launder money through UK and overseas corporate structures is therefore assessed to be high. There is assessed to be a low risk of UK companies being used by terrorists to move or raise funds.

9.6 The 2015 NRA assessed TCSPs as medium risk for money laundering.¹ While trust and company services pose a relatively high risk, the risks are assessed to be greatest when provided in conjunction with other financial, legal or accountancy services, and the use of TCSPs outside these sectors continues to be assessed as medium risk for money laundering. The risk for terrorist financing is assessed to be low.

Trusts

9.7 The 2015 NRA estimated that the UK is home to 1.5–2 million trusts, though there remains little reliable data against which to verify this. The great majority of these are used for ordinary and legitimate reasons and pose very low risks of abuse. Common reasons for establishing trusts include people seeking to: manage assets on behalf of vulnerable persons; jointly hold property; ensure inheritance is distributed in accordance with a person's last will and testament; perform commercial activity; and conduct charitable work.

9.8 As noted in the 2015 NRA, however, the misuse of trusts is known to be a global problem. The risk profile around trusts is not assessed to have changed since 2015; trusts remain vulnerable to abuse because they separate legal ownership from beneficial ownership, meaning that a criminal may disguise their interest in an asset by transferring legal ownership to a trustee. Trusts can be used to frustrate law enforcement efforts in obtaining accurate details of who owns an asset.

9.9 Law enforcement agencies rarely encounter abuse of UK trusts in high-end money laundering. However, there are known higher risks posed by abuse of overseas trusts. Overseas trusts feature in many of the SFO's investigations. By placing an asset in an overseas trust, a criminal can simultaneously disguise their interest in it and place it beyond the UK AML/CTF regime and the investigatory powers of UK law enforcement.

9.10 During the NRA exercise, several cases were identified involving UK criminals abusing overseas trusts. These cases involved trusts established in a range of jurisdictions, including UK Crown Dependencies and Overseas Territories with financial centres.²

Box 9.A: Abuse of overseas trusts

Case study: A criminal who committed mortgage fraud laundered the proceeds through a trust in the British Virgin Islands (BVI) which was administered by a lawyer in Switzerland. The trust's beneficiaries were the criminal's children and a charity. However, the trust also controlled over 50 BVI-incorporated companies, each of which held luxury assets across the UK and Europe (including artwork, a yacht and a private jet). Most of the companies were held through bearer shares. The criminal received a conviction for fraud and was required to repay proceeds from the assets held in the trust.

9.11 Industry sources have identified a number of indicators for trusts being abused, including a trust being created by a settlor for the benefit of an unconnected party, if a trust had multiple settlors or if it formed part of a complex ownership chain, particularly if that chain crossed national borders.

9.12 Many trustees are trained, licensed and regulated professionals. However, there is no requirement for a settlor to use a professional trustee, and several cases encountered by law enforcement have featured laypersons as trustees. The MLRs require all UK trustees (regardless of whether or not they are professional trustees) to keep accurate and up-to-date records of the identities of all beneficial owners and to provide this information upon request to law enforcement.

9.13 Several branches of government maintain trust registration systems that can help law enforcement agencies to link an asset to the relevant parties.³ In July 2017, HMRC launched an online beneficial ownership register for trusts with tax consequences. This is expected to cover 160,000–170,000 trusts by the end of January 2018. Information held on this register is available to law enforcement agencies, delivering an increased ability to identify and interrupt suspicious activity involving the misuse of relevant trusts.

9.14 The CFA introduced Unexplained Wealth Orders, which can be used to require individuals whose assets are disproportionate to their known income to explain the origin of their wealth. This will help law enforcement agencies tackle suspicious wealth directly, rather than pursue the audit trail, including where the assets are held by a corporate structure or in a trust.

9.15 Under the CRS – the new global standard for tax transparency – financial institutions must provide HMRC with information on non-UK residents with bank accounts or investments in the UK. This includes accounts or investments held in a trust. The CRS will be complemented by a new UK-led initiative to systematically share beneficial ownership information internationally. Over 50 jurisdictions have signed up to this initiative, including every Crown Dependency and Overseas Territory with a financial centre. In addition, the new PSC register records where a trust is a beneficial owner of a company, with the trustee's name appearing on the register.

Corporate structures

9.16 The 2015 NRA outlined the general company landscape in the UK: as of February 2015, 3.4 million companies and 60,000 limited liability partnerships (LLPs) were on the UK company register. As of March 2017, there were over 3.8 million companies on the register, almost 96% of which are private companies limited by shares.⁴ The vast majority of these companies are used for legitimate purposes.

9.17 Law enforcement agencies assess that corporate structures are being created by criminals or on their behalf both in the UK and overseas, frequently using the services of regulated professionals, with the intention of subsequently using the structure to hide wealth or enable money laundering. The incorporation of the company may be done in a way that conforms with the applicable legal requirements and in such a way as to minimise suspicion.

9.18 Companies and LLPs are particularly attractive to criminals due to their separate legal personality, the relative ease and low cost with which they can be incorporated and dissolved (intended to fulfil the needs of a wide range of legitimate businesses) and the ability to use business accounts to merge legitimate and illegitimate funds. Many of these features are common to companies and company incorporation systems around the world.

9.19 Criminals can also be attracted to the ability to terminate a company or partnership easily, and have been observed setting up sequences of limited companies ('phoenix companies') for illicit purposes, then winding them down before being required to submit accounts.

9.20 There is a small risk that UK companies could be used, wittingly or unwittingly, by terrorist actors to raise or move funds, or to procure items for terrorist groups, though intentional abuse of companies is unlikely to represent an attractive or efficient route for terrorist financing.

Risks associated with different corporate forms and structures

9.21 The 2015 NRA highlighted law enforcement agencies' concern around the risks posed by limited partnerships (LPs) in particular due to limited reporting obligations. The availability of useful intelligence for law enforcement when investigating partnerships is undermined by the fact that there is no general requirement to submit annual accounts to Companies House. Accounts may be required by HMRC for tax purposes, and corporate partners are required to submit accounts for the partnership alongside their own annual accounts. Due to the regulatory requirements involved, criminals are assessed to be highly unlikely to set up Public Limited Companies to launder funds.

9.22 Scottish limited partnerships (SLPs) are governed by Scottish law. They are particularly attractive to criminals due to the fact that under Scottish law the partnership is a distinct legal personality, separate from the partners and is subject to fewer reporting and transparency obligations than most other corporate forms.⁵ This has allowed OCGs to disguise their involvement by establishing SLPs with partners, based in the UK or overseas, limiting law enforcement agencies' ability to investigate.

Box 9.B: Abuse of Limited Liability Partnerships

Case study: One Eastern European based bank deliberately sought to increase its number of UK LLP clients. This was driven by a desire to reduce the number of clients domiciled in jurisdictions included on a 'blacklist' of jurisdictions, maintained by the Ministry of Finance in the bank's home country. The UK is a country on the Ministry of Finance's 'white list', enabling the movement of money without scrutiny. It is highly likely that no LLP clients of the bank had any business activities in the UK and that the LLPs were merely vehicles to help move the clients' money, with business activity taking place entirely in Russia or former Commonwealth of Independent States (CIS) countries. The sixteen most profitable LLPs for this bank are believed to have been used to facilitate the movement of at least €1.5 million through the UK over the course of a six-month period in 2013 by filing falsified records and accounts with Companies House.

9.23 In light of concerns that different forms of partnership are being used for criminal activity, the Department for Business, Energy and Industrial Strategy (BEIS) published a Call for Evidence in 2017 on a Review of Limited Partnership Law to consider those aspects of the framework that may enable criminal activity. BEIS will analyse all the submissions and a government response will be published shortly. One part of the response will confirm that LPs and SLPs are a very attractive structure for legitimate businesses across the economy, in particular for financial and pension structures.

9.24 Following the previous Prime Minister's commitments on corporate transparency at the 2013 G8 summit in Lough Erne, the government introduced a public register in 2016 of people with significant control in companies. The register imposes a requirement on all companies and LLPs to disclose the details of any people with significant control in a company or partnership. From June 2017, reporting requirements for those within scope of the register were increased, and the existing regime was expanded to include more corporate forms including all SLPs. The companies register was accessed over two billion times in 2016/17, the first year that PSC information was available, and users are encouraged to report any information they believe to be incorrect.⁶ This should mitigate the risks associated with company abuse and support law enforcement investigations.

Overseas companies

9.25 Overseas companies are used as a tool for UK criminals to launder their funds or for criminals elsewhere to use corporate vehicles to invest in the UK. In April 2016, the International Consortium of Investigative Journalists released the ‘Panama Papers’, involving over 11 million documents relating to hundreds of thousands of overseas entities, a number of which involved UK persons and are likely to have been facilitating illicit activity. This has further highlighted the risk posed by the abuse of overseas companies.

9.26 Following the release of the Panama Papers, a cross-agency taskforce was created, led jointly by the NCA and HMRC with the SFO and the FCA as key partners. The taskforce established the Joint Financial Analysis Centre (JFAC) to analyse all information available from the data leak and investigate individuals involved. Using data and intelligence gathered from across the taskforce, and co-located officers from all four agencies, JFAC is developing cutting-edge software tools and techniques to exploit all available financial intelligence, together with other datasets held by government and open source data.

9.27 Overseas financial centres can allow the creation of complex and layered ownership structures quickly, at low cost, and with limited transparency requirements, hindering law enforcement agencies’ abilities to identify money flows. Some countries do not require companies to disclose the identity of officers and directors, with no requirement to appoint a locally resident director. This has been identified as a potential money laundering risk, as it is possible for a person to control an off-shore holding without disclosure of the director.

Trust or company service providers

9.28 While companies can be registered directly with Companies House, criminals continue to make use of third party TCSPs, to establish the structures within which illegitimate activity subsequently takes place. The 2015 NRA identified the greatest risks around the TCSP sector to be: negligent or complicit TCSPs facilitating money laundering; criminal abuse of companies and trusts set up by TCSPs; inconsistencies in approaches to supervision; and the mixed standard of implementation of the MLRs across the sector. All of these vulnerabilities remain key factors behind the risks in this sector.

9.29 The highest risk TCSPs are assessed to be UK TCSPs which offer a wide range of services (including nominee directors, registered office services, and banking facilities) which are used in conjunction to mask beneficial ownership whether through complicity, wilful blindness or negligence.

Supervision, compliance and law enforcement response

9.30 The 2015 NRA highlighted that those providing TCSP services could be supervised by one of a number of supervisors, depending on whether also acting as an accountant or legal professional or an FCA authorised person. Under the MLRs, all TCSPs are subject to fit and proper testing. The introduction of OPBAS will help address inconsistencies in supervision of TCSPs. In addition, HMRC has a register of TCSPs, which is searchable by the public via a ‘look up’ facility and should help build understanding of the sector.

9.31 TCSPs submitted 74 SARs in 2015/16, with a year-on-year decline since 2013/14 likely to reflect inconsistent supervision and mixed compliance standards across the sector.⁷ The 2015 NRA identified a mixed quality of CDD across the sector, and the perception among some TCSPs that company formation constitutes an ‘occasional transaction’ rather than a ‘business relationship’, leading to insufficient CDD being conducted. The government has addressed this gap through the MLRs, which clarify that one-off company formation constitutes a business relationship.

9.32 While most companies are registered through a third party, the remainder are registered directly with

Companies House.⁸ Companies House is a registrar, not a regulator, and ensures fulfilment of disclosure requirements in exchange for limited liability. Once registered, companies must provide updates if certain details change and must provide annual sets of accounts and annual confirmation statements for basic information (this replaced the annual return in 2016). There are penalties attached for non-compliance, ranging up to a two-year prison sentence. Companies House has a statutory duty to incorporate a company if all relevant information has been legally provided. While data checking by Companies House is not a guarantee of accuracy, public and commercial access also help to keep accuracy in check. Companies House works with law enforcement agencies to help them identify suspicious activity, files SARs when it forms suspicions, and has powers to impose civil penalties or prosecute when compliance is not achieved.

9.33 Recent reforms preventing the misuse of corporate structures and trusts should mitigate the risks in these areas. These measures include the introduction of the publicly accessible PSC register, the requirement through the new CRS for banks to provide HMRC with information on assets held in a trust, and the introduction of Unexplained Wealth Orders through the CFA.

1 This does not include the risks of these services when provided by financial institutions, accountants or lawyers, which are assessed to be higher and are covered in separate chapters

2 It should be noted that the prevalence of jurisdictions in cases identified may be attributable to a number of drivers, and is likely to be greater where there is closer cooperation between law enforcement agencies in that jurisdiction and in the UK.

3 The UK's various land registries record the legal ownership of any land or buildings owned through a trust; charitable trusts are supervised by charity regulators in England and Wales, Scotland and Northern Ireland; and the Pensions Regulator has oversight of occupational pension trusts.

4 'Incorporated companies in the UK January to March 2017', Companies House, April 2017

5 This does not apply to LPs registered elsewhere in the UK.

6 'Companies House Annual Report and Accounts 2016/17', Companies House, 2017

7 'Suspicious Activity Reports (SARs) Annual Report 2017', NCA, October 2017

8 'UK national risk assessment of money laundering and terrorist financing', HM Treasury and Home Office, October 2015

Risk Assessments

Independent Bookkeeping Ltd uses risk assessments to help direct its resources to the areas and clients that present the highest risk to the Firm of ML/TF. This is part of the Risk Based Approach adopted by Independent Bookkeeping Ltd, an approach which is endorsed by the UK AML/CTF legislation and guidance.

The risk assessments will influence the level of Customer Due Diligence required by Independent Bookkeeping Ltd.

Firm Risk Assessment

Independent Bookkeeping Ltd is aware of both its obligation to undertake a Firm Risk Assessment under R.18 MLR2017 and the value of undertaking such a Risk Assessment.

Independent Bookkeeping Ltd is conscious of the link between its own approach to risk and AML/CTF compliance will have an impact on Independent Bookkeeping Ltd's own AML/CTF Risk Assessment. Key decisions that the firm has, or will make in the future regarding matters such as which sectors of clients to advise, the clients geographic location or whether to meet all clients will have an impact on the firm's risk exposure to money laundering and terrorist financing. The firm's appetite for risk is also a key factor.

Independent Bookkeeping Ltd will consider the risk associated with the sector within which it operates and those that are connected to Independent Bookkeeping Ltd's size and nature of operations.

Independent Bookkeeping Ltd will review, update and communicate any consequential amendments to its staff and senior management on an on-going basis.

Sector

Independent Bookkeeping Ltd is aware of the need to review, discuss and amend its Firm Risk Assessment in accordance with guidance issued that is relevant to its sector. Such guidance may be issued by, amongst others, Independent Bookkeeping Ltd's Anti Money Laundering Supervisor, other UK AML Supervisors, The UK Government, FATF (Financial Action Task Force) guidance and HM Treasury and Home Office.

Independent Bookkeeping Ltd is also aware of the AMLGAS (Anti-Money Laundering Guidance for the Accountancy Sector) which is the only HM Treasury approved guidance for the sector and the PCRT (Professional Conduct in Relation to Taxation).

Independent Bookkeeping Ltd has specifically addressed the issues relevant to its sector raised and discussed within the UK National Risk Assessments of Money Laundering and Terrorist Financing and will review its Firm Risk Assessment in the light of subsequent National Risk Assessments.

The Firm as an Accountancy Service Provider

Independent Bookkeeping Ltd is not knowingly involved in any ML/TF activities. Independent Bookkeeping Ltd is therefore not complicit with ML/TF.

Independent Bookkeeping Ltd does not work in collusion with any other element of the regulated sector or the unregulated sector to undertake ML/TF activities.

Independent Bookkeeping Ltd is alive to the risk of being coerced into assisting with ML/TF by criminals.

Independent Bookkeeping Ltd is conscious that criminals may seek to use Independent Bookkeeping Ltd' skills and knowledge to distance the proceeds of crime from the beneficiaries of such proceeds by creating structures and vehicles that may disguise beneficial ownership of such structures and vehicles.

Independent Bookkeeping Ltd is aware that criminals may wish to use Independent Bookkeeping Ltd's services to try to add legitimacy to financial accounts or financial affairs of a person, entity or business in that those accounts could be used for criminal conduct.

The risk that Independent Bookkeeping Ltd could not only add legitimacy through preparation of financial accounts but also by providing audit and assurance services.

Independent Bookkeeping Ltd is alive to the risk of punishment if it does not report a matter to the National Crime Agency (NCA) that it is legally obliged to report.

This Independent Bookkeeping Ltd is aware that it undertakes regulated work under the money laundering regulations and, as such, is required to be registered with a relevant AML supervisor.

Mitigation Steps

Independent Bookkeeping Ltd adheres to its AML/CTF policy and procedures closely to ensure that it does all

that it is able to do to prevent and detect ML/TF. Systems and controls are applied to confirm that Independent Bookkeeping Ltd does comply with its policies and procedures. Monitoring of its own adherence to these policies and procedures and reporting to the MLRO (Money Laundering Reporting Officer) of any variation from these policies and procedures will minimise the risk that Independent Bookkeeping Ltd is complicit in ML/TF.

Independent Bookkeeping Ltd carefully chooses any other service providers within the regulated sector that it works with. It does this by identifying and verifying the professional qualifications and authority to carry out such services, of such service providers with any relevant regulators, register holders or professional bodies.

Independent Bookkeeping Ltd is careful to keep relations with third-party regulated service providers transparent and not to make undisclosed agreements that if discovered could suggest inappropriate collusion between firms. Identification of such a collusion would be reported to Independent Bookkeeping Ltd's MLRO.

Independent Bookkeeping Ltd keeps a record of any improper comments or conduct by clients that might suggest that such conduct is an inducement or pressure to undertake a certain course of action that would be contrary to Independent Bookkeeping Ltd's AML/CTF policy and procedures. Such conduct or comments will be reported to Independent Bookkeeping Ltd's MLRO.

Independent Bookkeeping Ltd is clear that it needs to follow its own AML/CTF policy and procedures, to minimise the risk that its services are used to create structures and vehicles that may aid ML/TF. Any suspicion of such activity will be reported to Independent Bookkeeping Ltd's MLRO.

Independent Bookkeeping Ltd takes an approach of seeking to review as much original third-party information as possible when producing a set of accounts for a client. Any transactions that raise a suspicion of ML/TF will be reported to Independent Bookkeeping Ltd's MLRO.

Independent Bookkeeping Ltd is conscious of its obligations under POCA (Proceeds of Crime Act 2002) and TACT (Terrorism Act 2000) with regards to making SAR (Suspicious Activity Reports) to the NCA (National Crime Agency). Independent Bookkeeping Ltd believes that by following Independent Bookkeeping Ltd's AML/CTF policy, procedures and controls will minimise the risk that a matter that should be the subject of a SAR to the NCA is not identified.

The Firm as a Trust or Company Service Provider

Independent Bookkeeping Ltd undertakes some of the following work for clients that are classified as TCSP as follows:

- (a) forming companies or other legal persons
- (b) acting or arranging for another person to act
 - (i) as a director or secretary of a company, or
 - (ii) as a partner of a partnership, or
 - (iii) in a similar position in relation to other legal persons (see para 3.2.1)
- (c) providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or arrangement

(d) acting or arranging (see para 3.2.2) for another person to act as

(i) a trustee of an express trust (see para 3.2.4) or similar legal arrangement, or

(ii) a nominee shareholder for another person other than a company listed on a regulated market which is subject to disclosure requirements consistent with Community legislation or equivalent international standards.

Independent Bookkeeping Ltd is conscious of the overall approach to AML/CTF is crucial to having controls in place to prevent the misuse of its services by criminals.

Independent Bookkeeping Ltd is not complicit in assisting criminals and has safeguards in place to minimise the risk of being used to negligently assist criminals.

Independent Bookkeeping Ltd understands that criminals may wish to try to use its services for money laundering. This policy includes a review of the risks associated with the types of services that Independent Bookkeeping Ltd offers.

Independent Bookkeeping Ltd undertakes an individual risk assessment on every client that Independent Bookkeeping Ltd works with to assess the risks of ML/TF associated with that client.

Independent Bookkeeping Ltd is mindful that it has a duty to both seek to prevent and identify the use of its services for money laundering or terrorist financing.

Sector

Independent Bookkeeping Ltd is conscious that by providing TCSP services it may be making itself attractive to criminals who may be looking to disguise the origin of proceeds of crime or who may be looking to move those proceeds outside of the UK.

Mitigation

Independent Bookkeeping Ltd is not complicit in assisting clients to disguise ownership of corporate vehicles or to provide further layers of anonymity through the services that it provides.

Independent Bookkeeping Ltd performs a detailed risk assessment on every client that it acts for both before making a decision to take a client on as well as an on-going process while a client continues to retain Independent Bookkeeping Ltd's services.

Independent Bookkeeping Ltd takes steps to mitigate the risks identified in a client risk assessment and if it feels that these risks cannot be sufficiently mitigated the client is disengaged.

Client Risk Assessment

Independent Bookkeeping Ltd understands the importance of identifying and assessing the risk of a client being involved in ML/TF. In order for Independent Bookkeeping Ltd to assess this, it is crucially important that it understands every client.

Independent Bookkeeping Ltd is aware of guidance set out in r.18 MLR 2017 on its duty to identify and assess the risks of that its business is subject to. The Firm's own risk assessment will need to be extended by the need to identify and assess the risks of ML/TF associated with each of its clients. Any high-risk clients will require the firm to undertake its Enhanced Due Diligence policy and procedures.

Independent Bookkeeping Ltd undertakes a detailed Client Risk Assessment using the AMLCC online risk assessment tool.

Such risk assessments are updated every year or as soon as circumstances change.

Independent Bookkeeping Ltd considers its own Firm Risk Assessment when considering the risk level associated with every client.

The level of the risk posed of ML/TF by each client will also drive the extent of Customer Due Diligence work undertaken on the client and will dictate if the Firm needs to follow its Enhanced Due Diligence policies and procedures. The risk assessment of a client that leads to a high risk outcome will lead to the Firm undertaking its Enhanced Due Diligence policies and procedures.

The Firm's client risk assessments must cover as a minimum:

- Customer risk factors
- Product, service, transaction or delivery channel risk factors
- Geographical risk factors

Customer Due Diligence

Customer Due Diligence (CDD): Introduction

Independent Bookkeeping Ltd understands the influence that the risk assessment for ML/TF undertaken for every client has upon the level of CDD and on-going monitoring undertaken on that client.

Independent Bookkeeping Ltd understands the need to both identify and verify all Beneficial Owners of every client who fall within the requirements of R.5 and R.6 of MLR 2017 which explains who is a beneficial owner, the Firm also understands the requirement to identify and verify clients who are not corporate clients.

Independent Bookkeeping Ltd is further aware of the requirement to identify, verify and confirm the authority to act for anyone who purports to act on behalf of a client.

Independent Bookkeeping Ltd will also carry out CDD in accordance with R.27,28 and 29 MLR 2017 being mindful that the identification and verification of clients is part of Independent Bookkeeping Ltd's CDD and not the full extent of it. Independent Bookkeeping Ltd understands that it needs to know the type of business and the transactions the client is likely to undertake along with the expected nature and volume of transactions.

The firm is conscious of the guidance of when and how to perform CDD as set out within the online client and firm risk assessments in AMLCC.

Independent Bookkeeping Ltd is mindful of r.28(18) which explains what verify means in the context of CDD.

- Verify means on the basis of documents or information either obtained from a reliable source which is independent of the individual whose identity is being verified.
- Documents issued or made available to by an official body are to be regarded as independent even if provided or made available to the Firm by or on behalf of that person.

The firm is aware of the requirement from the 2020 amendments to the regulations to report discrepancies in beneficial ownership information to the relevant register.

Ultimate Beneficial Owners

Independent Bookkeeping Ltd understands the importance of being clear on who the Ultimate Beneficial Owner(s) (UBO) is of every corporate client that it works with. Independent Bookkeeping Ltd is clear that the UBO of a body corporate may not be the legal owner recorded on the company's records or on the relevant national company registers.

FAFT (Financial Action Task Force) Recommendations (June 2017 update) refers in its glossary to a Beneficial Owner as:

Beneficial owner refers to the natural person(s) who ultimately (Reference to "ultimately owns or controls" and "ultimate effective control" refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control.) owns or controls a customer (This definition should also apply to a beneficial owner of a beneficiary under a life or other investment linked insurance policy.) and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement

R.5 MLR 2017 includes an individual who exercises ultimate control over the management of the body corporate. It is noted that the introduction of "ultimate" is a change from the MLR 2007.

Independent Bookkeeping Ltd is committed to taking all steps to identify and verify the UBO of its clients which are corporate bodies.

R.28(7) and (8) confirms the importance that the Firm has exhausted all possible means of identifying the beneficial owner of a body corporate. If after exhausting all possible means the firm has not succeeded in identifying the beneficial owner or is not satisfied that the individual identified is in fact the beneficial owner, then: The firm may treat the senior person responsible for managing the body corporate as the beneficial owner.

The firm understands the need to record in writing all of the actions it has taken to identify the beneficial owner where it has chosen to rely on R.28(7) & (8). This relates to a situation where the firm has been unable to identify a beneficial owner(s) of a client. The 2020 amendments to the regulations confirm that documentation is essential and what information is required.

The FAFT Guidance On Transparency and Beneficial Ownership (October 2014) offers the example (9) of formal nominee shareholders and directors as a method of obscuring beneficial ownership information. The FATF guidance goes on to explain the risks of not being clear of who the ultimate beneficial owners of a corporate body are.

Purpose and Intended Nature

Independent Bookkeeping Ltd also understands the needs to obtain information on the purpose and intended nature of the business relationship or occasional transaction with a client. This is of equal importance to other parts of CDD duties.

Client Not Met Face to Face

Independent Bookkeeping Ltd is aware of the additional difficulty that arises in identifying and verifying a client that has not been met face-to-face.

Independent Bookkeeping Ltd is clear that having documents certified by a person of good standing is a key part of the identification and verification procedures.

Independent Bookkeeping Ltd will seek to use electronic signatures, where possible, to help manage the associated increased risk of working with a client that Independent Bookkeeping Ltd has not met.

The firm is aware that the 2020 regulation amendments now treat an Electronic Verification Process as being independent of the person that is being verified. The firm is aware that before solely relying on the Electronic Verification Process that it must be clear that the process is capable of providing an assurance that a person claiming an identity is, in fact, that person.

Enhanced Due Diligence (EDD)

Independent Bookkeeping Ltd is particularly conscious of the need to undertake Enhanced Due Diligence (EDD) steps and monitoring in the circumstances where the client risk assessment dictates. Independent Bookkeeping Ltd uses R.33 MLR 2017 as part of its role in establishing when EDD is required and is mindful of R.33(4) and (5) when considering what steps to take to perform its EDD and to establish the appropriate on-going monitoring.

Independent Bookkeeping Ltd will not take on a high-risk client without undertaking EDD and being satisfied that the client is not involved in ML/TF.

Independent Bookkeeping Ltd is clear that the following measures should be included within its EDD R.33(4) and (5) MLR 2017:

- Examining the background and purpose of the transaction; so far as reasonably possible
- Increasing the degree and nature of monitoring of the business relationship to determine if the relationship is suspicious

The firm's EDD may also include:

- Seeking additional independent, reliable sources to verify information provided or made available to the Firm
- Additional measures to understand better the background, ownership and financial situation of the customers, and other parties to the transaction
- Taking further steps to be satisfied that the transaction is consistent with the purpose and intended nature of the business relationship;
- Increasing the monitoring of the business relationship, including greater scrutiny of transactions

The 2020 regulations amendment now mean that where a client is established in high-risk third country that additional EDD is required as follows:

- obtaining additional information on the customer and on the customer's beneficial owner;
- obtaining additional information on the intended nature of the business relationship;
- obtaining information on the source of funds and source of wealth of the customer and of the customer's beneficial owner;
- obtaining information on the reasons for the transactions;

- obtaining the approval of senior management for establishing or continuing the business relationship; conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.”;

Changes to Clients Identification and Verification Documents

Independent Bookkeeping Ltd will seek updated documents from clients when the client details change or when documents held become out of date.

The firm is aware that the 2020 regulation amendments have introduced changes to the requirements to update CDD measures on a client. If the firm has a legal duty to contact a client during a year, with a view to reviewing information relevant to the firm’s risk assessment of the client and which relates to the beneficial ownership of the client, then the firm must apply its CDD measures to the client. Thus keeping CDD measures up to date on a client as updated information is identified.

Use of Online Electronic Verifications

Independent Bookkeeping Ltd is aware of the availability of Online Electronic Verifications (referred to in the regulations as Electronic Identification Process) which can be purchased to assist with verification of a client’s identification.

Independent Bookkeeping Ltd recognises that unless such verifications include biometric identification factors then sight of original or suitably certified independent and reliable photo ID will be sought alongside any electronic verifications used. This is to address the risk that the person claiming an identity may not be that person.

Online Verification Searches

Independent Bookkeeping Ltd will use searches using reputable online search engines to help with gathering information on clients. This may be useful in a number of areas including identification of PEPs, understanding what work a client undertakes and considering any media comment in relation to the client.

Independent Bookkeeping Ltd may use such information or update services as part of its on-going client monitoring. Independent Bookkeeping Ltd may use google alerts as part of its monitoring of clients.

The firm is aware of the requirement to address the risk that a person claiming an identity is not that person and that online verification search, if it to be relied on solely, must be capable of addressing that risk.

Politically Exposed Persons

Independent Bookkeeping Ltd is aware of its obligations to have systems and procedures in place to determine if a client or its beneficial owner is a PEP or a family member or close associate of a PEP.

Independent Bookkeeping Ltd is aware of the definition of a PEP within R.35(12) and (14) of MLR 2017 which defines a PEP. R.35 MLR 2017 is also considered in relation to what EDD step to undertake if a PEP is planned to be taken on as a client of Independent Bookkeeping Ltd.

Independent Bookkeeping Ltd is also conscious of guidance within R.36 of MLR 2017 and guidance on PEPs issued by the FCA.

<https://www.fca.org.uk/publication/finalised-guidance/fg17-06.pdf>

Independent Bookkeeping Ltd will not accept a PEP as a client without senior management approval.

Timing of Verification

R.27(1) sets out the when the Firm should apply due diligence measures. These are:

- When the Firm establishes a business relationship (which is further defined in R.4 MLR 2017)
- When the Firm carries out an occasional transaction that exceeds 1,000 euros and amounts to a transfer of funds under Article 3.9 of the funds' transfer regulation
- When the Firm suspects ML/TF
- When the Firm doubts the veracity or adequacy of documents or information previously obtained for the purposes of identification and verification.

Independent Bookkeeping Ltd is conscious of R.30 MLR 2017 which relates to the timing of identification and verification when taking on a new client.

Independent Bookkeeping Ltd understands that it must comply with the requirement to identify and verify all beneficial owners or person purporting to act on the client before establishing a business relationship or the carrying out of an occasional transaction.

R.30(3) goes on to explain that the Firm may as soon as practicable after first contact with a client, undertake its client verification steps during the course of the establishment of business relationship provided that the following apply:

- That the verification during the establishment of the business relationship is necessary not to interrupt the normal course of business
- There is little risk of ML/TF

Independent Bookkeeping Ltd is committed to identifying and verifying clients as soon as possible and before undertaking any work on behalf of a client.

The Firm is further aware that under R.33 MLR 2017 that it must undertake it's enhanced due diligence measures if it discovers that a client has provided false or stolen identification documentation or information.

The Firm is aware of its obligations under R.28(11) MLR 2017 to conduct on-going monitoring of business relationship to ensure:

- That the transactions undertaken through the course of the relationship with the client are consistent with the Firm's knowledge of the customer, the customer's business and risk profile
- Reviewing existing records and keeping documents or information obtained for CDD up-to-date

Requirement to Cease Transactions

Independent Bookkeeping Ltd is aware of R.31 MLR 2017 and will not establish a business relationship, carry out a transaction or continue to act for an existing customer where Independent Bookkeeping Ltd has been unable to apply its CDD measures.

New Products, New Business Practices (Including New Delivery Mechanisms) or New Technology

The firm is aware of the need to assess and mitigate any potential Money Laundering or Terrorist Financing risks associated with the adoption of any new products, new business practices (Including new delivery

mechanisms) or new technology.

CDD/EDD Record Keeping

Independent Bookkeeping Ltd keeps copies of documents and information used to perform its identification and verification.

This is recognised as helpful to evidence the steps that Independent Bookkeeping Ltd has taken and also provide useful information to law enforcement should a client be subject to an investigation.

The Firm has a commitment to keep records necessary to demonstrate its compliance with AML/CTF commitments and obligations and these are explained later in the policy.

Impersonation Risk

Independent Bookkeeping Ltd is mindful of the risk of a someone trying to impersonate someone else. Independent Bookkeeping Ltd's policy on seeing original or certified verification of identification of individuals who are clients or beneficial owners of clients will help to confirm that the person that Independent Bookkeeping Ltd is dealing with is the person that they claim to be.

Independent Bookkeeping Ltd is mindful of the possibility that an individual may seek to use fake identity documents; this is a further reason that copies of documents provided as evidence are copied and stored.

Internal Controls

Independent Bookkeeping Ltd is aware that it is important that it monitors the implementation of its AML/CTF policies and procedures to ensure that such policies and procedures are correctly followed or if any variation occurs is approved by senior management of Independent Bookkeeping Ltd.

R.21 MLR 2017 reflects the reality that the AML/CTF compliance structure of a sole practitioner firm will vary to that of a multi-person firm.

R.21(6) refers to an individual who neither employs or nor acts in association with another person as needing a different control AML/CTF control structure.

MLR 2017 also introduces the impact of a Firm's AML/CTF systems and controls of the size and nature of the Firm. It should be implied that a sole practitioner Firm is not at risk of being exposed to ML/TF.

Independent Bookkeeping Ltd is conscious it will need to consider its resources as to whether it is sufficiently resourced with senior management with the appropriate skills, knowledge and expertise to appoint deputies to the roles discussed below, in particular, the Nominated Officer (NO) and/or the Money Laundering Compliance Principal (MLCP).

There is a requirement for a Firm which is not a sole practitioner to inform its AML supervisor within 14 days of the appointment of both of the following:

- Who is the Nominated Officer (NO) for the Firm?
- Who is the person responsible for the Firm's compliance with MLR 2017 (The Money Laundering Compliance Principal (MLCP))?

There is a requirement for the Firm to have a NO and MLCP unless it is a sole practitioner as defined above.

The Nominated Officer of Independent Bookkeeping Ltd is (automatically inserted, may need to show a deputy).

The Money Laundering Compliance Principal of Independent Bookkeeping Ltd is (automatically inserted, may need to show a deputy).

The appointment of a NO (Nominated Officer) is a requirement under both MLR 2017 and POCA 2002 and is the person responsible for receiving Suspicious Activity Reports (SARs) from staff within the Firm and for determining from such internal SAR reports whether a SAR should be made to the National Crime Agency (NCA) and if required making SAR reports to the NCA.

The Money Laundering Compliance Principal is a requirement of MLR 2017 and is the person within the Firm who is responsible for Firm's compliance with MLR 2017. The MLCP should be an officer of the Firm (or equivalent if there is no board) or a member of the Firm's senior management.

It is clear then, that for a sole practitioner firm the individual who is the sole practitioner undertakes both the roles of the NO and the MLCP as there is no one else to undertake these roles. Being a sole practitioner does not mean that the roles of the NO and MLCP do not need to be undertaken only that the titles of the role are not required as it can only be the sole practitioner who undertakes this role.

The Firm must also consider whether it will benefit from the appointment of an individual to be responsible for the role of Independent Audit Function (IAF). Whether the Firm has chosen to introduce an Independent Audit Function will depend on its size and nature.

Though not specifically defined the size and nature of the Firm is both, factual by the size of the firm by, for example employee number or turnover, and risk based, for example the geographical reach of the Firm and the scope of work undertaken by the Firm. From this, the Firm will have to have regard to the outcome of both its own Firm Risk Assessment and the Risk Assessment undertaken on its clients.

R.19 (5) MLR 2017 that a regulated firm should consider both guidance issued by the FCA or any supervisory authority or appropriate body approved by the HM Treasury when consider what is appropriate and proportionate with regard to the size and nature of its business.

If established the Independent Audit Function's duty include:

- (i) to examine and evaluate the adequacy and effectiveness of the policies, controls and procedures adopted by the relevant person to comply with the requirements of these Regulations;
- (ii) to make recommendations in relation to those policies, controls and procedures; and
- (iii) to monitor the relevant person's compliance with those recommendations.

Independent Bookkeeping Ltd **has/has not** decided to set up an Independent Audit Function

The Firm is aware that it would not be unusual that the same individual may be the both the NO and MLCP for the Firm. This combined role is also known as the Money Laundering Reporting Officer (MLRO) which is the title that many within the regulated sector may be familiar with.

Whilst it is not a requirement of MLR 2017 or POCA 2002 to have an MLRO it may be sensible to continue with this title for ease of reference of employees of the Firm.

Employee Screening

Independent Bookkeeping Ltd carries out screening of relevant employees in accordance with r.21(1)(b) MLR 2017 both before the appointment is made and during the course of employment.

Independent Bookkeeping Ltd is aware that where the Firm is a strict sole practitioner as explained within the Internal Controls section of this policy that it will be unable to and not obliged to carry out Employee Screening steps.

Independent Bookkeeping Ltd acknowledges that screening means r.21(2)(a) means an assessment of:

- (i) the skills, knowledge and expertise of the individual to carry out their functions effectively;
- (ii) the conduct and integrity of the individual;

Independent Bookkeeping Ltd also acknowledges that relevant employees r.21(2)(b) are employees whose work is:

- (i) relevant to the relevant person's compliance with any requirement in these Regulations, or
- (ii) otherwise capable of contributing to the–
 - (aa) identification or mitigation of the risks of money laundering and terrorist financing to which the relevant person's business is subject, or
 - (bb) prevention or detection of money laundering and terrorist financing in relation to the relevant person's business.

Records

Independent Bookkeeping Ltd recognises that the records that are kept in relation to all aspects of our AML/CTF compliance are very important. Independent Bookkeeping Ltd recognises that such records will form evidence of its compliance to its AML supervisor and interested law enforcement agencies.

Independent Bookkeeping Ltd recognises that its AML/CTF records will be its defence against any criticism or prosecution. Deficiencies in its records will prima facie indicate that such compliance work has not been undertaken by the Firm.

Independent Bookkeeping Ltd is aware that the MLR 2017 R.40 sets out the requirements for AML records that Independent Bookkeeping Ltd must retain in relation to the following:

- Copy documents and information obtained to satisfy CDD requirements
- Sufficient supporting records of any transaction that is the subject of CDD or ongoing monitoring to enable the transaction to be reconstructed

Independent Bookkeeping Ltd is aware of the requirements of R.40 MLR 2017 with regards to retaining the records required under (R.40 MLR 2017) as described above for a period of at least five years after the following events occur R.40(3) MLR 2017:

- a) that the transaction is complete, for records relating to an occasional transaction; or

b) that the business relationship has come to an end for records relating to–

- (i) any transaction which occurs as part of a business relationship, or
- (ii) customer due diligence measures taken in connection with that relationship.

Independent Bookkeeping Ltd will usually issue a client dis-engagement letter at the point that events laid out in R.40(3) above have occurred. The Firm uses the issuing of the dis-engagement letter as the start of the five-year period.

Independent Bookkeeping Ltd is aware of the requirements of R.40 MLR 2017 to delete any personal data of a client after a period of five years unless (R.40 (5)(a)):

- (i) by or under any enactment, or
- (ii) for the purposes of any court proceedings;
- (b) the data subject has given consent to the retention of that data; or
- (c) the relevant person has reasonable grounds for believing that records containing the personal data need to be retained for the purpose of legal proceedings.

Independent Bookkeeping Ltd is aware that for a continuing client, it is not required to keep records listed in R.40(3)(b)(i) for more than ten years; which are records relating to:

- (i) any transaction which occurs as part of a business relationship,

Independent Bookkeeping Ltd is also aware of R.19 MLR 2017 which requires that Independent Bookkeeping Ltd must maintain a record in writing of:

- The policies, controls and procedures
- Any changes as a result of updates or reviews
- The steps taken to communicate these and any changes within Independent Bookkeeping Ltd's business

The AML/CTF records held may include

- AML/CTF Policy document
- AML/CTF Procedures document
- Sector Risk Assessment
- Firm Risk Assessment
- Evidence of compliance with the policies and procedures
- New Client Information forms
- Evidence of identification and verification work undertaken on clients' beneficial owners for CDD purposes
- Records to support any transactions subject to CDD or ongoing monitoring (sufficient to reconstruct the transaction)
- Client Risk Assessment forms
- Evidence of Risk Assessment updates
- Technical Reference Documents
- Training undertaken by any senior members of Independent Bookkeeping Ltd
- Training undertaken by any staff of Independent Bookkeeping Ltd

- Record of communication to staff of any review or changes to policies, controls and procedures

Where Independent Bookkeeping Ltd structure requires:

- Senior management approval for any cash received by Independent Bookkeeping Ltd
- Senior management approval of Independent Bookkeeping Ltd accepting a PEP or their family members or close associates as a client

These documents are held in one or more of the following formats:

- AMLCC Online AML/CTF Compliance Tool
- Hard Copy Documents
- Electronic Documents

The Firm is aware of the term "size and nature" of the Firm that is referred to within MLR 2017 with regards to the extent of policies, controls and procedures of any firm. Reference to some suggested records that might be considered to be kept by a larger or more risk exposed firm are listed within the draft sourcebook issued by OPBAS (Office of Professional Body Anti-Money Laundering Supervisors) is as follows:

- organisation chart;
- legal entity chart;
- job descriptions of senior management;
- composition of committees;
- documents setting out internal procedures and controls;
- internal audits of compliance with internal procedures and controls;
- external auditor's reports;
- compliance reports;
- data on suspicious activity reports and other engagement with law enforcement
- agencies;
- breach logs;
- review of information from other sources: information and alerts could come from
- law enforcement, other supervisors, employees, other businesses, or the public.

Data Protection

In accordance with R.41 MLR 2017, any personal data obtained by Independent Bookkeeping Ltd for the purposes of its AML/CTF compliance will only be processed for preventing ML or TF.

Independent Bookkeeping Ltd provides information to new clients relating to data protection before establishing a business relationship or undertaking an occasional transaction.

Independent Bookkeeping Ltd will not, without due reason, retain personal data obtained for purposes of AML/CTF beyond a period of five years from the end of a business relationship or completion of an occasional transaction. Further details are covered in the Records section of this policy.

Reliance on Third Parties

It is not the intention of Independent Bookkeeping Ltd to rely upon information held by Third-Parties to assist with its AML/CTF other than through information placed on the AMLCC online compliance platform.

Should Independent Bookkeeping Ltd consider placing reliance on a third party to apply it Customer Due

Diligence (CDD) measures then it is aware that it is the Firm that remains liable for any failure to apply its CDD measures.

Independent Bookkeeping Ltd will review and amend its AML/CTF policy should it vary from its current policy on Reliance on Third Parties.

Training and Internal Communication

Independent Bookkeeping Ltd recognises that it has the best chance of preventing and identifying ML/TF using an "all eyes" approach. This means training everyone within Independent Bookkeeping Ltd to understand what activities or transactions might be identified as suspicious. This is to ensure that all staff understand the obligation to report suspicious activity or transactions to Independent Bookkeeping Ltd's Nominated Officer (NO) for the purposes of reporting to the NCA under POCA 2002.

The firm is aware that the 2020 amendments to the regulations introduce a requirement to train as "agents" of the firm as if they were staff.

Independent Bookkeeping Ltd further recognises its responsibility for ensuring that all staff are both aware of and understand how to apply Independent Bookkeeping Ltd's own policies, controls and procedures. Independent Bookkeeping Ltd will communicate to staff any updates to any changes to its systems, policies, controls and procedures.

Independent Bookkeeping Ltd is conscious that by training all staff then they are minimising the risk that ML/TF would go undetected by Independent Bookkeeping Ltd. This approach to training supports that view that all staff are relevant staff for R.21(2)(b) MLR 2017 and that such training forms part of the screening process required for both new and existing staff under R.21(1)(b).

If Independent Bookkeeping Ltd uses the services of individuals or entities to assist with the provision of its own client services then this will ensure that such non-employees are given or have received training on both AML/CTF its policies, controls and procedures to the same standard as Independent Bookkeeping Ltd's employees.

A record of all AML/CTF related training is kept.

Further training is given after a maximum period of twelve months or as updates are required, whichever is sooner.

Reporting

Independent Bookkeeping Ltd is aware that it has a role to play in preventing and identifying ML/TF. A key role in this is passing information to the NCA and where appropriate seeking authority from the NCA to continue with a transaction. Independent Bookkeeping Ltd will use the Suspicious Activity Reporting facility to make reports to the NCA when activity or transactions require reporting to the NCA.

All reports to the NCA will be made by Independent Bookkeeping Ltd's Nominated Officer (NO) or its Deputy NO if one has been appointed. The Suspicious Activity Reports (SAR reports) made or considered by the NO are likely to have come from internal SARs made by employees of the Firm to the NO.

Evidence is held with Independent Bookkeeping Ltd's AMLCC online compliance tool that relevant members of Independent Bookkeeping Ltd have been trained in both the law and guidance relevant to AML/TF that is relevant to the services provided by Independent Bookkeeping Ltd and Independent Bookkeeping Ltd own internal policies and procedures relevant to AML/CTF.

Why Report?

Independent Bookkeeping Ltd is aware that its obligation to report to the National Crime Agency (NCA) is set out in Part 7 Proceeds of Crime Act 2002 (POCA) and Part 3 of the Terrorism Act 2000 TACT.

All employees of the Firm are obliged to report to the Nominated Officer any activity that they consider may be money laundering or terrorist financing. Further details of what to report are within the **What to Report** section of this policy.

All employees of the Firm are aware that their best defence under both POCA and TACT is to make a report to the Firm's NO.

All employees of the Firm are also aware that they **MUST NOT** disclose to any party that is the subject of a SAR (tipping off), that a SAR has been made or that an investigation by law enforcement is ongoing (prejudicing an investigation).

What to Report?

Independent Bookkeeping Ltd is aware of the details laid out in the Independent Bookkeeping Ltd Approach to AML/CTF section of this policy, which lays out the principle money laundering offences that are reportable.

Any uncertainty on whether to report or not by employees of the Firm should be discussed with NO of the Firm.

Any uncertainty on behalf of the Firm's NO should be discussed with the Firm's senior management, the Firm's AML supervisor or independent legal advice sought.

It is often wise for the Firm, if seeking independent advice on a SAR, not to disclose the client details as this will minimise the risk of a tipping off offence under POCA.

Cash Handling

Independent Bookkeeping Ltd is aware of the difficulty of tracing the source and movement of cash.

Independent Bookkeeping Ltd has considered the risk of handling the proceeds of crime by accepting cash from any client either in payment for fees already incurred or expected to be incurred in the future or for payment of any liabilities on behalf of the client. The Firm has taken a view that it will only accept any cash from a client provided the client can evidence with independent records or information the source of the cash.

Any such acceptance of cash by Independent Bookkeeping Ltd will require senior management approval.

Client Account

Independent Bookkeeping Ltd has a policy of operating a client account to hold any funds that belong to clients of the Firm.

The client account is used only for the receipt of refunds on from HMRC on behalf of clients.

The Firm is careful to be sure that any payments from the client account are only made to accounts of the named client and are not paid to any third-parties.

Independent Bookkeeping Ltd is conscious that funds paid out if its client account will often be seen as "clean" funds and the Firm is therefore aware of the risk the clients with criminal intent may seek to use the Firm's client account as a way of demonstrating "clean" funds to a third-party.

The client account will be reconciled on a monthly basis and discrepancies investigated and resolved. Such reconciliations will be checked by a senior member of the Firm and evidence of such a check recorded.

Independent Bookkeeping Ltd will be clear to have documented authority from a client before drawing funds from the client account to cover invoiced fees of the Firm incurred for work on the client.

The Firm is also aware that a client being prepared to deposit funds in advance of work being undertaken by the Firm and then seeking to recover the deposit by cancelling the instructions to the Firm is a route that could be used to "clean" funds through the Firm's client account.

AML Supervision

Independent Bookkeeping Ltd can confirm that it is registered with a relevant AML supervisor.

Independent Bookkeeping Ltd is supervised for AML by International Association of Bookkeepers

Independent Bookkeeping Ltd is also aware that if it undertakes work that is classified as TCSP work that it will need to be registered on any TCSP register held by HMRC. Such a register of TCSP service providers is a requirement placed on HMRC by MLR 2017. Being listed on such a register is not a substitute for the Firm being supervised for AML for any services that it provides that are regulated services under MLR 2017. At the time of drafting this policy the Firm is aware that no such register is in place at HMRC and that it will need to monitor for updates. It is likely that the Firm's AML supervisor for TCSP work will provide the Firm's information to HMRC for registration on the TCSP list, the Firm will monitor this.

Independent Bookkeeping Ltd is aware of the requirement that on or before 26th June 2018 that it will need to have authority from its AML supervisor to continue to operate Independent Bookkeeping Ltd. Such authority will be subject to Independent Bookkeeping Ltd confirming that none of its beneficial owners, officers or senior managers have an unspent conviction which is a relevant conviction on Schedule 3 of MLR 2017.

Independent Bookkeeping Ltd does not have any of its beneficial owners, officers or senior managers that have a current conviction which is a relevant conviction for Schedule 3 MLR 2017.

Independent Bookkeeping Ltd is also aware of its obligations to appoint (where appropriate) and to inform its AML supervisor of the appointment of any person responsible for the compliance of Independent Bookkeeping Ltd with MLR 2017 and the Nominated officer and any subsequent changes to these positions.

Prohibitions and Approvals - (firm must be authorised in relation to relevant criminal convictions)

Independent Bookkeeping Ltd is aware of the requirement not to have anyone who has been convicted of a relevant criminal conviction (listed in Schedule 3 MLR 2017) as beneficial owner of Independent Bookkeeping Ltd or as an officer or manager of Independent Bookkeeping Ltd.

Confirmation of this will be provided to Independent Bookkeeping Ltd's AML supervisor(s) once the format for such authorisation applications have been set out by Independent Bookkeeping Ltd's supervisor(s). Authorisation will be requested prior to 26 June 2018.

Independent Bookkeeping Ltd will update its authorising body within 30 days of any relevant convictions being made to the relevant parties of Independent Bookkeeping Ltd.

Financial Sanctions and Proscribed Terrorist Groups or Organisations

Independent Bookkeeping Ltd is aware of guidance issued by the Office of Financial Sanctions Implementation (OFSI) which is available online at: <https://www.gov.uk/government/publications/financial-sanctions-faqs> and the OFSI guidance on the associated monetary penalties at: https://www.gov.uk/government/.../Monetary_penalties_for_breaches_of_financial_sanctions.pdf

Independent Bookkeeping Ltd is aware of the consolidated list of financial sanctions target issued by OFSI and is conscious that this is regularly updated.

An extract from the OFSI Financial Sanctions Guidance is included below:

3.1.2 What must you do?

If you know or have 'reasonable cause to suspect' that you are in possession or control of, or are otherwise dealing with, the funds or economic resources of a designated person you must:

- freeze them
- not deal with them or make them available to, or for the benefit of, the designated person, unless:
 - there is an exemption in the legislation that you can rely on
 - you have a licence from OFSI
- report them to OFSI

Reasonable cause to suspect refers to an objective test that asks whether there were factual circumstances from which an honest and reasonable person should have inferred knowledge or formed the suspicion.

A breach of these requirements may result in a criminal prosecution or a monetary penalty.

The Firm will be reviewing the OFSI consolidated periodically to be sure that clients of the Firm do not appear on this list. Should a client show on the list the Firm is aware of its obligation to notify OFSI immediately. A link to the OFSI consolidated list is here: <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

Independent Bookkeeping Ltd is aware of the Proscribed Terrorist Groups or Organisations list of banned organisations under UK law. A link to the list is here: <https://www.gov.uk/government/publications/proscribed-terror-groups-or-organisations--2>

The Firm is conscious of the sense in reviewing this list periodically to be sure that clients of the Firm do not appear on this list.