



**GUIDELINE RELATED TO
HIGH RISK CUSTOMERS**

**GUIDELINES ISSUED BY THE FINANCIAL INTELLIGENCE UNIT UNDER THE
AUTHORITY OF SECTION 9 (4) (e) (iv) OF THE ANTI-MONEY LAUNDERING AND
COUNTERING THE FINANCING OF TERRORISM ACT CAP. 10.11**

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INTRODUCTION

The Financial Intelligence Unit (FIU) in its continuing efforts to assist reporting entities in understanding and complying with their obligations under the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation, has prepared this Guide.

The Guideline seeks to assist reporting entities in recognizing high-risk business relationships/customers and carrying out the customer due diligence (CDD) or enhanced due diligence (EDD) requirements accordingly. This is to enable reporting entities to detect suspicious transactions, including where the funds associated with a transaction undertaken by a ‘High Risk Customer’, raised a question as to its source/origin.

This guideline is not intended to override the provisions of the AML/CFT Act Cap. 10:11 or its regulations, but, it must be read in conjunction with the Act, its Regulations, subsidiary legislation, directives and other applicable guidelines currently in force or as are amended or updated from time to time.

HIGHER RISKS

There are circumstances/situations where the risk of money laundering or terrorist financing is higher, and enhanced CDD measures are required by a reporting entity. *See Annex A for examples of potentially higher-risk circumstances/customers.*

Reporting entities are reminded that they must obtain the following information when dealing with higher-risk business relationships/customers:

- Additional information on the customer (e.g. volume of assets, information available through public databases, internet etc., and updated identification data for the customer and/ or beneficial owner.
- Additional information on the intended nature of the business relationship.
- Information on the *source of funds* and *source of wealth* of the customer.
- Information on the reason or purpose of performed transactions.

- The approval of senior management to commence or continue the business relationship.¹

The reporting entity must also conduct more regular and enhanced monitoring of high-risk business relationships. This may include but is not limited to increasing (a) the number and timing of controls applied; and (b) the number of transactions selected for closer examination by the reporting entity.

SOURCE OF FUND / SOURCE OF WEALTH

Source of funds focuses on where the funds used for the transaction originated – Funds may originate from, but are not limited to, the sale of asset, salary, gifts, or earnings/income/profit from business ownership or business activities.

Source of wealth on the other hand, focuses on where the customer's wealth originated. Acceptable sources of validation of source of wealth include but are not be limited to: Proof of sale of property or other asset, records of investment, commercial loan agreement letter, audited financial statements, written confirmation from a qualified accountant/lawyer, or grant of probate/copy of will, etc.

A reporting entity must always remain vigilant and take steps to ensure that it is not used as a conduit for money laundering, the financing of terrorism, or the financing of proliferation of weapons of mass destruction, through the acceptance of funds derived from illegal sources, or false documentation and/ or information.

To assist reporting entities in determining the *source of wealth* and *source of funds* of a high-risk customer, the SOF form or template, which is annexed at 'Annex B', may be considered for use as a guide by reporting entities, with necessary amendments to suit the organization's specific circumstances or needs.

¹ Section 15 of the AML/CFT Act/FATF Standards – Interpretative Note to Recommendation 10 "Enhanced CDD Measures"

Note

The use and/or adoption of the FIU's Source of Fund/ Wealth Form or template is not mandatory. Reporting entities are required to develop, independently, AML/CFT preventative measures, including policies and procedures for detecting high risk customers, commensurate with the size, complexity and money laundering/terrorist financing risks associated with their businesses or activities.

Annex A: Examples of potentially higher-risk circumstances ²

- Customers that are Politically Exposed Persons.
- Non-resident customers.
- Legal persons or arrangements that are personal asset-holding vehicles.
- Companies that have nominee shareholders.
- Cash intensive businesses.
- Companies with unusual or excessively complex ownership structure.
- Customer in countries with inadequate AML/CFT systems.
- Customer in countries subject to sanctions, embargos or similar measures issued by reputable international organisations e.g. Financial Action Task Force (FATF)/United Nations (UN)/ European Union (EU).
- Non-face-to-face business relationships or transactions.
- Correspondent banking relationships.

² FATF Standards – Interpretive Note to Recommendation 10 “Higher Risks”

Annex B: Source of Fund/Wealth Declaration Form

SOURCE OF FUND/WEALTH
DECLARATION FORM

PART 1 (TO BE COMPLETED BY CUSTOMER)

DATE OF TRANSACTION: (DD/MM/YYYY)

NAME OF CUSTOMER:

ADDRESS OF CUSTOMER:

TELEPHONE NUMBER OF CUSTOMER:

TYPE OF TRANSACTION: CASH CHEQUE OTHER IF OTHER STATE

TYPE OF CURRENCY: LOCAL FOREIGN IF FOREIGN STATE TYPE

AMOUNT:

NATURE OF BUSINESS/OCCUPATION/SOURCE OF INCOME OF CUSTOMER:

IF EMPLOYED PLEASE STATE

NAME OF EMPLOYER: TEL. NO. OF EMPLOYER:

ADDRESS OF EMPLOYER:

RESIDENCY OF CUSTOMER: LOCAL OTHER IF OTHER STATE

DATE OF BIRTH OF CUSTOMER: (DD/MM/YYYY)

CUSTOMER IDENTIFICATION: ID TYPE ID #

I HEREBY DECLARE THAT THE SOURCE OF FUNDS FOR THIS TRANSACTION IS

CUSTOMER SIGNATURE _____

PART 2 – (TO BE COMPLETED BY REPORTING ENTITY)

NAME OF REPORTING ENTITY:

TYPE OF REPORTINE ENTITY:

TRANSACTION ACCEPTED TRANSACTION WITHDRAWN BY CUSTOMER

TRANSACTION DECLINE BY ENTITY IF DECLINE, REASON

AUTHORISED BY: NAME _____ SIGNATURE _____