



COVID – 19 SUPPLEMENTARY ANTI MONEY LAUNDERING GUIDANCE

COMPLETION OF CLIENT DUE DILIGENCE (CDD) DURING URGENT WORK

Client Due Diligence (CDD) - Regulation 30 MLR 2017

In view of the current Covid-19 there may be circumstances in which a client requires urgent advice in a time frame that does not allow completion of client due diligence (CDD) in sufficient time. Regulation 30(3) permits this to be completed whilst establishing the business relationship provided that the verification is completed as soon as practicable after contact is first established, and if:

- (a) this is necessary not to interrupt the normal conduct of business; and
- (b) there is little risk of money laundering or terrorist financing.

Although there is existing guidance, this document aims to provide further detail on the principles that underlie the guidance and how it can be applied in the current circumstances.

Current Accountancy sector guidance

The Anti-Money laundering guidance for the accountancy sector issued by the CCAB ('the Guidance') makes clear that CDD should normally be completed before entering into a business relationship.

Notwithstanding that, as set out in Chapter 5 of the Guidance, the money laundering regulations recognise CDD will sometimes need to be completed while the business relationship is established, rather than before.

The principles underlying the examples in the Guidance are that there must be a pressing or urgent need for the services which is caused by external factors not within the client's control.

Further examples may include a request for an urgent review of cash flows and business funding to determine whether a bank will continue to fund a client; an urgent requirement to negotiate a "time to pay" arrangement with HMRC; or circumstances where there could be an adverse impact on the client business which could lead to job losses or an adverse impact on vulnerable individuals.

Commercial deadlines alone would not meet the test, nor would an audit deadline or normal deadline to prepare and file accounts unless there were very unusual circumstances.

The firm must still gather enough information to form a general understanding of the client's identity so that it remains possible to assess the risk of MLTF. Any electronic checks available to the firm should be completed as should open source checks (e.g. a search of Companies' House).

Consultative Committee of Accountancy Bodies

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Since the CDD is to be performed whilst establishing a business relationship, it should be complete by the time the final work is provided to the client.

Where a firm decides to extend the circumstances in which it will apply Regulation 30(3) each request should be considered and approved by the MLRO.