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MKP must meet certain day-to-day responsibilities [as the business is covered by the Money Laundering Regulations](#). These include carrying out 'customer due diligence' measures to check that MKP customers are who they say they are, and [risk assessing the business](#).

MKP has placed internal controls and monitoring systems. The nature of these controls will depend on the size and complexity of MKP's business, including the number of customers MKP have and the number and type of products and services MKP provide.

Customer due diligence requirements

Customer due diligence involves steps to identify MKP customers and checking they are who they say they are. In practice this means obtaining a customer's:

- name
- photograph on an official document which confirms their identity
- residential address and date of birth

MKP would obtain a government issued document like a passport, along with utility bills, bank statements and other official documents. Other sources of customer information include the electoral register and information held by credit reference agencies such as Experian and Equifax.

MKP would also need to identify the 'beneficial owner' in certain situations. This may be because someone else is acting on behalf of another person in a particular transaction, or it may be because MKP need to establish the ownership structure of a company, partnership or trust.

If MKP have doubts about a customer's identity, MKP must stop dealing with them until MKP is sure.

When do MKP need to apply customer due diligence measures

MKP must apply customer due diligence measures:

- when MKP establish a business relationship with a customer (or another party in a property sale)
- when MKP suspect money laundering or terrorist financing
- when MKP have doubts about a customer's identification information that MKP obtained previously
- when it's necessary for existing customers - for example if their circumstances change
- if MKP are not a high value dealer, when MKP carry out an 'occasional transaction' worth €15,000 or more
- as a high value dealer, when MKP:
 - make a payment to a supplier worth €10,000 or more
 - carry out an 'occasional transaction' worth €10,000 or more

Customer due diligence when MKP are establishing a business relationship

A business relationship is one that MKP enter into with a customer where both of MKP and customer expect that the relationship will be ongoing. It can be a formal or an informal arrangement.

When MKP establish a new business relationship MKP need to obtain information on:

- the purpose of the relationship
- the intended nature of the relationship - for example where funds will come from, the purpose of transactions, and so on

The type of information that MKP need to obtain may include:

- details of MKP's customer's business or employment
- the source and origin of funds that MKP customer will be using in the relationship
- copies of recent and current financial statements

- details of the relationships between signatories and any underlying beneficial owners
- the expected level and type of activity that will take place in business relationship

The changing circumstances of MKP's customers

MKP would keep up-to-date information on MKP's customers so that MKP can:

- amend risk assessment of a particular customer if their circumstances change
- carry out further due diligence measures if necessary

Changes of circumstance may include:

- a big change in the level or type of business activity
- a change in the ownership structure of a business

When to apply customer due diligence for occasional transactions

MKP would carry out customer due diligence measures when business carries out occasional transactions. These are transactions that are not carried out within an ongoing business relationship where the value is:

- €15,000 or more if you're not a high value dealer (or the equivalent in other currencies)
- €10,000 or more if you're a high value dealer (or the equivalent in other currencies)

This applies whether it's a single transaction or linked transactions.

Linked transactions are individual transactions of less than €15,000 (or €10,000 for high value dealers) that have been deliberately broken down into separate, smaller transactions to avoid customer due diligence checks. MKP business must have systems in place to detect potentially linked transactions.

Once a potentially linked transaction has been identified, MKP need to decide if it has been deliberately split. Some issues to consider are when:

- a number of payments have been made by the same customer in a short period of time
- it's possible that a number of customers have carried out transactions on behalf of the same person
- a number of customers have sent money transfers to the same person

MKP also have to carry out customer due diligence measures for occasional transactions that are worth less than €15,000 in certain circumstances. For example, MKP must do this when the nature of a transaction means that there's a higher risk of money laundering.

When to carry out enhanced due diligence

In some situations MKP must carry out 'enhanced due diligence'. These situations are:

- when the customer is not physically present when MKP carry out identification checks
- when MKP enter into a business relationship with a 'politically exposed person' - typically, a non UK or domestic member of parliament, head of state or government, or government minister and their family members and known close associates
- when MKP enter into a transaction with a person from a [high risk third country identified by the EU](#)
- any other situation where there's a higher risk of money laundering

The enhanced due diligence measures for customers who are not physically present and other higher risk situations include:

- obtaining further information to establish the customer's identity
- applying extra measures to check documents supplied by a credit or financial institution
- making sure that the first payment is made from an account that was opened with a credit institution in the customer's name
- finding out where funds have come from and what the purpose of the transaction is

The enhanced due diligence measures when MKP deal with a politically exposed person are:

- making sure that only senior management gives approval for a new business relationship
- taking adequate measures to establish where the person's wealth and the funds involved in the business relationship come from
- carrying out stricter ongoing monitoring of the business relationship

Customer due diligence measures where MKP customer is another Money Service Business

MKP should seriously consider applying enhanced due diligence if MKP's customer is a money transmitter or currency exchange office. This situation presents a higher risk of money laundering or terrorist financing because the money MKP receive will be a 'bulk transfer' representing a collection of underlying transactions placed with MKP customer. The extent of enhanced due diligence measures MKP apply should be based on the risk and circumstances of each case.

At the very least MKP must get the number of underlying transactions of each bulk transfer made to MKP by customer. This information will allow MKP to check that the number and average value of transactions is consistent with the level of business MKP anticipated when MKP began MKP's business relationship.

It will also give MKP an indication of risk, particularly where either the number of underlying transactions or the average transaction value is significantly above what MKP expected. In such cases MKP must establish and record why it's different.

MKP must undertake checks if MKP consider there is a risk, to ensure that MKP customer is carrying out due diligence (and if a money transmitter is involved obtain 'Complete Information on the Payer'). This will include checking the relevant records for specific transactions.

MKP should check that any money transmission businesses that MKP do business with are registered/authorised with the Financial Conduct Authority (FCA). Businesses carrying out money transmission that are not registered with, or authorised by, the FCA cannot lawfully provide payment services in the UK. MKP should decline the transaction if MKP's customer is not properly registered.

Internal controls and ongoing monitoring of MKP's business

MKP must make sure that MKP business has adequate internal controls and monitoring systems. These should alert MKP manager and other relevant people in MKP business if criminals try to use MKP business for money laundering. Once MKP have been made aware of a potential threat, MKP can take steps to prevent it and report any suspicious activity.

MKP controls include:

- [appointing a 'nominated officer'](#) and making sure that employees know to [report any suspicious activity](#) to them
- appointing a compliance officer if MKP's business is larger or more complex

- identifying the responsibilities of senior managers and providing them with regular information on money laundering risks
- training relevant employees on their anti-money laundering responsibilities
- documenting and updating MKP anti-money laundering policies, controls and procedures
- introducing measures to make sure that the risk of money laundering is taken into account in the day-to-day running of business

Record keeping

MKP need to keep a record of all customer due diligence measures that MKP carry out, including:

- customer identification documents that we've obtained
- risk assessments
- MKP policies, controls and procedures
- training records

By keeping comprehensive records MKP will be able to show that MKP's business has complied with the Money Laundering Regulations. This is crucial to protect the business if there's an investigation into one of MKP customers.

The types of record MKP keep may include:

- daily records of transactions
- receipts
- cheques
- paying-in books
- customer correspondence

The formats that MKP can keep MKP's records in are:

- originals
- photocopies
- scanned
- computerised or electronic

MKP must keep the records for five years beginning from:

- the date a business relationship ends
- the date a transaction is completed

MKP Appointed person

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