

**ANTI-MONEY LAUNDERING/COUNTER FINANCING OF TERRORISM /COUNTER
PROLIFERATION FINANCING IN FOCUS**

Part Twelve:

**An In-depth Look at the Financial Action Task Force (FATF) Forty Recommendations-
Recommendation 10- Customer Due Diligence**

By: The Attorney General's Chambers and the National Anti-Money Laundering Oversight Committee (NAMLOC)

The topic of customer due diligence is extensively covered in Recommendation 10 and its Interpretive Notes. Within Saint Lucia customer due diligence should not only be conducted by financial institutions but also persons engaged in other business activities such as attorneys, accountants, car dealers etc. Due to the extensive nature of this recommendation, this article will cover the main points.

Customer due diligence is the gathering of “facts about a customer that should enable an organization to assess the extent to which the customer exposes it to a range of risks. These risks include money laundering and terrorist financing”.

The CDD measures that a financial institution or persons engaged in other business undertake should seek to include, identifying and verifying the customer's identity using independent sources of information. It should also include, understanding the purpose and intended nature of the business relationship, identifying the beneficial owner and understanding the ownership and control structure of the customer. Additionally, throughout the life of the business relationship, there should be ongoing scrutiny of transactions to ensure that they are in keeping with the institution's knowledge of its customer.

Customer due diligence should be carried out using a risk based approach, meaning where the financial institution detects higher risks of money laundering and terrorist financing, enhanced customer due diligence measures need to be applied. High risk situations include businesses that are cash intensive. Simplified customer due diligence measures are applied where the risks are deemed to be lower. Lower risk situations include companies that are listed on the stock exchange and subject to disclosure requirements. The discretion is however left up to the institution.

Further, a country should have customer due diligence enshrined either in law or through other enforceable means. The Money Laundering (Prevention) Act, Cap. 12:20 of the Revised Laws of Saint Lucia covers customer due diligence. Section 17 gives very clear guidelines. Section 17(1) states “A financial institution or a person engaged in other business activity shall undertake customer due diligence measures when there is doubt about the veracity or adequacy of previously obtained customer identification data including identifying and verifying the identity of customers, when—(a) establishing business relations; (b) carrying out occasional transactions above \$25,000 or that are wire transfers; (c) on funds transfers and related messages that are sent; (d) when funds are transferred and do not contain complete originator information; (e) there is a suspicion of money laundering or terrorist financing”.

In some instances one may be asked to fill out a source of funds form, when entering into a transaction as stated in section 21 of the Money Laundering (Prevention) Act, Cap. 12.20. Making a false declaration is an offence.

Information on this and the other recommendations can be obtained from the CFATF's website at <https://www.cfatf-gafic.org>.