

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

Part Nineteen:

**An In-depth Look at the Financial Action Task Force (FATF) Forty Recommendations-
Recommendation 17: Reliance on Third Parties**

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

Under the Financial Action Task Force Forty Recommendations, a country may permit financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs), such as those identified in Schedule 2 of the Money Laundering (Prevention) Act, to engage the services of a third party to conduct customer due diligence (CDD). These CDD measures which were discussed under Recommendation 10 include: (i) the ability to identify the customer and being able to verify the identity using reliable and independent sources of information, (ii) taking all reasonable steps to identify the beneficial owner, (iii) understanding and obtaining information on the purpose of the business and the business relationship, (iv) conducting ongoing due diligence throughout the life of the business relationship, to ensure that the business being undertaken is consistent with the institution's knowledge of the client and the risk profile. This third party may be another regulated financial institution or DNFBP, which is not involved in the impending business relationship.

The financial institution or DNFBP should satisfy itself that the following criteria are met when engaging a third party. It should seek to immediately obtain from the third party, information on the measures identified in Recommendation 10 such as the true identity of the customer. Additionally, the financial institution or DNFBP should be able to retrieve from the third party all relevant documentation on the customer, without delay (in a matter of hours). The third party must be a regulated, supervised and monitored entity with established compliance measures and finally, consideration has to be given to the money laundering/ terrorist financing risks of the country in which the third party is located.

It should be noted that this Recommendation is not applicable to outsourcing. There is usually an existing relationship between the client and the third party provider, which is independent of the relationship to be formed by the financial institution and DNFBP, therefore the third party entity would apply its own CDD measures. By contrast, when outsourcing occurs, the outsourced entity would apply CDD measures on behalf of the institution which engaged it, in accordance with the institution's procedures. The financial institution or DNFBP therefore has control over the process.

During the 4th Round Mutual Evaluation, this Recommendation will be examined by the assessors from the Caribbean Financial Action Task Force (CFATF) to determine if laws are in existence to deal with the subject matter, and the effectiveness of such laws. They will seek to ascertain this information whilst conducting the on-site visit from September 16-27, 2019. Financial institutions and DNFBPs are encouraged to have written policies on this area. Information on this and the other Recommendations can be sourced from the CFATF website at <https://www.cfatf-gafic.org>.