



Customer Due Diligence – Part 3: Ongoing Monitoring

AMLbites

What does this presentation cover?



Why is ongoing customer due diligence (CDD) required?



How often should I undertake customer due diligence?



What do I need to do?



What do I need to document?



Event driven reviews

Why?

- Businesses must apply CDD procedures at appropriate points during the lifetime of the relationship.
- Established business relationships should be subject to CDD procedures throughout their duration.
- Risks that client changes ownership or trading activities and moves from a legitimate trade to otherwise. Monitoring ensures changes are identified.

How often?

- Risk-based approach.
- Frequency will often depend on level of risk assigned to the client/engagement.
- Enhanced due diligence requires more frequent DD and monitoring.
- Your AML policies and procedures should prescribe frequency.
 - Some firms annual for normal/low risk.
 - Some firms for low risk might have a review every three years.

What do I need to do? Consider changes



**BENEFICIAL
OWNERS**



DIRECTORS



**TRADING
ACTIVITIES**



LOCATION

Periodic reviews – CCAB 5.2.7

What do I consider?

- Changes in risk – for example:
 - Operating in new jurisdiction?
 - Cash flow difficulties: is my client more vulnerable to fraud?
 - Ownership: who are the new owners? Do they change the risk profile?
 - Unusual transactions: am I seeing transactions that are not normal for this client?
 - Changes in business activities: are they diversifying/growing fast/entering new markets?
 - Risk guidance from government/PSB: does this indicate my client's business could be higher risk?
 - Has the service I provide changed? Is it a new service to me? Is it a higher risk service?
 - Sources of wealth: any unusual injections of funds that are not easily explained?

What do I need to document?

- **EVIDENCE** that you have performed ongoing CDD.
- Be proportionate (we will be).
- Checklist – AML compliance programme.
- Sign off and date the last risk assessment with a positive affirmation.
- Document any changes. Do they affect the risk assessment?
- Document any additional verification required.
- **No need to refresh verification if no change to risk (ie expired passports).**

Event driven reviews – CCAB 5.2.6

Change in identity

Change in beneficial owners

Change in service provided

Doubt about the reliability of identity information

When there is knowledge or suspicion of MLTF

Triggers for review of CDD (CCAB 5.2.6)

New engagement starting

Planning for recurring engagements

A previously stalled engagement restarting

Significant change to key office holders

Participation of a PEP

Significant change in business activity (New operations overseas)



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