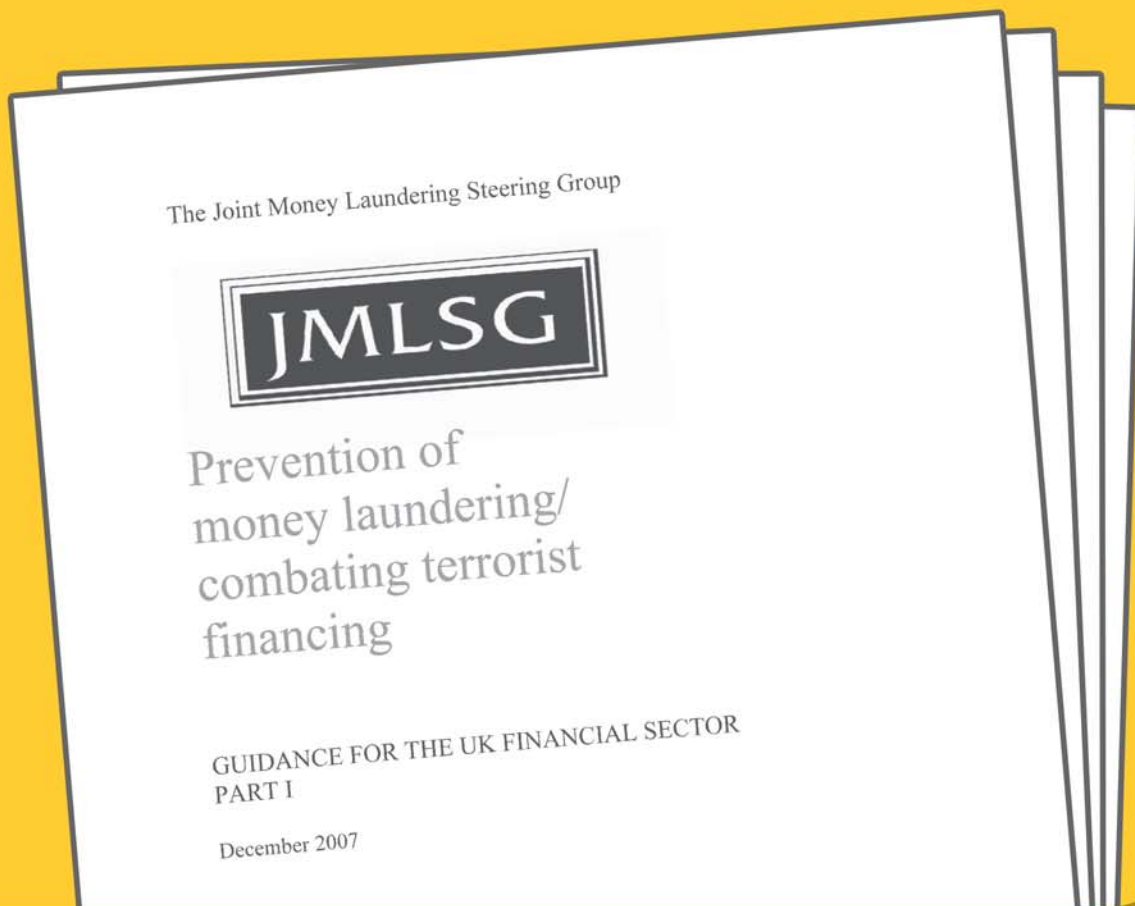


# A 192 Compliance Guide: The JMLSG Guidance Notes 2007



## A fully compliant AML KYC check solution

We have designed our AML solution so that compliance professionals can be sure that they are compliant with key legislation and compliance guidelines such as the 3rd EU Money Laundering Directive, the UK Money Laundering Regulations and the JMLSG Guidance Notes.



We have produced this guide to highlight the key principles of the JMLSG guidance notes so that you don't have to wade through hundreds of pages of documentation.



## The JMLSG

The Joint Money laundering Steering Group (JMLSG) is an organisation made up of the key industry bodies in the Financial services industries such as the British Banking association, the Building Societies Association, the Council of Mortgage Lenders and the Finance & Leasing Association. Since 1990 the JMLSG has had a strong track record in delivering guidance notes on how firms regulated by the FSA should implement the money laundering regulations.

The latest version of the JMLSG guidelines was approved by FSA and HM Treasury on December 18 2007 and the full guidance notes can be found at <http://www.192business.com/compliance/money-laundering>.

The JMLSG's detailed 400 page document helps firms to better understand and implement their Anti-Money Laundering policies and processes. This document aims to cover the key parts from an AML KYC perspective.



## The basics of Client Due Diligence (CDD)

### Section 5.1.5 Client Due Diligence

- (a) Identifying the customer and verifying his identity.
- (b) Identifying the beneficial owner, where relevant, and verifying his identity.

This key section of the guidance notes mandates that firms must verify customer identity. Our AML solutions have been designed to ensure that firms can quickly and cost-effectively verify identity for all their customers.

## A Risk Based Approach (RBA)

### Section 4.23 Risk Based Approach

- (1) A customer identification programme that is graduated to reflect risk could involve:
  - (a) A standard verification requirement for all customers
  - (b) More extensive due diligence on customer acceptance for higher risk customers.

The degree of customer verification must be in proportion to the risk involved in the customer relationship. Our AML solutions comprise a variety of tools and databases and our clients can use as few or as many ID check tools and databases as they wish based on their reading of the risk.

- (1) Where the customer has not been physically present for identification purposes.
- (2) An individual meeting the definition of a PEP.
- (3) A high risk jurisdiction.

Customer relationships that could be classed as high risk can include

(Tools such as the geographical corruption risk index from Transparency International can help firms engineer their risk profile.) ...see more at [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2007](http://www.transparency.org/policy_research/surveys_indices/cpi/2007)

## A definition and some rules about CDD

### Section 5.3.2 – Identification and verification of the customer

The verification... consists of the firm verifying some of this information against documents, data or information obtained from a reliable and independent source.

By testing customer characteristics such as Name, Address, Home Phone Number and Date of Birth our ID check technology is uniquely placed to help firms spot ID fraud and prevent Money Laundering.

### Section 5.1.12

Firms therefore need to carry out customer due diligence... to be reasonably satisfied that customers are who they say they are...

### Section 5.2.2 – Timing of verification

The verification of the identity of the customer and where applicable, the beneficial owner must... take place before the establishment of a business relationship.

Our AML solution should be used as part of the account opening or client on-boarding procedure, ideally as an integrated part of a firm's application process in its website, call centre or customer service system. By integrating our customer identity verification service using either our XML Web Service or our HTML site, firms can ensure that they meet AML customer verification compliance requirements.

The customer verification is necessary not just when the firm is involved in a transaction but when "giving advice may constitute establishing a business relationship"

## Conditions regarding the use of electronic checks for the CDD

### Section 5.3.29 - Evidence of identity can be in documentary or electronic form

- (a) Electronic ID checks must “Provide firms with a composite and comprehensive level of electronic verification through a single interface.
- (b) Electronic ID checks “must use data from multiple sources, and across time.
- (c) If identity is verified electronically, this should be by the firm, using as its basis the customer’s full Name, Address and Date of Birth.

The JMLSG guidance notes endorse electronic identity checks but go on to stipulate a range of conditions regarding the use of electronic identity checks.

Our AML solution works through a single interface that allows users to check identity using a range of ID check tools and databases sourced from reputable primary data sources

## 192’s multiple data sources for electronic evidence of identity



The current and historical Electoral Rolls



The Directory Enquiries database



Companies House data



Credit Reference Agency data



Passport



Driving licence



Mortality



Known Fraudsters & Money Launderers



Terrorist & Sanctions Files



Politically Exposed Person's

## Expectations as to the standards of the results of electronic checks

An electronic check that accesses data from a single source (e.g. a single check against the Electoral Roll) is not normally enough on its own to verify identity.

The Guidance notes go on to demand that an electronic identity verification check must attain a “standard level of confirmation before it can be relied on.”

This standard level is defined as

- (1) one match on an individual’s full name and current address
- (2) A second match on an individual’s full name and either his current address or his date of birth.

In other words an electronic ID check must provide as a minimum one match against a Name and Address and another second match against a Name and Address or a Name and a correct Date of Birth.

## Expectations as to the standards of the ID check systems and the providers of such systems

The guidance notes also lay down criteria about the electronic data check systems and their providers

It is recognised, through registration with the Information Commissioners Office, to store personal data

Our registration No. with the ICO is Z7403278. We have been handling and managing sensitive consumer data for 10 years and we only licence data from credible sources under strict licence agreements.

it uses a range of positive information sources that can be called upon to link an applicant to both current and previous circumstances

The information that can be verified to prove identity can be Name, Date of Birth, Address, Phone Number, Nationality, Gender and other such characteristics.

It accesses negative information sources such as databases relating to identity fraud and deceased persons

Our AML check tools systems access multiple negative data sources such as the EU and Bank of England Sanctions files, lists of PEPS, the OFAC SDN list, lists of known money launderers, terrorist individuals and groups, confirmed fraud data including CIFAS and lists of the deceased.

It accesses a wide range of alert data sources

It has transparent processes that enable the firm to know what checks were carried out, what the results of these checks were, and what they meant in terms of how much certainty they gave as to the identity of the subject.

Our ID check Archive ensures that our clients have a quickly accessible record of the ID check process and the outcome thus helping our clients to meet AML compliance.

Should have processes that allow the enquirer to capture and store the information they used to verify an identity.

**We believe that we meet all of the above conditions and have presented our AML solution to the JMLSG and as a result we are listed on the JMLSG website as a suitable provider of electronic identity checks.**

## 192 meets the Expectations, Definitions and Standards of the JMLSG guidance

This document only covers some of the key parts of the JMLSG guidelines but should serve to illustrate how 192's ID check solutions are designed to help firms be compliant with the latest money laundering regulations.

If you have any questions or want to see how we can help your AML KYC compliance please email us at [compliance@192.com](mailto:compliance@192.com)

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