Anti-money laundering

General Features | Professional standards

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Charlotte Ali sets out a couple of FAQs on how to verify clients you do not meet

Key Points

- Identity issues with non face-to-face clients
- Carrying out electronic ID verification
- Obtaining certified copies of documents

Set out below are the answers to a couple of common issues faced by members in practice.

Q Can you advise me what identity checks I should use when a new client contacts me online, lives a long way away, and who I am unlikely to meet? I do a great deal of work online but normally I would see a client at the beginning so I can check their face against their passport and take a copy. But, in this case, it seems I may not see the new client for a while, if at all. Is it acceptable merely to carry out electronic ID?

A Electronic verification can be used instead of, or in addition to, documentary evidence. However, although electronic verification may be sufficient in some cases to comply with money laundering requirements, there may be circumstances where it will not be appropriate, for example, where the client is in a higher-risk category as set out in Regulation 14 of the Money Laundering Regulations 2007. It includes where a client is not physically present for identification purposes, and states that you must undertake enhanced due diligence to compensate for the higher risk of non face-to-face transactions. Such measures may include:

- supporting electronic verification with some other source material, such as:

    - getting a trusted third party (such as a fellow CTA/ATT, accountant or solicitor – also see below) to verify the identity of the client by sending you certified copies of their identification documents; and
    - making telephone contact with the client on a home or business number which has been verified electronically.
- requiring the client to pay you through an account held in their own name with a UK or EU regulated credit institution or one from an equivalent jurisdiction;
- an appropriate record of the steps taken and/or copies of the evidence obtained to identify the client should be kept; and
- when choosing an electronic verification service provider you want to know that the information supplied will be sufficiently extensive, reliable and accurate so you should look for a provider who:
    - is recognised, through registration with the Information Commissioner's Office, to store personal data;
    - can link the subject to both current and previous circumstances using a range of positive information sources;
    - accesses negative information sources, such as databases on CCJs, identity fraud and deceased persons;
    - accesses a wide range of 'alert' data sources;
    - has transparent processes enabling you to know what checks are carried out, the results of the checks, and what they mean in terms of how much certainty they give as to the identity of the subject; and
    - allows you to capture and store the information used to verify an identity.

Remember that, although you do not need to obtain your client's permission to carry out electronic verification, they must be informed that this check is to take place. It is a good idea to include something to this effect in your engagement letter.

Certified copies

Q What is meant by a certified copy of a document and who can I get to sign it?

A Certified copies are copies of original documents that have been verified and signed by a professional person or someone 'of good standing' in your community, such as a teacher or GP. Depending on what the certified copy is to be used for, there may be stipulations as to what sort of professional person can verify the

document. For example, for some visa documents, it must be signed by a solicitor or consular official. Also, in some instances companies/financial institutions will provide a specific list of professionals who must certify your document, so check before you arrange for anything to be done.

> **It's a good idea to include something (on electronic verification) in your engagement letter**

In respect of doing identity checks for anti-money laundering due diligence requirements on your own clients, the CCAB Anti-Money Laundering Guidance for the Accountancy Sector states at:

'5.52 Businesses may wish to consider whether copies of original documents and copies of certified copies of original documents should be certified as true copies to demonstrate their provenance. Businesses may wish to create standard stamps or labels to apply to documents, which can then simply be filled in with name, signature and date. Businesses should have regard to the standing of the person certifying and may wish to consider specifying from whom certification may be accepted, for instance, businesses may decide to restrict acceptance to those documents certified by a person in the permitted categories for reliance (Regulation 17 of the 2007 Regulations) which are broadly a credit or financial institution authorised by the FSA, a professionally qualified auditor, external accountant, insolvency practitioner or tax adviser, or independent legal professional, or their equivalent in EU countries and other countries which have equivalent law and provided in all cases that the person is subject to supervision as to his compliance with those requirements.'

There is also a Post Office checking service – **www.tinyurl.com/post-dcs** that will check up to three original documents against the photocopies and certify that each is a true likeness.

The person certifying the document may charge you a fee. You should ensure that, in certifying any document, they provide the following information (usually directly on the document):

- their name clearly printed in capitals;
- their title, position or capacity;

- their contact details, including the name and address of the company/institution that they represent; and
- a statement saying – ‘I certify that this is a true copy of the original’.

The certifier must then sign and date the copy document.

Also note that they are unable to certify their own or a relative’s documents.

FURTHER INFORMATION

If you have any other professional queries you would like the CIOT to address please send them to **technical@tax.org.uk**.