



**ISLE OF MAN  
FINANCIAL SERVICES AUTHORITY**

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**Paragraph 9 – Introduced Business  
AML/CFT Guidance Notes  
October 2019**

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## 1. Foreword

This document is issued to cover the period whilst the Anti-Money Laundering & Countering the Financing of Terrorism Handbook ('the Handbook') is being updated. When the new Handbook is published the information contained in this document will be amalgamated into the main body. The Handbook contains guidance on all other areas of the Anti-Money Laundering and Countering the Financing of Terrorism Code 2019.

## 2. Introduction

It is important to note at the outset that the procedural requirements of paragraph 9 must be followed as part of the customer on-boarding process for all new customers 6 months from the date of issue of this guidance. In relation to existing customers, the requirements of paragraph 9 may be deferred and undertaken on the occurrence of a trigger event or on review of the customer risk assessment.

Note that reference is made in this paragraph to "elements of customer due diligence" ("CDD") and "evidence of verification of identity". For the avoidance of doubt CDD means all of the measures specified in paragraphs 8 to 14, 16 to 22, 36, 37 and 39 of the Code and includes such elements as:

- identifying the customer;
- verifying the identity of the customer using reliable independent source documents, data or information;
- verifying the legal status of the customer using reliable, independent source documents, data or information;
- identifying and verifying the beneficial owner of the customer using reliable, independent source documents, data or information;
- obtaining information on the nature and intended purpose of the business relationship and taking reasonable measures to establish the source of funds.

If any of these elements are provided to the relevant person by an introducer then the provisions of paragraph 9 apply.

Elements of CDD may be received from more than one source. Evidence of verification of identity is a much narrower element of CDD and simply means the use of reliable, independent source documents, data or information to verify the identity of the customer or beneficial owner of the customer. Where evidence of identity is provided to a relevant person by an introducer (or another third party if permitted by the Code) any document(s) provided

should have been certified within the last year and the document(s) should still be valid at the time it is being produced<sup>1</sup>.

- (1) This paragraph applies where a customer is introduced to a relevant person by a person who provides elements of the customer due diligence (the “introducer”).
- (2) The relevant person must comply with –
  - a. this paragraph; and
  - b. paragraph 8 or 11 (whichever is applicable).

Where a customer is introduced to a relevant person by a third party, hereafter known as the “introducer” and that introducer provides elements of the CDD to the relevant person this is referred to as “Introduced Business”. The relevant person must comply with paragraph 9 of the Code in addition to paragraphs 8 (new business relationships) or 11 (occasional transactions) as applicable.

In accordance with paragraph 4(3) of the Code, where a relevant person uses the introduced business provisions of paragraph 9, the relevant person retains ultimate responsibility for ensuring that CDD complies with the Code.

### **3. What is not Introduced Business?**

#### **3.1. Referrals**

Introduced business is not the same as a referral. In the context of AML/CFT measures a referral is limited to, for example, where a third party informs a prospective customer to go to a particular relevant person and the third party does not provide any CDD information or verification documentation to the relevant person, other than the name and contact details of the prospective customer.

A further example of a referral would be where a third party introduces a customer to a relevant person and advises the relevant person to go to a particular third party(ies) for CDD information or verification documentation in relation to the customer.

Circumstances where a third party is providing solely the name and contact details of the underlying customer to the relevant person would not be captured within the definition of introduced business.

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<sup>1</sup> For the avoidance of doubt, this applies to new business relationships where an introducer is utilised.

### 3.2. Suitable certifiers

Introduced business is not the same as Suitable Certification (see section 4.10 of the AML/CFT Handbook<sup>2</sup>). Suitable certifiers are provided with the original CDD documentation by the prospective customer who they have met face-to-face. The suitable certifier certifies hard copies of those documents in accordance with section 4.10 and returns them to the customer who provides them to the relevant person.

### 3.3. Eligibly introduced business

Introduced business under paragraph 9 of the Code is different from eligibly introduced business under paragraph 19 of the Code. Under paragraph 9 the relevant person taking on the introduced customer must have all the necessary CDD information and verification documentation for the prospective customer at the outset of the business relationship / occasional transaction. The only reliance that may be placed on an introducer under paragraph 9 of the Code is as a conduit for elements of CDD information / documentation.

For eligibly introduced business the relevant person can rely on the eligible introducer to hold evidence of customer identity on its behalf (subject to the conditions set out in paragraph 19 of the Code, further guidance can be found at section 6.2 of the Handbook).

A diagram has been produced to assist in assessing whether there is an introduced business relationship, this can be found in Appendix A.

## 4. Broadened Customer Risk Assessment Requirements

(3) The relevant person must carry out a customer risk assessment in accordance with paragraph 6 and sub-paragraph (4).

Relevant persons must perform a customer risk assessment in line with paragraph 6 of the Code (guidance provided at Section 3.3 of the AML/CFT Handbook). To address the potentially increased risk of accepting customers that have been introduced by a third party (“introducer”) that provides elements of their CDD, paragraph 9 of the Code broadens the scope of the customer risk assessment to include a risk assessment of the introducer. Where elements of CDD provided by the introducer have been provided by a third party, it also requires the relevant person to consider the role and standing of other third parties that may have met the customer or been involved in the CDD process. As with the standard customer risk assessment, this broader customer risk assessment must be undertaken prior to establishing a business relationship or carrying out an occasional transaction, with or for, that customer.

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<sup>2</sup> Note – the life insurance sector has its own sector specific guidance in relation to suitable certifiers.

The risk assessment must be documented in order to be able to demonstrate its basis. How a relevant person chooses to document the additional elements of the broader customer risk assessment should be determined on a case by case basis. In some cases, it may be appropriate for the additional elements to be documented as part of the customer risk assessment. Alternatively, for example where an introducer has introduced several customers, relevant persons may find it more helpful to have a centralised introducer risk assessment file which is linked to the relevant customer files. If a relevant person chooses to complete centralised introducer risk assessments these do not need to be updated every time a piece of new business is received from that introducer. However, every customer risk assessment must include consideration of the introducer risk assessment (e.g. whether the piece of business received from the introducer is in line with expected business from that introducer).

Whatever system of organisation is used, relevant persons must be able to relate the additional introducer and third party specific elements of the customer risk assessment to the relevant customers and vice versa on an ongoing basis.

#### **4.1. Reviews of the risk assessment**

As with the standard customer risk assessment, this broader customer risk assessment should be viewed as a living document that is revisited, reviewed and amended to keep it up to date.

The introducer risk assessment and third party considerations are not conducted in isolation but are integral to the customer risk assessment. Consequently, information may come to light about the introducer / third parties when taking on an introduced customer that affects the relevant person's views on that customer and/or on previously introduced customers. Conversely, relevant persons should be mindful that during the course of a customer relationship, information may come to light about an introduced customer that affects the relevant person's view of the introducer and other third parties that are or were involved in the customer introduction. This may have a ripple effect on other customers introduced by that introducer, or with connections to those third parties.

The frequency, extent, and depth of the broader customer risk assessment and associated reviews will depend on the relationship between the relevant person and the introducer / third parties.

For example, the risk assessment for an introducer who only provides elements of CDD for a one off introduction and has no further involvement in the customer's dealings with the relevant person may never need to be reviewed. Whereas the risk assessment for an introducer who provides elements of CDD for regular customer introductions may need to be reviewed more frequently; this should be determined on a case by case basis and will be

affected by the information already held, previous risk assessments and new information arising from later customer introductions.

#### 4.2. What should the broadened customer risk assessment include?

- (4) The risk assessment must include and take into account –
- a. a risk assessment of the introducer;
  - b. whether the introducer has met the customer;
  - c. whether any elements of customer due diligence provided by the introducer have been obtained by the introducer –
    - i. directly from the customer; or
    - ii. from any third parties; and
  - d. If sub-paragraph (4)(c)(ii) applies, indicate –
    - i. how many third parties were involved in the process;
    - ii. who those third parties were;
    - iii. whether any of those third parties have met the customer;
    - iv. whether any third party is a trusted person; and
    - v. whether in the case of any third parties located outside of the Island, they are located in a List C jurisdiction.

The broadened customer risk assessment must include and take into account all of the following factors:

(4)(a) a risk assessment of the introducer

The purpose of an introducer risk assessment is to:

- enable relevant persons to estimate the ML/FT risk posed by a customer taken on by way of an introduction;
- enable relevant persons to determine the extent, if at all, that they can reasonably rely on elements of customer CDD provided by the introducer;
- determine whether reliance on elements of CDD provided by an introducer increases the customer risk assessment. If the customer is assessed as high risk the necessary additional steps mandated by the Code will have to be undertaken.

Factors to consider when undertaking or reviewing an introducer risk assessment include, but are not limited to:

- the extent, and the particular elements, of CDD provided by the introducer;
- who the introducer is;
- whether the introducer is a trusted person;
- what the introducer's main business activity is;
- whether the introducer is resident, located or conducting business activity in a jurisdiction which is for the time being included in List A or B or any other jurisdiction that may pose a higher risk to the relevant person's sector or customer type;

- the introducer’s reputational standing (for example whether the introducer been sanctioned for breaches of AML/CFT requirements);
- the nature of the introducer’s relationship with the customer and whether it is longstanding and/or ongoing;
- the nature of the introducer’s relationship with the relevant person and whether it is longstanding and/or ongoing;
- whether any issues have arisen with other customers the introducer has introduced to the relevant person;
- whether the introduction seems in line with the usual types/profiles/patterns of customers the introducer has previously introduced to the relevant person (if applicable);
- what processes the introducer goes through when introducing customers (i.e. if they meet the customer) and whether/how these processes change according to the particular circumstances;
- the quality of CDD obtained in respect of previous introductions.

(4)(b) whether the introducer has met the customer
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One of the most important purposes of obtaining CDD is to establish that the customer is who they say they are. When a customer has not been met, the CDD paper trail may be correct in that it has flowed from the customer, but there is a risk that the CDD information/documentation is incomplete, inaccurate and/or may not accurately reflect the customer profile. This may also be the case where the customer has been met by an unreliable third party.

Where the relevant person has not met the customer, paragraph 15(7)(k) of the Code lists this as a factor that may pose a higher risk of ML/FT. It is important that the relevant person understands who exactly, if anyone, has met the customer and by what means the customer has been met in order to properly assess the customer risk.

When interpreting whether a customer has been met, the concept of “met” is not limited to “in person face-to-face contact”. It also includes the use of real-time visual communication media over the internet such as full-motion video conferencing. When using such media, the relevant person/introducer or other third party should clearly see the customer’s face and their image on a passport (or other acceptable document used to verify identity as per section 4.7.1 of the AML/CFT Handbook) at the same time in order to be satisfied that the identity document belongs to the customer and the customer is who they claim to be. A non-visual medium such as a telephone call does not qualify as meeting the customer.

(4)(c) whether any elements of customer due diligence provided by the introducer have been obtained by the introducer –
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- |  |
|--|
| <ul style="list-style-type: none"> <li>(i) directly from the customer; or</li> <li>(ii) from any third parties.</li> </ul> |
|--|

This sub-paragraph requires further consideration of the completeness and accuracy of CDD obtained by the introducer when undertaking the customer risk assessment. The introducer may have obtained some or all of the CDD directly from the customer, but may also have obtained some or all of that CDD from a third party who subsequently introduced the customer to them. It is important to determine what proportion, and which elements, of the CDD have been obtained by the introducer directly from the customer and which from third parties. It should be considered that if CDD is not obtained directly from the customer, there is an increased risk that it may be inaccurate or incomplete.

<p>(4)(d) if sub-paragraph (4)(c)(ii) applies, indicate –</p> <ul style="list-style-type: none"> <li>(i) how many third parties were involved in the process;</li> <li>(ii) who those third parties were;</li> <li>(iii) whether any of those third parties have met the customer;</li> <li>(iv) whether any third party is a trusted person; and</li> <li>(v) whether in the case of any third parties located outside of the Island, they are located in a List C jurisdiction.</li> </ul>
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If elements of CDD have been obtained by the introducer from third parties rather than directly from the customer, the relevant person must assess, as part of the customer risk assessment, the extent of involvement of third parties in the transfer of CDD from the customer to the introducer and thus on to the relevant person. It is important that the relevant person fully understands the conduit chain from the customer to the introducer. Paragraph 9 of the Code specifically requires the customer risk assessment to include an indication of:

- **how many third parties were involved in the process** – the relevant person must understand how many layers there are in the chain leading up to the introducer. Each layer has the potential to distance the relevant person from their customer and potentially increases the risk that the CDD provided is inaccurate or incomplete or that the customer may not who they claim to be;
- **who those third parties were** – the relevant person must understand who the third parties involved in the chain leading up to the introducer were and what their role was. Relevant factors to consider include:
  - whether a third party actually gathered any elements of CDD or simply acted as a link in the chain;
  - what activities the third parties undertake;
  - whether a third party is known by/has had dealings with the introducer and/or the relevant person previously and in what context;
  - whether any of those third parties met the customer;

- the reputation of the third party;
- **whether any third party is a trusted person** – trusted persons are subject to AML/CFT compliance requirements at least equivalent to those in the Code and are supervised or overseen for compliance with the same, either in the Isle of Man or in a List C jurisdiction. If a third party is not a trusted person, they may not be subject to sufficient, or indeed any, regulatory oversight to ensure that any CDD they gather or transmit is complete, accurate or trustworthy. Consequently, involvement of third parties that are not trusted persons in the process may indicate increased ML/FT risk and should be treated more cautiously;
- **whether in the case of any third parties located outside of the Island they are located in a List C jurisdiction** – List C is a list maintained by the Department of Home Affairs comprising those jurisdictions which are considered to have AML/CFT legislation which is at least equivalent to that in the Isle of Man. If third parties involved in the process are not located in a List C jurisdiction, this again may indicate higher risk.

A flow diagram relating to the broadened risk assessment requirements can be found at Appendix B.

## 5. Enhanced customer due diligence

(5) If the risk assessment indicates higher risk, the relevant person must undertake enhanced customer due diligence on the customer in accordance with paragraph 15 including, taking reasonable measures to establish the source of wealth of the customer and any beneficial owner of the customer.

Sub-paragraph (5) emphasises that if a customer risk assessment carried out in accordance with paragraph 6 and paragraph 9(4) indicates higher risk, then the relevant person must undertake enhanced CDD in accordance with paragraph 15 of the Code. This must include:

- considering whether additional identification information needs to be obtained and, if so, obtaining such additional information;
- considering whether additional aspects of the identity of the customer need to be verified by reliable independent source documents, data or information and, if so, taking reasonable measures to obtain such additional information;
- taking reasonable measures to establish the source of wealth of the customer;
- undertaking further research, where considered necessary, in order to understand the background of a customer and the customer's business; and
- considering what additional ongoing monitoring should be carried out in accordance with paragraph 13 and carrying it out.

## 6. Third party location

- (6) If more than one third party located outside of the Island is involved in the process, as specified in sub-paragraph (4), sub-paragraph (7) applies.

This sub-paragraph only applies where there is more than one third party involved in the process of transmitting CDD to the relevant person and these third parties are located outside of the island. It is possible that any number of such third parties may be interposed between the third party that actually meets the customer and the party that acts as introducer to the relevant person. Therefore, information and evidence could be passed through a number of layers before it finally arrives at the relevant person, through the introducer. Strictly speaking each third party acts as an “introducer” to the next, but in this part of the guidance we use the term “introducer” for that third party which introduces the customer to the relevant person in the Island, and the term “third party” is used for all others .

Where any such third parties involved in the process are located outside the Isle of Man this may have a negative impact on the customer risk assessment carried out under paragraph 6 of the Code. This is because such third parties will not be overseen or regulated by the Authority, therefore the Authority will not be as fully informed about their integrity or competence as it would be about an Isle of Man regulated or overseen business. For this reason it is possible that the CDD information and evidence of identity received from, or through, such third parties may not be as accurate or complete as would normally be required. Whether those third parties are trusted persons or not has no impact on the requirements of sub paragraphs 9(6) and 9(7).

As the involvement of more than one third party outside the Island in the process poses an increased risk that the evidence of verification of identity obtained by the relevant person from the introducer may not be reliable, additional safeguards and requirements are in place, as set out below. In these circumstances such evidence of verification of identity must be obtained more directly by the relevant person, using one of the options set out in sub-paragraph (7).

It should be noted that a party (located outside the Island) who directly introduces a customer to a relevant person in the Island will be an introducer and will not therefore count as a third party outside the Island. If, however, the relevant person in the Island (*relevant person A*) introduces that customer to a further relevant person in the Island (*relevant person B*), then for relevant person B the party located outside the Island will constitute a “third party outside the Island” for the purposes of sub-paragraph (6).

For the avoidance of doubt, the number of parties involved in any “chain” within the Island does not impact on sub-paragraph (6), but must be considered when undertaking the customer risk assessment required under sub-paragraph (4) and paragraph 6 of the Code.

## 7. Verification of identity

- (7) The relevant person must verify the identity of the customer using reliable, independent source documents, data or information obtained, either —
- (a) directly from the customer; or
  - (b) from the introducer, but only if the introducer has obtained such evidence of verification of identity —
    - (i) directly from the customer; or
    - (ii) directly from a third party who has met the customer; or
  - (c) directly from a third party who has met the customer.

If it is identified there is more than one third party involved in the process of transmitting CDD to the relevant person and these third parties are located outside of the island, the steps set out in sub-paragraph (7) are mandatory.

The requirements in this sub-paragraph are only in respect of evidence of verification of identity, not in respect of other CDD information (although the relevant person may choose to obtain other CDD information using this route). This is because identification (and therefore evidence of verification of identity) of the customer is the single most important piece of CDD. It is therefore of utmost importance that evidence of verification of identity be of the highest standard that can practically be obtained.

The requirement of the paragraph is that:

The relevant person must verify the identity of the customer using reliable, independent source documents, data or information. This is the standard requirement for verification of identity prescribed by the Code and guidance regarding suitable means of verification can be found in Part 4 of the AML/CFT Handbook.

The options are as follows:

### **(a) directly from the customer**

This may provide the relevant person with a higher level of certainty about the identity of the customer than the other options in sub-paragraph (7) as no third parties are involved in the transmission process. In many cases the relevant person will not actually meet the customer and therefore the requirements to obtain suitably certified documentation will apply.

**(b) from the introducer**

The relevant person may still obtain the evidence of verification of identity directly from the introducer, i.e. the third party that directly introduces the customer to the relevant person. This is only acceptable if the introducer has obtained it:

**(i) directly from the customer**

The same comments apply here as where the relevant person obtains the material directly from the customer, but, of course, the degree of certainty about the identity of the customer may be lower as an additional party is now interposed between the customer and the relevant person in the transmission process.

**(ii) directly from a third party who has met the customer**

This option would cover the scenario where the introducer obtains the evidence of verification of identity directly from the third party who originally met the customer and initiated the introduction process that ultimately resulted in the introduction to the relevant person. Here, the introducer would go back and obtain the material from the “first link in the chain” therefore reducing the number of third parties interposed between the customer and the relevant person.

The option would also cover the scenario where the introducer approaches an entirely different third party with links to the customer who may have played no part in the introduction process (for example the customer’s lawyer). The only requirement is that the third party concerned has met the customer and the evidence is obtained directly.

**(c) directly from a third party who has met the customer**

This option would cover the scenario where the relevant person obtains the evidence of verification of identity directly from the third party who originally met the customer and initiated the introduction process that ultimately resulted in the introduction to the relevant person. Here, the relevant person would go back and obtain the material from the “first link in the chain” therefore reducing the number of third parties interposed between the customer and the relevant person.

A flow diagram relating to the verification requirements where more than one third party is located outside of the Island can be found at Appendix C.

## 8. Examples of how sub-paragraphs (6) and (7) should be interpreted in practice

Whilst the scenarios below have been written using specific sectors, the circumstances described are applicable to all sectors. Diagrams to assist in understanding the scenarios can be found at Appendix E.

### 8.1. Scenario 1

A customer who is an overseas resident meets and instructs a law firm based in their jurisdiction, which then introduces the customer to an Isle of Man TCSP (*relevant person A*). The Isle of Man TCSP provides structures for the customer and in the course of this introduces the customer to an Isle of Man bank (*relevant person B*).

The Isle of Man based businesses rely on CDD and evidence of verification of identity provided by the law firm. In this scenario the law firm is the introducer to relevant person A and there are no third parties in the chain.

For relevant person B, the introducer is relevant person A and the law firm is a third party being the only third party in the process located outside the Island.

Both the TCSP and the bank are therefore able to rely on the evidence of verification of identity provided by the law firm and are not required to obtain this again through other means (i.e. the provisions of sub paragraphs (6) and (7) do not apply)

### 8.2. Scenario 2

A customer who is an overseas resident instructs a law firm based in their jurisdiction who then introduces the customer to an Isle of Man law firm (*relevant person A*). The Isle of Man law firm then introduces the customer to an Isle of Man TCSP (*relevant person B*) which then introduces the customer to an Isle of Man bank (*relevant person C*). As in the previous example, all three Isle of Man businesses rely on CDD and evidence of verification of identity provided by the overseas law firm.

In this scenario the law firm is the introducer to relevant person A and there are no third parties in the chain. In addition, relevant person A is the introducer to relevant person B, which is itself the introducer to relevant person C. As far as relevant person B is concerned there is only one third party in the chain, the overseas law firm, so it can rely on the evidence of verification of identity provided by that entity (i.e. the provisions of sub paragraphs (6) and (7) do not apply).

For relevant person C there are two third parties involved in the process (Isle of Man law firm, and the overseas law firm), but only one is located outside the Island so it too can

rely on evidence of verification of identity provided through the chain (i.e. the provisions of sub paragraphs (6) and (7) do not apply).

### 8.3. Scenario 3

A customer who is an overseas resident instructs a law firm based in their jurisdiction (*law firm A*) which introduces the customer to another law firm located in a different overseas jurisdiction (*law firm B*). Law firm B introduces the customer to an Isle of Man TCSP (*relevant person A*) which in turn introduces the customer to an Isle of Man bank (*relevant person B*).

Law firm B is the introducer to relevant person A so there is only one third party in the chain, law firm A. Relevant person A may rely on the evidence of verification of identity provided by that entity (i.e. the provisions of sub paragraphs (6) and (7) do not apply).

Relevant person B, however, is in a different situation; its introducer is relevant person A and there are two third parties outside the Island, law firm A and law firm B. The provisions of sub paragraphs (6) and (7) therefore apply and relevant person B must make sure that it obtains evidence of verification of identity either:

- a) directly from the customer, or
- b) from relevant person A, but only if relevant person A has obtained it directly from the customer or from a third party (e.g. *law firm* who has met the customer, or
- c) directly from a third party (e.g. law firm A) who has met the customer.

For the avoidance of doubt, if relevant person B, or the introducer (*relevant person A*) decide to obtain the evidence of verification of identity directly from a third party who has met the customer, that third party could be law firm A, or another third party not previously involved in this introduction process. In this instance the relevant person would need to re-visit the risk assessment undertaken in relation to the involvement of third parties.

### 8.4. Scenario 4

A customer who is an overseas resident meets and instructs a financial adviser based in their jurisdiction in relation to wishing to purchase an insurance product. The financial adviser introduces the customer to an insurer based in the Isle of Man (*relevant person A*). The insurer can rely on CDD and evidence of verification of identity provided by the financial adviser as the financial adviser is the introducer to relevant person A and there are no third parties in the chain.

## 9. A third party

- (10) For the purposes of this paragraph, a third party “involved in the process” does not include a third party in the same group as-
- (a) the relevant person; or
  - (b) the introducer,
- provided that third party is a trusted person.

The Code provides the following definition:

**“group”**, in relation to a body corporate (“B”), means —

- (a) B;
- (b) any other body corporate that is B’s holding company (“H”) or B’s subsidiary; and
- (c) any other body corporate that is a subsidiary of H,

and **“subsidiary”** and **“holding company”** shall be construed in accordance with section 1 of the Companies Act 1974 or section 220 of the Companies Act 2006 (as applicable);

This means that any company that is a party in a chain of parties involved in the transfer of CDD information and evidence of verification of identity to the introducer, or the relevant person, which is a subsidiary or a subsidiary of the same parent company of the introducer or relevant person, should not be included in the calculation of the number of third parties involved in the process outside the Island. However, for such a company to be “discounted”, it must be a trusted person as defined in the Code as-

- (a) a regulated person;
- (b) a nominee company owned by a regulated person, where the regulated person is responsible for the nominee company’s compliance with the AML/CFT legislation;
- (c) an advocate within the meaning of the Advocates Act 1976 or a registered legal practitioner within the meaning of the Legal Practitioners Registration Act 1986 and who is registered as a designated business for those activities;
- (d) an accountant who is registered as a designated business for this activity;
- (e) a person who acts in the course of external regulated business; or
- (f) a nominee company owned by a person who acts in the course of external regulated business where that person is responsible for the nominee company’s compliance with AML/CFT requirements at least equivalent to those in this Code.



For the avoidance of doubt, this provision only applies to those corporate entities that fall within the above definition. If third party companies involved in the process simply have the same beneficial owners as the introducer or relevant person but are not structured as a corporate group, then they should be considered as quite separate individual companies for the purposes of sub-paragraph (6).

### 9.1 Third party example – scenario 5

The Family Office of a customer resident in jurisdiction X introduces its customer to a TCSP which is a regulated person in jurisdiction X (“TCSP X”). TCSP X does not meet the customer, but is provided with CDD and evidence of verification of identity by the Family Office. TCSP X then introduces the customer to a TCSP in the Isle of Man (“TCSP IOM”) which is a subsidiary of the TCSP in jurisdiction X. TCSP IOM then introduces the customer to a bank in the Isle of Man. The relevant person (for this example) is the bank in the Isle of Man.

The only person to have met the customer is the Family Office and there would initially appear to be two third parties (from the bank’s perspective) outside the Island (TCSP X and the Family Office) so one would normally expect the provisions of sub paragraphs 6 and 7 to apply. However, TCSP X and TCSP IOM are part of the same group and are both trusted persons, so TCSP X can be excluded from the chain.

In this scenario the introducer to the bank is TCSP IOM and the only third party is the Family Office. The bank in the Isle of Man can therefore rely on the evidence of verification of identity passed on to it by TCSP IOM and the additional provisions of sub paragraphs 6 and 7 do not apply.

A diagram in relation to this example has been produced and can be found at Scenario 5 in Appendix E.

## 10. Other provisions

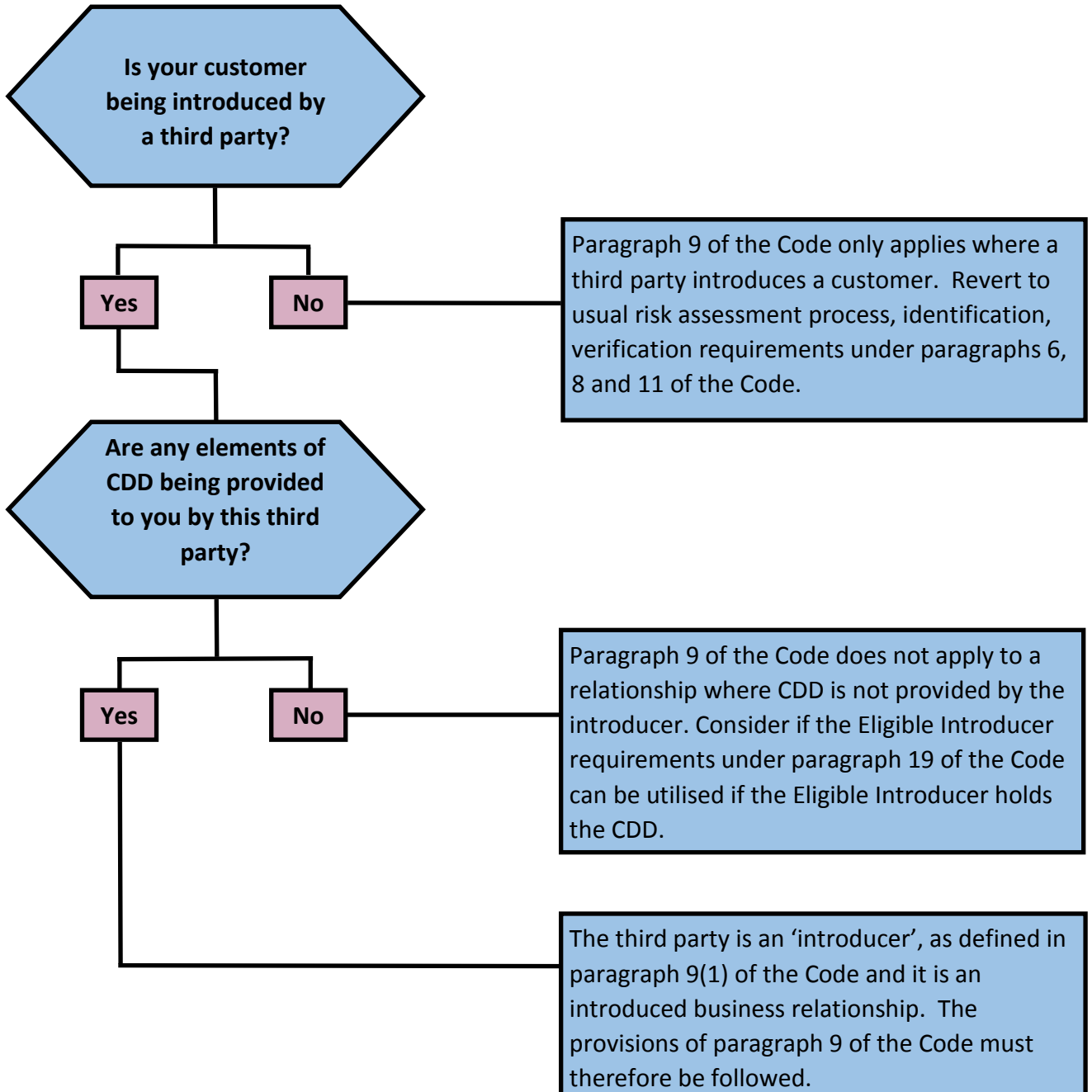
- (11) For the avoidance of doubt, if further elements of customer due diligence other than evidence of verification of identity are obtained by the relevant person under sub-paragraph (7) then this should be reflected in the customer risk assessment carried out in accordance with paragraph 6 and sub-paragraph (4).

This sub-paragraph provides that if the relevant person in the Island is required by sub-paragraph (7) to go directly to the customer, or a third party who has met the customer to obtain evidence of verification of identity, it may, if it so decides, obtain some or all of the other CDD using this route. This may have the effect of mitigating the customer risk assessment carried out for the purposes of sub-paragraph (4) and paragraph 6 of

the Code. The number of third parties involved in the process would be reduced to a maximum of one and the only third party involved (if any) would have met the customer.

## Appendix A

### Determining if there is an introduced business relationship



## Appendix B

### Determining what should be in the broadened risk assessment

If there is an introduced business relationship, a risk assessment must be carried out in accordance with paragraphs 6 and 9(4) of the Code.

The risk assessment must take into account:

**9(4)(a)** - a risk assessment of the introducer

**9(4)(b)** - whether the introducer has met the customer

**9(4)(c)** - whether any elements of CDD provided by the introducer were obtained either:

**9(4)(c)(i)** - directly from the customer

**9(4)(c)(ii)** - from any third parties.

If elements of CDD provided by the introducer were obtained by any third parties, the risk assessment must also indicate:

**9(4)(d)(i)** - how many third parties were involved in the process

**9(4)(d)(ii)** - who those third parties were

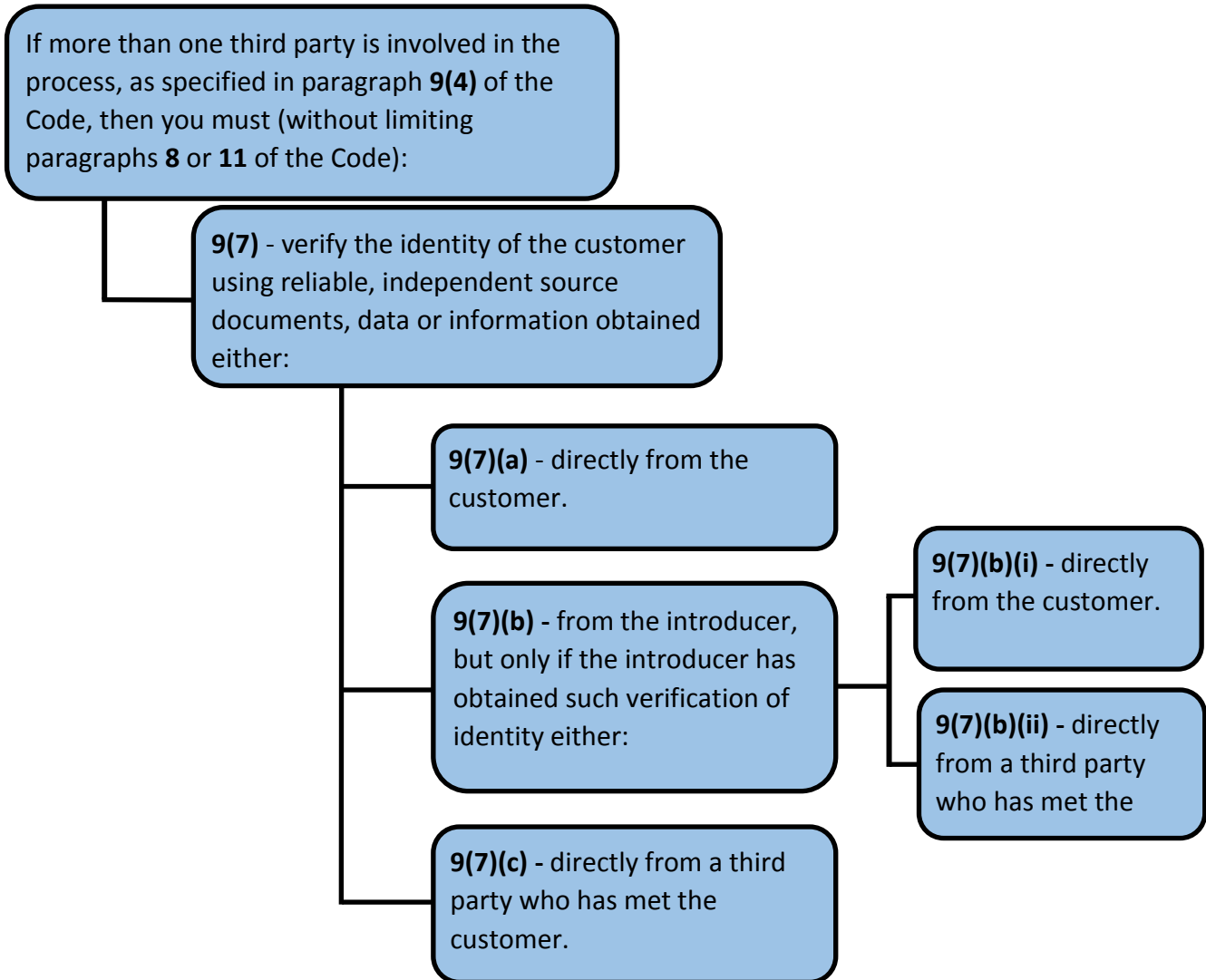
**9(4)(d)(iii)** - whether any of those third parties have met the customer

**9(4)(d)(iv)** - whether any third party is a trusted person and

**9(4)(d)(v)** - whether in the case of any third parties located outside of the Island, they are located in a List C jurisdiction.

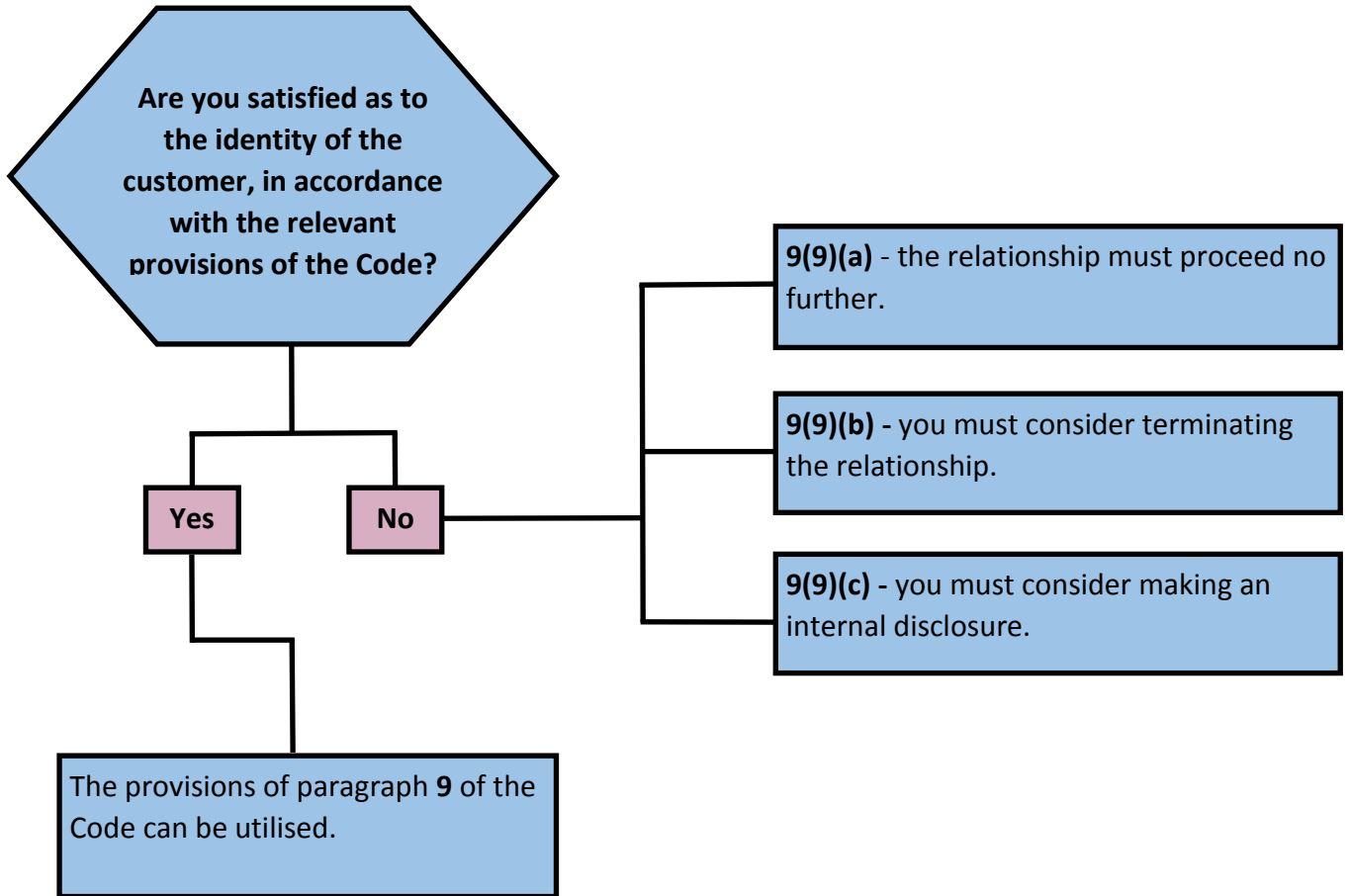
## Appendix C

### Verification requirements where more than one third party is located outside the Island



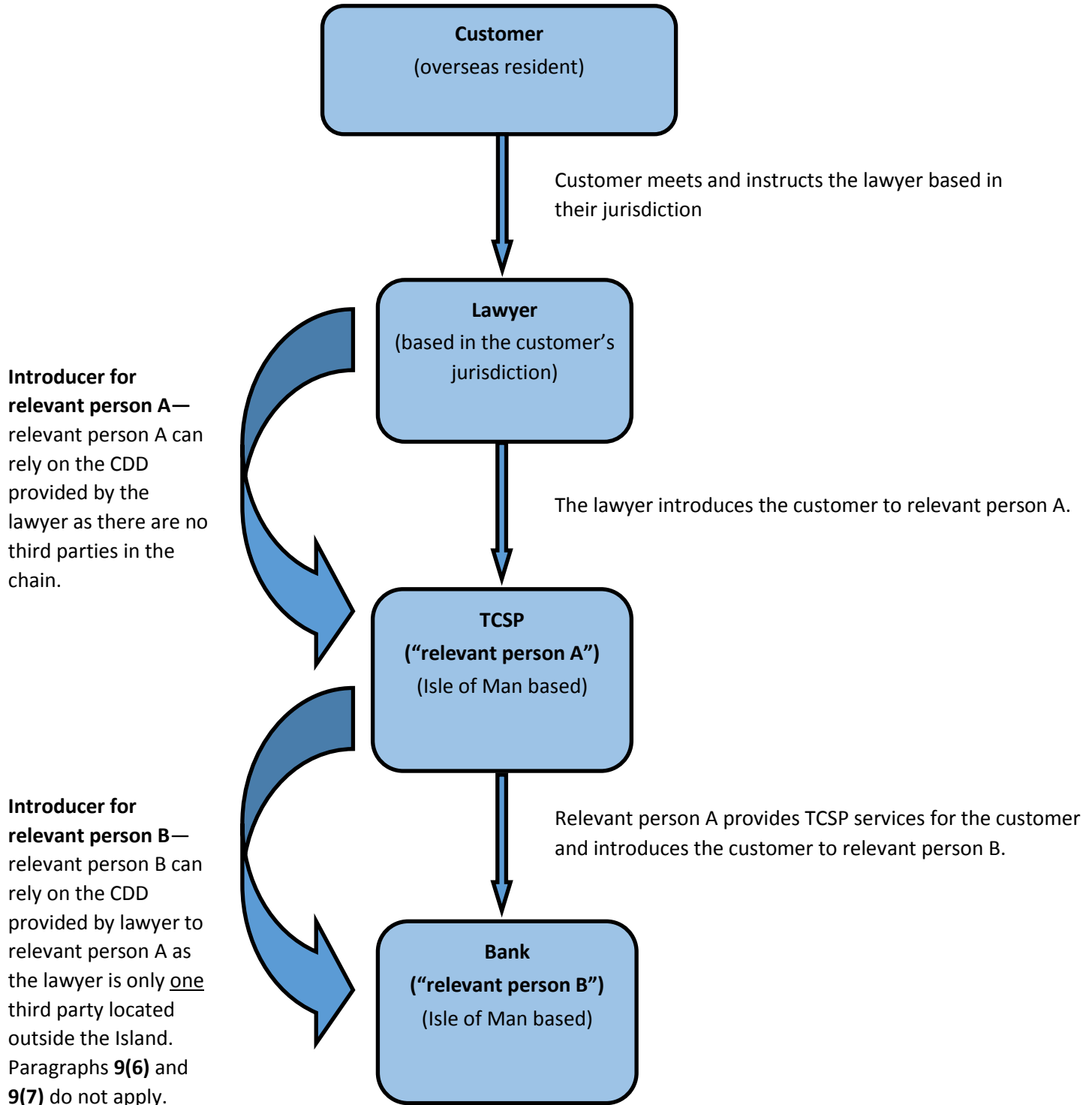
## Appendix D

### Unsatisfactory customer identification

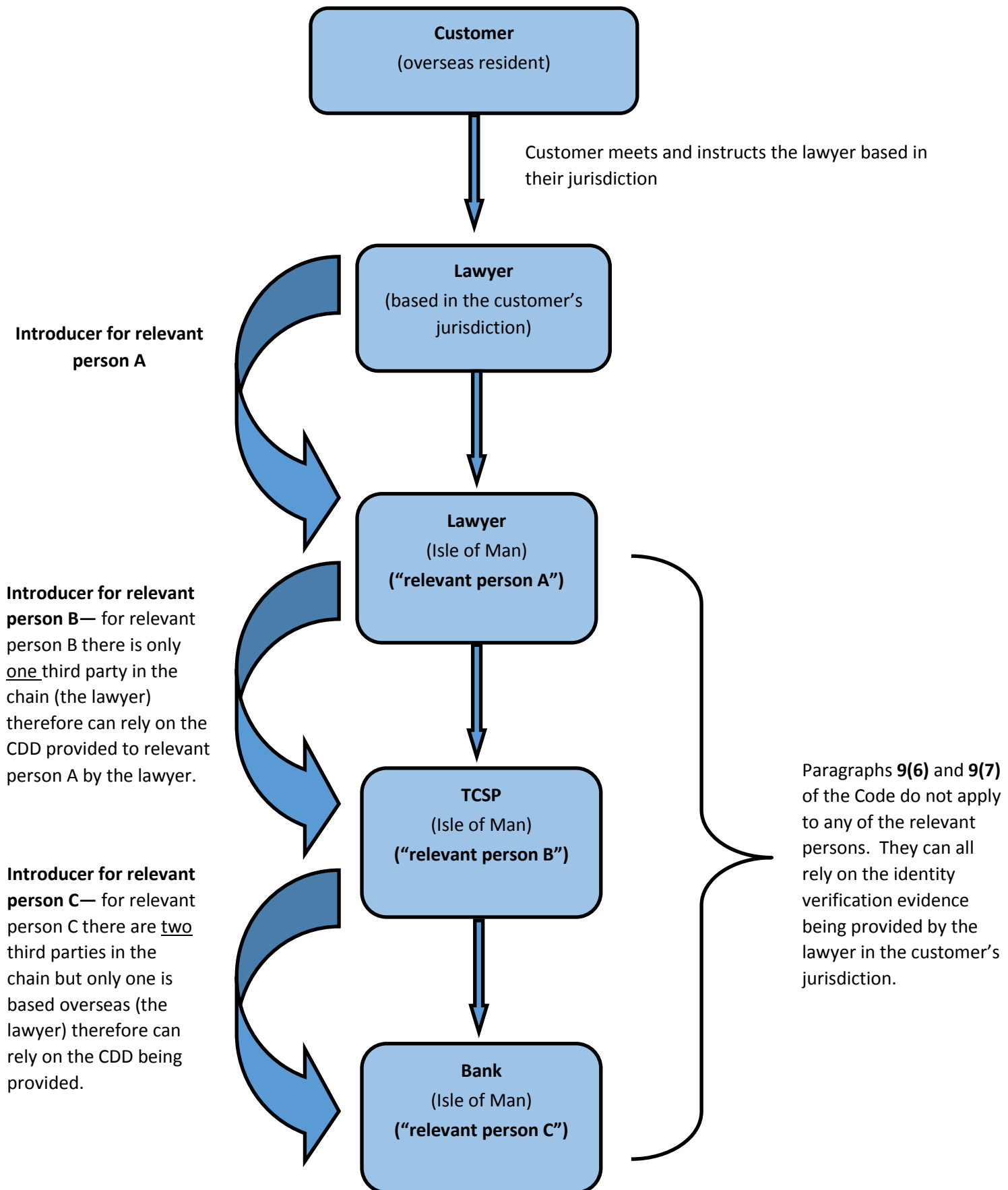


## Appendix E Scenarios

### Scenario 1

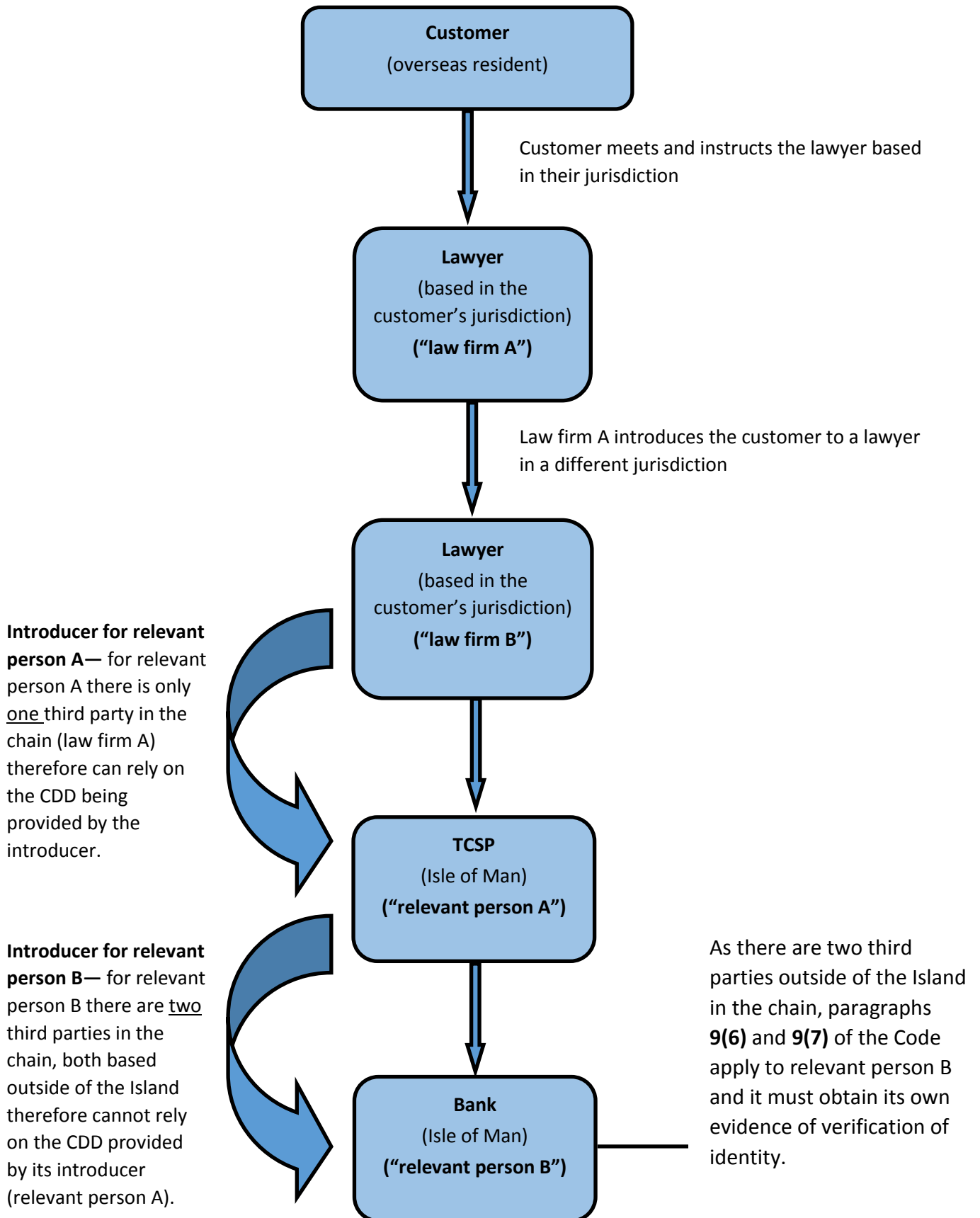


**Scenario 2**

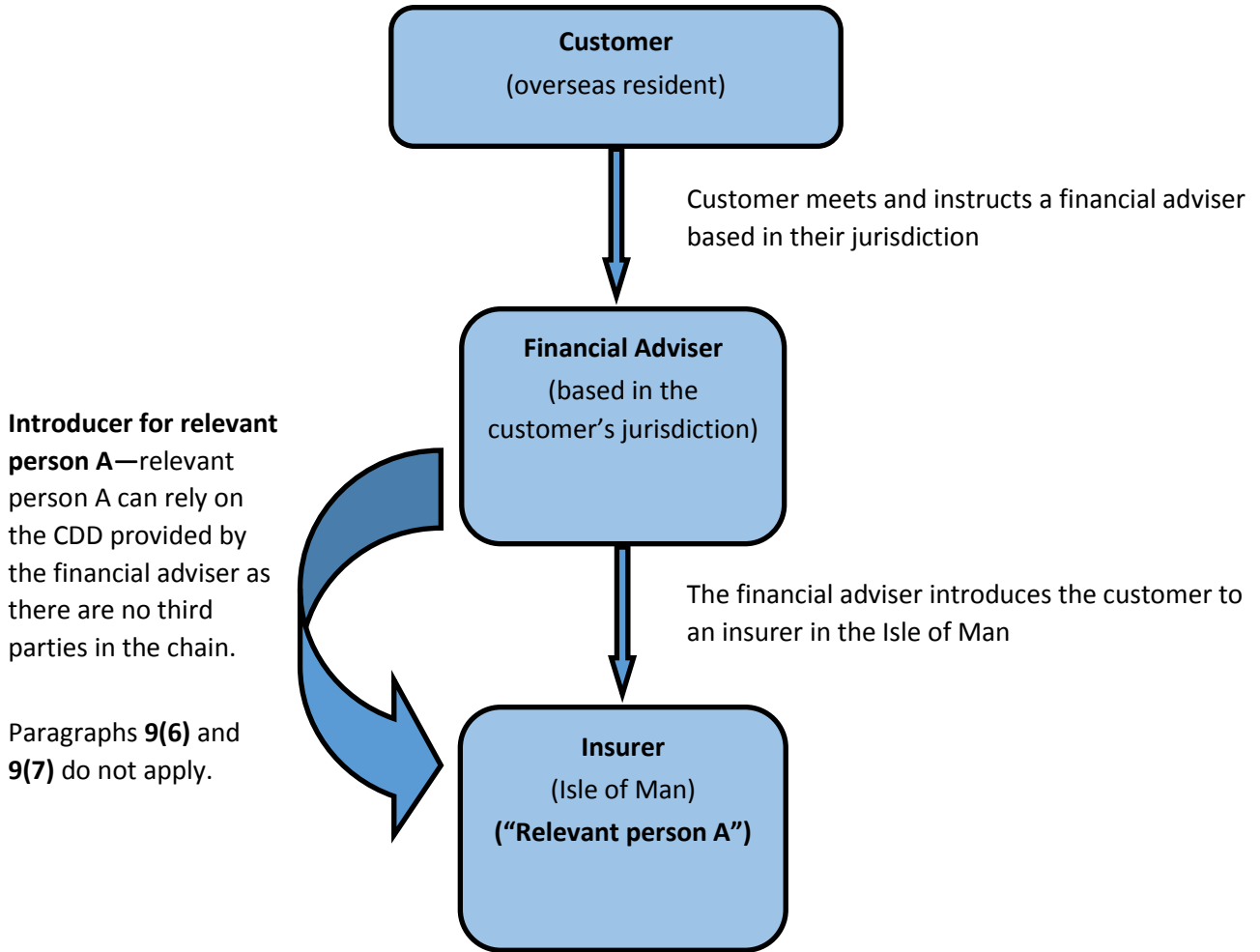




**Scenario 3**



**Scenario 4**



**Scenario 5**

