



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

Lught-Reill Shirveishyn Argidoil Ellan Vannin

**Generic Designated Business
AML/CFT Guidance notes
October 2019**

Whilst this publication has been prepared by the Financial Services Authority, it is not a legal document and should not be relied upon in respect of points of law. Reference for that purpose should be made to the appropriate statutory provisions.

Contact:

AML Unit, Enforcement Division

Financial Services Authority

PO Box 58,

Finch Hill House,

Bucks Road,

Douglas

Isle of Man

IM99 1DT

Tel: 01624 646000

Email: aml@iomfsa.im

Website: www.iomfsa.im

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 ('the Code').

2. Generic Designated Business Concession

2.1 Code requirements

Designated businesses may avail themselves of the concession at paragraph 18 of the Code, provided that certain conditions are met. Paragraph 18 states that verification of the identity of a customer is not required to be produced for –

- (a) a new business relationship in accordance with paragraph 8(3)(b) and (c) of the Code;
- (b) an occasional transaction in accordance with 11(3)(b) and (c) of the Code.

In order to utilise the concession as per paragraph 18(3) of the Code, a relevant person must ensure that it –

- (a) has identified the customer and has no reason to doubt that identity;
- (b) has not identified the customer as posing a higher risk of ML/FT;
- (c) knows the nature and intended purpose of the business relationship or occasional transaction;
- (d) has not identified any suspicious activity; and
- (e) has taken reasonable measures to establish the source of funds in accordance with paragraph 8(3)(e).

The relevant person must also be conducting 'generic designated business', which for the purposes of paragraph 18 means designated business activity carried on by a relevant person where the relevant person –

- (a) does not participate in financial transactions on behalf of a customer; and
- (b) does not administer or manage a customer's funds, with its own funds or other customer's funds, on a pooled bank account basis.

2.2 Relevant sectors

It will be primarily accountants and tax advisers that can avail themselves of the generic designated business concession. This is due to the fact that they often advise on aspects of a financial transaction rather than directly participating in the transaction. Examples of the types of services that would fall within the definition of generic designated business include –

- the preparation and issuance of management accounts or statutory financial statements;
- the preparation and issuance of audit reports;
- book-keeping services;
- providing tax advice to customers;
- the completion of annual tax returns on behalf of customers.

2.3 Dis-application of the concession

If a relevant person cannot adhere to the conditions set out in paragraph 18(3) of the Code (set out above) then the concession cannot be used. It is important for relevant persons to understand that if the customer is assessed as posing a high risk of ML/FT or if the relevant person has identified suspicious activity, then the concession cannot be used.

For clarity, where a customer has been identified as a PEP, the concession need only be dis-applied if the PEP has also been assessed as posing a higher risk of ML/FT. As set out paragraph 15(7)(e) of the Code, the PEP status of a customer is a factor that *may* pose a higher risk of ML/FT and would therefore not automatically dis-apply the concession.

Where the concession cannot be utilised, full identification and verification must be obtained in accordance with paragraph 8(3)(b) and (c) and paragraph 11(3)(b) and (c) of the Code.