



Procedures for Ongoing Monitoring

Pursuant to Regulation 28(11) of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, JMLSG Part I, chapter 5¹ sets out the practical requirement for the ongoing monitoring that must be applied to all customer relationships. The extent of this monitoring can vary by the perceived risk of a relationship, though the following applies for all clients:

- At client approval level, the Operations team should have a process, based on AML Compliance direction, ensuring that all Customer Due Diligence is kept up to date and valid, for approving the creation and continuation of all Standard Risk relationships. All Higher Risk relationships should be collectively approved by senior management.
- Transactions must be scrutinised on an ongoing basis, including source of funds and source of wealth where applicable, in order to ensure that transactions are consistent with the investment/fund manager's understanding of the relationship. The level of scrutiny will be defined in an individual firm's policies but should be based on client risk profile, amount of funds credited etc.
- For the purposes of ongoing monitoring, information should include understanding where the funds were transferred from, as well as understanding the activities which gave rise to the funds i.e. source of funds.
- All clients will need to be screened against sanctions lists on a regular basis defined by the firm's risk-based approach, as well as PEP and adverse media hits via online checks or a screening system (e.g. a reputable data set provider.)
- Information or documents relative to applying customer due diligence must be kept up to date. This can include annual updates to KYC information to ensure it remains valid, as well as including verification of changes to the client's static data such as a change of name. This should be applied on a risk-sensitive basis. Trigger events within a relationship should be used to refresh information if relevant where required.

¹ 5.1.9 What is ongoing Monitoring



Enhanced monitoring All clients identified as Higher Risk are subject to Enhanced ongoing monitoring by the firm. The firm's risk-based approach should confirm the overall level of risk from a client and necessary frequency of monitoring. Those clients posing the highest risk are normally reviewed at least annually. It is important to note the frequency of review will depend on the risk appetite of the firm.

- If monitoring reveals any concerns about the client or the activity on the account, this must be escalated to the Senior Manager responsible for AML.
- The level of enhanced monitoring will vary based on the overall risk rating of a client. The clients which are considered as higher risk will be subject to enhanced monitoring measures which need to be included in a client review:

EDD review to include:
PEP and Sanctions screening using a reputable data set provider
Adverse/negative media screening (internet search, or, more typically, comprised Google/in reputable data set provider data suites)
Total sum of funds introduced by client
Changes in client static data and/or changes of parties/structure and whether this raises concerns and/or requires additional information and/or documentation
Nature of trades in portfolio – only applies to Non-discretionary and Execution-only clients
Transaction history - is this in line with and consistent with expected investor behaviour or investor profile?
Client's documentation, including any updates; for example confirming new addresses through online verification (EKYC)

- All changes within an account must be checked against the client file to ensure that they have been verified in line with the firm's anti-fraud and AML procedures.
- Automated notifications should be generated at the time of the next required review of an account, at least annually
- Transactions which have unusual elements either due to size or involvement of higher-risk jurisdictions should also be considered trigger events which require a review to be performed. Staff should be provided with guidance on what would be considered unusual activity.
- The review should include details of any changes made within an account as well as any checks which have been performed. An example of the information which could be used is provided below.

This document has been compiled for the use of TA Forum members only and is for guidance purposes. This document must not be copied or distributed without written consent from the TA Forum.



THE TA FORUM

AML Working Group

Sum of funds introduced by client: £100,000

Current value of portfolio: £120,000

PEP/Sanctions: No matches found using a reputable data set provider

Adverse Media: No – Google/reputable data set provider searches saved to client file

Changes to Static Data: Client has changed address. Experian check performed on new address.

Capital Movements: Monthly standing order of £2k from client's KYC bank account

Unusual Transaction nature/Volume: No – only movements are the usual standing order

Other notes: Client has indicated that he may close the account in the near future.