

**ANNEX D**

**This Annex sets out the proposed amendments to the AML module.**

**In this Annex, underlining indicates new text.**



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# The DFSA Rulebook

Anti Money Laundering  
Module

**(AML)**

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## App1 CUSTOMER IDENTIFICATION REQUIREMENTS

### A1.1 Duties and responsibilities

#### Guidance relating to Rules 3.4.1 and 3.4.2

1. Pursuant to Rule 3.4.1, an Authorised Firm is required to be satisfied that a prospective customer is who he claims to be and obtain evidence to prove this.
2. 'Know your Customer' and knowing the Persons with or for whom the customer acts or proposes to act, pursuant to Rule 3.4.2 consists of several aspects:
  - a. personal details: an Authorised Firm should obtain and verify details which include the true full name or names used and the current permanent address;
  - b. the nature and level of business to be conducted: an Authorised Firm should ensure that sufficient information is obtained regarding the nature of the business that the customer expects to undertake, and any expected or predictable pattern of Transactions. This information should include the purpose and reason for opening the account or establishing the business relationship, the anticipated level and nature of the activity that is to be undertaken and the various relationships of signatories to the account and the underlying Beneficial Owners;
  - c. the origin of funds: an Authorised Firm should identify how all payments were made, from where and by whom. All payments should be recorded to provide an audit trail; and
  - d. the source of wealth: an Authorised Firm should establish a source of wealth or income, including how the funds were acquired, to assess whether the actual Transaction pattern is consistent with the expected Transaction pattern and whether this constitutes any grounds for suspicion of money laundering.
3. It is important for an Authorised Firm to obtain such information because this process should allow for the risk of being exploited for the purpose of money laundering to be reduced to a minimum. It should also enable suspicious Transactions to be detected because they are incompatible with the information received.
4. Any unusual facts of which an Authorised Firm becomes aware during the identification process may be an indication of money laundering and should prompt the Authorised Firm to request supplementary information and evidence.
5. The DFSA expects an Authorised Firm to establish the full identity of all relevant parties to the business relationship. Further, an Authorised Firm should apply adequate measures to understand the relationship between the counterparties involved. The following list includes some identification checks for particular relationships:

- a. joint account holders and joint applicants: identification should be performed and evidence obtained for all applicants and account holders;
  - b. pooled accounts which are managed by professional intermediaries such as mutual funds, pension funds, money funds, lawyers, stockbrokers on behalf of entities or other Persons: all Beneficial Owners of the account held by the intermediary should be identified;
  - c. power of attorney: identification and evidence should be obtained for the applicants and account holders as well as for the holder of the power of attorney; and
  - d. minors: an account for a minor should be opened by a family member or guardian whose identification evidence should be obtained in addition to the birth certificate or passport of the minor.
6. In addition to the requirements specified above, a Trust Service Provider must carry out verification, where reasonably possible, in respect of all the parties related to a trust including the settlor, the protector, the enforcer, beneficiaries and any Person entitled to receive a distribution whether or not such Person is a named beneficiary.  
[Added][VER2/01-06]
7. With regard to insurance companies, the following 'Know Your Customer' verification and identification should be taken into account:

**Verification**

- a. In accordance with Rules 3.4.1 and 3.4.2, an insurance company undertaking verification should establish to its satisfaction that every verification subject exists. All verification subjects of joining applicants for insurance business should normally be verified. In the case of arrangements such as trust, nominee companies and front companies, verification should include an assessment of the substance of the arrangement, for example in relation to settlors, trustees and beneficiaries.
- b. An insurance company should carry out verification in respect of the parties entering into the insurance contract. On some occasions there may be underlying principals and if this is the case, the true nature of the relationship between principals and the policyholders should be established and appropriate enquiries performed about the former, especially if the policyholders are accustomed to acting on their instructions. 'Principal' should be understood in its widest sense to include, for example, Beneficial Owners, settlors, controlling shareholders, directors and major beneficiaries.

**Customer Identification**

- c. A customer includes the person or entity that holds a policy with the insurance company or, when it appears that the person or entity asking for a policy to be opened or a Transaction to be carried out, might not be acting on its own behalf, those on whose behalf a policy is maintained; and the beneficiaries of policies held by professional financial intermediaries and

any Person connected with a policy who could pose a significant reputational or other risk to the insurance company.

- d. Insurance companies should establish a systematic procedure for verifying the identity of customers and should not issue a policy until the identity of a new customer is satisfactorily established, see Rule 3.4.3.

- 8. In addition to the requirements specified above, a Trust Service Provider must carry out verification, where reasonably possible, in respect of all the parties related to a trust including the settlor, the protector, the enforcer, beneficiaries and any Person entitled to receive a distribution whether or not such Person is a named beneficiary.