

Detailed below is excerpts we have organised for you of the 1stForHIPs communications with the OFT to clarify specifically, and without the possibility for confusion, whether or not an Estate Agent just taking photocopies of passports and utility bills etc is enough to comply with the new Money Laundering Regulations...

From: Debbie Kitcher [mailto:Debbie.Kitcher@oft.gsi.gov.uk]
Sent: 20 March 2008 15:01
To: jonny.wilson@1stforhips.com
Cc: Enquiries
Subject: RE: Money Laundering Regulation

Dear Mr Wilson

Thank you for your enquiry which has been passed to me to respond.

As you know the OFT has a role supervising the anti-money laundering controls of estate agents. You may like to note that the OFT will only supervise those businesses actually engaged in estate agency work as defined by the Estate Agents Act 1979. The regulations do not apply to HIPs providers (when preparing a HIP).

With regards to your question, estate agents are required to comply with all parts of the Money Laundering Regulations - not just the customer due diligence (identification/ verification) aspects. The first part of our guidance provides a general overview of obligations it should be read in conjunction with the sector specific chapter (see 1.4 of our guidance).

An estate agent will not be complying with the Money Laundering Regulations if all they do is identify their clients - this is whether they do so by photographic identification means or otherwise. In order to be compliant they must also undertake all of their other obligations explained in the core section (chapter 1 of our guidance) of our guidance.

We have produced guidance and an associated summary sheet which explains what businesses that we supervise are obliged to do. It is not the OFT's policy to give legal advice/ comment on statements.

They are also required to appoint an MLRO and make suspicious activity reports, to put in place procedures to anticipate and forestall money laundering and terrorist financing and train staff, as well as keeping records. I would point you to chapters 1 - 9 of the OFT's guidance for full details.

In terms of what methods an estate agent should use to identify and verify its customers - as the Regulations do not prescribe what businesses should use nor will the OFT be prescriptive. An estate agent should be satisfied that it has put in place procedures to identify/ verify the identity of its customers and on a risk

sensitive basis. Chapter 6 of our guidance explains. For more detail you may also want to look at the guidance produce by the Joint Money Laundering Steering Group at www.jmlsg.org.uk however this is primarily focused at the financial sectors.

Hope that is helpful.

Debbie

From: Jonathan Wilson [mailto:jonny.wilson@1stforhips.com]

Sent: 19 March 2008 09:38

To: Enquiries

Subject: Money Laundering Regulation

To Whom This May Concern

I work for a company called 1stForHIPs and we provide HIP packs for Estate Agents in England and Wales.

We have now put in place an I.D verification system as an additional benefit for Estate Agents that use our services.

This completes a risk sensitive ID Verification and is checked against both the Sanctions and PEP's databases as required in the General overview section of the core guidance 1.16. "Put in place checks, controls and procedures in order to anticipate and prevent money laundering or terrorist financing"

However, there seems to be some confusion from all parties concerned as to what exactly the guidelines advise or recommend.

Confusion arises in 10.7 of the core guidance "For estate agents under the regulations is to **identify clients** (this will usually be the vendors)" this is often being misunderstood by Estate Agents that they only have to **identify clients** (copies of passport/ driving licence and utility bills) to comply with the new money laundering laws.

Can you please confirm that if the Estate Agent is doing the following that they will be complying with all aspects of the Money Laundering Regulation 2007.

1. Risk scoring their vendors using the electoral role
2. Checking vendor against the sanctions database for money laundering and terrorist financing
3. Checking vendor against the P.E.P database for politically exposed persons

And also that if they are only taking photographic I.D copies that they are not "putting in place checks, controls and procedures in order to anticipate and prevent money laundering or terrorist financing". In your core guidance document it is very clear from points 3.2, 3.3, 3.4, 3.5, 6.22 and 6.24 that taking photographic I.D copies is not enough. However as stated above, the way that you have worded 10.7 is creating confusion with Estate Agents who now believe that none of the other rules actually apply to them.

We look forward to your earliest reply.

Regards

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