

A glossary of terms relevant to the Money Laundering Regulations 2007

This glossary is intended to help the reader understand the terms used in the FSA's publications related to the Money Laundering Regulations 2007. This is a statement of our view in October 2007. Terms are listed in alphabetical order.

Term	Meaning
Advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services related to mergers and the purchase of undertakings	For the purposes of the FSA's supervision of Annex I financial institutions under the Money Laundering Regulations 2007, we have taken the view that this includes corporate finance advisory services provided by institutions such as investment banks. Some unauthorised businesses providing services in relation to mergers and acquisitions will need to register with us for this activity. This is unlikely to apply to the likes of management consultants providing their general services.
Annex I financial institution	<p>An undertaking that conducts one or more of the following activities (which form points 2 to 12 and 14 of Annex I to the Banking Consolidation Directive):</p> <ol style="list-style-type: none"> 2. Lending, including, inter alia: consumer credit, mortgage credit, factoring, with or without recourse, financing of commercial transactions (including forfeiting). 3. Financial leasing. 4. Providing payment services; 5. Issuing and administering other means of payment; 6. Guarantees and commitments. 7. Trading for own account or for account of customers in: <ol style="list-style-type: none"> (a) money market instruments (cheques, bills, certificates of deposit, etc.); (b) foreign exchange; (c) financial futures and options; (d) exchange and interest-rate instruments; or (e) transferable securities. 8. Participation in securities issues and the provision of services related to such issues. 9. Advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and the purchase of undertakings. 10. Money broking. 11. Portfolio management and advice. 12. Safekeeping and administration of securities. 14. Safe custody services 15. Issuing e-money <p>Consumer credit financial institutions, money service businesses and authorised persons are NOT Annex I financial institutions.</p>

In practice, we anticipate that the unauthorised businesses that we will be supervising for the first time will offer one or more of the following services:

- lending (except those businesses that should/do have a Category A Consumer Credit Licence);
- financial leasing (except those businesses that should/do have a Category A Consumer Credit Licence);
- safe custody services;
- issuing and administering means of payment (e.g. credit cards, travellers' cheques and bankers' drafts);
- offering guarantees and commitments;
- participation in securities issues (including share registrars); and
- advising on capital structures.

We do not anticipate having to supervise unauthorised firms that carry on any other of the twelve activities in the initial list because they are likely to be either covered by existing regimes (e.g. business that offer money transmission services are Money Service Businesses and will be registered with HMRC) or aligned to activities that require authorisation under FSMA.

Auditor	Any firm or individual who is a statutory auditor within the meaning of Part 42 of the Companies Act 2006 (statutory auditors), when carrying out statutory audit work within the meaning of section 1210 of that Act. Or, before the entry into force of Part 42 of the Companies Act 2006 it means a person who is eligible for appointment as a company auditor under section 25 of the Companies Act 1989 (eligibility for appointment) or article 28 of the Companies (Northern Ireland) Order 1990. Before the commencement of the 2006 Act, statutory audit work refers to the provision of audit services.
Authorised person	An undertaking that is authorised by the FSA to conduct regulated activities under the Financial Services and Markets Act 2000.
Banking Consolidation Directive	Directive 2006/48/EC of the European Parliament and of the Council of 14th June 2006 relating to the taking up and pursuit of the business of credit institutions.
Beneficial Owner	Please refer to Regulation 6 of the Money Laundering Regulations 2007.
Business relationship	A business, professional or commercial relationship between a relevant person and a customer, which is expected by the relevant person, at the time when contact is established, to have an element of duration
Casino	The holder of a casino operating licence and, for this purpose, a "casino operating licence" has the meaning given by section 65(2) of the Gambling Act 2005 (nature of licence)
Category A Consumer Credit Licence	The type of consumer credit licence that is likely to be required if, as part of your business (and not as a broker) you lend money,

	<p>offer credit or give people time to pay for goods and services. Consumer credit business for which a Category A licence will be required covers a wide range of transactions, such as:</p> <ul style="list-style-type: none"> • hire purchase • issuing credit cards • budget accounts • instalment sales • cash loans • subscription accounts • trading checks • overdrafts • personal loans. <p>A leaflet has been prepared by the Office of Fair Trading to help businesses determine whether they need to apply for a consumer credit licence: www.oft.gov.uk/shared_of/business_leaflets/credit_licences/oft147.pdf</p>
Consumer credit business	Has the meaning given by section 189(1) of the Consumer Credit Act 1974 (definitions) and, on the entry into force of section 23(a) of the Consumer Credit Act 2006 (definitions of “consumer credit business” and “consumer hire business”), has the meaning given by section 189(1) of the Consumer Credit Act 1974 as amended by section 23(a) of the Consumer Credit Act 2006.
Consumer credit financial institution	<p>Any undertaking which conducts one or more of the activities listed under "Annex I financial institution" and which requires, under section 21 of the Consumer Credit Act 1974 (businesses needing a licence), a licence to carry on a consumer credit business.</p> <p>The following persons are NOT consumer credit financial institutions:</p> <ul style="list-style-type: none"> • persons covered by a group licence issued by the OFT under section 22 of the Consumer Credit Act • money service businesses • authorised persons
Credit institution	<ul style="list-style-type: none"> • A credit institution as defined in Article 4(1)(a) of the Banking Consolidation Directive; or • A branch located in an EEA state of an a credit institution (as defined in Article 4(1)(a) of the Banking Consolidation Directive), wherever its head office is located, when it accepts deposits or other repayable funds from the public or grants credits for its own account.
Customer due diligence measures	<ul style="list-style-type: none"> • Identifying the customer and verifying the customer’s identity on the basis of documents, data or information obtained from a reliable and independent source; • Identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, on a risk-sensitive basis, to verify his identity so

	<p>that the relevant person is satisfied that he knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement; and</p> <ul style="list-style-type: none"> • Obtaining information on the purpose and intended nature of the business relationship.
DETI	Department of Enterprise Trade and Investment in Northern Ireland
Designated Professional Body under the Money Laundering Regulations	<p>Schedule 3 of the Money Laundering Regulations 2007 lists the professional bodies that have supervisory responsibility for their own members. These are:</p> <ol style="list-style-type: none"> 1. Association of Chartered Certified Accountants 2. Council for Licensed Conveyancers 3. Faculty of Advocates 4. General Council of the Bar 5. General Council of the Bar of Northern Ireland 6. Institute of Chartered Accountants in England and Wales 7. Institute of Chartered Accountants in Ireland 8. Institute of Chartered Accountants of Scotland 9. Law Society 10. Law Society of Scotland 11. Law Society of Northern Ireland 12. Association of Accounting Technicians 13. Association of International Accountants 14. Association of Taxation Technicians 15. Chartered Institute of Management Accountants 16. Chartered Institute of Public Finance and Accountancy 17. Chartered Institute of Taxation 18. Faculty Office of the Archbishop of Canterbury 19. Insolvency Practitioners Association 20. Institute of Certified Bookkeepers 21. Institute of Financial Accountants
Estate agent	A firm or sole practitioner who, or whose employees, carry out estate agency work (within the meaning given by section 1 of the Estate Agents Act 1979 (estate agency work)), when in the course of carrying out such work.
External accountant	A firm or sole practitioner who by way of business provides accountancy services to other persons, when providing such services.
FSA	Financial Services Authority
FSMA	The Financial Services and Markets Act 2000
Financial institution	Please refer to Regulation 3(3) of the Money Laundering Regulations 2007.

Financial leasing	<p>For the purposes of the FSA's supervision of Annex I financial institutions under the Money Laundering Regulations 2007, we have interpreted this term to have the following meaning:</p> <p>"This includes providing finance leases, but not operating leases or hire purchase agreements. Legal entities that appear on finance leases as the lessor will need to register. It does not include providing finance leases as a broker or agent. Note that the OFT will oversee a business if it should have a Category A consumer credit licence (unless, of course, it is already authorised by us)."</p>
Firms offering guarantees and commitments	<p>For the purposes of the FSA's supervision of Annex I financial institutions under the Money Laundering Regulations 2007, we have taken the view that 'guarantees and commitments' refers to the use of banking industry products such as letters of credit and undrawn lending commitments.</p>
High value dealer	<p>A firm or sole trader who by way of business trades in goods (including an auctioneer dealing in goods), when he receives, in respect of any transaction, a payment or payments in cash of at least 15,000 euros in total, whether the transaction is executed in a single operation or in several operations which appear to be linked.</p>
HMRC	<p>Her Majesty's Revenue and Customs</p>
Independent legal professional	<p>A firm or sole practitioner who by way of business provides legal or notarial services to other persons, when participating in financial or real property transactions concerning:-</p> <ul style="list-style-type: none"> (a) the buying and selling of real property or business entities; (b) the managing of client money, securities or other assets; (c) the opening or management of bank, savings or securities accounts; (d) the organisation of contributions necessary for the creation, operation or management of companies; or (e) the creation, operation or management of trusts, companies or similar structures, and, for this purpose, a person participates in a transaction by assisting in the planning or execution of the transaction or otherwise acting for or on behalf of a client in the transaction.
Insolvency practitioner	<p>Any person who acts as an insolvency practitioner within the meaning of section 388 of the Insolvency Act 1986 (meaning of "act as insolvency practitioner") or article 3 of the Insolvency (Northern Ireland) Order 1989.</p>
<p>Issuing and administering other means of payment</p> <p>(i.e. not covered by the activity of "providing payment services".)</p>	<p>Payment services that are caught under this activity are all other means of payment that are not set out within the FSA's Payment Service Directive approach document:</p> <p>http://www.fsa.gov.uk/pubs/other/PSD_approach.pdf.</p> <p>For example: Cheques, Travellers Cheques and Banker Drafts (paper-based transactions are outside the PSD's scope)</p>

<p>Issuing e-money (as defined in the Electronic Money Regulations)</p>	<p>Issuing e-money that is caught under activity 15 in the Annex I list (issuing e-money) are set out within the FSA's Electronic Money Directive approach document:</p> <p>http://www.fsa.gov.uk/pubs/other/PSD_approach.pdf</p> <p>Further guidance is also set out in PERG 3A. If you are Issuing e-money you will also need to be registered as an electronic money institution under the Electronic Money Regulations 2011. More information on applying to become an electronic money institution can be found at http://www.fsa.gov.uk/paymentservices</p> <p>All Electronic Money Institutions must be supervised by FSA for the purposes of their compliance with the Money Laundering Regulations.</p>
<p>Lending</p>	<p>For the purposes of the FSA's supervision of Annex I financial institutions under the Money Laundering Regulations 2007, we have interpreted this term to have the following meaning:</p> <p>"This includes any lending on commercial terms. Legal entities that appear on lending documents as the lender will need to register. Note that if a lending business should have a Category A consumer credit licence, it will be supervised by the Office of Fair Trading (OFT) and not by the FSA (unless, of course, it is already authorised by us). In practice, we anticipate the following types of business will need to register with us: commercial lenders, including those offering commercial mortgages; factoring companies; and lenders that finance commercial transactions, including forfaiting firms".</p>
<p>Mainstream FSA-regulated activities</p>	<p>Regulated activities as specified by the Regulated Activities Order when conducted by an authorised professional firm (APF) and in circumstances where one or more of the conditions of in PROF 5.2.1R(1) to (5) are not satisfied. If all of the conditions are satisfied, the activities are "non-mainstream regulated activities". APF's conducting non-mainstream regulated activities will be supervised by their professional body under the Money Laundering Regulations, whereas APFs conducting mainstream FSA-regulated activities will be supervised by the FSA under the Money Laundering Regulations.</p>
<p>Money broking</p>	<p>This is acting as broker in the wholesale foreign exchange and money markets. We believe that, in practice, all or almost all firms undertaking this activity will be authorised by us. As such, we anticipate that very few, if any businesses will need to register with us under this category.</p>
<p>Money laundering</p>	<p>An act which falls within section 340(11) of the Proceeds of Crime Act 2002 and can consist of attempts to conceal the origins of the proceeds of crime.</p>
<p>Money Laundering Regulations</p>	<p>The Regulations were placed before Parliament on 24 July 2007</p>

2007	<p>and take effect on 15 December 2007. They can be found here:</p> <p>http://www.hm-treasury.gov.uk/media/F/1/money_laundering_regulations2007.pdf</p>
Money service business	An undertaking which by way of business operates a currency exchange office, transmits money (or any representations of monetary value) by any means or cashes cheques which are made payable to customers.
Nominated officer	A person who is nominated to receive disclosures under Part 7 of the Proceeds of Crime Act 2002 (money laundering) or Part 3 of the Terrorism Act 2000 (terrorist property).
Occasional transaction	A transaction (carried out other than as part of a business relationship) amounting to 15,000 euro or more, whether the transaction is carried out in a single operation or several operations which appear to be linked.
OFT	Office of Fair Trading
Ongoing monitoring	<p>As per Regulations 8(2) of the Money Laundering Regulations 2007: "ongoing monitoring" of a business relationship means—</p> <p>(a) scrutiny of transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with the relevant person's knowledge of the customer, his business and risk profile; and</p> <p>(b) keeping the documents, data or information obtained for the purpose of applying customer due diligence measures up-to-date.</p>
Participation in securities issues and the provision of services related to such issues	For the purposes of the FSA's supervision of Annex I financial institutions under the Money Laundering Regulations 2007, we have taken the view that this includes unauthorised businesses such as securities registrars, receiving agents, company sponsors and some corporate finance advisers. Other businesses involved in such activities, such as investment banks, will already be authorised by us. As the activity must be conducted for a customer to be within scope, businesses conducting such activity for themselves (e.g. maintaining their own register of shareholders) needn't register.
Portfolio management and advice	This includes the regulated activities of investment management and providing investment advice. Therefore, undertaking these activities will usually require firms to be authorised by us under FSMA.
Providing payment services (as defined in the Payment Services Regulations)	<p>Payments Services that are caught under activity 4 in the Annex I list (providing payment services) are set out within the FSA's Payment Services Directive approach document:</p> <p>http://www.fsa.gov.uk/pubs/other/PSD_approach.pdf.</p> <p>Further guidance is also set out in PERG 15. If you are providing</p>

	<p>payment services you will also need to need to be registered as a payment institution under the Payment Services Regulations. More information on applying to become a payment institution can be found at http://www.fsa.gov.uk/paymentservices</p> <p>A number of businesses performing these activities will be money service businesses: as such they will be supervised by HM Revenue and Customs for the purposes of their compliance with the Money Laundering Regulations.</p>
Relevant person	A person or entity to whom the Money Laundering Regulations apply.
Safe custody services	<p>Involves offering safety deposit boxes or other secure storage suitable for high-value physical items like jewellery or documents of title. For the sake of clarity, a business solely offering the following services would not be considered by the FSA to be a safe custody service:</p> <ul style="list-style-type: none"> • The storage of goods such as luggage, household items or motor vehicles; • The storage of non-physical property like computer data; • The secure transportation of high value items; • Offering safe custody on an occasional or very limited basis, such as hotels providing a safe for use by guests.
Safekeeping and administration of securities	This corresponds to the regulated activity of safeguarding and administering investments. Therefore, undertaking this activity will usually require firms to be authorised by us under FSMA. Safeguarding is acting as custodian of the property. Administration covers services provided to the owner or manager of the property. Administration actions must be non-discretionary on the part of the custodian such as settling transactions, proxy voting, reclaiming tax and accounting for dividends.
Supervisory authority	The supervisory organisation assigned to an entity with the scope of the Money Laundering Regulations by those Regulations.
Tax adviser	A firm or sole practitioner who by way of business provides advice about the tax affairs of other persons, when providing such services.
Terrorist financing	<p>an offence under—</p> <p>(a) section 15 (fund-raising), 16 (use and possession), 17 (funding arrangements), 18 (money laundering) or 63 (terrorist finance: jurisdiction) of the Terrorism Act 2000;</p> <p>(b) paragraph 7(2) or (3) of Schedule 3 to the Anti-Terrorism, Crime and Security Act 2001 (freezing orders);</p> <p>(c) article 7, 8 or 10 of the Terrorism (United Nations Measures) Order 2006; or</p> <p>(d) article 7, 8 or 10 of the Al-Qaida and Taliban (United Nations Measures) Order 2006.</p>

Third EU Money Laundering Directive	Directive 2005/60/EC of the European Parliament and of the Council of 26th October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.
Trading for own account, or for the account of customers, in certain financial instruments	<p>This includes executing trades either in the business' own right or on behalf of customers.</p> <p>The financial products in question are: money market instruments; foreign exchange; financial futures and options; exchange and interest-rate instruments and transferable securities.</p> <p>The Regulations confirm that, where a business trades for its own account and does not have a customer (other than a member of the same group) it will not need to register.</p> <p>Where a business trades in these products for customers, it will usually need to be authorised by us. The main exception to this is businesses that buy and sell spot and forward foreign exchange. However, businesses that trade foreign exchange for a customer are likely either to be authorised by us (as banks) or will be registered with HMRC as bureaux de change. As such, we anticipate that very few, if any, businesses will need to register with us under this category.</p>
Trust or company service provider	<p>A firm or sole practitioner who by way of business provides any of the following services to its clients—</p> <ul style="list-style-type: none"> (a) forming companies or other legal persons; (b) acting, or arranging for another person to act— <ul style="list-style-type: none"> (i) as a director or secretary of a company; (ii) as a partner of a partnership; or (iii) in a similar position in relation to other legal persons; (c) providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or arrangement; (d) acting, or arranging for another person to act, as— <ul style="list-style-type: none"> (i) a trustee of an express trust or similar legal arrangement; or (ii) a nominee shareholder for a person other than a company whose securities are listed on a regulated market, when providing such services.