

Joint Money Laundering Steering Group
1 Angel Court
London

Sent by email: caroljsmit@jmlsg.org.uk

13 January 2023

Dear Carol

RE: JMLSG Guidance Part II Consultation

We are pleased to be able to respond to the current consultation on changes to Part II of the JMLSG Guidance.

I am always happy to discuss the responses made, if further clarification would be helpful.

Yours sincerely



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Response to consultation

JMLSG GUIDANCE PART II CONSULTATION

About the Investment Association

The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 270 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £10 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 46% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

Paragraph 8.11 - 12

Some of our members have suggested that paragraph 8.11 should begin: ‘Firms may generally treat UK intermediaries, including fund platforms, as their customer...’

There is no need, under the MLRs, to differentiate a fund platform from any other intermediated relationship, as the same principle applies.

Paragraph 8.24 - 27

We have received some queries around the term Correspondent Securities Relationship (‘CSR’).

Firstly, is the JMLSG confident in the definition of this term as set out in paragraph 8.24? While it is accepted that a CSR would include where a UK broker has a “correspondent relationship” with a Russian broker to allow an underlying client to transact in securities on the Moscow Stock Exchange, members would challenge it capturing all intermediated relationships, such as those seen within the UK fund industry, just because they occur cross-border.

It may be worth clarifying the scope of the CSR, so that this is clear for users of the Guidance

It has also been noted that paragraph 8.25 requires the firm to determine for itself the degree of risk in a CSR, bearing in mind the risks inherent in the product and service, and the risks posed by the nature and jurisdictions of operation of the Respondent using the firm’s standard approach. While this is accepted, it seems to conflict with the residual risk for CSRs as set out in the Delivery Channels table, which states that this is ‘High’. There must be some situations in which a firm can determine a CSR to be other than high risk, or what is the purpose in each firm determining the degree of risk for itself?