# Client Due Diligence Form (“CDD Form”)

# For Legal Professionals

# Legal PersonS

*Revised: June 2023*

# This CDD Form is designed to provide Members with examples and practical applications showing how the CDD, including client risk assessment requirements contained in the Practice Direction P (“PDP”) and the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism Ordinance (Cap. 615) (“AMLO”), may be met by legal practitioners. In particular, legal practitioners must have established adequate CDD procedures, including client and matter level risk assessment to identify and manage risks associated with Money Laundering (“ML”), Terrorist Financing (“TF”) and Proliferation Financing (“PF”). Therefore, this form was designed to serve as a practical example of how the client risk assessment could be undertaken and documented.

The CDD Form is a learning tool only and it is not a prescribed requirement or a formal guideline. In particular, as there are different ways to meet the PDP and AMLO requirements, the examples stated in the CDD Form may differ from the existing practices of law firms, especially those with an established AML framework. As such, the CDD Form is not intended to compel, suggest or advise changes to those existing practices.

The CDD Form is designed to produce an AML risk rating score based on a number of factors that would assist legal practitioners with classifying clients as Low / Medium / High to understand what level of CDD is required to be applied (Simplified/Standard/Enhanced). When weighting risk factors, legal practitioners should take a holistic approach and make an informed judgement about the relevance of different risk factors in the context of a particular client relationship or occasional matter. The weight given to each factor is likely to vary across practices, clients and matters, the high-risk triggers included in the CDD Form are not exhaustive and legal practitioners should consider all individual AML risks applicable to each client or matter. There is no prescribed approach to conducting client risk assessments, however they must be written down, monitored and refreshed depending on the client’s risk rating categorization to reflect changing risks or information about the client.

|  |  |  |  |
| --- | --- | --- | --- |
| **Client Name:** |  | **Date of Record:** |  |
| **Subject Matter:** |  | **Matter No:** |  |
| **New Client:** | □ Yes □ No | **Existing Client:** | □ Yes □ No |  |
|  |
| **For Existing Clients ONLY** | Previous AML Risk Rating:(Legal practitioners should at least keep a clear record of clients rated as High-risk or to whom Enhanced Due Diligence measures were applied ). | □ High □ Medium □ Low  |
| Was the CDD information refreshed from the date of last client screening or service provided? (Frequency of client screening (on-going monitoring) is subject to risk-based approach adopted by the legal practitioner). **Note**: For existing clients who have not been in contact with the Practice for a significant period of time (anything above a year may be considered a significant gap in relation to those clients or transactions assessed as higher-risk), you should consider refreshing the CDD. The CDD information must be always refreshed/reviewed when a transaction / new client matter is:1. by virtue of the amount or nature of the transaction, unusual or suspicious; or
2. not consistent with the legal professional’s knowledge of the client or the client’s business or risk profile, or client’s source of funds.
 | □ Yes □ No\* |
| Date of the last CDD refresh / on-going monitoring and action taken:To check whether:* transaction(s) (including new services/instructions) are consistent with the client’s information;
* client CDD data, documents and information are relevant and kept up-to-date.

If CDD refresh not required, specify the reason:  |

**\*Note**: *If not, please contact the client to verify if there are any changes to the client’s information or circumstances initially provided. Based on the information obtained from the client, conduct client screening (if required). After completion, please attach the review result in the client file.*

|  |  |  |
| --- | --- | --- |
| **Intermediaries** | Did you rely on the client’s information and verification conducted by any of the specified intermediaries as defined in Section 18, Division 4, Part 2 of Schedule 2 to the AMLO? For example: * an oversees office of your firm;
* an accounting professional;
* a notary public;
* a tax advisor;
* an estate agent;
* other legal professional/law firm;
* a TCSP licensee;
* a financial institution that is an authorized institution;
* a licensed corporation;
* an authorized insurer;
* a licensed individual insurance agent; or
* a licensed insurance agency or licensed insurance broker company.

**Note**: You can rely on the Know Your Customer (KYC) work performed by the above intermediaries only if:1. it is registered, licensed or regulated under the local law of a jurisdiction that is a member of the Financial Action Task Force (FATF);
2. it has measures in place to ensure compliance with the AML /CTF requirements similar to those imposed under the AMLO; and
3. it is supervised for compliance with those requirements by an authority in that jurisdiction that performs functions similar to those of any of the relevant authorities in Hong Kong or the Law Society of Hong Kong.
 | □ Yes\* □ No |
| **Details of Intermediary**  | Name of Intermediary:  | Country of Incorporation / Residence (if individual): |
| Intermediary is a Legal Professional / Auditor / Financial Institution / Others \*(Select where applicable) Details of Others: |

*\****Note***: If yes, you must obtain copies of the client identification and verification documents from the specified intermediary and keep as a record in the client file. Where the intermediary is an overseas office of the firm, you must in all circumstances obtain client’s ID information, and have an access to copies of other client identification and verification documents upon request.*

|  |
| --- |
| **PART A (1): Client Identification for Legal Person - Applicable to all clients**  |
| Trading Name: |
| Registered Office Address: | Business Address (if different): |
| Corporate Registration Number / Unique Identification Number: | Regulated / Listed Entities: | Details of regulated status / licence: |
| Place of Incorporation: | Details of listing (if any – name of stock exchange and stock code): |
| Business Nature:For Trustees: nature and purpose of establishing the Trust): | Legal Entity Type:* Limited Liability Company
* Corporation
* Sole Proprietorship
* General Partnership
* Limited Liability Partnership
 | * Trust type:
* Fund type:
* Charity
* Other association or body of persons corporate or incorporate:
 |
| Contact No.: | Email Address:  | Fax No.: |
| **Information required for transactions falling within the definition of “Applicable Circumstance”:** * Financial transactions such as buying and selling of real estate, business, company, securities and other assets and property
* Managing client money, securities or other assets
* Management of bank, savings or securities accounts
* The formation, structure, re-organisation, operation or management of companies and other entities and legal arrangements
* Insolvency cases and tax advice
* Other transactions involving custody of funds by law firms as stakeholder or escrow agent or transfers of funds through their bank accounts
 |
| Nature and purpose of the transaction / legal service:(Details of parties to the transaction and their business relationship with the client (explain which party will transfer/receive funds and which party will cover legal fees). Where funds are expected to be received from a Third-Party on behalf of the client, explain why and the source of funds)  |
| Source of Funds (SoF) for the transaction: **Note**: You must understand: * the account from which the funds were transferred (Client’s/Third-Party bank account, foreign bank located in a high-risk jurisdiction, HK bank); and
* the activity that was involved in generating/accumulating those funds

You should seek evidence in a higher-risk scenario and when the SoF is unclear. | Where did the funds originated from (from which bank account and jurisdiction (Client’s or a Third-Party)? Please specify:  | What activity generated the funds?* Business income
* Share sales/dividends
* Sale of real estate
* Loan drawdown
* Sale of asset(s)
* Venture funding
* Debt capital
* Equity capital
* Other:
 |

|  |
| --- |
| **PART A (2): Particulars of Individual Purporting to Act on Behalf of The Client** |
| English Name:  | Chinese Name (if any):  | Date of Birth: |
| ID Card / Passport: | Nationality: | Acting capacity:  |
| Contact No.: | Email Address:  | Fax No.:  |
| Residential Address: | Correspondence Address (if different): |
| The following documents were obtained to verify whether the individual (intermediary, agent, representative) is authorized to act on behalf of the client: | * A Board Resolution or similar written authority (e.g. list of authorised signatories) authorising the person to give instructions
* Power of Attorney
* Letter of Appointment
* Estates: Death certificate
* Grant of probate or Letter of Administration (if applicable)
* Written confirmation from the client
* Confirmation from a trustee acting in a professional capacity
* Confirmation from a trust company managing the trust
* Other:
 |
| The following identity documents were obtained to verify the identity of the intermediary, agent, representative: | * Hong Kong Permanent ID Card
* National ID Card issued by a sovereign authority showing Nationality
* Passport issued by a sovereign authority
* Non-Permanent Hong Kong ID card and Passport issued by a sovereign authority
* Other:
 |
| **Note**: Subject to risk-based approach, you may screen client’s representative against Sanctions and PEP lists |

|  |
| --- |
| **PART A (3): Verification of Client’s Information – applies to “Applicable Circumstances” only**It is not necessary to verify & identify all legal persons in the chain; instead the focus is upon the natural person, who is the beneficial owner.  |
| **Legal Entity Type** | **Required documentation to verify Client’s identity** | **Beneficial Owners / Connected Parties[[1]](#footnote-1) / Key Controllers** |
| **Corporations**  | Documents obtained to verify: **Trading Name**, **Corporate Registration Number**, **Place of Incorporation** and **Business Address**:* Certificate of Incorporation and certificate on change of name (if applicable)
* Memorandum & Articles of Association (or equivalent)
* Business Registration Certificate
* Proof of Company’s current registered office address
* Register/List of directors
* Group ownership / structure chart including a share register (or equivalent official documents to identify the shareholding structure and ultimate beneficial owner(s) of the Company)
* Corporate organisational chart
* Certificate of Good Standing
* Certificate of Incumbency
* Latest audited financial statements (or, for newly incorporated companies, an opening balance sheet signed by the Directors)
* Evidence of listed or regulated status (e.g. extract from stock exchange / regulator website or reliable source)
* Others:
 | Verify details of the below parties and complete Part A 4,5 and 6:1. **Connected parties**:

Directors of the client.1. **Beneficial Owner**:

Individual who: 1. owns or controls, directly or indirectly, including through a trust or bearer share holding, more than 25% of the issued share capital of the corporation;
2. is, directly or indirectly, entitled to exercise or control the exercise of more than 25% of the voting rights at general meetings of the corporation; or
3. exercises ultimate control over the management of the corporation.
4. **Key Controllers**:

Individual who has the right to exercise, or actually exercises, significant influence or control over the company, and/or substantial influence over the day-to-day management of the business (for example: Chairman, Chief Executive Officer, Managing Director/Partner, Chief Financial Officer, Finance Director, Chief Operating Officer).  |
| **Trust**  | Documents obtained to verify:1. **Name of the trust** (or legal arrangement);
2. **Date of establishment or settlement**;
3. **The jurisdiction whose laws regulate and bind the trust or legal arrangement**;
4. **Unique identification number** (if any) granted by any applicable official bodies and document type (e.g. tax identification number or registered charity or non-profit organisation number); and
5. **Registered address of the Trust** (if not applicable, the registered address of the Trustee(s)).
* Trust deed
* Certificate of incorporation or equivalent of the trustee (and certificate on change of name if applicable)
* List of directors of the trustee
* List of beneficiaries or classes of beneficiaries
* Letter of wishes (if applicable)
* Resolution of the partners / directors authorising the establishment of the trust
* Others (specify):

 I have identified and verified: * Trustee
* Settlor
* Protector or Enforcer (if applicable)
* Beneficiary(ies)
 | 1. **Connected parties**:

 Directors of the trustee.1. **Beneficial Owner[[2]](#footnote-2)**:
2. a beneficiary entitled to a vested interest in the trust property, whether the interest is in possession or in remainder or reversion and whether it is defeasible or not;
3. a class of beneficiaries[[3]](#footnote-3);
4. the settlor of the trust;
5. the trustee of the trust;
6. a protector or enforcer of the trust; or
7. an individual who has ultimate \*control over the trust.

\*Definition of control includes power to:* dispose of, advance, lend, invest, pay or apply trust property;
* vary or terminate the trust;
* add or remove a person as a beneficiary or to or from a class of beneficiaries;
* appoint or remove trustees or give another individual control over the trust;
* direct, withhold consent to or veto the exercise of a power related to the trust property; or
* manage funds or transactions without requiring specific authority to do so.
1. **Key Controllers**

(definition included above) |
| **Partnership**  | Documents obtained to verify **Trading Name** and **Business address**:* Partnership Agreement (if available)
* Business Registration Certificate (BR Certificate)\*
* Register of partners and their respective holdings in the Partnership (or the GP in the context of a limited partnership)

If a partnership or an unincorporated body is a well-known reputable organization with a long-standing and there is a sufficient public information about the client, partners and key controllers, confirmation of the client’s professional or trade association is likely be sufficient to verify the identity of the client. \* for clients who are law firms or who act on behalf of the client due to sensitivity of the Partnership Agreement, either the above approach can be followed, or alternatively the BR Certificate should be obtained. In addition, the law firm’s website or its details as set out on its corresponding Law Society’s etc should also be reviewed to verify identity of the client.  | 1. **Connected parties:**

Partner(s) of the client.1. **Beneficial Owner:**

Individual who: 1. is entitled to or controls, directly or indirectly, more than a 25% share of the capital or profits of the partnership;
2. is, directly or indirectly, entitled to exercise or control the exercise of more than 25% of the voting rights in the partnership; or
3. exercises ultimate control over the management of the partnership.
4. **Key Controllers**

(definition included above) |

|  |
| --- |
| **PART A (4): Beneficial Owner Details** A CDD Form shall be completed in respect of any Beneficial Owner who: * In non-high-risk situations, holds not less than 25% interest in the client
* In high-risk situations, holds not less than 10% interest in the client

 (Perform name screening of all Beneficial Owners) |
| * + - 1. **Beneficial Owner Details**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No:  | Nationality: | Ownership percentage:  |
| Contact No.: | Email Address: | Occupation / Nature of Business: |
| Residential Address: | Correspondence Address (if different): |
| * + - 1. **Beneficial Owner Details**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No:  | Nationality: | Ownership percentage:  |
| Contact No.: | Email Address: | Occupation / Nature of Business: |
| Residential Address: | Correspondence Address (if different): |
| * + - 1. **Beneficial Owner Details**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No:  | Nationality: | Ownership percentage:  |
| Contact No.: | Email Address: | Occupation / Nature of Business: |
| Residential Address: | Correspondence Address (if different): |

|  |
| --- |
| **PART A (5): Directors Details** (Where there is a large number of directors and shareholders, only the principal directors and controlling shareholders need be identified and verified).(Perform name screening of the Directors) |
| 1. **Director Details**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No:  | Nationality: | Contact No.: |
| Residential Address: | Correspondence Address (if different): |
| 1. **Director Details**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No:  | Nationality: | Contact No.: |
| Residential Address: | Correspondence Address (if different): |
| 1. **Director Details**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No:  | Nationality: | Contact No.: |
| Residential Address: | Correspondence Address (if different): |
| **PART A (6): Key Controllers**(Perform name screening of all Key Controllers)  |
| 1. **Significant Controller**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No.: | Nationality: | Nature of the control / influence:  |
| Residential Address: | Correspondence Address (if different): |
| 1. **Significant Controller**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No.: | Nationality: | Nature of the control / influence: |
| Residential Address: | Correspondence Address (if different): |
| 1. **Significant Controller**
 |
| English Name: | Chinese Name (if any): | Date of Birth: |
| ID Card / Passport No.: | Nationality: | Nature of the control / influence: |
| Residential Address: | Correspondence Address (if different): |
| Methods of verification: **Originals** The original documents must be presented to the legal practitioner and a copy of that document should be made during the Face to-Face meeting with the practitioner before accepting instructions. If copies are provided, originals should be sighted as soon as practicable after accepting the instructions, if it is necessary not to interrupt the normal conduct of business and any risk of ML/TF/PF after accepting instructions is effectively managed.**Copies** Where it has not been possible to verify the original documents, the client can**:**1. Provide certified copies of the documents, with the certification completed by acceptable identity agent. An acceptable certified document is one that is certified by:
* a Notary Public;
* a Legal Practitioner;
* a Certified Public Accountant (practising);
* a Chartered Secretary;
* a Justice of Peace; or
* a Consular or Embassy officer of the client’s home country.
1. If certified document cannot be obtained, you should attempt to verify the documents by alternative means, for example performing company search, obtaining certificate of incumbency certified by a professional person in the relevant jurisdiction or obtaining a director’s/CEO declaration incorporating or annexing an ownership chart describing the intermediate layers and the beneficial owner if the client’s ownership structure consists of multiple layers of companies on a risk-sensitive basis (the rationale behind the particular structure employed must be fully understood).

Please refer to *Alternative Processes to Verify a Client’s Identity* guidefor further examples.  |

|  |
| --- |
| **PART B: Risk Assessment**  |
| Is the client, representative, beneficial owner(s) or any of the Connected Parties[[4]](#footnote-4) listed on the sanctions, terrorist or terrorist associates lists, directly or indirectly owned / controlled or acting on behalf of the designated person or entity? <https://www.cedb.gov.hk/citb/en/policies/united-nations-security-council-sanctions.html> <https://www.un.org/securitycouncil/content/un-sc-consolidated-list> **Note**: If yes, please complete Part G directlyAttach all documents on screening and searches performed (if any) in the client file. | Prohibited Relationship |
| Is the client, representative, beneficial owner(s) or any of the Connected Parties[[5]](#footnote-5) a Politically Exposed Person (“PEP”)? \*After completion of the client risk assessment, consideration should be given to determine the level of Enhanced Client Due Diligence. In the case of a “HK-PEP” and an “International Organisation PEP”, the suggested rating may be reduced if the PEP poses a low risk taking into account the risk factors set out in para 121 of the PDP. **Note:** If yes, please complete Part E, F and G | □ Yes (15)\* | □ No (0) |
| Is the client, representative or beneficial owner(s) incorporated / domiciled in a High-Risk jurisdiction or jurisdiction with strategic AML / CTF deficiencies identified by FATF? **Note**: List of FATF’s country risk ratings can be accessed here: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/ https://www.knowyourcountry.com/copy-of-country-reports List of High-Risk jurisdictions identified by the United Nations Security Council:[United Nations Security Council Sanctions - Commerce and Economic Development Bureau (cedb.gov.hk)](https://www.cedb.gov.hk/citb/en/policies/united-nations-security-council-sanctions.html)Other resources to help in identifying High-Risk jurisdictions: Basel AML Index [Basel AML Index | Basel Institute on Governance (baselgovernance.org)](https://baselgovernance.org/basel-aml-index) Corporate Tax Haven Index [2021 ranking (taxjustice.net)](https://cthi.taxjustice.net/en/cthi/cthi-2021-results) Corruption Perception Index [Corruption Perceptions Index - Explore the… - Transparency.org](https://www.transparency.org/en/cpi/2021)\*If the client is incorporated or domiciled in a High-Risk jurisdiction **and** there are other risk factors present, please complete Part F and G | □ High Risk Country (15)\* | □ Medium Risk Country (4) |
| Does the client intend to use a Third-Party bank account or cash for transactional purposes? (Suggested rating can be reduced if there are legitimate reasons for supporting such arrangement(s)).**Rationale**:**Note**: Appropriate checks should be made and the rationale for any payments into client account by the Third-Party is clearly understood before any such payments are accepted. You should seek identification document(s) and enquiry into sources of funding from that Third-Party and be alerted to warning signs.You should consider establishing a policy of never accepting cash payments. If this is unavoidable, you could set a limit above which you will not accept cash payments or should consider cash payments as a high risk particularly where large in size. | □ Yes (10) | □ No (0) |
| Non-Face-to-Face client identification?(Suggested rating can be reduced if there are legitimate reasons for not being able to meet the client considering any geographic/jurisdictional risks this may present).**Rationale**: **Note**: Please ensure that at least the first payment to the client account is carried out through an account opened in the client’s name with a Hong Kong bank or an institution that is incorporated or established in the jurisdiction that is a compliant member of the FATF. | □ Yes (5) | □ No (0) |
| Does the client have an unduly complex ownership structure, or is the client located in an offshore tax jurisdiction (many layers and many different types of legal vehicles)? **Note**: Whenever more than three layers of legal entities or arrangements separate the natural persons (beneficial owners) from the immediate ownership or control of the legal person, caution should be taken to understand the need for such structure. Companies may be set up in offshore tax havens to purposefully make it difficult to identify beneficial owners.  | □ Yes (15) | □ No (0) |
| Does the client operate with nominee shareholders/directors without a clear and legitimate commercial purpose or reasonable justification? | □ Yes (15) | □ No (0) |
| Does the client maintain a significant portion of capital in the form of bearer shares? | □ Yes (15) | □ No (0) |

|  |
| --- |
| **PART C: Nature of Client's Business**  |
| The client or beneficial owner(s) operates or generates income / assets in any of the higher-risk sectors listed below:* **Charity**, **Foundation**, **Non-profit organisation**, **Non-governmental organisation** that exhibits high risk characteristics
* **Third Party Payment Processors** (TPPPs), **Money Service Business** (MBS) (companies offering services involving money/currency, money transfer, cheque cashing, and issuing or selling travelers cheque)
* **Government** or **State-Owned Bodies** that exhibit high risk characteristics
* **High Value Products** – Dealers/traders in precious metals, gems, jewelry, or art & antiques
* **Cash Intensive** – Money changer, Pawnshop, Privately owned ATMs/teller machines, Vending machine operators, Restaurants, Bars, Parking garages, Beauty/Hair Salons, Massage parlor, Taxi and limousine drivers
* **Entertainment** – Casinos, Karaoke, Night clubs, Pubs, Gambling operators
* **Business Services** – Fund Manager, Custodian, Trustee, Unlicensed Money Lenders, Company formation agents
* **Agency Services** – Dealers, Traders, Brokers, Developers of Real Estate, Travel agents/Tour organizers
* **Transportation of goods -** Import / Export traders, Freight forwarders, Freight shipping companies, Equipment rental and manufacturing related to transport, Charterers or operators of ships / vehicles / aircraft, Couriers
* **Potential exposure to criminal activities** – Tobacco wholesalers, Sex industry establishments, Real estate, Construction companies, Telephone card/phone centers, Mining business, Pharmaceutical companies
* **Dual Use Goods** – Chemical companies (producing chemical/biological tools), Technology (electronics/computers, night-vison equipment, drones) vulnerable to proliferation risk
* **Crypto-asset wallet providers** and **exchanges**
 | □ (5) |

|  |
| --- |
| **PART D: Products and Services**  |
| Is the client seeking to use your client account without delivery of legal service or is seeking an advice on matter not requiring transfer of funds but instructs you to make or receive payment(s)?  | Prohibited Relationship  |
| Is your client seeking to engage you in any of the higher-risk services? * Conveyancing
* Sale or Purchase of business / securities / assets or property
* Formation and management of trusts, companies or charities
* Tax advice
* Managing client money / securities / assets
* Managing bank / saving / security accounts
* Insolvency
* Acting as custody stakeholder of client’s funds / escrow agent
* Services offered to clients in the context of trade based or trade-finance arrangements

**Note**: You may consider setting transaction value limit for the above services and risk rate the services as (high/medium/low), for example property sale transactions of 10,000 000 HKD or above as a higher risk. The set limits will vary depending on the size and type of transactions undertaken by the firm. | □ (5) |

|  |
| --- |
| **PART E: Politically Exposed Person**  |
| Name of PEP:  |  | Title of Position Held: |  |
| Country/Jurisdiction where the function is performed: |  | Name of the Governmental or International Institution / Judiciary / Military / Political Party: |  |
| Type of PEP:  | □ Client □ Family Member (Spouse or Partner / Child / Parent / Child’s Spouse) □ Close associate[[6]](#footnote-6) □ Representative □ Connected party/Key controller □ Beneficial owner |
| Describe the nature of the prominent public function the person is or has been entrusted with as a PEP, or the PEP’s relationship/connection with the Client (if Client itself is not a PEP: |  |
| If “HK-PEP” or “International Organisation PEP”, reasons for not applying EDD (if appropriate, considering factors set out in para 121 of the PDP): |  |
| If former PEP, reasons for not applying EDD measures(if appropriate, considering factors set out in para 8, Table A of the PDP): |  |
| **PART F: Enhanced Client Due Diligence (EDD)** |
| EDD is required for “High-risk” clients and beneficial owner(s) i.e. those who are more likely to be involved in ML / TF / PF activities. When applying EDD measures, you should: 1. Assess all circumstances implying higher risks of ML / TF / PF in providing service(s) to your client / beneficial owner;
2. Provide information on client’s Source of Wealth (SoW);
3. Provide information on client’s SoF;
4. Consider the nature of an ongoing monitoring of the business relationship; and
5. Obtain approval of senior management / partner before:
* In the case of a new client, establishing a business relationship with the client; or
* In the case of an existing client, continuing a business relationship with the client.
 |
| What is client’s or the beneficial owner’s SoW?(Applies always to “Non-HK” and higher risk PEP; clients / beneficial owners from a High-risk jurisdiction **if** the business relationship is assessed to be a higher risk business relationship taking into account all risk factors).For other type of High-risk clients, you may either obtain SoW or apply any of the following EDD measures subject to risk-based approach: * seek additional independent sources to verify information provided or made available to you;
* take additional measures to understand better the background, ownership and financial situation of the client, and other parties to the transaction to be satisfied that the transaction is consistent with the purpose and intended nature of the business relationship; or
* apply enhanced monitoring to the client relationship, including greater scrutiny of individual transactions.

**Note**: SoW must be documented and an explanation from the client should be sought (if required). You should understand and obtain information on:* client’s net worth; and
* the origins of the client’s ongoing and accumulated business income/funding.

**Note**: You can rely on publicly disclosed information if such information is available, external confirmations and information provided by the client, focusing on the sources that generated the major proportion of the wealth.Examples of documents supporting SoW are listed below. All documents should be attached in the client’s file. |  |
| **Type of SoW:** | **Examples of supporting document(s):** |
| [ ]  Employment (e.g. salary, wages, bonus, other benefits) | * Copies of pay slips
* Bank statements displaying source of income and/or regular payments from employer
* Personal Tax Summaries (PTS)
* Confirmation from the employer of annual salary
* Latest accounts or tax declaration if self-employed
 |
| [ ]  Rental Income | * Tenancy agreement
* Bank statement showing regular payments of the rent by tenant
 |
| [ ]  Loan Drawdown | * Loan agreement or loan statement
 |
| [ ]  Inheritance | * Letter from solicitor
* Copy of Will / Grant of Probate
 |
| [ ]  Sale of Assets | * Sale and purchase agreement
* Letter from solicitor/accountant
* Contract Note
* Shareholder’s certificate
* Transaction receipt/confirmation
* Title Deed
 |
| [ ]  Investments  | * Records of external investments
* Audited Financial Statements
* Copy of contracts
 |
| [ ]  Business ownership interests | * Audited Financial Statements
* Copy of latest management accounts
* Board of Directors approval
* Dividend distribution
* Tax declaration form
 |
| [ ]  Gift | * Letter from a solicitor
* Letter from donor explaining the reason for the gift and the source of donor’s wealth
* Identification documents of donor
* Donor’s source of wealth
 |
| [ ]  Others | * Nature of income, amount, date received and from whom
* Appropriate supporting documentation
 |
| Nature of enhanced / ongoing monitoring of the business relationship (*Who will do What and How often*):(What are the additional actions / controls that will be/are applied to monitor this High-risk relationship?) **Note**: Ongoing monitoring means scrutinising transactions to check they remain:* consistent with what is known about the client;
* controlling changes to client’s information, activities and requested services; and
* monitoring frequently renewed sanctions, PEP lists and adverse news.

The type of monitoring may include:* requiring a greater level of information and explanation from the client in regards to transactions and amounts (during the course of a given instruction);
* greater frequency of checks on transactions, particularly SoF; or
* undertaking more frequent CDD checks on your client (screening, adverse news checks) periodically or upon each new matter.
 |  |
| **Overall conclusion:**(If applicable, please explain if there are any additional risk factors present that should be taken into account, or reasons why the risk rating should be adjusted).  |  |

|  |  |
| --- | --- |
| **PART G: APPROVALS OF CUSTOMER RISK ASSESSMENT**  | **OVERALL AML RISK RATING:**  |
| I certify that the information above is correct and accurate to the best of my knowledge. |
| **Signed by Engagement Lawyer:** Name and SignatureDate: | **Approved by Compliance Officer / Partner:**Name and SignatureDate: |

**ML / TF RISK RATING METHODOLOGY**

|  |  |  |
| --- | --- | --- |
| Risk Rating | Score Range | Type of Customer Due Diligence  |
| Low | Total Score ≦ 8 | * Simplified CDD (does not require identification and verification of beneficial owner, allows for accepting other documents, data or information (e.g. proof of license, listed status or authorization status))
 |
| Medium | Total Score 9 – 14 | * Standard CDD
 |
| High | Total Score 15 – 40 | * Enhanced CDD
 |
| Prohibited Relationship | Total Score ≧ 41 | * CDD is not required. Client instruction(s) should not be accepted.
 |

|  |  |  |  |
| --- | --- | --- | --- |
| Total Score: |  | AML Risk Rating: (Low / Medium / High / Prohibited) |  |

1. Definition of “Connected Parties” is set out in footnote 2 of the PDP. [↑](#footnote-ref-1)
2. A beneficial owner is a natural person who ultimately owns or controls the client or on whose behalf a transaction or activity is being conducted. Where a settlor, trustee, protector, enforcer or beneficiary of a trust client is a legal person, the objective remains to follow the chain of ownership or control to the beneficial owner (i.e. a natural person) of the settlor, trustee, protector, enforcer or beneficiary, and to identify and take reasonable measures to verify the identity of such natural person. [↑](#footnote-ref-2)
3. A class of beneficiaries of a trust refers to those beneficiaries that are named as members of a described group of people (e.g. grandchildren of a named individual). The aim is for a solicitor to be able to understand/establish the identity of the beneficiary(ies) at the time of payout or when the beneficiary intends to exercise vested rights. [↑](#footnote-ref-3)
4. Consideration should be given to identify Connected Parties of the client and check their names against the United Nations Sanctions Lists (“UNSLs”) to avoid establishing business relationship or conducting transactions with any terrorist suspects and possible designated parties. When the name is a genuine match against any of the UNSLs, in case of any suspicions of TF, PF or sanctions violations, a report to the JFIU should be made. [↑](#footnote-ref-4)
5. As best practice only, in higher risk situations consideration should be given to check names of Connected Parties of a client against PEP lists. The solicitor should assess only those that have executive authority, considering factors such as whether the PEP is able to exercise substantial influence over the client, to determine the overall ML/TF risks presented by the client. Where the client presents higher ML/TF risks, the solicitor should apply EDD measures on the client accordingly. [↑](#footnote-ref-5)
6. Definition of a “Close associate” includes:

	1. an individual known to have joint beneficial ownership of a legal entity or a legal arrangement or any other close business relationship with a politically exposed person;
	2. an individual who has sole beneficial ownership of a legal entity or a legal arrangement that is known to have been set up for the benefit of a PEP [↑](#footnote-ref-6)