

Client Due Diligence Checks

Client Due Diligence ('CDD') checks are completed on all clients at The CFO Centre as part of our obligations under AML and associated legislation. The CFO Centre is supervised by The Institute of Chartered Accounts in England and Wales ('ICAEW') in relation to our compliance activities. A SmartSearch check and a media check is undertaken as part of our CDD process, any information found will be stored on the clients file or within the client risk assessment which can be located on AMLcc.

Checks are usually done on all beneficial owners in a business (classified as anyone with more than 25% shares) or in the case where there is no beneficial owner, a check is undertaken on a director in the company which has a level of control or decision-making capabilities. In some circumstances a check may be conducted on the beneficial owners and a director/controlling party that exerts control through means other than ownership.

Below will be information on the different types of checks that happen along with the escalation/review process that may be needed from time to time.

Who to check

As part of our supervision from the ICAEW we are required to check any individual with more than 25% shares in a company (Beneficial Owner) or any individual with a controlling interest.

As part of our new paperwork process, the compliance team will check details on companies house to look for any beneficial owners or controlling persons. This is done by:

1. On the clients profile click 'People' and then 'Persons with Significant Control'. This should detail anyone with a controlling influence in the business, this may not be directly related to ownership.
2. Click onto 'Filing History' and then the most recent confirmation statement listed 'with updates', the details of the share split can be found in this document and will be used to work out the beneficial ownership, and whether there is a natural person(s) that is a beneficial owner. Where a corporate entity is identified within the ownership record, we must check the ownership of this entity and so on until we arrive at natural persons and what fraction of the client entity they indirectly own. Should the ownership be spread and no natural person has >25%, or where it becomes apparent the client is owned by a publicly listed entity (PLC), we should check the details of the individual(s) within the business we are contracting with that we believe are controlling its affairs day to day.

Where a beneficial owner is silent in the business or does not play an active role, the compliance team will still need to obtain their details under The CFO Centre's supervisory requirement. Additionally, they will also ask for an active directors details who has influence or control in the day to day running of the business. This is to ensure we have checked all beneficial owners and someone with active participation in the business who is ultimately making the decisions.

Once it has been decided who to ID, this person will be added to our KYC for on our e-signature platform and will be required to fill out their home address and upload an ID copy to the system. This will then undergo searches detailed later in the document.

SmartSearch

SmartSearch is our online client verification platform which the team uses to complete CDD checks on any beneficial owners or persons with significant control within all of our clients. It uses 3 main credit reference agencies: Dow Jones, Equifax and Experian.

The SmartSearch check is done once paperwork has been returned to us from PandaDoc completed, as long as the relevant information has been uploaded then a SmartSearch check can take place.

Key Features

- UK Individual Check – used for checking UK persons against any watch lists, sanctions, PEP's and confirming residence.
- UK Business Check – used for checking UK companies, the report will look at credit score, sanctions, directors, structure, financials and any other information it has access too.
- SmartDoc – this is used to check overseas residence to pinpoint them at the address and check the person against any lists.
- International Business Check – takes 3-5 days, will check the companies status, directors, business activities, watchlists and any legal actions.

SmartSearch will produce a report with one of three scorings:

- Accept
- Refer
- Reject

The system may also require the user to manually check the due diligence section as this will sometimes flag other individuals with a similar name, DOB or location. The user will be required to run through all the names that have flagged up and pinpoint if any of the information matches to that provided by the client, there may be multiple names that come up at one time – all will need to be reviewed.

The user may pass the UK individual check but if they are flagged and confirmed on the due diligence check then SmartSearch will automatically pop them onto a watch list.

The screenshot displays the SmartSearch interface. At the top, there is a 'Basic Information' section with fields for Title (Mr), First Name, Middle Name, Last Name, Address, and Date of Birth, all of which are redacted with black boxes. Below this is a summary table with columns for Category, Outstanding, True Matches, and False Positives. The table shows 0 Outstanding, 1 True Match, and 0 False Positives. A red box highlights this summary table and a note below it: 'Additionally, we have auto-suppressed 1 record and none auto-marked as false positive.' Below the summary table is a 'Due Diligence Status' section with dropdown menus for 'Any', 'Any', and 'Active', and buttons for 'Search' and 'Clear'. At the bottom, there is a table with columns for Type, Date of Birth, Citizenship, Residency, Images, Active, Ref, Matched, Your Client?, Note Count, and Actions. The first row shows a PEP status, a redacted name, United Kingdom citizenship and residency, an active status, a reference number of 1362403, a match date of 15 Dec 2023, and a 'Yes' status with a note count of 2.

Category	Outstanding	True Matches	False Positives
All categories >	0	1	0

Type	Date of Birth	Citizenship	Residency	Images	Active	Ref	Matched	Your Client?	Note Count	Actions
PEP	[Redacted]	United Kingdom	United Kingdom	[Redacted]	Active	1362403	15 Dec 2023	Yes	No 2	View

Media Searches

Media Searches are undertaken on the client at the time we put the risk assessment on to AMLcc, the team will check the business name (including any trading names) and any beneficial owners or controlling persons within the company.

We search across social media platforms and other media outlets on google to check for any adverse media against the individuals or the company. Stories could range from legal cases, financial news, associations with PEP's or anything untoward which could negatively impact the business through association and risk levels.

Useful websites to look for:

- Local online newspapers
- BBC News
- Financial Times
- Regulators websites

Escalation Process

This section applies to any SmartSearch check or media search which:

- Comes back as rejected or refer after all other avenues of resolution have been visited
- The client is linked to a country listed on the FATF black and grey list
- Any adverse media is found linking the client and the company – i.e. financial scandals, criminality etc.
- PEP/Sanctioned Individuals

If any of the above apply then the MLRO/DMLRO will need to be notified in a timely manner. The notification to the MLRO/DMLRO should include all evidence of additional research undertaken including screenshots, the initial search (whether this be the SmartSearch report or the media check) and details of any actions undertaken including communications with the CFO/RD if applicable.

The details will be reviewed by the MLRO/DMLRO. They will also conduct their own research to look for any readily available additional evidence to help move the process forward, this could include:

- Accepting/Mitigating the risk – detailed notes will need to be added to the file if this is the case to explain why the risk has been accepted/mitigated.
- Phoning or emailing the parties involved.
- Declining the information given and stopping the engagement with the client continuing.

Exceptions to the process

Occasionally within the process some of the beneficial owners of the clients are PEP's or high net worth individuals that are well known in the media, typically this can prove difficult to obtain their ID at the outset. It is rare exceptions are made to however when occasions arise where it is not reasonable possible to obtain the information due to the status of the individual it is essential a process is in place to cover this.

In cases where this happens approval is required from the MLRO where ID would become difficult to obtain. The team should take reasonable steps to obtain as much information found in the public domain as possible, this should then be presented to the MLRO to review and decide whether there is appetite and reasonable grounds to continue the engagement without the required details.

All notes and further decisions made on the exception will be stored in the clients profile and will be detailed on their risk assessment.

