Market:…………………………………………………………

Date Prepared:……………………………………………..

Prepared By:…………………………………………………

| EU 4th Directive Key (New/Revised) Requirements | Currently in place in market (and can be evidenced) | Level of compliance  Fully Partially Not at all | Actions required | Action Owner | Date action to be completed by | Additional resources required (if any) |
| --- | --- | --- | --- | --- | --- | --- |
| 1. **Risk Based Approach**   *(paragraphs 22,25, Art 8 (1 to 5), 16 and Annex I and II)*  Obliged entities (new name for “designated persons”) are already required to evidence that they have taken steps to identify, assess, understand, and mitigate AML/CTF risk including giving consideration to risk factors such as customer, product, geography, and channel. This assessment must be evidence-based  Now they must also use and incorporate the results of risk assessments at national and EU level into their own risk assessments (eg geographical risk assessments) to improve AML/CTF controls. |  |  |  |  |  |  |
| 1. **Customer Due Diligence (CDD)**   *(Article 11,13,15, 18 and Annex I and III)*  No longer automatically entitled to apply SDD for specified customers and products. Instead company (‘obliged entity’) must determine the level of risk posed by a customer PRIOR to applying SDD and be able to provide robust rationale and justification if SDD is deemed appropriate  More prescriptive [Article 18] in the requirement that enhanced CDD be performed in situations where the risk may be deemed higher [see requirement 3 and 4 elow]. Must use the factors of potentially higher-risk situations in Annex III of the Directive when assessing ML risks. |  |  |  |  |  |  |
| 1. **3Rd Party Equivalence and Enhanced Due Diligence (EDD)**   *(paragraph 29 and Article 9, 18, Annex III)*  The Third EU AML Directive prescribes a “white list” of jurisdictions where AML/CTF legislation is considered equivalent to the EU.  Under the new Directive, this list of equivalent jurisdictions is rescinded, and obliged entities will therefore need to perform a risk assessment on countries where they do business outside of the EU.  EDD to be applied for people in high-risk countries [see CDD section above] and PEPS [see below] |  |  |  |  |  |  |
| 1. **Politically Exposed Person**   *(Paragraphs 32,33,34 and Articles 20, 22, 23 )*  Definition of PEPs is extended to include “domestic PEPs” i.e. those in prominent public positions within the EU (eg judge, member of government, etc) as well as domestic PEPs who work for international organisations.  A “foreign PEP” is a prominent individual from outside the EU.  Obliged entities are required to monitor the risk posed when a person ceases to hold the title yielding PEP status for a period of at least 12 months,.  Note:  should not be refusing a loan to a PEP just because they are a PEP (section 33)  Must do EDD on a current or past PEP |  |  |  |  |  |  |
| 1. **Beneficial Ownership**   *(paragraphs 12 to 17, and Chapter III)*  *[Note: get local legal advice on how beneficial ownerships applies, if at all, to your market*]  Still required to identify parties and conduct CDD of any beneficial owner.  Stringent requirements on obliged entities to maintain adequate, accurate and current records to prove beneficial ownership. This information will be required to be made readily available to both competent authorities (CBI) and obliged entities on request. |  |  |  |  |  |  |
| 1. **On-Going Monitoring**   *(Article 13 (1d)*  The Fourth EU AML Directive is more prescriptive with respect to the on-going monitoring of customers, and will be more specific in outlining factors for consideration/evidencing in conducting risk assessments for each customer, and how these risk assessments must be kept up-to-date.  This reinforces the requirement to undertake a risk based approach, and from a practical perspective, will mean that obliged entities must be able to evidence the rationale behind the risk rating applied to each customer. |  |  |  |  |  |  |
| 1. **Data Protection**   *(Paragraphs 42,43, 48 and Article 45(1)*  Must have group-wide policies and procedures (including Data protection) for sharing information within the Group for AML/CFT purposes . |  |  |  |  |  |  |
| 1. **Data Retention**   *(Paragraph 44, and Article 40(1) )*  A maximum retention period for Customer DD documentation fixed at 5 years after the business relationship has ended (or after an occasional transaction), This period can be extended to a further 5 years if provided for under local legislation and data is required for prevention /detection of crime.  Upon expiry of the retention period, personal data [see legislation for definition or Data Protection Directive] should be deleted unless provided for by national law, and further retention is only allows if necessary for the prevention, detection or investigation of money laundering and terrorist financing. |  |  |  |  |  |  |
| 1. **“Senior Management”**   *(Article 3 (12)*  “senior management” is defined as an officer or employee with specific knowledge of the institution’s exposure to AML/CTF risk and sufficient seniority to make decisions affecting its risk exposure.  This definition will therefore not be restricted to members of the Board of Directors. |  |  |  |  |  |  |
| 1. **Use of Brokers and Other Third Parties**   **(***Article 25 and section 4***)**  If a company uses a third party (eg broker) to undertake CDD on its behalf, the ultimate responsibility for meeting the AML requirements remains with the company using the third party |  |  |  |  |  |  |