

## 7.8 Complex high-risk structures

### AML/CFT codes of practice

[COP73] A supervised person must apply proportionate and relevant enhanced due diligence to a customer where the structure is complex and the complexity contributes to the customer being assessed as high-risk.

### 7.8.1 CDD to EDD trigger and scope

#### Guidance notes

81. Where a customer or a linked arrangement relevant to beneficial ownership, control, or purpose is complex, that complexity alone does not trigger enhanced customer due diligence (EDD). If the rationale for the complexity remains unclear, insufficiently evidenced or where beneficial ownership and control information is incomplete and further enquiry is required, this may lead to the customer being identified as high-risk, triggering the requirement for EDD. Where transparency cannot be achieved after reasonable enquiries and application of proportionate EDD, *supervised persons* should consider declining or exiting the relationship and assess any suspicious activity reporting obligations. EDD centres on the customer and surrounding arrangements are considered only to the extent needed to establish beneficial ownership and/or control and purpose of the structure.

82. Enhanced CDD measures may include one or more of the following. This list is non-exhaustive.

a. Establishing Legitimacy

- › Most supervised persons obtain rationale and structure charts as part of CDD measures. Enhancements may include obtaining supporting documentation (e.g. legal opinions, tax advice, professional advice, board/executive approvals, transaction papers, minutes) that evidence the purpose and legitimacy of the structure proportionate to the risk (this does not presume advice exists for the entire structure).
- › Where a structure is complex and high-risk but standardised and ultimately transparent, supervised persons may document the rationale for proportionate EDD in their policies and confirm it applies to the customer, with any adjustments, instead of repeating the full EDD each time.

b. Source of Wealth and Funds

- › Where the complexity of a structure requires enhanced CDD measures to verify beneficial owners source of funds and source of wealth proportionate to the risk. EDD may be achieved by obtaining independent documentation such as audited financials, bank statements, or asset sale agreements (see also section 7.3 paragraph 15)

Controllers who do not contribute funds and have no economic interest would not normally require source of wealth/source of funds. It may be necessary to obtain targeted information only where controllers contribute funds, exercise material control creating financial crime risk, or where other red flags may be present.

c. Understanding transactional flows (where flows drive the complexity)

- › Evidence an understanding of expected flows within the structure (e.g. funding, distributions, fees) and assess unusual routings that lack commercial purpose.

d. Independent Verification

- › Where proportionate, use independent sources or external experts (e.g. due diligence reports, legal/accounting opinions, forensic reviews) to corroborate rationale, ownership/control, or fund flows.

- e. Face to Face

- › In high-risk cases consider meeting the ultimate beneficial owner in person or equivalent where feasible.

Where existing high-risk monitoring does not already address the risks relating to complexity the measures below may be applied in conjunction with other enhanced CDD measures.

- f. Ongoing Monitoring

- › Monitoring frequency should be adjusted where complexity materially increases risk beyond the *supervised person's* baseline high-risk schedule.
- › Set enhanced triggers for re-assessment.

- g. Senior Management Approval

- › Require sign-off from senior management before onboarding or continuing where the relationship is assessed as high-risk and complexity contributes to that rating, documenting residual risk and mitigations.