

Why fund management companies have to ask



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What is money laundering and financing terrorism?

Money laundering involves trying to convert money derived from criminal activities into assets that can be reported openly. It is an international phenomenon, often extending over national boundaries, and can involve money from drug dealing, trafficking, people smuggling, tax crimes, robbery, fraud, arms trading, etc.

Money launderers utilise the financial system to make it more difficult to trace the criminal source of the money.

The organisation of money laundering can range from the simple to the complex and can involve anything from cash transactions to the use of online or telephone banking transfers and other services.

Financing of terrorism can take place with both legal money and money derived from criminal activity. Here, too, the financial system is used to move money.

The Anti-Money Laundering Act

Regulation aimed at preventing the exploitation of businesses for money laundering and the financing of terrorism have been introduced in virtually every country worldwide. The Swedish Act is based on the Fourth EU Money Laundering Directive, that stipulates that all financial businesses within the EU are obligated to prevent money laundering. The Act also applies to companies and professionals outside the financial sector, such as accountants, lawyers, estate agents, gaming companies etc.

Fund management companies must ask questions

In brief, the Anti-money Laundering Act obliges fund management companies to assess its risk of

being used for money laundering and financing of terrorism purposes. The Act places high demand on the fund management company to have extensive knowledge of its customers and its customers' investment fund transactions. The fund management company must also understand the purpose of the business relationship and the customer's various transactions.

Customer information received by the fund management company is treated confidentially and is subject to the requirements of professional secrecy.

Purpose of the transaction

When you wish to make a deposit or execute a transaction, you will be required to answer questions and submit valid ID, if requested by the fund management company. This may happen in relation to transactions regarded as unusual or where the fund management company does not understand the background to the transaction. Where this is the case, the fund management company is obliged to ask you about the purpose of the transaction, the source of the money, and what it will be used for, etc.

The fund management company may also, in some cases, need to see contracts, receipts, invoices or other documents in support of your explanation.

For new customers

The fund management company is obligated to check your identity if you wish to become a new customer, before you can start saving in investment funds. The fund management company may also need to ask you further questions to find out more about you, in order to be able to perform the services requested.

For existing customers

Even if you are already a customer, you must be able to present valid ID and provide complementary information upon request.

This may be the case, for example, when you wish to execute a transaction or acquire a new service.

Politically exposed persons - PEP

The fund management company must know whether you are a PEP i.e. if you hold or have held a prominent political position or a prominent position in a state or an international organisation. The fund management company must also know if you are a family member or a known associate of a PEP.

Corporate customers

If you represent a company, you must be able to present valid ID and demonstrate that you have the right to represent the company. The fund management company must, furthermore, be able to identify individuals who own more than 25 percent of the company and to determine whether any person has a controlling influence in the company. You must also be prepared to answer questions about the company's operations, its turnover, and the way in which the fund management company's services will be used.

In some cases, the fund management company cannot perform the service

If the fund management company is unable to check your identity or if you cannot provide a satisfactory explanation as to why you would like the service performed, the fund management company is not permitted to perform the service requested. Failure to comply with the law may result in the fund management company official being penalised and sanctions being imposed on the fund management company by the Swedish Financial Supervisory Authority.

If the fund management company suspects money laundering, it must report its suspicions to the Police.

Further information

Please turn to your fund management company if you want further information on the Anti-Money Laundering Act

