

# Effect of the new Act to Combat Money Laundering and Terrorist Financing on individuals

Did you know that the new Act on Actions to Combat Money Laundering and Terrorist Financing places great obligations on financial undertakings and other parties that fall within the scope of the Act? The Act requires these parties to acquire more knowledge about you and the purpose of the business relationship. This allows for the risk assessment of each individual customer in line with the provisions of the Act.

## Due diligence

There is an obligation to gather information about individuals prior to the establishment of a business relationship or undertaking certain transactions. Due diligence refers i.e. to an individual providing **proof of identity** and a check for any current sanctions or restrictions, political exposure or other connections to operations or activities that contravene the company's risk policy. Certain circumstances require **enhanced due diligence**.

## Enhanced due diligence

Enhanced due diligence requires the gathering of further information, including about the source of wealth and funds used in business transactions. Enhanced due diligence should not have any great effect on customers yet the required information must be provided, by law.

Enhanced due diligence is required when:

- Individuals are located in the third countries categorised as high risk or uncooperative by the Steering Committee on Actions Against Money Laundering, appointed by a minister.
- Politically exposed persons are involved.
- Risk assessment indicates heightened risk.

## Political exposure

According to the Act, individuals, domestic and foreign, who hold or have held prominent public functions, their immediate family members and close associates, are defined as politically exposed person. This includes, for example, heads of state, parliamentarians, ministers and Supreme Court justices.

*If due diligence indicates that a customer contravenes the company's risk policy, the company can refuse or terminate the business relationship.*

## Data Protection

This Act obliges financial undertakings and other parties within its scope to gather certain personal data. The processing of this personal data is in accordance with the Data Protection Act and only occurs when objective grounds justify such processing and it is necessary to prevent money laundering or terrorist financing.



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