

## **Diplomatic missions and consular posts: Best Practices**

### **July 2024**

#### **Background and Purpose**

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UK Finance is the collective voice for the banking and finance industry. Representing 300 firms, we're a centre of trust, expertise and collaboration at the heart of financial services, championing a thriving sector and building a better society.

The global financial crime framework and international standards on money laundering and counter terrorism financing as set by the Financial Action Task Force (FATF) have identified principles of best practice in relation to Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) regimes. These principles have been enacted into the UK framework through the Money Laundering Regulations (MLRs), which place obligations on entities in the regulated sector in relation to their services, products and customers. At times some of these obligations could be new to diplomatic missions and consular posts attempting to access financial services in the UK for the missions' official accounts.

Embassies and foreign consulates and other affiliate offices in the UK will require access to the local banking system to meet many of their day-to-day financial responsibilities. This note outlines some best practice behaviours when banking in the UK in an effort to establish, develop and maintain a constructive relationship between both the regulated sector and Diplomatic missions in the UK. It has been developed following discussions with the Foreign, Commonwealth and Development Office (FCDO) and the Financial Conduct Authority (FCA) regarding banking facilities for missions' official accounts.

#### **Recommendations**

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##### **Be prepared to share information**

- Banks will often need to ask questions of diplomatic missions and consular posts, particularly when first opening accounts, or when performing periodic reviews. Such questions are likely to be focused around identifying information required to support due diligence or enhanced due diligence requirements, as well as further information requests about the expected transactional activity. It is recommended that embassies and consular posts are open and prompt in providing information that is requested. Failure, or a reluctance to provide relevant information could potentially lead to delays in account opening, completion of payments and in some cases may result in consideration of termination of banking services.
- Diplomatic missions and consular posts should anticipate questions about their banking practices and work with banks in a transparent and timely manner. Banking relationships may be re-assessed, terminated, or new applications refused if there is no response to questions raised, or where there may be a perceived reluctance or refusal to provide information in response to questions raised. These may include requests for identity documents and detailed information for account signatories and for individuals who may require access to the account or product. Where banks are unable to complete due diligence requirements, the regulations require that banks must not establish a relationship or carry out a transaction and must terminate any existing relationship.

- Banks will always be required to obtain full information regarding the nature and purpose of accounts. Diplomatic missions and consular posts should ensure that this is transparent, for example if there is a need for a specific currency account such as a US Dollar account, they should share information relating to the rationale for this with the Bank. Diplomatic missions and consular posts may also be asked to provide detailed information including expected volume and nature of account activity at the time of account opening.
- Diplomatic missions and consular posts should ensure they are able to provide relevant evidence when trying to open accounts in the UK without proof of UK residency, e.g., a letter of introduction confirming the legal status of the mission, the location of the mission premises and the name of the Head of Mission. In the absence of these documents, FCDO contacts should be able to help guide with relevant documents or email confirmation of status.
- Each request to open accounts should be for a specific operating purpose, and Diplomatic missions and consular posts should ensure that they state the official function of their office. It could help if the staff engaged in the mission have written authorisation from their foreign government for official purposes.
- In addition to official embassy or consular accounts, some banks may consider providing accounts to embassy staff, families, and current foreign government officials located in the UK. Each of these relationships poses different levels of risk and therefore would be individually assessed in line with the appropriate due diligence requirements of the financial institution. In these instances, some of the individuals may be considered to be Politically Exposed Persons (PEPs), and therefore are required by regulation to be subject to enhanced due diligence requirements.
- The provision of official embassy or consular accounts does not mean that there is inherently an appetite to also provide accounts to any other (non-UK accredited embassy or consular) government department, ministry or agency based in the home country. Each of these relationships will be assessed independently in line with the appropriate due diligence requirements of the relevant financial institution.

## **Dealing in cash**

- Cash transactions are seen as inherently higher risk within banks, aligned with the statement included within the UK's National Risk Assessment which recognises that the "use of cash remains a high risk for both money laundering and terrorist financing." Large sums or volumes of cash payments make it increasingly difficult for banks to review the true origin of a diplomatic mission's or a consular post's funds and accept the risks involved.
- Where possible, diplomatic missions and consular posts should convert to other methods of payments and receipts such as credit or debit cards, wire transfers, or other electronic payment methods. Avoiding cash where possible will help to increase transparency within the Banking relationship.

- Diplomatic missions and consular posts should avoid sending or accepting wire transfers from foreign governments, other than their sending government, without prior notification to the receiving Bank, as to the size, purpose, and rationale of the transfer.

### **Ensure that accounts are used in line with the purposes declared at opening**

- Diplomatic missions and consular posts should refrain from using accounts for activity other than what the accounts were opened for. Personal transactions such as payment of school fees for children of staff members or for activity related to the home country could be considered out of profile activity and may lead to review of the relationship.
- Accounts in the UK should be used for activity of the mission in the UK e.g. operational expenses (payroll, rent, utilities) or intragovernmental transactions to fund UK based projects. It may be possible to request to open multiple accounts to separate operational expenses from UK project based activities.
- Any transactions undertaken from accounts with countries that are sanctioned in the UK or subject to restrictions would not be permitted from UK accounts, this would include transactions between the UK based Diplomatic account and accounts held overseas in sanctioned countries or with persons that could be subject to sanctions in the UK.

### **Keep communication open throughout the relationship**

- Diplomatic missions and consular posts should notify banks ahead of any upcoming unusual or non-routine transactions. This includes, but is not limited to, large wire transfers into or out of an account, large cash requests, cash payments to individuals or other entities, substantial currency transactions such as foreign exchange (FX), significant withdrawal of foreign currency, or any other transactional activity that is out of the ordinary.
- Any changes in the purpose or anticipated usage of the accounts should be communicated to the Bank in a timely manner and up front, this could include for example changes in the activity being funded from the accounts, or a change in the way the account is being funded.
- Financial institutions are legally obliged to keep customer information in due diligence files up to date, it can therefore be necessary to contact the customer on an ongoing basis to verify that the information is still valid or to ask new questions if there is a change in account activity. Diplomatic missions and consular posts should expect to receive requests for information periodically, or if there are changes in account activity.
- Additionally, if there is reason to believe any activity is, or may be, unusual or suspicious, diplomatic missions and consular posts should notify the Bank upon detection.

### **Keep robust financial practices and governance in place internally**

- Diplomatic missions and consular posts should ensure they have strong financial controls and procedures in place, such as adequate account signatories, accounts which are reconciled continuously (at least monthly), strong financial controls, and annually audited bank activity.

- Diplomatic missions and consular posts should also ensure transparent account structures are in place, using segregated sub-accounts to distinguish different activities. This will help to promote transparency for the Banks when reviewing transactional activity.
- Any changes in signatories or staff with access to the accounts should be communicated to the Banks without delay.

### More Information

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1. The UK Money Laundering Regulations can be found: [here](#)
2. The most recent UK National Risk Assessment can be found here: [here](#)

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