



TA Global Update

Edition 43, November 2024

Enhancing our program to keep you protected

Welcome to our November 2024 edition of the T-UP, a newsletter designed to keep clients informed of updates to BBH's Transfer Agency ("TA") procedures and TA Anti-Money Laundering ("AML")/sanctions program based on regulatory requirements, industry best practices and risk management standards. This edition of the T-UP covers:

Topic	Fund sponsor impact	Investor impact/going forward
Protocols for Clearstream investor accounts with disclosed association to a prescribed high-risk third country (EU and UK)	None expected	Updates to investor due diligence documentation standards for Clearstream investors (Ireland, Luxembourg, and United Kingdom only)

Additionally, please note that a "Preventing terrorism-financing Seminar" is organized jointly by the Cellule de Renseignements Financiers, the Commission de Surveillance du Secteur Financier, the ABBL & ALFI on November 8, 2024 for all MLROs of Luxembourg Funds and Management Companies.

BBH is committed to continuously reviewing and enhancing our TA procedures and AML/sanctions program to help the fund remain compliant with evolving industry standards and regulatory expectations and protect you and your investors. Please consider whether the change(s) outlined below may also require updates to relevant application/subscription documentation maintained by the fund.

Contact your BBH Relationship Manager (RM) or TA investor Relations Manager (TA IRM) should you have any questions regarding the updates.

1. Protocols for Clearstream investor accounts with disclosed association to a prescribed high risk third country (EU and UK)

Clearstream, owned by Deutsche Börse AG, is an international central securities depository providing settlement and custody services to its customers (also known as “participants”). As the legal owner of the investment and per industry standards, BBH, as agent of the fund, treats Clearstream as the registered shareholder of the fund, when the investor account is opened in the name of Clearstream.

BBH takes a risk-based approach to the investor due diligence documentation (“IDD”) standards applicable to the investor accounts opened in the name of Clearstream. Such an approach is premised on a number of key risk mitigants/factors including the profile of Clearstream participants which are limited to credit institutions.

BBH seek an intermediary due diligence letter from Clearstream committing them to certain representations including but not limited to (i) that they have properly identified/verified their underlying customers (ii) they have properly screened their underlying customers; (iii) they apply enhanced due diligence measures to high-risk underlying customers such as PEPs and (iv) will respond to requests for information from BBH and/or the fund including providing their due diligence records on their underlying customers upon request.

Where the account opening instruction includes the country of address for the Clearstream participant, the risk rating of the country of the participant will be factored into the overall risk rating of the account. Where such country information is received in connection with an existing account it is factored into the assessment of country risk at reassessment. If a participant is from a very high-risk country¹, an EU prescribed high risk third country (“EUPHRTC”) ² or UK prescribed high-risk third country (“UKPHRTC”) ³, the overall risk rating of the investor account is raised to high and enhanced due diligence applied as appropriate. If a participant was to be designated on any EU, UN and or OFAC sanction programs, the account will not be opened or if the account is existing, it will be fully blocked as per standard BBH sanction protocols and processes.

Based on the risk mitigants of Clearstream participants, the due diligence documentation requirements at onboarding/reassessment generally remain the same. High-risk accounts with politically exposed person (“PEP”) exposure, association with an EUPHRTC⁴, association with a UKPHRTC⁵ or association with material negative news, require approval of an authorized person(s) of the fund prior to account opening or, for existing accounts, immediately after identification/reassessment⁶. All other high-risk accounts are reported to the authorized

¹ For any client that maintains a custom country risk rating where the country risk rating is lower than the BBH country risk rating of very high-risk, accounts associated with such country may not be assessed as overall high-risk and enhanced due diligence may not be applied.

² For funds subject to EU contracted clients only. EUPHRTC are identified by the European Commission as having strategic deficiencies in their national AML/CFT regimes that pose significant threats to the financial system of the European Union. The current list of such countries can be found in the public domain. While neither Russia nor Belarus have been designated by the EU as prescribed high-risk third countries, BBH placed Russia and Belarus on its EUPHRTC List in April 2022 to ensure appropriate monitoring.

³ For funds subject to UK AML standards only. UKPHRTC are identified by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the “MLRs”) as “a country named on either of the following lists published by the Financial Action Task Force as they have effect from time to time - (i) high-risk jurisdictions subject to a call for action; (ii) Jurisdictions under Increased Monitoring”. The current list of such countries can be found in the public domain. While neither Russia nor Belarus have been designated by the UK as prescribed high risk third countries, BBH placed Russia and Belarus on its UKPHRTC List in April 2022 to ensure appropriate monitoring. Additionally, to ensure consistency of risk management, BBH’s UKPHRTC List includes all countries designated as an EUPHRTC.

⁴ See footnote 2.

⁵ See footnote 3.

⁶ Additionally, where the client has requested pre-approval of all new high-risk investor accounts (non-NSCC accounts), such accounts will be escalated to the client prior to opening.

person(s) of the fund at least monthly⁷. Ongoing monitoring is completed in accordance with our current program standards, including annual reassessment of high-risk accounts.

BBH has recently reconsidered the regulatory guidance and expectation and will update its procedures to require identification, verification, and written confirmation of source of wealth of the underlying beneficial owner(s) of the account at the ten (10) % or more threshold where a disclosed geographic touchpoint to an EU/UK PHRTC (as applicable) is identified. This documentation/information is already required where a financial intermediary investor (non NSCC) is regulated by an approved regulator in approved country. The documentation/information will be required prior to account opening in accordance with our current standards for investor accounts with an identified touchpoint to a prescribed high-risk third country. Senior management review and acceptance of high-risk accounts continues in the manner as described above.

These updates will occur with respect to any new Clearstream investor accounts opened on and after November 9, 2024. In advance of implementation BBH undertook a review of the register to identify any Clearstream investor accounts with an identified touchpoint to an EU/UK PHRTC. BBH are engaging with Clearstream with a view to preparing them for this change and working with them to get the new IDD requirements in place for any existing investor accounts.

Should you desire a current list of Clearstream investor accounts with an identified association to an EU/UK PHRTC (as applicable) please contact your IRM as soon as practical or access the information via Infuse.

Effective date: November 9, 2024.

Impact on fund sponsor: None expected.

Impact on investors: BBH will require the above-described investor due diligence documentation/information for any Clearstream investor account with an identified touchpoint to an EU/UK PHRTC (as applicable).

⁷ High-risk Investor accounts are identifiable through Infuse® Transfer Agency.

2. Preventing terrorism-financing seminar by the CRF, CSSF, ABL and ALFI

We would like to bring to your attention that Luxembourg's CRF and CSSF, together with the ABL, and ALFI will host a conference dedicated to the prevention of terrorism financing on November 8, 2024 from 10.00am to 4.00pm. This full day event is open only to MLROs of Luxembourg funds and management companies invited by the CSSF, the ABL and/or ALFI.

We encourage our Luxembourg clients who are members of ABL/ALFI and will have received an invitation for this seminar to attend this important event.

Further information on the conference can be found at the below location:

<https://www.abl.lu/en/professionals/preventing-terrorism-financing-seminar-by-the-crf-cssf-abl-and-alfi>

<https://registrations.alfi.lu/Subscription/SubscriptionStep1?publicKey=bffc1ff4b0904cc991490f505>

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