

Anti Money Laundering Department
Bangladesh Bank
Head Office
Dhaka

Website: www.bangladeshbank.org.bd

MA:LA:PRO Circular No. - 07

Date: 14 August, 2005
30 Shraban, 1412

Chief Executive
All Scheduled Banks in Bangladesh

Correspondent Banking.

Dear Sir,

It has been decided that banks shall gather sufficient information about their respondent banks to understand the latter's nature of business before providing any correspondent banking services to them with a view to deterring use of the banking system for the purpose of money laundering. [Correspondent banking is defined as the provision by one bank (the correspondent) to another bank (the respondent bank) of credit, deposit, collection, clearing, payment or other similar services.]

2. Banks should obtain approval from their senior management before establishing Correspondent Banking relationship.
3. The information to be collected should include details about the respondent bank's management, major business activities, location, money laundering prevention efforts, bank regulation and supervision system prevailing in the country of the respondent bank, the purpose of the account etc.
4. Banks should establish or continue a correspondent relationship with a foreign bank only if it is satisfied that the foreign bank is effectively supervised by the relevant authority.
5. Banks should not establish or continue a correspondent banking relationship with any shell bank i.e. a bank incorporated in a jurisdiction in which the bank has no presence and which is unaffiliated with a regulated financial group.
6. Banks should pay particular attention when maintaining a correspondent banking relationship with banks incorporated in a jurisdiction that do not meet international standards for the prevention of money laundering (such as Non-cooperating Countries and Territories or NCCTs listed by Financial Action Task Force on Money Laundering). Enhanced due diligence will generally be required in such cases, including obtaining details of the beneficial ownership of such banks and more extensive information about their policies and procedures to prevent money laundering.
7. Particular care should also be exercised where the bank's respondent banks allow direct use of the correspondent account by their customers to transact business on their own behalf (i.e. payable-through accounts). A bank should therefore ensure whether the customers of the respondent bank will be allowed to use the correspondent banking services and, if so, it should take steps to complete required verification of the identity of such customers.
8. The instructions contained in this circular are also applicable for all existing correspondent relationships.

Yours sincerely



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