

**Anti-Money Laundering Department
Bangladesh Bank
Head Office
Dhaka.**

AML Circular No. 24

Date : 03 March, 2010

**Managing Director/Chief Executive
All banks and financial institutions**

**Instructions to be followed for compliance of the provisions of Money
Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009.**

For compliance of the provisions of Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009 by banks and financial institutions the following instructions are issued as per power conferred in section 23(1)(Gha) of Money Laundering Prevention Act, 2009 and in section 15(1) (chha) of Anti Terrorism Act, 2009 :

01. Policies for Prevention of Money Laundering and Terrorist Financing

In pursuance of section 16(2) of Anti Terrorism Act, 2009 and Anti Money Laundering Department's letter dated 04.07.2006, all banks and financial institutions must have their own policy manual approved by their Board of Directors/topmost committee to prevent money laundering and terrorist financing. This policy manual must be in conformity with international standard and laws and regulations in force in Bangladesh. Banks and the financial institutions shall from time to time review and confirm the meticulous compliance of the circulars issued by Bangladesh Bank.

02. Customer Identification;

It is mandatory to collect and verify the correct and complete identification information of customers to prevent money laundering and terrorist financing and to keep the financial sector free from risks. KYC (Know Your Customer) procedure shall apply to both individuals and institutions where customer is defined as under:

- Ø any person or institution maintaining an account of any type with a bank or financial institution or having banking related business;
- Ø the person or institution as true beneficial owner in whose favour the account is operated;
- Ø the trustee, intermediary or true beneficial owner of the transaction of the accounts operated by the trust and professional intermediaries (such as lawyer/law firm, chartered accountant, etc)under the existing legal infrastructure;
- Ø high value single transaction conducted in a single Demand Draft, Pay Order, Telegraphic Transfer by any person or institution or any person/institution involved in a financial transaction that may pose reputational and other risks to the institution. In this case if a transaction appears abnormal in relation to the usual transaction of the concerned person or institution that transaction will be treated as "high value";

03. To protect banks and financial institutions from risks of money laundering or/and terrorist financing by customers willful or unwilling activities, the Money Laundering Prevention policy Manual as described in part one of this circular shall clearly state how to conduct Customer Due Diligence at different stages such as:

- Ø while establishing relationship with the customer;
- Ø while conducting financial transaction with the existing customer;
- Ø while remitting money and providing other services at the request of non account holders; and

Ø while there is reasonable ground to suspect about the adequacy or veracity of previously obtained customer identification data.

3.1 To be sure about the customer's identity and underlying purpose of establishing relationship with the institution, each institution shall collect adequate information up to its satisfaction.

Explanation: "Satisfaction of the institution" means satisfaction of the appropriate authority that necessary due diligence has been conducted considering the risks of the customers in the light of existing directions.

3.2 If a person operates an account on behalf of the customer, the concerned bank/financial institution must satisfy itself that the person has due authorization to operate. Correct and complete information of the person, operating the account, are to be collected.

3.3 Legal status and accuracy of information of the operators are to be ascertained in case of the accounts operated by trustee and professional intermediaries (such as lawyers/law firm, chartered accountants, etc).

3.4 While establishing and maintaining business relationship and conducting transaction with a person (including legal representative, financial institution or any other institution) of the countries and territories that do not meet international standard in combating money laundering (such as the countries and territories enlisted in Financial Action Task Force's Non-cooperating Countries and Territories list) enhanced due diligence shall have to be ensured.

3.5 The identity of the beneficial owner of the account shall have to be confirmed on the basis of the information obtained from reliable sources up to the satisfaction of the institution:

- Ø Complete and correct information of identity of the persons besides the customer, shall have to be collected and preserved if a customer operate an account on behalf of another person in his/her own name.
- Ø The controller or the owner of the customer shall have to be identified.
- Ø Complete and correct information of identity of the beneficial owners shall have to be collected and preserved. For the purpose of this subsection a person will be treated as a beneficial owner if:
 - a) he has controlling share of a company or/and
 - b) hold 20% or more shares of a company.

4. Politically exposed Persons (PEPs)

The instructions in relation to Politically Exposed Persons as contained in AML circular no. 14 dated 25 September 2007 stand substituted as follows:

While opening and/or operating account of Politically Exposed Persons (PEPs) enhanced due diligence shall have to be exercised. PEPs means "*Individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials*". All instructions as detailed for PEPs shall equally apply if business relationship is established with the family members and close associates of these persons who may pose reputational risk to the bank.

Following instructions shall have to be followed to ensure Enhanced Due Diligence, while opening and operating the account of Politically Exposed Persons (PEPs):

ka) a risk management system shall have to be introduced to identify risks associated with the opening and operating accounts of PEPs;

kha) obtain senior management approval for establishing business relationships with such customers;

ga) take reasonable measures to establish the source of wealth and source of funds;

gha) ongoing monitoring of the transactions have to be conducted; and

uma) the banks/financial institutions should observe all formalities as detailed in Guidelines for Foreign Exchange Transactions while opening accounts of non-residents;

The above instructions shall also be applicable to customers or beneficial owners who become PEPs after business relationship have been established.

5. Correspondent Banking

The instructions in relation to correspondent banking as contained in the AML circular no 7 dated 14 august, 2005 and in the section 3(ka) of AML circular no 19 dated 14 august, 2008 shall be substituted by the instructions as follows:

5.1 For the purpose of this circular correspondent banking shall mean providing services which are approved by Bangladesh Bank like credit, deposit, collection, clearing, payment or other similar services by one bank (correspondent) to another bank (respondent).

5.2 While establishing and continuing correspondent banking relationship following drill should be observed so that banking system can not be abused for the purpose of money laundering :

- Ø Before providing correspondent banking service senior management approval must be obtained on being satisfied about the nature of the business of the respondent bank through collection of information as per annexure-1
- Ø Banks should establish or continue a correspondent relationship with a foreign bank only if it is satisfied that the bank is effectively supervised by the relevant authority.
- Ø Banks should not establish or continue a correspondent banking relationship with any shell bank. [Here shell bank refers to such banks as are incorporated in a jurisdiction where it has no branches or activities and which is unaffiliated with a regulated financial group.]
- Ø Correspondent banking relationship shall not be established or continued with those respondent banks that established correspondent banking relationship or maintain account with a shell bank.
- Ø 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 the countries and territories enlisted in Financial Action Task Force's Non-cooperating Countries and Territories list). Enhanced due diligence shall be required in such cases. Detailed information on the beneficial ownership of such banks and extensive information about their policies and procedures to prevent money laundering shall have to be obtained.
- Ø Enhanced Due Diligence shall have to be exercised in case of the respondent banks that allow direct use of the correspondent account by their customers to transact business on their behalf(i.e. payable through account)
- Ø The instructions described in this circular shall be applicable to the entire existing correspondent banking relationship.

6. Branches and subsidiaries situated/located in foreign jurisdiction

The instructions contained in section 2(gha) of AML circular no. 19 dated 14 august, 2008 shall be substituted by the following instructions:

6.1 Reporting organizations (in applicable cases) under Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009 having branches and subsidiaries abroad shall

also comply with the provisions of Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009.

6.2 If branch or a subsidiary located abroad, for any reason fails to comply with the instructions of Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009 it shall without any delay report to such cases to Anti Money Laundering Department mentioning the reason of the failure.

7. Appointment and Training

7.1 Appointment: One of the major purposes of combating money laundering and terrorist financing activities is to protect the banks and financial institutions from risks arising out of money laundering and terrorist financing. To meet this objective, banks and Financial Institutions shall have to undertake proper screening mechanism in their different appointment procedures so that they do not face money laundering and terrorist financing risks by any of their staff.

7.2 Training for the officials: To ensure proper compliance of anti money laundering and anti terrorism activities each bank and financial institutions shall arrange suitable training for their officials. To deter siphoning of legally or illegally earned money abroad, banks and financial institutions shall also arrange trade based money laundering training along with anti money laundering and anti terrorism financing related training for their officials dealing in foreign exchange transactions.

7.3 Education and training for customers: Banks and financial institution shall respond to customers on different matters including KYC and TP attached to the account opening form with proper rationale. Banks and financial institutions shall time to time distribute leaflets among customers to make them aware about money laundering and terrorist financing and also arrange to stick posters in every branch at a visible place.

You are requested to ensure compliance of the instructions of this circular and bring the content of this circular to the notice of all concerned.

Meanwhile please acknowledge receipt.

Yours faithfully,

Enclosure: 02(two) pages.

(Debaprosad Debnath)
General Manager
Tel: 7125765

**ANTI-MONEY LAUNDERING & TERRORIST FINANCING
QUESTIONNAIRE FOR CORRESPONDENT RELATIONSHIP**

A. BASIC INFORMATION

1. Name of the Institution: _____
2. Registered Address: _____

3. Website Address: _____
4. Principal Business Activities: _____
5. Regulatory Authority: _____
6. Operational Status:
 - Does your Bank maintain a physical presence in the licensing country? Yes No

B. OWNERSHIP / MANAGEMENT

1. Is your institution listed in any stock exchange? Yes No
If so, which stock exchange?

2. If “No” to Q7, please provide a list of the major shareholders holding more than 10% shares in your institution.

C. ANTI-MONEY LAUNDERING AND TERRORIST FINANCING CONTROLS

Additional information to be incorporated at the end of the questionnaire if your answer is “no” to any of the following questions

I. General AML&CFT Policies, Practices and Procedures:

1. Does your institution have policies and procedures approved by your institution’s board or senior management to prevent money laundering and combating terrorist financing? Yes No
2. Does your institution have a legal and regulatory compliance program that includes a designated officer that is responsible for coordinating and overseeing the AML/CFT framework? Yes No
3. Has your institution developed written policies documenting the processes to prevent, detect and report suspicious transactions? Yes No
4. Does your institution have a policy prohibiting accounts/relationships with shell banks? (*A shell bank is defined as a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.*) Yes No
5. Does your institution permit the opening of anonymous or numbered accounts by customers? Yes No
6. Does your institution have policies to reasonably ensure that they will not conduct transactions with or on behalf of shell banks through any of its accounts or products? Yes No
7. Does your institution have policies covering relationships with Politically Exposed Persons (PEP’s), their family and close associates? Yes No
8. Does your institution have policies and procedures that require keeping all the records related to customer identification and their transactions?
If “Yes”, for how long? _____ Yes No

II. Risk Assessment

1. Does your institution have a risk-based assessment of its customer base and their transactions? Yes No
2. Does your institution determine the appropriate level of enhanced due diligence necessary for those categories of customers and transactions for those that have reason(s) to pose a heightened risk of illicit activities at or through the FI? Yes No

III. Know Your Customer, Due Diligence and Enhanced Due Diligence

1. Has your institution implemented processes for the identification of Beneficial Ownership (those customers on whose behalf it maintains or operates accounts or conducts transactions)? Yes No
2. Does your institution have a requirement to collect information regarding its customers’ business activities? Yes No
3. Does your institution have a process to review and, where appropriate, update customer information relating to high risk client information? Yes No
4. Does your institution have procedures to establish a record for each new customer noting their respective identification documents and ‘Know Your Yes No

Customer' information?

- 5. Does your institution complete a risk-based assessment to understand the normal and expected transactions of its customers? Yes No

IV. Reportable Transactions for Prevention and Detection of ML/TF

- 1. Does your institution have policies or practices for the identification and reporting of transactions that are required to be reported to the authorities? Yes No
- 2. Where cash transaction reporting is mandatory, does your institution have procedures to identify transactions structured to avoid such obligations? Yes No
- 3. Does your institution screen customers and transactions against lists of persons, entities or countries issued by government/competent authorities? Yes No
- 4. Does your institution have policies to reasonably ensure that it only operates with correspondent banks that possess licenses to operate in their countries of origin? Yes No

IV. Transaction Monitoring

Does your institution have a monitoring program for unusual and potentially suspicious activity that covers funds transfers and monetary instruments such as travelers checks, money orders, etc? Yes No

V. AML Training

- 1. Does your institution provide AML& CFT training to relevant employees of your organisation? Yes No
- 2. Does your institution communicate new AML related laws or changes to existing AML related policies or practices to relevant employees? Yes No
- 3. Does your institution provide AML training to relevant third parties if they are employed to carry out some of the functions of your organisation? Yes No

Space for additional information:

(Please indicate which question the information is referring to.)

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D. GENERAL

Does the responses provided in this Declaration applies to the following entities: Yes No

- Head Office and all domestic branches
- Overseas branches
- Domestic subsidiaries
- Overseas subsidiaries

If the response to any of the above is ‘No’, please provide a list of the branches and /or subsidiaries that are excluded, including the name of the institution, location and contact details.

I, the undersigned, confirm to the best of my knowledge that the information provided in this questionnaire is current, accurate and representative of the anti-money laundering and anti-terrorist financing policies and procedures that are established in my institution.

I also confirm that I am authorized to complete this questionnaire on behalf of my institution.

Signature: _____

Name: _____

Designation: _____

Date: _____

Contact No: _____

Email: _____