# CUSTOMER ACCEPTANCE POLICY

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**Anti-Money Laundering Department**
**BANGLADESH FINANCE AND INVESTMENT COMPANY LIMITED**
**Head Office, Dhaka**

# FOCUS GROUP

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# Content


| SL No | Particulars | Page No |
|---|---|---|
| 1.0 | Preamble | 1 |
| 2.0 | Objectives/Purpose and Application of 'the Policy | 1 |
| 3.0 | Definition of Customer | 2 |
| 4.0 | Customer Acceptance Policy (CAP) | 3 |
| 4.1 | Customer Identification | 5 |
| 4.1.1 | What Constitutes A Customer's Identity? | 5 |
| 4.1.2 | Account of Individual Customers | 6 |
| 4.1.3 | Account of Sole Proprietorships or Individuals Doing Business | 7 |
| 4.1.4 | Account of Partnership Firms | 8 |
| 4.1.5 | Account of Limited Companies | 9 |
| 4.1.6 | Accounts of Societies, Associations, NGOs, Clubs, Trust and other organizations | 10 |
| 4.1.7 | Joint Accounts | 11 |
| 4.1.8 | Appropriateness of documents | 11 |
| 4.1.9 | Change in address or other details | 11 |
| 4.1.10 | Record keeping | 11 |
| 4.1.11 | Introducer | 11 |
| 4.1.12 | Minor | 12 |
| 4.1.13 | Powers of Attorney/ Mandates to Operate Accounts | 12 |
| 4.1.14 | Timing and Duration of Verification | 12 |
| 4.1.15 | Verification of Source of Funds | 13 |
| 4.1.16 | Verification of Address | 13 |
| 4.2 | Know Your Customer's Customer | 13 |
| 4.3 | Know Your Employee (KYE) | 13 |
| 4.4 | At a Glance of the Policy | 14 |
| 5.0 | Conclusion | 15 |

# List of Abbreviations

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| **AML&CFT** | **Anti-Money Laundering & Combating the Financing of Terrorism** |
| **ATA** | **Anti-Terrorism Act** |
| **BAMLCO** | **Branch Anti Money Laundering Compliance Officer** |
| **BF'IU** | **Bangladesh Financial Intelligence Unit** |
| **BB** | **Bangladesh Bank** |
| **CDD** | **Customer Due Diligence** |
| **CAMLCO** | **Chief Anti Money Laundering Compliance Officer** |
| **EDD** | **Enhanced Due Diligence** |
| **FATF** | **Financial Actions Task Force** |
| **IPs** | **Influential Persons** |
| **KYC** | **Know Your Customer** |
| **KYC'C** | **Know Your Customer's Customer** |
| **KYE** | **Know Your Employee** |
| **FI** | **Financial Institution** |
| **ML** | **Money Laundering** |
| **MLPA** | **Money Laundering Prevention Act** |
| **MLPR** | **Money Laundering Prevention Rules** |
| **NRA** | **National ML & TF Risk Assessment** |
| **PEPs** | **Politically Exposed Persons** |
| **PF** | **Proliferation Financing** |
| **RO-FI** | **Reporting Organizations-Financial Institutions** |
| **STR** | **Suspicious Transaction Report** |
| **SAR** | **Suspicious Activity Report** |
| **TF** | **Terrorist Financing** |
| **UNSCR** | **UN Security Council Resolution** |
| **BFIC** | **Bangladesh Finance And Investment Co. Ltd.** |

## 1.0 Preamble:

Customer is the key to success as a whole for the financial institutions but contrary to it is a recipe for failure. In our Country, Financial Institutions (FI) do not open accounts or deal with customers of unknown identity or have fictitious or imaginary names. Financial Institutions will accept only those clients whose identity is established by conducting due diligence appropriate to the risk profile of the client.

Supervisors around the world are increasingly recognizing the importance of ensuring that their Financial Institution has adequate controls and procedures in place so that they know the customer with whom they are dealing. Adequate due diligence on new and existing customers is a key part of these controls. Without due diligence, FI can lose its credibility subject to reputational, operational, legal and concentration risks, which can result in significant financial cost or loss.

Bangladesh Finance And Investment Co. Ltd (BD Finance) realizes the need for a well-defined customer acceptance policy to ensure prompt and inclusive services to all customers within the prescribed regulatory framework as well as defined processes of the Financial Institution. In this regard, the management of BD Finance has also recommended certain important themes under the guidance of Bangladesh Bank which have been incorporated to design the policy towards comprehensive coverage and implementation of customer acceptance in the Financial Institution.

## 2.0 Objectives/Purpose and Application of 'the Policy:

The primary objective of the Customer Acceptance Policy are:

1. to manage any risk that the services provided by the FI may be exposed to;
2. to prevent the FI from being used, intentionally or unintentionally, for ML/TF purposes;
3. to identify customers who are likely to pose a higher than average risk.

Policies are appended as under.

i. To enable the FI to understand the customers and their financial dealings better which, in turn, would help the FI to manage risks prudently
ii. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws or laid down procedures.
iii. To comply with applicable laws and regulatory guidelines
iv. To ensure that the concerned staffs are adequately trained in KYC, AML, and CFT procedures.

The customer acceptance policy of FI should not be used against the less privileged people or the people who have not proper identification document. It should encourage the ultimate goal of transparent, accountable and inclusive financial system in Bangladesh.

This Policy is applicable to all Branches/offices of FI and is to be read in conjunction with related operational guidelines issued from time to time.

Financial Institutions were advised to follow detailed and accurate customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority. This 'Know Your Customer' guidelines/'Customer Acceptance Policy' has been repeated/ revisited in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). Detailed guidelines based on the Recommendations of the FATF and the paper issued on Customer Due Diligence (CDD) for FIs by the Basel Committee on Banking Supervision, with indicative suggestions wherever considered necessary, have been issued. FIs have been advised to ensure that a proper policy framework on 'Know Your Customer' and Anti Money Laundering measures with the approval of the Board is formulated and put in place.

## 3.0 Definition of Customer:

A customer' is defined as:

A person or entity that maintains an account and/or has a business relationship with the financial institution;

One on whose behalf the account is maintained (i.e. the beneficial owner) means the natural person who ultimately owns or controls a client and or the person on whose behalf a transaction is being conducted;

Exercise ultimate effective control over a juridical person; o Beneficiaries of transactions conducted by professional intermediaries, such as Stock

Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and. Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the FI, say, a wire transfer or issue of a high value demand draft as a single transaction.

For the purpose of KYC Procedure a "Customer" is defined in BFIU circular No. 10 dated 28.12.2014, as:

- any person or institution maintaining an account of any type with a bank or financial institution or having banking related business;
- the person or institution as true beneficial owner in whose favor the account is operated;
- the true beneficial owner of the transaction of the accounts operated by the professional intermediaries (such as lawyer/law firm, chartered accountant, etc.) under the existing legal infrastructure;
- 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".

## 4.0 Customer Acceptance Policy (CAP):

BD Finance has been developing a clear customer acceptance policy and procedures, laying down explicit criteria for acceptance of customers including a description of the types of customer that are likely to pose a higher than average risk to a financial institution. In preparing such policies the following important factors are required to be taken into consideration:

i. Customer's background
ii. Country of origin
iii. Public or high profile position
iv. Linked accounts
v. Volume of business activities
vi. Risks associated in the business of customers
vii. Other risk indicators
viii. Basic requirements for Account Opening
ix. All information available for judging the creditworthiness of borrowers.
x. All information on walk-in customers as required in AML circular

Customers are vitally important for business. Increasing competition is forcing FI's to pay much more attention to satisfy customers. Our motto is to extend best services to our customers. We are also aware that sometimes customers pose the risk of money laundering and financing of terrorism to the financial institutions. So the inadequacy or absence of KYC standards can result in serious customer and counterpart risks, especially reputation, operational, legal and compliance risks. Collecting sufficient information about our customers is the most effective defense against being used as the medium to launder the proceeds of crimes and to finance the terrorism through accounts. As per Sec. 25 of Money Laundering Prevention Act- 2012 each FI requires to keep satisfactory evidence of the identity of those it deals with and also requires making necessary arrangement to prevent any transaction related to crimes as described in Anti-Terrorism (Amendment) Act- 2012. It is also the responsibility of each FI to identify suspicious transactions of their customers with due care and diligence.

It is important that the customer acceptance policy is not so restrictive that it results in a denial of access by the general public to financial services, especially for people who are financially or social less privileged. On the other hand, quite extensive due diligence would be essential for an individual with a high net worth whose source of funds is unclear. Decisions to enter into business relationships with higher risk customers, such as public figures or politically exposed persons should be taken exclusively at senior management level.

The following Customer Acceptance Policy indicating the criteria for acceptance of customers shall be followed in the Financial Institution. The Branches shall accept customer strictly in accordance with the said policy:

1. No account should be opened in anonymous or fictitious name. Branch will collect accurate & full name of clients and preserve documents in conformity with it. Branch will prepare proper KYC of the clients.
2. No account in the name of any person or entity listed under United Nations Security Council Resolutions (UNSCRs) or their close alliance adopted under Chapter VII of the Charter of UN

on suspicion of involvement in terrorism or terrorist financing activities and prescribed or enlisted by Bangladesh Government shall be opened or operated;

3. Branch will accept only those customers whose appropriate identity is established by conducting due diligence to the risk profile of the client. Parameters of risk perception should be clearly defined in terms of the source of fund, the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, service offered, social and financial status etc. to categorize customers into different risk grades;
4. Documents requirements and other information to be collected in respect of different categories of customers depending on perceived risk;
5. Not to open or close an account where the FI is unable to apply appropriate customer due diligence measures i.e. if the FI is unable to verify the identity and/or obtain documents required as per with the risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished to the financial institution will not open or allow withdrawal of money. Decision by a FI to close an account should be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision;
6. Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practices of financial services as there could be occasions when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary Capacity;
7. Necessary checks before opening a new account to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.;
8. The status of a customer may change as relation with a customer progresses. The transaction pattern, volume of a customer's account may also change. With times an ordinary customer can turn into a risky one. To address this issue, customer acceptance policy should include measures to monitor customer's activities throughout the business relation, i.e. review CAP within 1 year for High Risk Customer & 2 years for Low Risk Customer;
9. Uniform A/C Opening Forms, KYC Profile Form and Transaction Profile Form developed in line with the guidelines of Bangladesh Bank should be properly filled and duly signed in;
10. In case of opening a Politically Exposed Person (PEP) / Influential Person (IP) / Chief Executives or Top Level Officials of any International Organization account, the branch shall comply the instructions contained in BFIU Circular No. 10 dated 28.12.2014 issued by Bangladesh Bank and amendments issued from time to time. Such types of account will be classified as high risk and will be required very high level monitoring;
11. Source of funds, income or wealth and complete information on the actual or beneficial owners of the accounts holding 20% or more share of the account must be obtained at the time of opening of any account;
12. In case of establishing correspondent relationship, the branch /concerned division / department shall follow the guidelines as contained in BFIU Circular No. 10 dated 28.12.2014 issued by Bangladesh Bank and amendments issued from time to time meticulously;
13. In case of opening an account of Non Residents Bangladeshi (NRB) the rules of Foreign Exchange Regulation Act, 1947 and the instructions under this rules promulgated by Bangladesh Bank have to be followed.

It is important to bear in mind by all employees of the FI that the customer identification process does not end at the point of application. Once account relationship has been established, reasonable steps should be taken by the branch from time to time to ensure that descriptive information is kept updated.

## 4.1 Customer Identification:

Customer identification is an essential element of KYC standards. For the purposes of this Guidance Notes, a customer includes:

- The person or entity that maintains an account with the FI or those or whose behalf an account is maintained (i.e. beneficial owners);
- The beneficiaries of transactions conducted by professional intermediaries and
- any person or entity connected with a financial transaction who can pose a significant reputational or other risk to the FI.

The customer identification process applies naturally at the outset of the relationship. To ensure that records remain up-to-date and relevant, there is a need for financial institution to undertake regular reviews of existing records. An appropriate time to do so is when a transaction of significance takes place, when customer documentation standards change substantially, or when there is a material change in the way that the account is operated. However, if a financial institution becomes aware at any time that it lacks sufficient information about an existing customer, it should take steps to ensure that all relevant information is obtained as quickly as possible.

Once verification of identity has been satisfactorily completed, no further evidence is needed to undertake subsequent transactions. However, information should be updated or reviewed as appropriate and records must be maintained.

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### 4.1.1 What Constitutes A Customer's Identity?

Identity generally means a set of attributes which uniquely define a natural or legal person. There are two main constituents of a person's identity, remembering that a person may be any one of a range of legal persons (an individual, corporate body, partnership, etc.).

For the purposes of this guidance, the two elements are:

- ✓ the physical identity (e.g. Birth Certificate, TIN/VAT Registration, Passport/National ID, Driving License etc.); and
- ✓ the activity undertaken.

Confirmation of a person's address is also useful in determining whether a customer is residing. Again resident in a high-risk area or country /territory may be considered. Knowledge of both residence and nationality may also be necessary, in a non-money-laundering context, to avoid breaches of UN or other international sanctions to which Bangladesh is a party. Where a passport is taken as evidence, the number, date and place of issuance should be recorded from the valid passport.

The other main element in a person's identity is sufficient information about the nature of the business that the customer expects to undertake, and any expected or predictable, pattern of transactions. For some business these may be obvious, however, for more complex businesses this may not be the case. The extent of the description required will depend on the institution's own understanding of the applicant's business.

Once account relationship has been established, reasonable steps should be taken by the institution to ensure that descriptive information is kept up-to-date as opportunities arise. It is important to emphasize that the customer identification process does not end at the point of application. The need to confirm and update information about identity, such as changes of address, and the extent of additional KYC information to be collected over time will differ from sector to sector and between institutions within any sector.

### 4.1.2 Account of Individual Customers:

Following information must be obtained by the Branches while opening account or establishing other relationships with individual customers:

- full and accurate name;
- parent's names in full;
- spouse Name;
- date of birth;
- current and permanent address;
- details of occupation/employment and sources of fund;
- contact information, such as - mobile/telephone number;
- nominee Information with signature;
- Photograph of both Account Holder and Nominee duly signed by the introducer and a/c holder respectively.

The original, certified copy of the following Photo ID also play vital role to identify the customer:

- Valid passport; or
- Valid driving license; or
- National ID Card; or
- Employer provided ID Card, bearing the photograph and signature of the applicant;

The following documents should be considered for verification of source of funds:

- Salary Certificate (For salaried person)
- Employee's ID (For ascertaining level of employment)
- Self-declaration acceptable to the FI (commensurate with declared occupation)
- Documents in support of beneficial owner's income (income of house wife, students etc)
- Trade License if the customer declared to be a business person
- TIN ( if any)
- Documents of property sale (if any)

- Document of FDR encashment (if any)
- Document of foreign remittance (if any fund comes from outside the country)
- Document of retirement benefit (if any)
- Other Bank statement (if any)
- Bank Loan

Identification documents bear with valid and current photographs, signatures, or are easy to obtain, are normally not appropriate as evidence of identity, but birth certificate, certificate from City Corporation, Union Parishad, etc. may be considered as documents for identity also. Any photocopies of documents showing photographs and signatures should be clearly understandable.

One or more of the following steps is recommended to verify addresses:

- provision of a recent utility bill, tax assessment or Bank statement containing details of the address (to guard against forged copies it is strongly recommended that original documents are examined);
- checking the telephone directory;
- visiting home/office;
- Sending thanks letter to account holder and Introducer.

The information obtained should demonstrate that a person of that name exists at the address given, and that the applicant is that person.

#### 4.1.3 Account of Sole Proprietorships or Individuals Doing Business:

Following information must be obtained by the Branch/FI while opening account or establishing other relationships with Sole Proprietorships or Individuals doing business:

- Proof of the name, address and activity of the concern.
- Valid and updated Trade License /Certificate issued by the Municipal authorities.
- TIN certificate.
- Rent receipt of the shop (if the shop is rental)
- Ownership documents of the shop (i.e. purchase documents of the shop or inheritance documents)
- Membership certificate of any association (Chamber of commerce, Market association, Trade association i.e. Hardware association, cloth merchant association, Hawker's association etc.)
- Photos of the A/C holder duly signed by the introducer.
- Photo of the nominee duly signed by the A/C holder.
- Personal information of the Proprietor
- Passport / National ID Card I Valid driving license/ Birth Registration Certificate ( Printed copy, with seal & signature from the Registrar)
- Credit Card (if any)
- Any other documents that satisfy to the FI.

The following documents should be considered for verification of source of funds:

- Self-declaration acceptable to the FI (commensurate with nature and volume of business)
- Trade License
- TIN (if any)
- Documents of property sale (if injected any fund by selling personal property)
- Document of FDR encashment (if any fund injected by en-cashing personal FDR)
- Document of foreign remittance (if any fund comes from outside of the country)
- Other Bank statement (if any)
- Bank Loan (if any)
- Personal borrowing (if any)

One or more of the following document or steps is recommended to verify addresses:

- Provision of a recent utility bill (not beyond 3 months old), tax assessment or Bank statement containing details of the address (to guard against forged copies it is strongly recommended that original documents are examined);
- Acknowledgement receipt of Thanks Letter through postal department
- Proof of delivery of thanks letter through courier
- Third party verification report
- Physical verification report of FI official
- Residential address appearing on an official document prepared by a
- Government Agency
- Checking the telephone directory;
- Checking the National ID card;
- Sending thanks letter to introducer.

#### 4.1.4 Account of Partnership Firms:

In the case of partnerships and other unincorporated businesses whose partners/directors are not known to the institution, the identity of all the partners or equivalent should be verified in line with the requirements for personal customers. Where a formal partnership agreement exists, a mandate from the partnership authorizing the opening of an account and conferring authority on those who will operate it should be obtained.

Evidence of the trading address of the business or partnership should be obtained and a copy of the latest report and accounts (audited where applicable) should retain with Account Opening Form.

An explanation of the nature of the business or partnership should be ascertained (but not necessarily verified from a partnership deed) to ensure that it has a legitimate purpose.

Following information must be obtained by the Branch/FI while opening account or establishing other relationships with Partnership Firms:

- Partnership deed / partnership letter (notarized)
- Registered partnership deed (if registered)

- Resolution of the partners, specifying operational guidelines / instruction of the partnership account
- National ID card of all partners or Passport of partners or Birth Registration certificate of partners (printed copy, with seal & signature from the Registrar)
- Valid driving license of partners (if any)
- Credit Card of partners (if any)
- Rent receipt of the shop (if the shop is rental)
- Ownership documents of the shop (i.e. purchase documents of the shop or inheritance documents)
- Membership certificate of any association (Chamber of commerce, Market association, Trade association i.e. Hardware association, cloth merchant association, Hawker association etc.)
- Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses
- TIN certificate of the firm and TIN certificate of the partners
- Personal information and Photos of all the partners
- Any other documents that satisfy to the FI

### 4.1.5 Account of Limited Companies:

Because of the difficulties of identifying beneficial ownership, and the possible complexity of organization and structures, corporate entities and trusts are the most likely vehicles to be used for money laundering. Particular care should be taken to verify the legal existence of the applicant and to ensure that any person purporting to act on behalf of the applicant is authorized to do so. The principal requirement is to look behind a corporate entity to identify those who have ultimate control over the business and the company's assets, with particular attention being paid to any shareholders or others who exercise a significant influence over the affairs of the company. Enquiries should be made to confirm that the company exists for a legitimate trading or economic purpose, and that it is not merely a -"brass plate company" where the controlling principals cannot be identified.
Before a business relationship is established, measures should be taken by way of company search and/or other commercial enquiries to ensure that the applicant company has not been, or is not in the process of being, dissolved, and struck off, wound-up or terminated. In addition, if the institution becomes aware of changes in the company structure or ownership, or suspicions are aroused by a change in the nature of business transacted, further checks should be made.
No further steps to verify identity over and above usual commercial practice will normally be required where the applicant for business is known to be a company, or a subsidiary of a company, quoted on a recognized stock exchange.

Following documents should normally be obtained from companies:

- Certified copy of Certificate of Incorporation or equivalent, details of the registered office, and place of business;
- Certified copy of the Memorandum and Articles of Association, or by-laws of the client.

- Copy of the Board Resolution to open the account relationship with the respective Branch /FI and the empowering authority for those who will operate the account;
- Explanation of the nature of the applicant's business, the source of funds, and a copy of the last available financial statements where appropriate;
- Satisfactory evidence of the identity of the account signatories, details of their relationship with the company. Subsequent changes to signatories must be verified;
- TIN certificate of the company/firm and all of the Directors.
- Personal Information or profile of all the Directors.
- Passport of all the directors
- National ID Card of all the directors
- Update List of Directors (Form XII)
- Copy of the Board Resolution to open the account relationship with the respective FI and identification of those who have authority to operate the account;
- Power of attorney granted to its Managers, Officials or Employees to transact business on its behalf
- Nature of the company's business
- Expected monthly turnover
- Identity of beneficial owners, holding 20% share or more of having control over the company's assets and any person (or persons) on whose instructions the signatories of the account act where such persons may not be a full time employee, officer or director of the company.

The following persons (i.e. individuals or legal entities) must also be identified in line with this part of the notes:

- All of the directors who will be responsible for the operation of the account / transaction.
- All the authorized signatories for the account/transaction.
- All holders of powers of attorney to operate the account/transaction.
- The beneficial owner(s) of the company.
- The majority shareholders of a private limited company.

When authorized signatories change, care should be taken to ensure that the identities of all current signatories have been verified. In addition, it may be appropriate to make periodic enquiries to establish whether there have been any changes in directors/shareholders, or the nature of the business/activity being undertaken. Such changes could be significant in relation to potential money laundering activity, even though authorized signatories have not changed.

#### 4.1.6 Accounts of Societies, Associations, NGOs, Clubs, Trust and other organizations

Following information must be obtained by the Branch/FI while opening account or establishing other relationships with Societies, Associations NGOs, Clubs, Trust, and other organizations:

- Certificate of Registration, if registered,
- Bye laws/ Trust deed
- Telephone/Utility Bill in the name of the organization
- List of Managing Committee Members and their bio-data

- Resolution of the Managing Committee of the Organization/trust for opening of the account and delegating powers to operate the accounts of the organization.
- Photos of authorized Managing committee Members duly signed by the introducer.

The following documents should be considered for verification of source of funds:

A copy of last available financial statements duly certified by a professional accountant.

- TIN
- Other Bank statement
- Certificate of Grant / Aid / Donation
- Any other legal source
- Subscription (If any)
- Donation (If any)
- If unregistered declaration of authorized person / body

**4.1.7 Joint Accounts:**

In respect of joint accounts the full name and accurate name and address of the account holders should be in accordance with valid documents under SL no. 4.1.2

**4.1.8 Appropriateness of documents:**

There is obviously a wide range of documents which might be provided as evidence of identity. It is for each institution to decide the appropriateness of any document in the light of other procedures adopted. However, particular care should be taken in accepting documents which are easily forged or which can be easily obtained using false identities.

**4.1.9 Change in address or other details:**

Any subsequent change to the customer's name, address, or employment details of which the Branch becomes aware should be recorded as part of the Know Your Customer (KYC) process. Generally this would be undertaken as part of good business practice and due diligence but also serves for money laundering prevention.

**4.1.10 Record keeping:**

All documents collected or gathered for establishing relationship must be filed in with supporting evidence. Where this is not possible, the relevant details should be recorded on the applicant's file. FI which regularly conduct one-off transactions, should record the details in a manner which allows cross reference to transaction records.

**4.1.11 Introducer:**

To identify the customer and to verify his/her identity, an introducer may play important role. An introduction from a respected customer, personally known to the management, or from a trusted member of staff, may assist the verification procedure but does not replace the need for verification of address as set out above. Details of the introduction must be recorded on the customer's file. However, personal introductions without full verification should not become the

norm, and directors/senior managers must not require or request staff to breach account opening procedures as a favor to an applicant.

#### 4.1.12 Minor

For minor, FI shall obtain following information while opening accounts relationship:

- Full and accurate name;
- Parent's names in full;
- Date of birth;
- Current and permanent address;
- Birth Certificate
- Contact information, such as - mobile/telephone number
- Full information of the Guardian like Photos, Passport/NID and Personal Information.

Where such procedures would not be relevant, or do not provide satisfactory evidence of identity, verification might be obtained in the form of the home address of parent(s). Under normal circumstances, a family member or guardian who has an existing relationship with the institution concerned would introduce a minor. In cases where the person opening the account is not already known, the identity of that person, and any other person who will have control of the account, should be verified.

#### 4.1.13 Powers of Attorney/ Mandates to Operate Accounts:

The authority to deal with assets under a power of attorney constitutes a business relationship and therefore, where appropriate, it may be advisable to establish the identities of holders of powers of attorney, the grantor of the power of attorney and third party mandates. Records of all transactions undertaken in accordance with a power of attorney should be kept. On the other hand, valid reasons to execute mandate under the law for operating the accounts should exist.

#### 4.1.14 Timing and Duration of Verification:

The best time to undertake verification is prior to entry into the account relationship. Verification of identity should be completed before any transaction is completed in account.

However, if it is necessary for sound business reasons to open an account or carry out a significant one-off transaction before verification can be completed, this should be subject to stringent controls which should ensure that any funds received are not passed to third parties. Alternatively, a senior member of staff may give appropriate authority.

This authority should not be delegated, and should only be done in exceptional circumstances. Any such decision should be recorded in writing.

Verification, once begun, should normally be pursued either to a satisfactory conclusion or to the point of refusal. If a prospective customer does not pursue an application, staff may (or may not) consider that this is itself suspicious.

### 4.1.15 Verification of Source of Funds

BD Finance should collect and verify the document supporting source of fund of the person at the time of establishing any business relationship or while conducting CDD. The document could include present employment identity, salary certificate/copy/advice, pension book, financial statement, income tax return, business document or any other document that could satisfy the FI. The FI should request the person to produce E-TIN (Electronic Tax Identification No) certificate which declares taxable income.

### 4.1.16 Verification of Address

The Branch should verify the address of the person at the time of establishing business relationship or while conducting CDD. This could be done through the physical verification by the FI or by standard mail or courier service correspondence. The FI could collect any other document (recent utility bill mentioning the name and address of the customer) as per their satisfaction.

Verification of the information obtained must be based on reliable and independent sources - which might either be a document or documents produced by the customer, or electronically by the FI, or by a combination of both. Where business is conducted face-to-face, FI should see originals of any documents involved in the verification.

## 4.2 Know Your Customer's Customer:

Enhance due diligence is required to be in practice to Know Your Customer's Customer ensuring the highest level of compliance in AML & CFT issues. KYC'C has become the most important tool for identification/verification of the customer's business. It is essential to find out the customer's customer to whom they are dealing with. On the other hand, Customers close association or family members or beneficiary of the account should be known into.

A Financial Institution should –

1. Take a list with the true identification like name, address, type of business, etc. of customer's customer;
2. Review the given list and check the background of the customer's customer at least half yearly basis if necessary;
3. Monitor the transaction occurred by the customer's customer;
4. Monitor the customer's customer business indirectly.

## 4.3 Know Your Employee (KYE):

Institutions and businesses learn at great expense that an insider can pose the same ML/TF threat as a customer. It has become clear in the field that having co-equal programs to know your customer and to know your employee is essential/ vital. In an effort to identify and anticipate trouble before it costs time, money and reputational damage/risk. Financial Institutions should develop program to look closely at the people inside their own organizations.

A Know Your Employee (KYE) program means that the institution has a program in place that allows it to understand an employee's background, conflicts of interest and susceptibility to

money laundering complicity. Policies, procedures, internal controls, job description, code of conduct/ethics, levels of authority, compliance with personnel laws and regulations, accountability, dual control, and other deterrents/restrictions should be firmly in place.

Background screening of prospective and current employees, especially for criminal history, is essential to keep out unwanted employees and identifying those to be removed. It can be an effective risk management tool, providing management with some assurance that the information provided by the applicant is true and that the potential employee has no criminal record. It can be used effectively, the pre-employment background checks/examines may reduce turnover by verifying that the potential employee has the requisite skills, certification, license or degree for the position; deter theft and embezzlement; and prevent litigation over hiring practices. An institution should verify that contractors are subject to screening procedures similar to its own.

The sensitivity of the position or the access level of an individual employee may warrant additional background screening, which should include verification of references, experience, education and professional qualifications. The extent of the screening depends on the circumstances, with reasonableness the standard as well as source of income

### 4.4 At a Glance of the Policy:

On our part we give below the basic principle of our customer acceptance policy:

- BD Finance will not deal with any shell company. In other words, a company only in name, paper operated by fictitious persons cannot become a customer of the FI.
- The FI will accept only those customers who have clear documents to establish identity and physical place of business or residence.
- The FI will accept only those customers who would be willing to provide information to carry on the FIs due diligence exercise.
- The FI will categorize customers on the basis of risk, details of which are attached in the KYC Format.
- The FI will ensure that the less privileged customers are not harassed. This will be achieved through acceptable thresholds at the rural Branches. However, such thresholds will not compromise on criteria number one and two above.
- It is the duty of the FI officials to ensure confidentiality of customers.
- The FI will establish the background of each and every customer before acceptance.
- The FI will assess and keep on record details of business activities prior to accept him as a customer. At the same time individual or joint accounts should also be supported by personal and professional details.
- Although business considerations are foremost in acquiring customers, transparency and legitimacy of the business concern should form the main priority.

The FI reserves the right to close any account, which in its opinion has contravened the laws of the country, and indicates a reasonable degree of suspicion to be involved in illegitimate business.

In order to abide by the above, the FI will also carry out a Know Your Customer and also know Your Customer's Customer exercise details of which are given in the next page.

It is mentionable here that SL.no.4.1 to 4.2 must be complied under the law of land but contradiction arises, if any, then the law of the country shall stand.

## 5.0 Conclusion:

The FI will ensure comprehensive implementation of the above policy as well as review of the same at regular interval through the Central Compliance Unit (CCU), Anti Money Laundering Department of BD Finance. This will ensure strengthening the framework of Customer Acceptance.

All employees of the FI are advised to be diligent in FI- customer relationship and seek the consent of senior officials of the FI in dealing with high-risk customers. The FI should aim at providing high quality services at all levels, which we strive to achieve certain quantitative goals. Care must be constantly exercised not to compromise on quality. All Head of the Branches are required to follow the Customer Acceptance Policy carefully and raise the FI to greater heights of efficiency, transparency and professionalism for complying the Money Laundering Prevention Act 2012 and Anti-Terrorism (Amendment) Act, 2012.

**The END**