Customer Acceptance Policy

Anti Money Laundering Department
Mercantile Bank Limited

November, 2015
Focus Group

Coordinator:

Mr. Monindra Kumar Nath  
Additional Managing Director & CAMLCO  
Mercantile Bank Limited  
Head Office, Dhaka.

Members:

Md. Nasim Alam  
First Vice President & Deputy CAMLCO  
Mercantile Bank Limited  
Anti Money Laundering Department  
Head Office, Dhaka.

Muhammad Khairul Hasan  
First Assistant Vice President  
Mercantile Bank Limited  
Anti Money Laundering Department  
Head Office, Dhaka.

Mainul Hasan  
Principal Officer  
Mercantile Bank Limited  
Anti Money Laundering Department  
Head Office, Dhaka.
CONTENTS

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Objective/Purpose and Application of the Policy</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Definition of Customer</td>
<td>2</td>
</tr>
<tr>
<td>4.</td>
<td>Customer Acceptance Policy</td>
<td>3</td>
</tr>
<tr>
<td>4.1</td>
<td>Customer Identification</td>
<td>5</td>
</tr>
<tr>
<td>4.1.1</td>
<td>What Constitutes a Customer Identity?</td>
<td>6</td>
</tr>
<tr>
<td>4.1.2</td>
<td>Account of Individual Customer</td>
<td>7</td>
</tr>
<tr>
<td>4.1.3</td>
<td>Joint Accounts</td>
<td>8</td>
</tr>
<tr>
<td>4.1.4</td>
<td>Account of Sole Proprietorships or Individual Doing Business</td>
<td>9</td>
</tr>
<tr>
<td>4.1.5</td>
<td>Account of Partnership Firms</td>
<td>11</td>
</tr>
<tr>
<td>4.1.6</td>
<td>Account of Private Limited Companies</td>
<td>12</td>
</tr>
<tr>
<td>4.1.7</td>
<td>Account of Public Limited Companies</td>
<td>14</td>
</tr>
<tr>
<td>4.1.8</td>
<td>Account of Government Owned Entities</td>
<td>15</td>
</tr>
<tr>
<td>4.1.9</td>
<td>Accounts of Societies, Associations, NGOs, Clubs, Foundations, Charities or Religious Organizations and Other Organizations</td>
<td>15</td>
</tr>
<tr>
<td>4.1.10</td>
<td>Financial Institution (NBFI)</td>
<td>16</td>
</tr>
<tr>
<td>4.1.11</td>
<td>Embassies</td>
<td>17</td>
</tr>
<tr>
<td>4.1.12</td>
<td>Appropriateness of Documents</td>
<td>17</td>
</tr>
<tr>
<td>4.1.13</td>
<td>Change in Address or Other Details</td>
<td>17</td>
</tr>
<tr>
<td>4.1.14</td>
<td>Record Keeping</td>
<td>17</td>
</tr>
<tr>
<td>4.1.15</td>
<td>Introducer</td>
<td>17</td>
</tr>
<tr>
<td>4.1.16</td>
<td>Minor</td>
<td>17</td>
</tr>
<tr>
<td>4.1.17</td>
<td>Powers of Attorney / Mandates to Operate Accounts</td>
<td>18</td>
</tr>
<tr>
<td>4.1.18</td>
<td>Timing and Duration of Verification</td>
<td>18</td>
</tr>
<tr>
<td>4.1.19</td>
<td>Verification of Source of Funds</td>
<td>18</td>
</tr>
<tr>
<td>4.1.20</td>
<td>Verification of Address</td>
<td>18</td>
</tr>
<tr>
<td>4.2</td>
<td>Cards / Internet Banking / Mobile Banking</td>
<td>19</td>
</tr>
<tr>
<td>4.3</td>
<td>Know Your Customer's Customer</td>
<td>19</td>
</tr>
<tr>
<td>4.4</td>
<td>Know Your Employee (KYE)</td>
<td>19</td>
</tr>
<tr>
<td>4.5</td>
<td>Persons without Standard Identification Documentation</td>
<td>20</td>
</tr>
<tr>
<td>4.6</td>
<td>Walk-In / One Off / Online Customers</td>
<td>21</td>
</tr>
<tr>
<td>4.7</td>
<td>Non Face to Face Customers</td>
<td>21</td>
</tr>
<tr>
<td>4.8</td>
<td>Customer Unique Identification Code</td>
<td>21</td>
</tr>
<tr>
<td>4.9</td>
<td>Corresponding Banking</td>
<td>22</td>
</tr>
<tr>
<td>4.10</td>
<td>Politically Exposed Persons(PEPs), Influential Persons and Chief Executives or Top Level Officials of any International Organization</td>
<td>23</td>
</tr>
<tr>
<td>4.10.1</td>
<td>Definition of PEPs</td>
<td>23</td>
</tr>
<tr>
<td>4.10.2</td>
<td>CDD Measures for PEPs</td>
<td>23</td>
</tr>
<tr>
<td>4.10.3</td>
<td>Definition of Influential Persons</td>
<td>24</td>
</tr>
<tr>
<td>4.10.4</td>
<td>CDD Measures for Influential Persons</td>
<td>25</td>
</tr>
<tr>
<td>4.10.5</td>
<td>Definition of Chief Executives or Top Level Officials of any International Organization</td>
<td>25</td>
</tr>
<tr>
<td>4.10.6</td>
<td>CDD Measures for Chief Executives or Top Level Officials of any International Organizations</td>
<td>25</td>
</tr>
<tr>
<td>4.10.7</td>
<td>Close Family Members and Close Associates of PEPs, Influential Persons and Chief Executives or Top Level Officials of any International Organization</td>
<td>26</td>
</tr>
<tr>
<td>4.10.8</td>
<td>CDD Measures for PEPs, Influential Persons and Chief Executives or Top Level Officials of any International Organization</td>
<td>27</td>
</tr>
<tr>
<td>4.11</td>
<td>Wire Transfer</td>
<td>27</td>
</tr>
<tr>
<td>4.11.1</td>
<td>Cross-Border Wire Transfer</td>
<td>27</td>
</tr>
<tr>
<td>4.11.2</td>
<td>Domestic Wire Transfer</td>
<td>27</td>
</tr>
<tr>
<td>4.11.3</td>
<td>Duties of Ordering, Intermediary and Beneficiary Bank In Case of Wire Transfer</td>
<td>28</td>
</tr>
<tr>
<td>4.12</td>
<td>CDD for Beneficial Owners</td>
<td>29</td>
</tr>
<tr>
<td>4.13</td>
<td>Reliance on Third Party</td>
<td>29</td>
</tr>
<tr>
<td>4.14</td>
<td>Management of Legacy Accounts</td>
<td>30</td>
</tr>
<tr>
<td>4.15</td>
<td>At a Glance of the Policy</td>
<td>30</td>
</tr>
<tr>
<td>5.</td>
<td>Conclusion</td>
<td></td>
</tr>
</tbody>
</table>
List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AML&amp;CFT</td>
<td>Anti-Money Laundering &amp; Combating the Financing of Terrorism</td>
</tr>
<tr>
<td>ATA</td>
<td>Anti Terrorism Act</td>
</tr>
<tr>
<td>BAMLCO</td>
<td>Branch Anti Money Laundering Compliance Officer</td>
</tr>
<tr>
<td>BFIU</td>
<td>Bangladesh Financial Intelligence Unit</td>
</tr>
<tr>
<td>BB</td>
<td>Bangladesh Bank</td>
</tr>
<tr>
<td>CDD</td>
<td>Customer Due Diligence</td>
</tr>
<tr>
<td>CAMLCO</td>
<td>Chief Anti Money Laundering Compliance Officer</td>
</tr>
<tr>
<td>EDD</td>
<td>Enhanced Due Diligence</td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Actions Task Force</td>
</tr>
<tr>
<td>IPs</td>
<td>Influential Persons</td>
</tr>
<tr>
<td>KYC</td>
<td>Know Your Customer</td>
</tr>
<tr>
<td>KYC'C</td>
<td>Know Your Customer’s Customer</td>
</tr>
<tr>
<td>KYE</td>
<td>Know Your Employee</td>
</tr>
<tr>
<td>MBL</td>
<td>Mercantile Bank Limited</td>
</tr>
<tr>
<td>ML</td>
<td>Money Laundering</td>
</tr>
<tr>
<td>MLPA</td>
<td>Money Laundering Prevention Act</td>
</tr>
<tr>
<td>MLPR</td>
<td>Money Laundering Prevention Rules</td>
</tr>
<tr>
<td>NRA</td>
<td>National ML &amp; TF Risk Assessment</td>
</tr>
<tr>
<td>PEPs</td>
<td>Politically Exposed Persons</td>
</tr>
<tr>
<td>PF</td>
<td>Proliferation Financing</td>
</tr>
<tr>
<td>RO-FI</td>
<td>Reporting Organizations-Financial Institutions</td>
</tr>
<tr>
<td>STR</td>
<td>Suspicious Transaction Report</td>
</tr>
<tr>
<td>SAR</td>
<td>Suspicious Activity Report</td>
</tr>
<tr>
<td>TF</td>
<td>Terrorist Financing</td>
</tr>
<tr>
<td>UNSCR</td>
<td>UN Security Council Resolution</td>
</tr>
</tbody>
</table>
1.0 INTRODUCTION:

Customer is the key to success as a whole for the financial institutions but contrary to it is a recipe for failure. In the Country, Commercial Bank does not open account or deal with customer of unknown identity or have fictitious or imaginary names. Bank will accept only those clients whose identity is established by conducting due diligence appropriate to the risk profile of the client.

As per regulatory requirement every bank should develop a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. The Customer Acceptance Policy must ensure that explicit guidelines are in place to set-up any kind of business relationship with the bank. A concrete Customer Acceptance Policy is very important so that inadequate understanding of a customer’s background and purpose for utilizing a bank account or any other banking product/service may not expose the Bank to a number of risks.

Mercantile Bank 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 Bank. In this regard the Management of Mercantile Bank 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 Bank.

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 Bank may be exposed to;
2. to prevent the Bank from being used, intentionally or unintentionally, for ML/TF purposes; and
3. to identify customers who are likely to pose a higher than average risk.

Policies are appended as under.

I. To enable the Bank to know/understand the customers and their financial dealings better which, in turn, would help the Bank 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, CFT procedures.
The customer acceptance policy of bank should not be used against the less privileged people or the people who have not proper identification document (clause 4.5). It should encourage the ultimate goal of transparent, accountable and inclusive financial system in Bangladesh.

This policy is applicable to all domestic/foreign Branches/offices/subsidiaries of the Bank and is to be read in conjunction with related operational guidelines issued from time to time.

Branches are advised to follow detailed and accurate customer identification procedure for opening of accounts and monitoring transactions of suspicious nature for the purpose of reporting it to the 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 Banks by Basel Committee on Banking Supervision, with indicative suggestions wherever considered necessary, have been issued. Banks have been advised to ensure that a proper policy framework on “Know Your Customer” and Anti Money Laundering measures with the approval of 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 bank;
- 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;
- 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 bank, 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 favour 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):

MBL 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 banking business. Increasing competition is forcing banks 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 particularly the banks. 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 bank accounts. As per Sec. 25 of Money Laundering Prevention Act- 2012 each bank 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 bank 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 Bank. 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 numbered account shall be opened;

3) No banking relationship shall be established with a Shell Bank;

4) 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;

5) 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;

6) Documents requirements and other information to be collected in respect of different categories of customers depending on perceived risk;

7) Not to open or close an account where the bank is unable to apply appropriate customer due diligence measures i.e. if the bank is unable to verify the identity and/or obtain documents required as per with the risk categorization due to non cooperation of the customer, bank will not open or allow withdrawal of money. Decision by a bank 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;

8) 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;

9) 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;

10) 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;

11) 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;

12) 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;

13) 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;

14) In case of establishing correspondent banking 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;

15) In case of opening an account of Non Residents Bangladesh (NRB) the rules of Foreign Exchange Regulation Act, 1947 and the instructions under this rules promulgated by Bangladesh Bank have to be followed.

16) The branches, where locker service facilities exist, will also follow the identification procedure for their locker customers.

It is important to bear in mind by all employees of the bank 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 part of CDD measures. For the purposes of this Guidance Notes, a customer includes:

- the person or entity that maintains an account with the bank or those on 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 bank

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 the bank 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 the bank 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.

Whenever the opening of an account or business relationship is being considered, or a one-off transaction or series of linked transactions of BDT 5,000 or more is to be undertaken, identification procedures must be followed. Identity must also be verified in all cases where money laundering is known, or suspected.
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.

4.1.1 WHAT CONSTITUTES A CUSTOMER'S IDENTITY?

Identity generally means a set of attributes, which uniquely define a natural or legal person/entity. 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 where a customer is residing. Again resident in a high-risk area or country/territory should 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 transaction. 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. It will also depend on the nature of the product or service being offered, and whether personal contact is maintained enabling file notes of discussion to be made or whether all contact with the customer is remote.
4.1.2 ACCOUNT OF INDIVIDUAL CUSTOMER:

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

- Full and accurate name;
- Parents names in full;
- Spouse Name;
- Date of birth;
- Current and permanent address;
- Details of occupation/employment and source of fund;
- Contact information, such as mobile/telephone number/e-mail;
- Nominee information;
- 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 may be considered for identity also. Any photocopies of documents showing photographs and signatures should be clearly understandable:

- Birth Registration Certificate (Printed copy, with seal & signature from the Registrar)
- Credit Card (if any)
- Any other documents that satisfy to the bank

But in case of submitting the birth registration certificate, any other photo ID (issued by a Government department or agency) of the person has to be supplied with it. If he does not have a photo ID, then a certificate of identity by any renowned person has to be submitted according to the bank’s requirement. The certificate must include a photo which is duly attested by the signing renowned person.

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 Bank (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

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/courier
• Proof of delivery of thanks letter through courier
• Third party verification report
• Physical verification report of bank 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.

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

Any subsequent change to the customer’s name, address, or employment details of which the concerned officer becomes aware should be recorded as part of the know your customer process. Generally this would be undertaken as part of good business practice and due diligence but also serves for money laundering prevention.

4.1.3 JOINT ACCOUNTS:

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

• Valid passport; or
• Valid driving license; or
• National ID Card; or
• Employer provided ID Card, bearing the photograph and signature of the applicant; or
• Birth Registration Certificate (Printed copy, with seal & signature from the Registrar)
• Credit Card (if any)
• Any other documents (photo) that satisfy of the bank
The following documents should be considered for verification of source of funds:

➢ Salary Certificate (For salaried person)
➢ Employed ID (For ascertaining level of employment)
➢ Self declaration acceptable to the Bank (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

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 bank 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 SOLE PROPRIETORSHIPS OR INDIVIDUALS DOING BUSINESS:
Following information must be obtained by the Branch/Bank 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 / 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 Bank.

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

- Self declaration acceptable to the Bank (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 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 bank 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.
4.1.5 ACCOUNT OF PARTNERSHIP FIRMS:

In the case of partnerships and other unincorporated businesses whose partners/directors are not known to the Bank, 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/Bank 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's 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 of the partners,
- Personal information and Photos of all the partners.
- Any other documents that satisfy to the bank

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

- Trade License
- TIN (if any)
- Documents of property sale (if injected any fund by selling personal property of a partner)
- Document of FDR encashment (if any partner injected capital by encashing personal FDR)
- Document of foreign remittance (if any fund comes from outside 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 bank 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.

4.1.6 ACCOUNT OF PRIVATE 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.

The following documents should normally be obtained from companies:

- Passport of all the directors
- National ID Card of all the directors
- Personal information or profile of all the Directors.
- TIN certificate of the company/firm and all of the Directors
- 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,
- Update List of Directors (Form XII)
- Copy of the Board Resolution to open the account relationship with the respective Branch/Bank and identification of those who have authority to 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;
- 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 (20% or more) 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 been changed.
The following documents should be considered for verification of source of funds:

- A copy of last available financial statements duly authenticated by competent authority
- Trade License
- TIN
- VAT registration
- Other Bank statement
- Bank Loan

4.1.7 ACCOUNT OF PUBLIC LIMITED COMPANIES:

The following documents should normally be obtained from companies:

- Passport of all the directors
- National ID Card of all the directors
- TIN certificate of the company/firm and all of the Directors.
- Personal information or profile of all the Directors.
- Certificate of incorporation
- Memorandum and Articles of Association
- Certificate of commencement of business
- List of directors in form –XII
- Copy of the Board Resolution to open the account relationship with the respective Branch/Bank 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 documents should be considered for verification of source of funds:

- A copy of last available financial statements duly certified by a professional accountant.
- Trade License
- TIN
- Cash Flow Statement
- VAT registration
- Other Bank statement
- Bank Loan
- Any other genuine source
4.1.8 ACCOUNT OF GOVERNMENT OWNED ENTITIES:
Following information must be obtained by the Branch/Bank while opening account:

- Statue of formation of the entity;
- Copy of the Board Resolution to open the account relationship with the respective Branch/Bank and identification of those who have authority to operate the account;
- Passport of the operator(s)
- National Id Card of the operator(s)

4.1.9 ACCOUNTS OF SOCIETIES, ASSOCIATIONS, NGOs, CLUBS, TRUST, FOUNDATIONS, CHARITIES OR RELIGIOUS ORGANIZATIONS AND OTHER ORGANIZATIONS:
Following information/document(s) must be obtained by the Branch/Bank while opening account or establishing other relationships with Societies, Associations NGOs, Clubs, Trust, Foundations, Charities or Religious Organizations and other organizations:

- National ID Card of the operator(s) / the Trustee(s)
- Passport of the operator(s) / the Trustee(s)
- Bye-laws (certified)
- Certified true copy of the Trust Deed
- Documents of nature of the Organizations / NGO
- Certificate of Registration issued by competent authority (if registered)
- Telephone/Utility Bill in the name of the organization
- List of Managing Committee Members / Directors and their bio-data
- Resolution of the Managing body / Board of Directors / the Executive Committee of the NGO/ Organization/trust for opening of the account and identification of those who have authority to operate the account
- Power of attorney allowing transaction in the account (for Trusts, Foundations or similar entities accounts)
- 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
4.1.10 FINANCIAL INSTITUTIONS (NBFI):
Following information must be obtained by the Branches while opening account or establishing other relationships with NBFI Account customers:

- Passport of all the directors
- National ID Card of all the directors
- TIN certificate of the company/firm and all of the Directors.
- Personal information or profile of all the Directors.
- Certificate of incorporation
- Memorandum and Articles of Association
- Certificate of commencement of business
- List of directors in Form –XII
- Copy of the Board Resolution to open the account relationship with the respective Branch/Bank 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 documents should be considered for verification of source of funds:

- A copy of last available financial statements duly certified by a professional accountant.
- Trade License
- TIN
- Cash Flow Statement
- VAT registration
- Other Bank statement
- Bank Loan

4.1.11 EMBASSIES
Following information must be obtained by the Branches while opening account or establishing other relationships with Embassy Account customers:

- Valid Passport with visa of the authorized officials
- Clearance of the Ministry of Foreign Affairs
- Other relevant documents in support of opening account.
4.1.12 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.

4.1.13 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.

4.1.14 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.

Bank which regularly conduct one-off transactions, should record the details in a manner which allows cross reference to transaction records.

4.1.15 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.

4.1.16 MINOR:
For minor, Bank shall obtain following information while opening accounts relationship:
- Full and accurate name;
- Parent's name in full
- Date of Birth
- Current & Permanent address
- Birth Certificate
- Contact information, such as-mobile/telephone number/e-mail
- 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 Bank 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.

4.1.17 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.

4.1.18 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.

4.1.19 VERIFICATION OF SOURCE OF FUNDS
MBL 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 bank. The bank should request the person to produce E-TIN (Electronic Tax Identification No) certificate which declares taxable income.

4.1.20 VERIFICATION OF ADDRESS
The Branch should verify the address of the person at the time of establishing any business relationship or while conducting CDD. This could be done through the physical verification by the bank or by standard mail or courier service correspondence. The bank 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 bank, or by a combination of both. Where business is conducted face-to-face, bank should see originals of any documents involved in the verification.
4.2 CARDS/INTERNET BANKING/MOBILE BANKING:

The KYC procedures are invariably applied to new technologies including 'Mercantile Bank' Debit Card/Credit Card products /internet Banking/Mobile Banking facility or such other product which may be introduced by the Bank in future that might favour anonymity, and take measures, if needed to prevent their use in money laundering schemes.

Branches should ensure that appropriate KYC procedures are duly applied before issuing the cards to the customers. It is also desirable that if at any point of time Bank appoints/engages agents for marketing of these cards / products are also subjected to KYC measures.

4.3 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 in to.

The Bank 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.

4.4 KNOW YOUR EMPLOYEE (KYE)

Institutions and business learn at great expense that an insider can pose the same ML/TF threat as a customer. It has become clear in the field 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 its 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 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 sensitive 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.

4.5 PERSONS WITHOUT STANDARD IDENTIFICATION DOCUMENTATION

Most people need to make use of the financial system at some point in their lives. It is important, therefore, that the socially or financially less privileged such as the elderly, the disabled, students and minors should not be precluded from obtaining financial services just because they do not possess evidence of identity or address where they cannot reasonably be expected to do so. In these circumstances, a common sense approach and some flexibility without compromising sufficiently rigorous anti-money laundering procedures is recommended. Internal procedures must allow for this, and must provide appropriate advice to the concerned officer on how identity can be confirmed in these exceptional circumstances. The important point is that a person's identity can be verified from an original or certified copy of another document, preferably one with a photograph.

- A certifier must be a suitable person, such as for instance a lawyer, accountant, director or manager of a regulated institution, a notary public, a member of the judiciary or a senior civil servant. The certifier should sign the copy document (printing his name clearly underneath) and clearly indicate his position or capacity on it together with a contact address and phone number.

- In these cases it may be possible for the concerned officer to accept confirmation from a professional (e.g. doctor, lawyer, directors or managers of a regulated institution, etc) who knows the person. Where the individual lives in accommodation for which he or she is not financially responsible, or for which there would not be documentary evidence of his/her address, it may be acceptable to accept a letter from the guardian or a similar professional as confirmation of a person’s address. A Head of Branch may authorize the opening of a business relationship if s/he is satisfied with confirmation of identity circumstances but must record his/her authorization on the customer’s file, and must also retain this
information in the same manner and for the same period of time as other identification records.

- For students or other young people, the normal identification procedures set out above should be followed as far as possible. 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), or by making enquiries of the applicant’s educational institution.

- Under normal circumstances, a family member or guardian who has an existing relationship with the Bank 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.

4.6 WALK-IN/ ONE OFF/ONLINE CUSTOMERS

The Branch should collect complete and correct information while serving Walk-in customer, i.e. a customer without having account. Banks should know the sources of fund and motive of transaction while issuing DD/PO or serving for TT/MT. A detail provisions are discussed in the paragraph 6.17 of this Guidelines.

The Branch will collect complete and correct information of any person other than customer deposit or withdrawal using on-line facilities. Additionally, in regards to on-line deposit banks should identify sources of funds as well.

All information of Walk-In/One Off/ Online customer should be obtained as per Annexure-D

4.7 NON FACE TO FACE CUSTOMERS

Where there is no face-to-face contact, Bank should not allow in establishing relationship with the clients. ‘Non face to face customer’ refers to “the customer who opens and operates his account by agent of the bank or by his own professional representative without having physical presence at the bank branch”.

4.8 CUSTOMER UNIQUE IDENTIFICATION CODE

Bank should use unique identification code for any customer maintaining more than one accounts or availing more than one facilities. Such unique identification system could facilitate bank to avoid redundancy, and saves time and resources. This mechanism also enables bank to monitor customer transactions effectively.
4.9 CORRESPONDING BANKING

'Cross Border Correspondent banking' shall refer to “providing banking services to another bank (respondent) by a bank (correspondent). These kinds of banking services shall refer to credit, deposit, collection, clearing, payment, and cash management, international wire transfer, drawing arrangement for demand draft or other similar services”.

Bank should establish Cross Border Correspondent Banking relationship after being satisfied about the nature of the business of the correspondent or the respondent bank through collection of information as per BFIU circular-10 dated 28 December, 2014. The bank should also obtain approval from its Senior Management before establishing and continuing any correspondent relationship. The bank must be sure about the effective supervision of that foreign bank by the relevant regulatory authority. Bank should not establish or maintain any correspondent relationship with any shell bank and not to establish or maintain any relationship with those correspondent or respondent banks that establish correspondent banking relationship or maintain accounts with or provide services to a shell bank.

MBL should pay particular attention or conduct Enhanced Due Diligence while establishing or maintaining a correspondent banking relationship with banks incorporated in a jurisdiction that do not meet or have significant deficiencies in complying international standards for the prevention of money laundering and terrorist financing (such as the countries and territories enlisted in High –Risk and Non- Cooperative Jurisdictions in the Financial Action Task Force’s Public Statement). Detailed information on the beneficial ownership of such banks and extensive information about their policies and procedures on preventing money laundering and terrorist financing shall have to be obtained.

If any respondent bank allow direct transactions by their customers to transact business on their behalf (i.e. payable through account), the corresponding bank must be sure about the appropriate CDD of the customer has done by the respondent bank. Moreover, it has to be ensured that collecting the information on CDD of the respective customer is possible by the respondent bank on request of the correspondent bank. Here, ‘Payable through accounts’ refers to “Corresponding accounts that are used directly by third parties to transact business on their behalf.”
4.10 POLITICALLY EXPOSED PERSONS (PEPs), INFLUENTIAL PERSONS AND CHIEF EXECUTIVES OR TOP LEVEL OFFICIALS OF ANY INTERNATIONAL ORGANIZATION

All Clients must be subject to an assessment to determine whether they are PEP’s or Influential Persons or chief executives or top level officials of any international organization and their linked entities. These customers pose a higher risk of money laundering, bribery, corruption and reputational risk to the bank due to their current or former position of political power or influence, which makes them more vulnerable to corruption. Relationships with these customers may increase the risk to the bank due to the possibility of that individuals holding such positions may misuse their power and influence for personal gain or advantage or for the personal gain or advantage of their Close Family Members and Close Associates. The person’s status (PEP’s, Influential Persons and chief executives or top level officials of any international organization) itself does not incriminate individuals or entities. It does, however, put a prospective or existing Client into a higher risk category.

4.10.01 DEFINITION OF PEPs

Politically Exposed Persons (PEPs) refer to “Individuals who are or have been entrusted with prominent public functions by 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.” The following individuals of other foreign countries must always be classed as PEPs:

i. heads and deputy heads of state or government;
ii. senior members of ruling party;
iii ministers, deputy ministers and assistant ministers;
iv. members of parliament and/or national legislatures;
v. members of the governing bodies of major political parties;
vi. members of supreme courts, constitutional courts or other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
vii. heads of the armed forces, other high ranking members of the armed forces and heads of the intelligence services;
viii. heads of state-owned enterprises.

4.10.02 CDD MEASURES FOR PEP’S

Bank need to identify whether any of their customer is a PEP. Once identified bank need to apply enhanced CDD measures. Moreover, they need to perform the following-
a) Bank has to adopt the Risk Based Approach to determine whether a customer or the real beneficial owner of an account is a PEP;

b) obtain senior managements’ approval before establishing such business relationship;

c) take reasonable measures to establish the source of fund of a PEP’s account;

d) monitor their transactions in a regular basis; and

e) all provisions of Foreign Exchange Regulation Act, 1947 and issued rules and regulations by Bangladesh Bank under this act have to be complied accordingly.

4.10.03 DEFINITION OF INFLUENTIAL PERSONS

‘Influential persons’ refers to, “Individuals who are or have been entrusted with prominent public functions, 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.” The following individuals must always be classed as Influential persons:

a) heads and deputy heads of state or government;
b) senior members of ruling party;
c) ministers, state ministers and deputy ministers;
d) members of parliament and/or national legislatures;
e) members of the governing bodies of major political parties;
f) Senior Secretary, Secretary, Additional secretary, joint secretary in the ministries;
g) Judges of supreme courts, constitutional courts or other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
h) governors, deputy governors, executive directors and general managers of central bank;
i) heads of the armed forces, other high ranking members of the armed forces and heads of the intelligence services;
j) heads of state-owned enterprises;
k) members of the governing bodies of local political parties;
l) ambassadors, chargés d’affaires or other senior diplomats;
m) city mayors or heads of municipalities who exercise genuine political or economic power;
n) board members of state-owned enterprises of national political or economic importance.

Whether an individual is an influential person or not will depend on the prominence or importance of the function that he/she holds, and the level of corruption in the country, the reputation and personal links of the individual and whether he/she has any links to industries that are prone to corruption. If the individual does not hold sufficient influence to enable them to abuse his/her power for gain, they should not be classified as an influential person.
4.10.04 CDD MEASURES FOR INFLUENTIAL PERSONS

Bank need to identify whether any of their customer is an IP. Once identified bank need to apply enhanced CDD measures. Moreover, they need to perform the following-

a) Banks have to adopt the Risk Based Approach to determine whether a customer or the real beneficial owner of an account is an IP;

b) obtain senior managements' approval before establishing such business relationship;

c) take reasonable measures to establish the source of fund of a IP’s account;

d) monitor their transactions in a regular basis; and

e) all provisions of Foreign Exchange Regulation Act, 1947 and issued rules and regulations by Bangladesh Bank under this act have to be complied accordingly.

4.10.05 DEFINITION OF CHIEF EXECUTIVES OR TOP LEVEL OFFICIALS OF ANY INTERNATIONAL ORGANIZATION

‘Chief executive of any international organization or any top level official’ refers to, “Persons who are or have been entrusted with a prominent function by an international organization refers to members of senior management, i.e. directors, deputy directors and members of the boards or equivalent functions.” The heads of international organizations and agencies that exercise genuine political or economic influence (e.g. the United Nations, the International Monetary Fund, the World Bank, the World Trade Organization, the International Labor Organization) must always be classed as this category.

4.10.06 CDD MEASURES FOR CHIEF EXECUTIVES OR TOP LEVEL OFFICIALS OF ANY INTERNATIONAL ORGANIZATION

Bank need to identify whether any of their customer is a CEO or top level officials of any international organization. Once identified bank need to apply enhanced CDD measures. Moreover, they need to perform the following-

a) Banks have to adopt the Risk Based Approach to determine whether a customer or the real beneficial owner of an account is a CEO or top level officials of any international organization;

b) obtain senior managements’ approval before establishing such business relationship;

c) take reasonable measures to establish the source of fund of the account of a CEO or top level officials of any international organization;

d) monitor their transactions in a regular basis; and

e) all provisions of Foreign Exchange Regulation Act, 1947 and issued rules and regulations by Bangladesh Bank under this act have to be complied accordingly.
4.10.07 CLOSE FAMILY MEMBERS AND CLOSE ASSOCIATES OF PEPs, INFLUENTIAL PERSONS AND CHIEF EXECUTIVES OR TOP LEVEL OFFICIALS OF ANY INTERNATIONAL ORGANIZATION

In addition, close family members and close associates of these categories will also be classified as the same category. Close Family Members include:

a) the PEP’s/influential persons/chief executive of any international organization or any top level official’s spouse (or any person considered as equivalent to the spouse);
b) the PEP’s/influential persons/chief executive of any international organization or any top level official’s children and their spouses (or persons considered as equivalent to the spouses); and
c) the PEP’s/influential persons/chief executive of any international organization or any top level official’s parents;

There may be exceptional circumstances where the individual should not be classified as a ‘Close Family Member’ of the PEP, such as estrangement, divorce etc. In such cases, the circumstances must be thoroughly investigated, examined and caution exercised.

In addition, where other family members such as the siblings, cousins, relatives by marriage of the PEP are deemed, by virtue of the nature of the relationship, to have a close relationship with the PEP, they should also be classified as PEPs.

A Close Associate of a PEP/Influential Person/Chief executive of any international organization or any top level official includes:

a) an individual who is known to have joint beneficial ownership or control of legal entities or legal arrangements, or any other close business relations with the PEP; and
b) an individual who has sole beneficial ownership or control of a legal entity or legal arrangement which is known to have been set up for the benefit of the PEP.

In addition, it should include any person publicly or widely known to be a close business colleague of the PEP, including personal advisors, consultants, lawyers, accountants, colleagues or the PEP’s fellow shareholders and any person(s) that could potentially benefit significantly from close business associations with the PEP.
4.10.08 CDD MEASURES FOR CLOSE FAMILY MEMBERS AND CLOSE ASSOCIATES OF PEPS, INFLUENTIAL PERSONS AND CHIEF EXECUTIVES OR TOP LEVEL OFFICIALS OF ANY INTERNATIONAL ORGANIZATION

Bank need to identify whether any of their customer is a family member or close associates of a PEP, IP or CEO or top level officials of any international organization. Once identified banks need to apply enhanced CDD measures. Moreover, they need to perform the following-

a) Banks have to adopt the Risk Based Approach to determine whether a customer or the real beneficial owner of an account is a family member or close associates of a PEP, IP or CEO or top level officials of any international organization;

b) obtain senior managements’ approval before establishing such business relationship;

c) take reasonable measures to establish the source of fund of the account of a family member or close associates of a PEP, IP or CEO or top level officials of any international organization;

d) monitor their transactions in a regular basis; and

e) all provisions of Foreign Exchange Regulation Act, 1947 and issued rules and regulations by Bangladesh Bank under this act have to be complied accordingly.

4.11 WIRE TRANSFER

“Wire transfer” refers to such financial transactions that are carried out on behalf of an originator (person or institution) through a financial institution by electronic means with a view to making an amount of funds available to a beneficiary person at a beneficiary financial institution.

4.11.01 CROSS-BORDER WIRE TRANSFERS

Under general or special consideration in case of threshold cross-border wire transfers of 1000 (one thousand) or above USD or equivalent foreign currency, full and accurate information of the originator has to be collected, preserved and has to be sent to intermediary/beneficiary bank. Furthermore, for cross-border wire transfers, below the threshold full and meaningful originator information has to be preserved. For providing money of cross-border wire transfers to beneficiary, full and meaningful beneficiary information has to be preserved.

Where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, the batch file has to contain required and accurate originator information, and full beneficiary information. In addition, bank should include the account number of the originator.

4.11.02 DOMESTIC WIRE TRANSFERS

In case of threshold domestic wire transfers of at least BDT 25000/- (twenty five thousands), full and accurate information of the originator has to be collected, preserved and has to be sent to intermediary/beneficiary bank/institutions. Furthermore, for domestic wire transfers
below the threshold full and meaningful originator information has to be preserved. For providing money of domestic wire transfers to beneficiary, full and meaningful beneficiary information has to be preserved. For providing Mobile financial services the concerned should use KYC format provided time to time by Payment System Department, Bangladesh Bank, in addition to aforesaid instructions. In case of wire transfer by using debit or credit card (except buying goods and services), similar information as above has to be preserved in the payment related message/instructions.

4.11.03 DUTIES OF ORDERING, INTERMEDIARY AND BENEFICIARY BANK IN CASE OF WIRE TRANSFER

Ordering Bank:
As an ordering bank MBL should ensure that qualifying wire transfers contain required and accurate originator information, and required beneficiary information. These information has to be preserved minimum for 5 (five) years.

Intermediary Bank:
For cross-border and domestic wire transfers, MBL working as an intermediary between ordering bank and beneficiary bank, should ensure that all originator and beneficiary information that accompanies a wire transfer is retained. A record should be kept, for at least five years, by the receiving intermediary financial institution of all the information received from the ordering financial institution (or as necessary another intermediary financial institution).

As an intermediary bank MBL should have effective risk-based policies and procedures for determining reasonable measures to identify wire transfers that lack required originator information or required beneficiary information such as execution, rejection, or suspension of that wire transfer and the appropriate follow-up action. Such measures should be consistent with straight-through processing.

Beneficiary Bank:
As a beneficiary bank MBL should initiate risk based procedure to identify wire transfers that lack required originator or required beneficiary information. In case of insufficient originator information concerned parties should collect those information through mutual communication or using any other means. During the payment to receiver/beneficiary, the bank should collect full and accurate information of receiver/beneficiary and should preserve those information for 5 (five) years.

As an intermediary MBL should have effective risk-based policies and procedures for determining reasonable measures to identify wire transfers that lack required originator information or required beneficiary information such as execution, rejection, or suspension of that wire transfer and the appropriate follow-up action. Such measures should be consistent with straight-through processing.
4.12 CDD FOR BENEFICIAL OWNERS

M.B.L. should apply CDD obligations for the beneficial owners of the accounts before or during the course of establishing a business relationship or conducting occasional transactions. In doing so, bank should put in place appropriate measures to identify beneficial owner. Bank, upon its own satisfaction ensure CDD of beneficial ownership by collecting information and documents from independent and reliable sources that includes publicly available information, information from customer or information from other reliable sources. The Bank should consider following aspects while identifying beneficial ownership includes:

- Any natural person operating accounts on behalf of customer;
- Any person (whether acting alone or together) who has controlling interest or ownership interest on a customer who might be legal entity or legal arrangements. Where there is any doubt identifying controlling interest, the banks should consider other means to determine controlling interest or ownership of a legal entity or arrangements. In addition to that bank should also consider reasonable measures to verify the identity of the relevant natural person who hold senior management position;
- Any person or entity who has controlling or 20% or above share holding within any or legal entity.
- The settler(s), trustee(s), the protector, the beneficiaries or class of beneficiaries, or any other natural person who exercises control over the trust.
- Any person in equivalent or similar position for trust (as mentioned above) should consider for other types of legal arrangements.

Where, a natural or legal persons who holds controlling interest, listed on a stock exchange and subjects to disclosure requirements or majority owned subsidiaries of such listed companies may exempted from identifying or verifying beneficial ownership requirements.

4.13 RELIANCE ON THIRD PARTY

Bank could rely on the third parties to perform the CDD measures with the prior permission of Bangladesh Bank which may includes i) identify and verify customer identity; ii) identify the beneficial ownership and control structure; and iii) identify the purpose and nature of the business relationship under the following criteria:

- A third party should immediately obtain necessary information related to i) -iii) as mentioned above;
- All necessary data and documents held with the third party must be available for the banks without any delay;
- Bank should satisfy that third party is regulated, supervised and monitored for, and has taken appropriate measures in compliance with CDD and record keeping requirements set out in this Guidelines.
4.14 MANAGEMENT OF LEGACY ACCOUNTS

Legacy accounts refer to those accounts opened before 30 April, 2002 and yet to update KYC procedures. These legacy accounts should be treated as "Dormant." No withdrawal should be permitted in those accounts; however, deposit can be permitted. These accounts will be fully functional only after conducting proper CDD measures. Central Compliance Unit should preserve data of such accounts at their end.

4.15 AT A GLANCE OF THE POLICY:

The basic principle of the Customer Acceptance Policy:

- Mercantile Bank 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 Bank.
- The Bank will accept only those customers who have clear documents to establish identity and physical place of business or residence.
- The Bank will accept only those customers who would be willing to provide information to carry on the Bank's due diligence exercise.
- The Bank will categorize customers on the basis of risk, details of which are attached in the KYC Format.
- The Bank 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 Bank officials to ensure confidentiality of customers.
- The Bank will establish the background of each and every customer before acceptance.
- The Bank will assess and keep on record details of business activities prior to accepting 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.
5.0 Conclusion:

The Bank 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 Mercantile Bank Ltd. This will ensure strengthening the framework of Customer Acceptance.

All employees of the Bank are advised to be diligent in Banker- customer relationship and seek the consent of senior officials of the Bank in dealing with high-risk customers. The Bank 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 Bank to greater heights of efficiency, transparency and professionalism for complying the Money Laundering Prevention Act 2012 and Anti Terrorism Act, 2009 (Amendment on 2012&2013)

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

It is important that the adoption of customer acceptance policy and its implementation should not become too restrictive and must not result in denial of banking services to general public especially to those who are financially or socially less privileged.