



# **ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML / CFT) REGULATIONS FOR BANKS & DFIs**

**(Updated up to December 30, 2019)**

**BANKING POLICY & REGULATIONS DEPARTMENT  
STATE BANK OF PAKISTAN**

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## ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ARC	Aliens Registration Card
CNIC	Computerized National Identity Card
CRP	Customer Risk Profiling
CTR	Currency Transaction Report
DDs	Demand Drafts
DFI	Development Finance Institution
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FI	Financial Institution
FMU	Financial Monitoring Unit
FT	Financing of Terrorism
KYC/CDD	Know Your Customer/ Customer Due Diligence
ML	Money Laundering
MTs	Mail Transfers
NADRA	National Database & Registration Authority
NARA	National Aliens Registration Authority
NGOs/NPOs	Non-governmental Organizations or Non-profit Organizations
NICOP	National Identity Card for Overseas Pakistanis
NTN	National Tax Number
PEP	Politically Exposed Person
POs	Payment Orders
POC	Pakistan Origin Card
POR	Proof of Registration
RBA	Risk Based Approach
SBP	State Bank of Pakistan
SECP	Securities & Exchange Commission of Pakistan
STR	Suspicious Transaction Report
TFS	Targeted Financial Sanctions
TMS	Transaction Monitoring System

## **CONTENTS**

<b>PART - A</b>	Definitions	01
<b>PART - B</b>	Regulations	05
<b>Regulation - 1</b>	Customer Due Diligence (CDD)	05
<b>Regulation - 2</b>	Correspondent Banking	12
<b>Regulation - 3</b>	Wire Transfers/Fund Transfers	13
<b>Regulation - 4</b>	Reporting of Transactions (STRs/CTRs)	15
<b>Regulation - 5</b>	Record Keeping	16
<b>Regulation - 6</b>	Internal Controls, Policies, Compliance, Audit & Training	17
<b>Annexure - I</b>	Minimum Documents to be obtained from Various Types of Customers under AML/CFT Regulations	20
<b>Annexure - II</b>	Examples or Characteristics of Suspicious Transactions (Red Alerts) that May be a Cause for Increased Scrutiny for AML/CFT Purposes	24

**PART - A**  
**DEFINITIONS**

For the purposes of these regulations-

1. **“Beneficial Owner”** in relation to a customer/ occasional customer/ walk-in customer of a bank/ DFI, means the natural person(s) who ultimately own(s) or control(s) a customer/ occasional customer/ walk-in customer or the person on whose behalf a transaction is being conducted and includes the person(s) who exercise(s) ultimate effective control over a person or a body of persons whether incorporated or not;
2. **“Beneficiary”** means the person to whom or for whose benefit the funds are sent or deposited in bank;
3. **“Beneficiary Institution”** means the financial institution that receives the funds on behalf of the wire transfer or fund transfer beneficiary;
4. **“Class of Beneficiaries”** For beneficiary(ies) of trusts that are designated by characteristics or by class, financial institutions should obtain sufficient information concerning the beneficiary to satisfy the financial institution that it will be able to establish the identity of the beneficiary at the time of the payout or when the beneficiary intends to exercise vested rights.
5. **“Control”** in relation to a legal person, means the power to exercise a controlling influence over the management or the policies of the undertaking, and, in relation to shares, means the power to exercise a controlling influence over the voting power attached to such shares;
6. **“Correspondent Bank”** means the bank in Pakistan which provides correspondent banking services to bank or financial institution situated abroad and vice versa;
7. **“Correspondent Banking”** means provision of banking services by one bank (correspondent) to another bank (respondent) including but not limited to opening and maintaining accounts in different currencies, fund transfers, cheque clearing, payable through accounts, foreign exchanges services or similar other banking services;
8. **“Cross-Border Wire Transfer”** means a wire transfer where the ordering institution and the beneficiary institution are located in different countries or jurisdictions;
9. **“Currency Transaction Report or CTR”** means as defined under AML Act;
10. **“Customer”** means a person having relationship with the bank which includes but not limited to holding of deposit/ deposit certificate/ or any instrument representing deposit/placing of money with a bank/DFI, availing other financial services, locker facility, safe deposit facility, or custodial services from the bank/DFI;
11. **“Customer Due Diligence or CDD”** in broader terms includes;

- a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources;
- b) identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, to verify his identity so that the bank/DFI is satisfied that it knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement;
- c) understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
- d) monitoring of accounts/transactions on ongoing basis to ensure that the transactions being conducted are consistent with the banks/DFIs knowledge of the customer, their business and risk profile, including, where necessary, the source of funds and, updating records and data/ information to take prompt action when there is material departure from usual and expected activity through regular matching with information already available with bank/DFI.

**12. "Enhanced Due Diligence"** means a due diligence process that involves a greater level of scrutiny that commensurate with underlying risks associated with customers, products, transaction channels and geographic elements. EDD shall be in addition to Customer due diligence (CDD) measures and may include but not be limited to one or more measures as follows:

- i. Obtaining additional information on the customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of customer and beneficial ownership.
- ii. Obtaining additional information on the intended nature of the business relationship.
- iii. Obtaining information on the source of funds or source of wealth of the customer.
- iv. Obtaining information on the reasons for intended or performed transactions.
- v. Obtaining the approval of senior management to commence or continue the business relationship.
- vi. Conducting enhanced monitoring of the business relationship by reviewing its nature and frequency of controls applied and selecting patterns of transactions that need further examination.
- vii. Where practical, requiring the first payment to be carried out through an account in the customer's name with a bank subject to similar CDD standards.

EDD requirements may vary with the type of customer, products, channels and geography, therefore banks/DFIs are encouraged to take additional/appropriate measures.

13. **“Domestic Wire Transfer”** means any wire transfer where the originator and beneficiary institutions are located in Pakistan regardless the system used to effect such wire transfer is located in another jurisdiction;
14. **“Dormant or in-operative Account”** means the account in which no transaction has been taken place from last one year;
15. **“FATF Recommendations”** means the Recommendations of Financial Action Task Force as amended from time to time;
16. **“FMU”** means financial monitoring unit established under the AML Act;
17. **“Fund Transfer/Wire Transfer”** means any transaction carried out by financial institution on behalf of originator person by way of electronic means or otherwise to make an amount of money available to beneficiary person at another beneficiary institution, irrespective of whether the originator and the beneficiary are the same person;
18. **“Government Entity”** means federal or provincial government, a ministry within such a government, a local government or an agency specially established by any such government, or a department, organization or corporation owned or controlled by such government under federal, provincial or local law;
19. **“Identity Document”** for the purpose of these regulations, the following will be acceptable as an identity documents for natural persons:  
CNIC/SNIC/Passport/NICOP/SNICOP/POC/ARC/POR/Form-B/Juvenile Card
20. **“Intermediary Institution”** is an intermediary in the wire transfer payment chain; that receives and transmits a wire transfer on behalf of the ordering institution and the beneficiary institution, or another intermediary institution;
21. **“Legal Arrangements”** means express trusts or other similar legal arrangements;
22. **“Monetary Threshold”** expressed in Pak rupee includes a reference to the equivalent amount expressed in any other currency;
23. **“Money Laundering and Financing of Terrorism or ML/TF”** has the same meaning as ascribed to them in AML Act;
24. **“Occasional Customer” or “Walk-in-Customer”** means the person conducting occasional transactions and is not a customer; having relationship with the bank/DFI;
25. **“Occasional Transaction” or “Walk-in-Transaction”** means a transaction carried by or on behalf of a person who is not a customer; having relationship with the bank/DFI;
26. **“Online Transaction”** means deposit or withdrawal of cash using different branches of a bank through electronic means;

27. **“Ordering Institution”** means the financial institution that initiates a wire transfer on the instructions of the wire transfer originator in transferring the funds;
28. **“Originator”** means the person who allows or places the order to initiate a fund transfer/wire transfer or an online transaction;
29. **“Payable-through Account”** means an account maintained at the correspondent bank by the respondent bank which is accessible directly by a third party to effect transactions on its own (respondent bank’s) behalf;
30. **“Person”** has the same meaning as ascribed to it under the AML Act, 2010;
31. **“Politically Exposed Persons or PEPs”** are individuals who are entrusted with prominent public functions either domestically or by a foreign country, or in an international organization, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations/departments/autonomous bodies. This does not intend to cover middle ranking or more junior individuals in the foregoing categories;
32. **“Proliferation Financing or PF ”** is the act of providing funds or financial services which may be used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans ‘shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.
33. **“Respondent Bank”** means the bank or financial institution outside Pakistan to whom correspondent banking services in Pakistan are provided and vice versa;
34. **“Risk”** refers to risk associated with money laundering and financing of terrorism;
35. **“Senior Management”** means the officer(s) not below the rank of Executive Vice President as designated by the board of a bank/DFI for the purpose of AML/CFT regulations;
36. **“Settlor”** are natural or legal persons who transfer ownership of their assets to trustees by means of a trust deed or similar arrangement.
37. **“Shell bank”** means a bank that has no physical presence (mind and management), in the country in which it is incorporated and licensed and/or which is not affiliated with a regulated financial services group that is subject to effective consolidated supervision; and
38. **“Suspicious Transaction Report or STR”** means as defined under AML Act.
39. **“Other Terms”** used in these regulations, not defined here, shall have the same meaning as ascribed to them in AML/CFT laws, other relevant laws, rules, regulations or international standards prescribed by the relevant global bodies e.g. Basel Core Principles, FATF Recommendations/ Guidelines etc.



**PART - B**  
**REGULATIONS**

**REGULATION - 1**  
**CUSTOMER DUE DILIGENCE (CDD)**

**When CDD measures are to be applied**

1. Banks/DFIs shall apply CDD measures;
  - (a) when establishing business relationship;
  - (b) while dealing with occasional customers/ walk-in customers in line with Para 16 below;
  - (c) in other situations/ scenarios when there is suspicion of money laundering/ financing of terrorism, regardless of threshold; and
  - (d) when bank/ DFI has doubts about the veracity or adequacy of previously obtained customer identification data.

**CDD Measures for Establishing Business Relationship**  
**Identification of Customers**

2. Every customer shall be identified for establishing business relationship. For this purpose, '**Annexure-I**' provides range of documents which shall be obtained for different types of customers.
3. For identity and due diligence purposes, at the minimum following information shall also be obtained, verified and recorded on KYC/CDD form or account opening form and relevant Information Technology (IT) systems;
  - (a) Full name as per identity document;
  - (b) Identity document number or where the customer is not a natural person, the registration/ incorporation number or business registration number (as applicable);
  - (c) Existing residential address, registered or business address (as necessary), contact telephone number(s) and e-mail (as applicable);
  - (d) Date of birth, incorporation or registration (as applicable);
  - (e) Nationality or place of birth, incorporation or registration (as applicable);
  - (f) Nature of business, geographies involved and expected type of counter-parties (as applicable);
  - (g) Purpose of account;
  - (h) Type of account;
  - (i) Source of earnings;
  - (j) Expected monthly credit turnover (amount and No. of transactions); and
  - (k) Normal or expected modes of transactions.

**Verification of Identity**

4. The Bank/ DFI shall verify identities of the customers (natural persons) and in case of legal persons, identities of their natural persons from relevant authorities or where necessary using other reliable, independent sources and retain on record copies of all

reference documents used for identification and verification. The verification shall be the responsibility of concerned bank/ DFI for which the customer should neither be obligated nor the cost of such verification be passed on to the customers.

5. Banks/DFIs shall conduct biometric verification for all Pakistani citizens/ Afghan refugees holding PoR Cards, before establishing new relationships, except in cases of genuine reasons or technical issues as prescribed by SBP in the Frequently Asked Questions (FAQs) on use of Biometric Technology.

#### **Identification and Verification of Natural Persons Acting on Behalf of Customer**

6. In relation to Para 4 and 5 above, where one or more natural persons are acting on behalf of a customer/ occasional customer/ walk-in customer or where customer is legal person or legal arrangement, bank/ DFI shall identify the natural persons who act on behalf of the customer, verify the identity of such persons and record the same in the relevant IT system. Moreover, the bank/ DFI shall seek information on powers (legal basis or authority) that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement.
7. Authority of such person to act on behalf of the customer shall be verified through documentary evidence including specimen signature of the persons so authorized.

#### **Identification and Verification of Identity of Beneficial Owners**

8. Reasonable measures shall be taken to obtain information to identify and verify the identities of the beneficial owner(s) in relation to a customer, using the relevant information or data obtained from a reliable source.
9. Where the customer is not a natural person, the bank/DFI shall (i) take reasonable measures to understand the nature of the customer's business and its ownership and control structure for obtaining information required under Para 13 below and (ii) determine the natural persons who ultimately own or control the customer.
10. In case there is doubt under Para 9 as to whether the persons with the controlling ownership interest is/are the beneficial owners or where no natural person exerts control through ownership interests, the identity of the natural persons (if any) exercising control of the legal person or arrangement should be identified and verified through other means. Where no natural person is identified, the identity of the relevant natural person who holds the position of senior managing official should be verified along with other due diligence measures.
11. For customers that are legal arrangements, Banks/DFIs are required to identify and take reasonable measures to verify the identity of beneficial owners through the following information:
  - (a) for trusts, the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate

effective control over the trust (including through a chain of control/ownership as ascertained during CDD/EDD);

(b) for other types of legal arrangements, the identity of persons in equivalent or similar positions.

12. Banks/ DFIs shall obtain from legal entities, the ultimate beneficial ownership information i.e. natural persons or individuals who ultimately own or control the company, that are required to maintain such information, as prescribed by SECP<sup>1</sup>.

### **Information on the Purpose and Intended Nature of Business Relations**

13. Banks/ DFIs shall obtain from customers, information as to the purpose and intended nature of business relations.

### **Timing of Verification**

14. Verification of the identity of the customers and beneficial owners shall be completed before business relations are established.
15. Banks/ DFIs may accept initial deposit at the time of submission of necessary documents by their prospective customers (individual natural persons only) subject to the following;
- (a) Initial deposit receipt will be issued with 'Disclaimer' that account shall be opened after completing necessary due diligence including NADRA verification through biometric technology;
  - (b) A temporary account number shall be generated which will be validated after completion of due diligence process.
  - (c) The Initial deposit will be credited to customer's designated account only.
  - (d) No transaction in the account, issuance of cheque book/ ATM Card or any other instrument is allowed until completion of verification of identity of the customer. However, in case, the biometric thumb impression of customer (verified from NADRA) is taken by the bank, the account may be activated instantly subject to satisfactory due diligence.
  - (e) The branches of banks/DFIs will maintain a list of all such customers/accounts where the business relationship needed to be closed on account of negative verification.
  - (f) Banks/DFIs shall guide the customers to visit relevant branch to get refund of initial deposit in case of negative NADRA verification.

### **CDD Measures for Occasional Customers/ Walk-in Customers**

16. Banks/DFIs shall identify the occasional customers/ walk-in customers and capture their identity document number in the IT system.

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<sup>1</sup> SECP Circular No. 16 of 2018 dated August 29, 2018 or any other instruction in this regard.

17. Furthermore, Banks /DFIs shall obtain a copy of identity document of the occasional customer/ walk-in customers and verify the identity using reliable, independent source of information, i.e. biometric verification or NADRA Verisys in line with SBP's Frequently Asked Questions (FAQs) on use of Biometric Technology;
- a) While issuing remittance instruments e.g. POs, DDs and MTs etc. (regardless of threshold).
  - b) Conducting cash transactions of rupees 0.5 million or above, including where the transaction is carried out in a single operation or in several transactions that appear to be linked.

### **Where CDD Measures are Not Completed**

18. In case banks/ DFIs are not able to satisfactorily complete required CDD measures, account shall not be opened or any service provided and consideration shall be given if the circumstances are suspicious so as to warrant the filing of an STR.
19. If banks/DFIs are unable to satisfactorily comply with CDD measures of an existing customer, the relationship shall be terminated and reporting of suspicious transaction be considered as per law. Further, banks/DFIs shall serve a prior notice and record cogent reasons for terminating business relationships in their systems on a case to case basis.
20. In cases where banks/DFIs form suspicion of money laundering, terrorist financing or other criminal activity, and they reasonably believe that performing the CDD process will tip-off the customer, they may not to pursue the CDD process, and instead file an STR with FMU.

### **Ongoing Monitoring**

21. All business relations with customers shall be monitored on an ongoing basis to ensure that the transactions are consistent with the bank/ DFI's knowledge of the customer, its business and risk profile and where appropriate, the sources of funds.
22. Banks/DFIs shall obtain information and examine, as far as possible the background and purpose of all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of these transactions shall be inquired and findings shall be documented with a view to making this information available to the relevant competent authorities when required.
23. Banks/DFIs shall periodically review the adequacy of customer information obtained in respect of customers and beneficial owners and ensure that the information is kept up to date, particularly for higher risk categories of customers. The review period and procedures thereof should be defined by banks/DFIs in their AML/CFT policies, as per risk based approach.

24. In relation to Para 23 above, customers' profiles should be revised keeping in view the spirit of KYC/CDD and basis of revision shall be documented and customers may be consulted, if necessary.

#### **Anonymous or Fictitious Account**

25. Banks/DFIs shall not open or maintain anonymous accounts or accounts in the name of fictitious persons or numbered accounts.
26. In case of an account/ relationship of an entity with abbreviated name or title, the bank/ DFI shall satisfy itself that the subject name/ title is in accordance with the constituent documents of the customer entity. Any account/ relationship shall not be allowed in abbreviated name in cases where entity has its complete name (non-abbreviated) in their constituent document.

#### **Review of Products and Services including new Technologies**

27. Banks/DFIs shall identify and assess the ML/TF/PF risks that may arise in relation to the development of new products, services and business practices including delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products, especially those that may favor anonymity.
28. Furthermore, risk assessments shall be undertaken prior to the launch or use of such products, services and business practices and technologies. Appropriate measures should be taken to manage and mitigate the identified risks.

#### **Joint Accounts**

29. In the case of joint accounts, CDD measures on all of the joint account holders shall be performed as if each of them were individual customers of the bank/DFI.

#### **Government Accounts**

30. Government accounts shall not be opened in the personal names of the government official(s). Government account which is to be operated by an officer of the Federal/Provincial/Local Government in his/her official capacity, shall be opened only on production of a special resolution/authority from the concerned administrative department duly endorsed by the Ministry of Finance or Finance Department of the concerned Government.
31. However, in case of autonomous entities and Armed Forces including their allied offices, banks/DFIs may open bank accounts on the basis of special resolution/authority from the concerned administrative department or highest executive committee/management committee of that entity duly endorsed by their respective unit of finance. The banks/DFIs shall also take into account any rules, regulations or procedures prescribed in the governing laws of such entities relating to opening and maintaining of their bank accounts.

### **Existing Customers**

32. Banks/DFIs shall perform such CDD measures as may be appropriate to its existing customers having regard to its own assessment of materiality and risk but without compromise on identity and verification requirements.
33. Banks/DFIs are prohibited, on an ongoing basis, from providing any banking services to proscribed/ designated entities and persons or to those who are known for their association with such entities and persons, whether under the proscribed/ designated name or with a different name. The banks/DFIs should monitor their relationships on a continuous basis and ensure that no such relationship exists. If any such relationship is found, immediate action shall be taken as per law, including reporting to the Financial Monitoring Unit (FMU).
34. For existing customers who opened accounts with old NICs, banks/DFIs shall ensure that attested copies of identity documents shall be present in bank's/DFI's record. Banks/DFIs shall block accounts without identity document (after serving one month prior notice) for all debit transactions/ withdrawals, irrespective of mode of payment, until the subject regulatory requirement is fulfilled. However, debit block from the accounts shall be removed upon submission of attested copy of identity document and verification of the same from NADRA or biometric verification.

### **Dormant accounts**

35. For customers whose accounts are dormant or in-operative, bank/DFIs may allow credit entries without changing at their own, the dormancy status of such accounts. Debit transactions/ withdrawals shall not be allowed until the account is activated on the request of the account holder. For activation, the bank/DFI shall conduct biometric verification of the account holder or obtain attested copy of customer's valid identity document, if already not available.
36. In relation to Para 34 and 35 above, it may be noted that transactions e.g. debits under the recovery of loans and markup etc. any permissible bank charges, government duties or levies and instruction issued under any law or from the court will not be subject to debit or withdrawal restriction.

### **Prohibition of personal accounts for business purposes**

37. Banks/DFIs shall not allow personal accounts to be used for business purposes except proprietorships, small businesses and professions where constituent documents are not available and the banks/DFIs are satisfied with KYC profile of the account holder, purpose of relationship and expected turnover of the account keeping in view financial status & nature of business of that customer.

### **Politically Exposed Persons (PEPs)**

38. In relation to PEPs and their close associates or family members, banks/DFIs shall:
- (a) implement appropriate internal policies, procedures and controls to determine if a customer or beneficial owner is a PEP;

- (b) obtain approval from the bank's senior management to establish or continue business relations where the customer or a beneficial owner is a PEP or subsequently becomes a PEP;
- (c) establish, by appropriate means, the sources of wealth or beneficial ownership of funds, as appropriate; including bank/DFI's own assessment to this effect; and
- (d) conduct during the course of business relations, enhanced monitoring of business relations with the customer.

**NGOs/NPOs/ Charities' accounts**

39. Banks/DFIs should conduct enhanced due diligence (including obtaining senior management approval) while establishing relationship with Non-Governmental Organizations (NGOs)/Not-for-Profit Organizations (NPOs) and Charities to ensure that these accounts are used for legitimate purposes and the transactions are commensurate with the stated objectives and purposes.
40. The accounts should be opened in the name of relevant NGO/NPO as per title given in constituent documents of the entity. The individuals who are authorized to operate these accounts and all members of their governing body should also be subject to CDD separately. Banks/DFIs should ensure that these persons are not affiliated with any proscribed/ designated entity or person, whether under the same name or a different name.
41. In case of advertisements through newspapers or any other medium, especially when bank account number is mentioned for donations, Banks/DFIs will ensure that the title of the account is the same as that of the entity soliciting donations. In case of any difference, immediate caution should be marked on such accounts and the matter should be considered for filing STR.
42. Personal accounts shall not be allowed to be used for charity purposes/collection of donations.
43. All existing relationships of NGOs/NPOs/Charities should be reviewed and monitored to ensure that these organizations, their authorized signatories, members of their governing body and the beneficial owners are not linked with any proscribed/ designated entity or person, whether under the same name or a different name. In case of any positive match, banks/ DFIs should consider filing STR and/or take other actions as per law.

**Asset Side / Trade Finance Customers**

44. Banks/DFIs shall also undertake CDD measures of asset side/ trade finance customers as prescribed in these Regulations and ensure monitoring of such customers with regard to ML/TF/PF risks.

**Customers from High-Risk Jurisdictions identified by FATF**

45. Banks/ DFIs shall apply enhanced due diligence, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from foreign jurisdictions for which this is called for by the FATF.
46. Banks/ DFIs shall apply countermeasures proportionate to the risks: (a) when called upon to do so by FATF, or (b) independently of any call by the FATF to do so.

**Prohibition on Reliance on Third Parties for CDD measures**

47. Banks/DFIs shall not rely on third parties to perform any CDD measures as prescribed in these Regulations.

**REGULATION - 2**

**CORRESPONDENT BANKING**

1. In addition to measures required under Regulation 1 (as deemed necessary by the bank/DFI), banks/ DFIs shall take the following measures for providing correspondent banking services-
- (a) assess the suitability of the respondent bank by taking the following steps:
    - (i) gather adequate information about the respondent bank to understand fully the nature of the respondent bank's business, including the following, where applicable;
      - Know your customer policy (KYC)
      - Information about the respondent bank's management and ownership
      - Major business activities
      - Their geographical presence/jurisdiction (country) of correspondence
      - Money laundering prevention and detection measures
      - The purpose of the account or service
      - The identity of any third party that will use the correspondent banking services (i.e. in case of payable through accounts)
      - Condition of the bank regulation and supervision in the respondent's country
    - (ii) determine from any available sources the reputation of the respondent bank and, as far as practicable, the quality of supervision over the respondent bank, including where possible whether it has been the subject of money laundering or financing of terrorism investigation or regulatory action; and
    - (iii) assess the respondent bank in the context of sanctions/embargoes and Advisories about risks.
  - (b) clearly understand and document the respective AML/CFT responsibilities of each bank; and
  - (c) obtain approval of senior management, before establishing new correspondent banking relationship.



2. Where the cross-border banking services involve a payable-through account, the correspondent bank shall be satisfied that –
  - (a) the respondent bank has performed appropriate CDD measures at least equivalent to those specified in Regulation 1 on the third party having direct access to the payable-through account; and
  - (b) the respondent bank is able to perform ongoing monitoring of its business relations with that third party and is willing and able to provide customer identification information to the correspondent bank/ DFI upon request.
3. Banks/ DFIs shall apply enhanced due diligence when establishing or continuing correspondent relationship with banks/ financial institutions which are located in jurisdictions that have been identified or called for by FATF for inadequate and poor AML/CFT standards in the fight against money laundering and financing of terrorism.
4. No bank/ DFI shall enter into or continue correspondent banking relations with a shell bank and shall take appropriate measures when establishing correspondent banking relations, to satisfy them that their respondent banks do not permit their accounts to be used by shell banks.
5. In case where a Pakistani bank/ DFI is availing correspondent banking services from a bank/ financial institution abroad, the CDD measures specified under Para 1(a), 1(b) 1(c), 3 and 4 above should be applied, as considered necessary to mitigate ML/TF risks.

### **REGULATION - 3**

#### **WIRE TRANSFERS/ FUND TRANSFERS**

1. The requirement under this Regulation shall apply to a bank/ DFI during the course of sending or receiving funds by wire transfer except transfer and settlement between the banks where both the banks are acting on their own behalf as originator and the beneficiary of the wire transfer;

#### **Responsibility of the Ordering Institution**

2. Bank/ DFI as ordering institution (whether domestic or cross border wire transfer and regardless of threshold) shall;
  - (a) identify and verify the originator (if it has not already done under Regulation 1); and obtain details of beneficial owner(s) of funds; and
  - (b) record adequate details of the wire transfer so as to permit its reconstruction, including the date of the wire transfer, the type and amount of currency

involved, the value date, the purpose and details of the wire transfer beneficiary and the beneficiary institution, and relationship between originator and beneficiary, as applicable etc.

3. Bank/DFI shall include the following information in the message or payment instruction which should accompany or remain with the wire transfer throughout the payment chain:
  - (a) the name of the originator;
  - (b) the originator's account number (or unique reference number which permits traceability of the transaction);
  - (c) the originator's address and CNIC/ passport number;
  - (d) the name of the beneficiary; and
  - (e) the beneficiary's address and CNIC/ passport number.
4. Where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, the batch file shall contain the required and accurate originator information (originator's account number or unique transaction reference number) and full beneficiary information that is fully traceable within the beneficiary country.

#### **Responsibility of the Beneficiary Institution**

5. Beneficiary institution shall verify the identity of the beneficiary, if the identity has not been previously verified, and record this information.
6. Beneficiary institution shall adopt risk-based internal policies, procedures and controls for identifying and handling in-coming wire transfers that are not accompanied by complete originator or beneficiary information. The incomplete originator or beneficiary information may be considered as a factor in assessing whether to execute or terminate the transaction, and in assessing whether the transaction is suspicious and merits reporting to FMU.
7. Banks/ DFIs shall remain cautious when entering into relationship or transactions with institutions which do not comply with the standard requirements set out for wire transfers by limiting or even terminating business relationship.

#### **Responsibility of Intermediary Institution**

8. Bank/DFI as an intermediary financial institution shall:
  - (a) in passing onward the message or payment instruction, maintain all the required originator and beneficiary information with the wire transfer;
  - (b) keep a record of all the information received from the ordering financial institution or another intermediary financial institution, as per relevant record keeping requirements;

- (c) take reasonable measures, which are consistent with straight-through processing, to identify cross-border wire transfers that lack required originator information or beneficiary information; and
- (d) have risk-based policies and procedures for determining: (i) when to execute, reject, or suspend a wire transfer lacking required originator or beneficiary information; and (ii) the appropriate follow-up action.

#### **REGULATION - 4**

##### **REPORTING OF TRANSACTIONS (STRs/CTRs)**

1. Banks/ DFIs shall comply with the provisions of AML Act, rules and regulations issued there under for reporting suspicious transactions/currency transactions in the context of money laundering, financing of terrorism and financing of proliferation.
2. Banks/ DFIs shall implement appropriate internal policies, procedures and controls for meeting their obligations under AML Act.
3. Banks/ DFIs shall pay special attention to all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions shall, as far as possible, be examined, the findings established in writing, and be available to assist the relevant authorities in inspection and investigation.
4. Examples and characteristics of some suspicious transactions (Red Alerts) that may be a cause for increased scrutiny for AML/CFT purposes are listed at 'Annexure-II'.
5. Banks/DFIs are advised to make use of technology and upgrade their systems and procedures in accordance with the changing profile of various risks. Accordingly, all banks/DFIs are advised to implement automated Transaction Monitoring Systems (TMS) capable of producing meaningful alerts based on pre-defined parameters/thresholds and customer profile, for analysis and possible reporting of suspicious transactions. Further, banks/DFIs shall establish criteria in their AML/CFT Policies and/or Procedures for management of such alerts.
6. The adequacy of staff posted for effective monitoring and reporting of suspicious transactions is a critical factor of Customer Due Diligence. Banks/DFIs shall place adequate number of analysts for monitoring and reporting purpose. Moreover, steps should be taken by banks/DFIs to develop knowledge and skills of their staff and utilize technology solutions required for effective Targeted Financial Sanctions (TFS) monitoring and reporting of suspicious transactions.
7. The transactions, which are out of character or are inconsistent with the history, pattern, or normal operation of the account including through heavy deposits,

withdrawals and transfers, shall be viewed with suspicion, be properly investigated and referred to Compliance Officer for possible reporting to FMU under AML Act.

8. Banks/ DFIs should note that STRs, including attempted transactions, should be reported regardless of the amount of the transactions; and, the CTRs should be reported for the transactions of rupees two million and above as per requirements of AML Act.
9. The basis of deciding whether an STR is being filed or not shall be documented and kept on record together with all internal findings and analysis done in relation to a suspicion irrespective of the fact that transaction is subsequently reported or not.
10. Banks/ DFIs, without disclosing the contents of STRs, shall intimate to State Bank of Pakistan on bi-annual basis the number of STRs reported to FMU. The status report (indicating No. of STRs only) shall reach to Director, BPRD within seven days of close of each half year.
11. The employees of the banks/ DFIs are strictly prohibited to disclose the fact to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law. This shall be made part of Code of Ethics to be signed by employees and Directors of the bank/DFI.
12. The reporting of suspicious transactions/currency transactions in the context of money laundering, financing of terrorism or financing of proliferation shall not be assigned to outsourced employees.

## **REGULATION - 5**

### **RECORD KEEPING**

1. Banks/ DFIs shall maintain all necessary records on transactions, both domestic and international, including the results of any analysis undertaken (e.g. inquiries to establish the background and purpose of complex, unusual large transactions) for a minimum period of ten years from completion of the transaction.
2. The records shall be sufficient to permit reconstruction of individual transactions including the nature and date of the transaction, the type and amount of currency involved and the type and identifying number of any account involved in the transactions so as to provide, when necessary, evidence for prosecution of criminal activity. The transactions records may be maintained in paper or electronic form or on microfilm, provided it is admissible as evidence in a court of law.
3. The records of identification data obtained through CDD process like copies of identification documents, account opening forms, KYC forms, verification documents and other documents along with records of account files and business

correspondence, shall be maintained for a minimum period of ten years after the business relationship is ended. The identification records may be maintained in document as originals or copies subject to bank's attestation.

4. Banks/ DFIs shall, however, retain those records for longer period where transactions, customers or accounts involve litigation or it is required by court or other competent authority.
5. Banks/ DFIs shall satisfy, on timely basis, any enquiry or order from the relevant competent authorities including law enforcement agencies and FMU for supply of information and records as per law.

## **REGULATION - 6**

### **INTERNAL CONTROLS, POLICIES, COMPLIANCE, AUDIT AND TRAINING**

#### **Bank/DFIs own AML/CFT policies, procedures & controls**

1. Each Bank/ DFI shall formulate its own AML/CFT policy duly approved by their Board of Directors and cascade the same down the line to each and every business location and concerned employees for strict compliance. The detailed procedures and controls shall be developed by banks/ DFIs in the light of policy approved by the Board.
2. The policies, procedures and controls shall include, amongst other things, CDD measures, record retention, correspondent banking, handling wire transfers, risk assessment procedures, the detection of unusual and/or suspicious transactions and the obligation to report suspicious transaction etc.
3. Banks/ DFIs should update their internal risk assessment periodically or in case of any major event or in light of the National Risk Assessments (NRA) duly shared by SBP besides other instructions issued from time to time.
4. In formulating policies, procedures and controls, banks/ DFIs shall take into consideration money laundering and financing of terrorism threats that may arise from the use of new or developing technologies, especially those having features of anonymity or inconsistency with the spirit of CDD measures.

#### **Foreign Branches and Subsidiaries**

5. Banks/ DFIs shall pay particular attention to their branches and subsidiaries located in countries which do not or insufficiently comply with FATF Recommendations (as determined by FATF or identified by State Bank of Pakistan) and ensure that their AML/ CFT policy is observed by branches and subsidiaries in those countries.
6. Banks/ DFIs shall apply their AML/ CFT policies to all of their branches and subsidiaries outside Pakistan to the extent that laws and regulations of the host country permit. Where the AML/CFT requirements in the host country or jurisdiction

differ from those in Pakistan, bank/ DFI shall require their overseas branches or subsidiaries to apply the higher of the two standards, to the extent that the law of the host country or jurisdiction so permits.

7. Where the law of the host country conflicts with the AML/ CFT requirements of Pakistan so that the overseas branch or subsidiary is unable to fully observe the higher standards, the bank/ DFI through its head office shall report this to the State Bank of Pakistan and comply with such further directions as may be issued.

### **Compliance**

8. Banks/ DFIs shall develop appropriate AML/ CFT compliance program, including at least, the appointment of a management level officer as the compliance officer in line with Regulation G-1 (Para D) of Prudential Regulations on Corporate/ Commercial Banking as amended from time to time.
9. Banks/ DFIs shall ensure that the compliance officer, as well as any other persons appointed to assist him, has timely access to all customer records and other relevant information which they may require to discharge their functions.
10. Banks/ DFIs shall incorporate procedures to record and maintain data of account opening cases rejected by compliance or central account opening units, the cases where customers' risk ratings recommended by business units were challenged or revised, and the cases where accounts were closed based on ML/TF risks.
11. Banks/ DFIs shall:
  - (a) in addition to oversight and monitoring of ML/TF/PF risks posed to the entity, the Board shall also be responsible for ensuring that entity has implemented effective AML/CFT controls (preventive measures) including Targeted Financial Sanctions (TFS) related to TF & PF, STR/CTR. The board shall delegate oversight and monitoring function to any of the board sub-committees preferably Board Risk Management Committee (BRMC) or Board Audit Committee (BAC) and Compliance Risk Management Committee (CRMC) which has been constituted in compliance of SBP guidance on Compliance Risk Management;
  - (b) include compliance and AML/ CFT related responsibilities in Key Performance Indicators (KPIs) of responsible staff down the line, in order to strengthen the compliance/ AML/CFT function. Moreover, ML/ TF risks should be included in KPIs of officer(s) responsible for Enterprise Risk Management and Operational Risk Management functions;
  - (c) not assign unrealistic business targets and conflicting roles to their employees. Appropriate strategies may be devised to ensure provision of safe and smooth banking services; and
  - (d) regularly assess working strength of the compliance function and all its sub-divisions and deficiency if any, observed should be addressed on priority basis.

### **Audit**

12. Banks/ DFIs shall maintain an independent audit function in line with Code of Corporate Governance that is adequately resourced and able to regularly assess the effectiveness of the bank's internal policies, procedures and controls, and its compliance with regulatory requirements.

### **Employee Due Diligence**

13. The Banks/ DFIs shall develop and implement a comprehensive employee due diligence policy and procedure to be implemented/ carried out at the time of hiring all employees permanent, contractual, or through outsourcing to ensure high standards. This shall include but not limited to verification of antecedents and screening procedures to verify that person being inducted/ hired has a clean history.

### **Training**

14. Banks/ DFIs shall chalk out and implement suitable training program for relevant employees on annual basis, in order to effectively implement the regulatory requirements and banks'/DFIs' own policies and procedures relating to AML/ CFT. The employees training shall enable them to understand new developments, money laundering and financing of terrorism techniques, methods and trends. The training should also include their responsibilities relating to AML/ CFT especially requirements relating to TFS, CDD and analysis of abnormal/out of pattern transactions and alerts generated thereof for possible reporting of suspicious transactions. Banks/DFIs shall also implement programs covering ML/TF risks and the AML/CFT/TFS obligations including the results of Risk Assessments conducted by FMU or any other Government Agencies. The bank/DFI also share its own risk assessment results with its branch staffs which keep them more vigilant and alert when dealing with such customer, product, channel and geographies.
15. Banks/ DFIs should note that the relevant AML/CFT training combined with optimum use of technology is becoming inevitable due to ever changing nature of methods and trends in illicit activities. It is also important to test the capability and knowledge of the relevant staff on periodic basis. The online trainings and AML/CFT Tests of varying nature are available in the market offering opportunity for Banks/DFIs to equip their staff with relevant skills as per respective roles and responsibilities within the institution. As the periodic training of the front end staff is crucial, which is the first point of contact with customer; Banks/DFIs shall either purchase or internally develop comprehensive AML/CFT/TFS Computer-based/online Training Programs and Tests under a comprehensive plan with clear timelines for its implementation.

**Annexure-I****Minimum Documents to be obtained from Various Types of  
Customers under AML/CFT Regulations**

<b>Sr. No</b>	<b>Type of Customers</b>	<b>Documents/papers to be obtained</b>
1.	Individuals	<p>A photocopy of any one of the following valid identity documents;</p> <ul style="list-style-type: none"> <li>(i) Computerized National Identity Card (CNIC)/Smart National Identity Card (SNIC) issued by NADRA.</li> <li>(ii) National Identity Card for Overseas Pakistani (NICOP/SNICOP) issued by NADRA.</li> <li>(iii) Form-B/Juvenile card issued by NADRA to children under the age of 18 years.</li> <li>(iv) Pakistan Origin Card (POC) issued by NADRA.</li> <li>(v) Alien Registration Card (ARC) issued by National Aliens Registration Authority (NARA), Ministry of Interior (local currency account only).</li> <li>(vi) Valid Proof of Registration (POR) Card issued by NADRA</li> <li>(vii) Passport; having valid visa on it or any other proof of legal stay along with passport (foreign national individuals only).</li> </ul>
2.	Sole Proprietors	<ul style="list-style-type: none"> <li>(i) Photocopy of identity document as per Sr. No. 1 above of the proprietor.</li> <li>(ii) Registration certificate for registered concerns.</li> <li>(iii) Sales tax registration or NTN, wherever applicable.</li> <li>(iv) Certificate or proof of membership of trade bodies etc., wherever applicable.</li> <li>(v) Declaration of sole proprietorship on business letter head.</li> <li>(vi) Account opening requisition on business letter head.</li> </ul>
3.	Partnership	<ul style="list-style-type: none"> <li>(i) Photocopies of identity documents as per Sr. No. 1 above of all the partners and authorized signatories.</li> <li>(ii) Attested copy of 'Partnership Deed' duly signed by all partners of the firm.</li> <li>(iii) Attested copy of Registration Certificate with Registrar of Firms. In case the partnership is unregistered, this fact shall be clearly mentioned on the Account Opening Form.</li> <li>(iv) Authority letter from all partners, in original, authorizing the person(s) to operate firm's account.</li> </ul>
4.	Limited Companies/ Corporations	<ul style="list-style-type: none"> <li>(i) Certified copies of: <ul style="list-style-type: none"> <li>(a) Resolution of Board of Directors for opening of account specifying the person(s) authorized to open and operate the account (not applicable for Single Member Company);</li> <li>(b) Memorandum of Association;</li> <li>(c) Articles of Association (wherever applicable);</li> <li>(d) Certificate of Incorporation;</li> </ul> </li> </ul>



		<ul style="list-style-type: none"> <li>(e) SECP registered declaration for commencement of business as required under Companies Act 2017; and</li> <li>(f) List(s) of Directors required to be filed under Companies Act 2017, as applicable.</li> </ul> <ul style="list-style-type: none"> <li>(ii) Photocopies of identity documents as per Sr. No. 1 above of all the directors and persons authorized to open and operate the account;</li> <li>(iii) For individual (natural person) shareholders holding 20% or above stake (10% or above in case of EDD) in an entity, identification and verification of such natural persons; and</li> <li>(iv) For legal persons holding shares equal to 20% or above in an entity, identification and verification of individual (natural person) shareholders holding shares equal to 20% or above of that legal person.</li> </ul>
5.	Branch Office or Liaison Office of Foreign Companies	<ul style="list-style-type: none"> <li>(i) A copy of permission letter from relevant authority i.e Board of Investment.</li> <li>(ii) Photocopies of valid passports of all the signatories of account.</li> <li>(iii) List of directors on company letter head or prescribed format under relevant laws/regulations.</li> <li>(iv) A Letter from Principal Office of the entity authorizing the person(s) to open and operate the account.</li> </ul>
6.	Trust, Clubs, Societies and Associations etc.	<ul style="list-style-type: none"> <li>(i) Certified copies of: <ul style="list-style-type: none"> <li>(a) Certificate of Registration/Instrument of Trust</li> <li>(b) By-laws/Rules &amp; Regulations</li> </ul> </li> <li>(ii) Resolution of the Governing Body/Board of Trustees/Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account.</li> <li>(iii) Photocopy of identity document as per Sr. No. 1 of the following: <ul style="list-style-type: none"> <li>(a) authorized person(s)</li> <li>(b) members of Governing Body/Board of Trustees /Executive Committee, if it is ultimate governing body</li> <li>(c) settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries</li> </ul> </li> </ul>
7.	NGOs/ NPOs/Charities	<ul style="list-style-type: none"> <li>(i) Certified copies of <ul style="list-style-type: none"> <li>(a) Registration documents/certificate</li> <li>(b) By-laws/Rules &amp; Regulations</li> </ul> </li> <li>(ii) Resolution of the Governing Body/ Board of Trustees/ Executive Committee, if it is ultimate governing body, for opening of account authorizing the person(s) to operate the account.</li> <li>(iii) Photocopy of identity document as per Sr. No. 1 above of the authorized person(s) and of the members of Governing</li> </ul>

		Body/ Board of Trustees/ Executive Committee, if it is ultimate governing body. (iv) Any other documents as deemed necessary including its annual accounts/ financial statements or disclosures in any form which may help to ascertain the detail of its activities, sources and usage of funds in order to assess the risk profile of the prospective customer.
8.	Agents Accounts	(i) Certified copy of 'Power of Attorney' or 'Agency Agreement'. (ii) Photocopy of identity document as per Sr. No. 1 above of the agent and principal. (iii) The relevant documents/papers from Sr. No. 2 to 7, if agent or the principal is not a natural person.
9.	Executors and Administrators	(i) Photocopy of identity document as per Sr. No. 1 above of the Executor/Administrator. (ii) A certified copy of Letter of Administration or Probate.
10.	Minor Accounts	(i) Photocopy of Form-B, Birth Certificate or Student ID card (as appropriate) shall be obtained from minor. (ii) Photocopy of identity document as per Sr. No. 1 above of the guardian of the minor.

**Note:**

1. The photocopies of identity documents shall invariably be attested by Gazetted officer/ Nazim/ Administrator or an officer of bank/DFI after original seen.
2. In case of a salaried person, in addition to CNIC, an attested copy of his service card, or any other acceptable evidence of service, including, but not limited to a certificate from the employer will be obtained.
3. In case of an individual with shaky/immature signatures, in addition to CNIC, a passport size photograph of the new account holder besides taking his right and left thumb impression on the specimen signature card will be obtained.
4. In case of expired CNIC, account may be opened on the basis of attested copies of NADRA receipt/token and expired CNIC subject to condition that Bank/DFI shall obtain copy of renewed CNIC of such customer within 03 months of the opening of account. For CNICs which expire during the course of the customer's banking relationship, Banks/DFIs shall design/ update their systems which can generate alerts about the expiry of CNICs at least 01 month before actual date of expiry and shall continue to take reasonable measures to immediately obtain copies of renewed CNICs, whenever expired. In this regard, banks/DFIs are also permitted to utilize NADRA Verisys reports of renewed CNICs and retain copies in lieu of valid copy of CNICs. However, where necessary obtaining copy of renewed CNIC as per existing instructions will continue to be permissible.
5. In case the CNIC does not contain a photograph, bank/DFI shall obtain following:
  - (i) A duly attested copy of either driving license, service card, Nikkah Nama, birth certificate, Educational degree/certificate, pension book, insurance certificate.
  - (ii) A photograph duly attested by gazetted officer/Nazim/ Administrator/bank officer.
  - (iii) A copy of CNIC without photograph duly attested by the same person who attested the photograph.

6. Banks/DFIs shall obtain copies of CNICs of all the members of Governing and Executive Bodies of DHA or ask for delegation of power to Administrator under section (7) & (8) of the Pakistan Defence Housing Authority Order, 1980 and accept copy of CNIC of Administrator as well as authorized signatories for the purpose of opening accounts of DHA or similar other authorities subject to compliance of other requirements.
7. The condition of obtaining Board Resolution is not necessary for foreign companies/entities belonging to countries where said requirements are not enforced under their laws/regulations. However, such foreign companies will have to furnish Power of Attorney from the competent authority for opening bank accounts to the satisfaction of their banks.
8. The requirement of obtaining NTN depends upon availability/issuance of NTN by tax authorities. The requirement of NTN should not be the reason for refusal of banking services to the customers, especially, where bank account is a prerequisite for obtaining NTN as per FBR's criteria. The banks/DFIs should facilitate their customers in opening bank accounts and subsequently obtain NTN when issued by the FBR.
9. The condition of obtaining photocopies of identity documents of directors of Limited Companies/Corporations is relaxed in case of Government/Semi Government entities, where banks/DFIs should obtain photocopies of identity documents of only those directors and persons who are authorized to open and operate the account. However, banks/DFIs shall validate identity information including CNIC numbers of other directors from certified copies of relevant list(s) required to be filed under Companies Act, 2017 and verify their particulars through NADRA Verisys. The Verisys reports should be retained on record in lieu of photocopies of identity documents.

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**Annexure-II****Examples or Characteristics of Suspicious Transactions (Red Alerts)  
That May Be a Cause for Increased Scrutiny for AML/CFT Purposes****1. General Comments**

The following are examples or characteristics of possible suspicious transactions for money laundering or financing of terrorism. This list of situations may be taken as a means of highlighting the basic ways in which money may be laundered. The examples provided are not exhaustive and may serve only as guidance of banks/DFIs to recognize suspicious activities.

While each individual situation may not be sufficient to suggest that money laundering is taking place, a combination of such situations may be indicative of such a transaction. A customer's declarations regarding the background of such transactions shall be checked for plausibility and explanation offered by the customer may be accepted after reasonable scrutiny.

**2. Transactions which do not make economic sense or inconsistent with customer's business or profile**

- i) A customer's relationship having a large number of accounts with the same bank, frequent transfers between different accounts or exaggeratedly high liquidity;
- ii) Transactions in which assets are withdrawn immediately after being deposited, unless the customer's business activities furnish a plausible reason for immediate withdrawal;
- iii) Transactions that cannot be reconciled with the usual activities of the customer, for example, the use of Letters of Credit and other methods of trade finance to move money between countries where such trade is not consistent with the customer's usual business;
- iv) Provision of bank guarantees or indemnities as collateral for loans between third parties that are not in conformity with market conditions;
- v) Unexpected repayment of an overdue credit without any plausible explanation;
- vi) Back-to-back loans without any identifiable and legally admissible purpose;
- vii) Paying in large third party cheques endorsed in favour of the customer;
- viii) Substantial increases in deposits of cash or negotiable instruments by a professional firm or company, using client accounts or in-house company or trust accounts, especially if the deposits are promptly transferred between other client company and trust accounts;
- ix) High velocity of funds through an account, i.e., low beginning and ending daily balances, which do not reflect the large volume of funds flowing through an account;
- x) Mixing of cash deposits and monetary instruments in an account in which such transactions do not appear to have any relation to the normal use of the account;
- xi) Multiple transactions carried out on the same day at the same branch of a financial institution but with an apparent attempt to use different tellers;
- xii) The structuring of deposits through multiple branches of the same bank or by groups of individuals who enter a single branch at the same time;

- xiii) The deposit or withdrawal of cash in amounts which fall consistently just below identification or reporting thresholds;
- xiv) The deposit or withdrawal of multiple monetary instruments at amounts which fall consistently just below identification or reporting thresholds, if any, particularly if the instruments are sequentially numbered;
- xv) Customers making large and frequent deposits but cheques drawn on the accounts are mostly to counter-parties not normally associated with customer's business;
- xvi) Extensive or increased use of safe deposit facilities that do not appear to be justified by the customer's personal or business activities;
- xvii) Goods or services purchased by the business do not match the customer's stated line of business;
- xviii) A retail business has dramatically different patterns of currency deposits from similar businesses in the same general location;
- xix) Loans are made for, or are paid on behalf of, a third party with no reasonable explanation;
- xx) Suspicious movements of funds occur from one financial institution to another, and then funds are moved back to the first financial institution.
- xxi) The deposit of excess balance in the accounts linked to credit cards/store value cards.
- xxii) Unusual pattern of purchase through credit cards/store value cards etc.

### **3. Transactions involving large amounts of cash**

- i) Exchanging an unusually large amount of small-denominated notes for those of higher denomination;
- ii) Purchasing or selling of foreign currencies in substantial amounts by cash settlement despite the customer having an account with the bank;
- iii) Frequent withdrawal of large amounts by means of cheques, including traveler's cheques;
- iv) Large cash withdrawals from a previously dormant/inactive account, or from an account which has just received an unexpected large credit locally or from abroad;
- v) Large cash withdrawals made from a personal or business account not normally associated with customer's profile;
- vi) Company transactions, both deposits and withdrawals, that are denominated by unusually large amounts of cash, rather than by way of debits and credits normally associated with the normal commercial operations of the company, e.g. cheques, letters of credit, bills of exchange, etc.;
- vii) Depositing cash by means of numerous credit slips by a customer such that the amount of each deposit is not substantial, but the total of which is substantial;
- viii) The deposit of unusually large amounts of cash by a customer to cover requests for bankers' drafts, money transfers or other negotiable and readily marketable money instruments;
- ix) Customers who together, and simultaneously, use separate tellers to conduct large cash transactions or foreign exchange transactions;
- x) Large cash deposits made to the account of an individual or legal entity when the apparent business activity of the individual or entity would normally be conducted in cheques or other payment instruments.

**4. Transactions involving locations of concern & wire transfers**

- i) Transactions involving foreign currency exchanges or deposits that are followed within a short time by wire transfers to locations of specific concern (for example, countries identified by national authorities/international bodies, UN or FATF etc.);
- ii) A personal or business account through which a large number of incoming or outgoing wire transfers take place without logical business or other economic purpose, particularly when this activity is to, through or from locations of specific concern (as mentioned above);
- iii) The use of multiple accounts to collect and then funnel funds to a small number of foreign beneficiaries, both individuals and businesses, particularly when these are in locations of specific concern (as mentioned above);
- iv) Obtaining credit instruments or engaging in commercial financial transactions involving movement of funds to or from locations of specific concern when there appears to be no logical business reasons for dealing with those locations (as mentioned above);
- v) The opening of accounts of financial institutions from locations of specific concern (as mentioned above);
- vi) The business relationships conducted in unusual circumstances e.g. significant unexplained geographic distance between the bank and the customer;
- vii) The receipt of small or large amounts (in cash, using online or otherwise) from various locations from within the country especially if such deposits are subsequently transferred within a short period out of the account and/or to a destination not normally associated with the customer;
- viii) Substantial increase in cash deposits by a customer without apparent cause, especially if such deposits are subsequently transferred within a short period out of the account and/or to a destination not normally associated with the customer;
- ix) Building up large balances, not consistent with the known turnover of the customer's business, and subsequent transfer to account(s) held overseas;
- x) Transfer of money abroad by an interim customer in the absence of any legitimate reason;
- xi) Repeated transfers of large amounts of money abroad accompanied by the instruction to pay the beneficiary in cash;
- xii) Large and regular payments that cannot be clearly identified as bona fide transactions, from and to countries or geographic areas identified by credible sources;
  - as having significant levels of corruption, or other criminal activity
  - as providing funding or support for terrorism activities
  - as associated with the production, processing or marketing of narcotics or other illegal drugs etc.
- xiii) Wire transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements;
- xiv) Wire transfers to or for an individual where information on the originator, or the person on whose behalf the transaction is conducted, is not provided with the wire transfer, when the inclusion of such information would be expected;

- xv) Use of multiple personal and business accounts or the accounts of non-profit organizations or charities to collect and then funnel funds immediately or after a short time to a small number of foreign beneficiaries.
- xvi) Customer who generally use credit cards/store value cards out of their defined geographical location or locations prone to money laundering and terrorist financing.

#### **5. Transactions involving unidentified parties**

- i) Provision of collateral by way of pledge or guarantee without any discernible plausible reason by third parties unknown to the bank and who have no identifiable close relationship with the customer;
- ii) Transfer of money to another bank without indication of the beneficiary;
- iii) Payment orders with inaccurate information concerning the person placing the orders;
- iv) Use of pseudonyms or numbered accounts for effecting commercial transactions by enterprises active in trade and industry;
- v) Customer's holding in trust of shares in an unlisted company whose activities cannot be ascertained by the bank;
- vi) Customers who wish to maintain a number of trustee or clients' accounts that do not appear consistent with their type of business, including transactions that involve nominee names.

#### **6. Other suspicious accounts or customers**

- i) Large sums deposited through cheques or otherwise in newly opened accounts which may be suspicious;
- ii) The customers who are reluctant to provide minimal information or provide false or misleading information or, when applying to open an account, provide information that is difficult or expensive for the bank to verify;
- iii) An account opened in the name of a moneychanger that receives structured deposits;
- iv) Customers whose deposits contain counterfeit notes or forged instruments;
- v) An account operated in the name of an offshore company with structured movement of funds;
- vi) Accounts that receive relevant periodical deposits and are dormant at other periods. These accounts are then used in creating a legitimate appearing financial background through which additional fraudulent activities may be carried out;
- vii) A dormant account containing a minimal sum suddenly receives a deposit or series of deposits followed by daily cash withdrawals that continue until the sum so received has been removed;
- viii) An account for which several persons have signature authority, yet these persons appear to have no relation among each other (either family ties or business relationship);
- ix) An account opened by a legal entity or an organization that has the same address as other legal entities or organizations but for which the same person or persons have signature authority, when there is no apparent economic or legal reason for such an

- arrangement (for example, individuals serving as company directors for multiple companies headquartered at the same location, etc.)
- x) An account opened in the name of a recently formed legal entity and in which a higher than expected level of deposits are made in comparison with the income of the promoter of the entity;
  - xi) An account opened in the name of a legal entity that is believed to be involved in the activities of an association or foundation whose aims are related to the claims or demands of a terrorism organization;
  - xii) An account opened in the name of a legal entity, a foundation or an association, which may be linked to a terrorism organization and that shows movements of funds above the expected level of income;
  - xiii) Shared address for individuals involved in cash transactions, particularly when the address is also a business location and/or does not seem to correspond to the stated occupation (for example student, unemployed, self-employed, etc.);
  - xiv) Stated occupation of the customer is not commensurate with the level or type of activity (for example, a student or an unemployed individual who receives or sends large numbers of wire transfers, or who makes daily maximum cash withdrawals at multiple locations over a wide geographic area);
  - xv) Regarding non-profit or charitable organizations, financial transactions for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organization and the other parties in the transaction;
  - xvi) A safe deposit box is opened on behalf of a commercial entity when the business activity of the customer is unknown or such activity does not appear to justify the use of a safe deposit box;
  - xvii) Safe deposit boxes are used by individuals who do not reside or work in the institution's service area despite the availability of such services at an institution closer to them;
  - xviii) Unexplained inconsistencies arising from the process of identifying or verifying the customer (for example, regarding previous or current country of residence, country of issue of the passport, countries visited according to the passport, and documents furnished to confirm name, address and date of birth);
  - xix) Official embassy business is conducted through personal accounts.
  - xx) Large deposits on pretext of transfer/disposition of property.
  - xxi) Frequent and unusual advance payments against imports.

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