



**ANTI-MONEY LAUNDERING/  
COMBATING THE FINANCING  
TERRORISM GUIDELINE**

**For**

**Financial Institutions Licensed**

**Under**

**The Financial Institutions Act, Cap. 324A**

**And**

**The International Financial Services Act,  
Cap. 325**

Central Bank of Barbados  
In Conjunction with the Anti-Money Laundering Authority

Revised: December 2016



**AML/CFT GUIDELINE**  
**ISSUED BY THE**  
**CENTRAL BANK OF BARBADOS**  
**IN CONJUNCTION WITH THE ANTI-MONEY LAUNDERING AUTHORITY**  
**DECEMBER 2016**

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## **ANTI-MONEY LAUNDERING/COMBATING TERRORIST FINANCING**

### **1.0 INTRODUCTION**

1. The global threats of money laundering, and the financing of terrorism and proliferation of weapons of mass destruction have led financial sector regulators and financial institutions to strengthen their vigilance in support of the efforts of governments to counter these threats and to minimise the possibility that their jurisdictions or institutions becoming involved. Effective enforcement of policies to deter money laundering, and the financing of terrorism and proliferation of weapons of mass destruction, should, inter alia, enhance the integrity of the financial system and reduce incentives for the commission of crime within the jurisdiction.

2. The Central Bank of Barbados (Bank), in furtherance of its responsibility for the regulation and supervision of licensees under the Financial Institutions Act Cap 324A (FIA) and the International Financial Services Act Cap 325 (IFSA), has issued several revisions to its AML/CFT Guideline to licensees on how they can fulfil their obligations in relation to the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (MLFTA).

3. This revised Guideline is being issued in conjunction with the Anti-Money Laundering Authority (Authority) pursuant to its powers under Section 26 of MLFTA and is updated to reflect the changes in local legislation, including the MLFTA, as well as the FATF Recommendations. The definitions appearing in the MLFTA apply *mutatis mutandis* to the Guideline.

4. The development and implementation of effective customer due diligence systems and monitoring mechanisms are essential to help combat money laundering and the financing of terrorism and proliferation. This Guideline sets out the expectations of the Bank and the Authority in relation to the minimum standards for anti-money laundering and the combating of the financing of terrorism & proliferation (AML/CFT) practices by all licensees and, together with the MLFTA, it will form an integral part of the framework used by the Bank in assessing how licensees implement their AML/CFT policies.

5. Section 22 of the MLFTA obligates all licensees to comply with this Guideline. The Guideline contains both advisory and obligatory requirements. Advisory matters are expressed by way of the phrase “the licensee or licensees may” and financial institutions are permitted to implement alternative but effective measures in these circumstances. Mandatory requirements are expressed using the phrase “the licensee or licensees should”. Administrative sanctions for non-compliance with the Guideline are found at Section 34 of the Act.



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## **2.0 APPLICATION**

6. This Guideline<sup>1</sup> applies to all entities that are licensed under the FIA and IFSA. Licensees (including parent companies or financial holding companies for banking groups) should ensure that, at a minimum, this Guideline is also implemented in their branches and majority-owned subsidiaries abroad and, where permitted in the host country, ensure that those operations apply the higher of local and host standards. Licensees should inform the Bank and the Authority if the host laws and regulations prohibit the implementation of this Guideline; and take appropriate additional measures to address the ML/FT risks.

7. While other financial sector regulators have issued their own guidance notes to their sectors (**See Appendix 1**), the Bank recognises that other persons and entities may also be vulnerable to money laundering and the financing of terrorism and proliferation. These persons and entities interface directly with licensees. It is recommended that they consider the issues embodied in this Guideline and, to this end, they may also avail themselves of the relevant portions of this Guideline.

## **3.0 MONEY LAUNDERING AND FINANCING OF TERRORISM & PROLIFERATION**

### **3.1 Money Laundering**

8. Money laundering has been defined as the act or attempted act to disguise the source of money or assets derived from criminal activity. It is the effort to transform “dirty” money, into “clean” money. The money laundering process often involves:

- i. The **placement** of the proceeds of crime into the financial system, sometimes by techniques such as structuring currency deposits in amounts to evade reporting requirements or co-mingling currency deposits of legal and illegal enterprises;
- ii. The **layering** of these proceeds by moving them around the financial system, often in a complex series of transactions to create confusion and complicate the paper trail; and
- iii. **Integrating** the funds into the financial and business system so that they appear as legitimate funds or assets.

### **3.2 Financing of Terrorism**

9. Terrorism is the act of seeking for political, religious or ideological reasons to intimidate or compel others to act in a specified manner. A successful terrorist group, much like a criminal organization, is generally able to obtain sources of funding and develop means of obscuring the links between those sources and the uses of the funds. While the sums needed are not always large and the associated transactions are not necessarily complex, terrorists need to ensure

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<sup>1</sup> For the purposes of this Guideline, general references to money laundering should be interpreted as references to money laundering and/or the financing of terrorism.



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that funds are available to purchase the goods or services needed to commit terrorist acts. In some cases, persons accused of terrorism may commit crimes to finance their activities and hence transactions related to terrorist financing may resemble money laundering.

### **3.3 Financing of Proliferation (FAP)**

10. The FATF working definition of FAP “refers to the act of providing funds or financial services which are 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”<sup>2</sup>. The FATF Recommendations places obligations on countries as it relates to FOP in the context of national cooperation and coordination (Recommendation 2), and targeted financial sanctions related to proliferation (Recommendation 7). The latter is applicable to all UNSCRs applying targeted financial sanctions relating to the financing of proliferation of weapons of mass destruction. The Bank’s role is to safeguard against access to financing by individuals and entities who may be involved in or supporting such proliferation.

### **4.0 INTERNATIONAL INITIATIVES**

11. The **FATF Forty Recommendations** were revised in February 2012, and renamed the **International Standards on Combating Money laundering and the Financing of Terrorism & Proliferation – The FATF Recommendations**. The Recommendations were since updated in February 2013 R.37 & R.40 (mutual legal assistance and other forms of international cooperation); October 2015 (Interpretative Note to R.5 on foreign terrorist fighters); June 2016 (R.8 and its Interpretative Note on non-profit organizations); and October 2016 (Interpretative Note to R.5 on terrorist financing offence). The FATF normally issues Guidance and Best Practices Papers to assist countries in implementing the Recommendations. The growing body of work includes Guidance on **Data & Statistics; Abuse of Non-Profit Organizations; Transparency and Beneficial Ownership; Politically Exposed Persons; Risk Based Approach to Prepaid Card, Mobile Payments and Internet-Based Payment Services; and Risk-Based Approach to Combatting Money Laundering and Terrorist Financing**. Additionally, Principle 29 of the September 2012 revised Basel Committee (Basel) Core Principles for Effective Banking Supervision, requires a bank to have adequate policies and processes, including strict customer due diligence rules to promote high ethical and professional standards in the financial sector and prevent the bank from being used, intentionally or unintentionally, for criminal activities. Financial institutions should keep abreast of developments in the international standard and refine their programmes accordingly.

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<sup>2</sup> FATF 2012 Best Practices Paper to Recommendation 2: Information Sharing and Exchange Related to Financing of Proliferation, among Relevant Authorities at the Domestic Level.



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12. Other useful references are provided in **Appendix 2** of the Guideline as well as the Annexes in FATF Guidance documents.

## **5.0 LEGISLATIVE AND REGULATORY FRAMEWORK**

13. The Government of Barbados has enacted several pieces of legislation aimed at preventing and detecting drug trafficking, money laundering, terrorist financing and other serious crimes. These include:

- Drug Abuse (Prevention and Control) Act, 1990-14, Cap.131;
- Drug Abuse (Amendment) (Prevention and Control) Act;
- Proceeds of Crime Act, 1990-13, Cap.143;
- Mutual Assistance in Criminal Matters Act, Cap.140A;
- Anti-Terrorism Act, 2002-6 Cap. 158;
- Anti-Terrorism (Amendment) Act, 2015;
- Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23; and
- Criminal Assets Recovery Fund Act, 2016.

14. The MLFTA indicates that a financial institution engages in money laundering if it fails to take reasonable steps to implement or apply procedures to control or combat money laundering and it confers responsibility for the supervision of financial institutions<sup>3</sup> to the Authority, which was established in August 2000. A Financial Intelligence Unit has been established to carry out the Authority's supervisory function over financial institutions. As the operational arm of the Authority, its responsibilities, inter alia, include:

- i. Receiving suspicious or unusual transactions reports from financial institutions;
- ii. Investigating suspicious or unusual transactions reports;
- iii. Instructing financial institutions to take steps that would facilitate an investigation; and
- iv. Providing training to financial institutions in respect of record keeping obligations and reporting obligations under the MLFTA.

15. Where a licensee is uncertain about how to treat an unusual or suspicious transaction, it is strongly urged to speak directly to the FIU for preliminary guidance and then make a report as appropriate. Where the FIU believes on reasonable grounds that a transaction involves the proceeds of crime, the FIU will send a report for further investigation to the Commissioner of Police.

16. The Bank, the supervisory and regulatory agency for institutions licensed under the FIA and IFSA, assesses these licensees' AML/CFT framework and compliance with the MLFTA through

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<sup>3</sup> Offences and penalties under the MLFTA are set out in **Appendix 3**.



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periodic onsite inspections and on-going offsite monitoring. Where deficiencies are identified in policy framework or operations of the control framework for managing the licensee's AML/CFT programme, the Bank will agree with the licensee on a time period to address the shortcomings. However, if the Bank is concerned by the seriousness of non-compliance and/or the lack of responsiveness to previous findings, the Bank may enforce its powers under Section 11(1)(d) of the FIA, Section 15(1)(c) of the IFSA; or Sections 33 to 36 of the MLFTA (See Section 37).

17. In addition, the Bank is required by law to provide any information that it has in its possession, which the FIU deems useful for an investigation that is being conducted for the purposes of the MLFTA.

18. From time to time, the Bank, in conjunction with the AMLA, will amend this Guideline but licensees should, as part of their risk management practices, stay current with emerging developments as they relate to AML/CFT and upgrade their AML/CFT programme where necessary.

## **6.0 THE ROLE OF THE BOARD AND SENIOR MANAGEMENT**

19. Licensees must see AML/CFT as part of their overall risk management strategy. Money laundering and terrorist financing expose a licensee to transaction, compliance and reputation risk. For financial institutions convicted of money laundering or terrorist financing, there are considerable costs. Therefore, licensees should establish an effective AML/CFT programme that minimises these risks and potential costs.

20. The Board of Directors has ultimate responsibility for the effectiveness of the licensee's AML/CFT framework. Section 5(2)(b) of the MLFTA establishes that a financial institutions engages in money laundering where the financial institution fails to take reasonable steps to implement or apply procedures to control or combat money laundering. The Board has an oversight role designed to ensure inter alia that there is compliance with all the relevant laws and regulations and international standards. Such compliance should assist in the detection of suspicious transactions and permit the creation of an audit trail if an investigation is deemed necessary.

21. Directors and senior management should be aware that:

1. The use of a group wide policy does not absolve directors of their responsibility to ensure that the policy is appropriate for the licensee and compliant with Barbadian law, regulations and guidelines. Failure to ensure compliance by the licensee with the requirements of the MLFTA may result in significant penalties for directors and the licensee **(See Appendix 3)**;



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2. Licensees that are parent companies or financial holding companies for banking groups should implement group-wide AML/CFT programmes that encompass branches and majority owned subsidiaries. Such programmes should include:

- a. Policies and procedures for sharing information required for the purposes of CDD and ML/FT risk management;
- b. The provision, at group-level compliance, audit, and/or AML/CFT functions, of a customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes; and
- c. Adequate safeguards on the confidentiality and use of information exchanged.

3. Majority owned subsidiaries and branches of licensees including those domiciled outside of Barbados are expected to, at a minimum, comply with the requirements of Barbados MLFTA and this Guideline; and

4. Where some of licensee's operational functions are outsourced, the licensee retains full responsibility for compliance with local laws, regulations and guidelines.

22. Directors should therefore demonstrate their commitment to an effective AML/CFT programme by:

- a. Understanding the statutory duties placed upon them, their staff and the entity itself;
- b. Approving AML/CFT policies and procedures that are appropriate for the risks faced by the licensee. Evidence of consideration and approval of these policies should be reflected in the board minutes;
- c. Appointing an individual within the organisation for ensuring that the licensee's AML/CFT procedures are being managed effectively; and
- d. Seeking assurance that the licensee is in compliance with its statutory responsibilities as it relates to AML/CFT. This includes reviewing the reports from Compliance on the operations and effectiveness of compliance systems. See Section 9.0.

23. Senior management is responsible for the development of sound risk management programmes and for keeping directors adequately informed about these programmes and their effectiveness. These programmes should be designed to permit a sound knowledge of a customer's business and pattern of financial transactions and commitments. Licensees should formally documented policies, which at a minimum, irrespective of whether the licensee receives funds from third parties or not, should provide for:

- i. The development of internal policies, procedures and controls for inter alia:
  - a. The opening of customer accounts and verification of customer identity;
  - b. Establishing business relations with third parties (including custodians, fund managers, correspondent banks, business introducers);



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- c. Determining business relationships and transactions that the licensee will not accept [also see Section 7.4.9(vi)];
    - d. The timely detection of unusual and suspicious transactions, and reporting to the Authority;
    - e. Internal reporting; and
    - f. Record retention.
  - ii. The recruitment of a level of staff, appropriate to the nature and size of the business, to carry out identification, and research of unusual transactions and reporting of suspicious activities;
  - iii. An on-going training programme designed to ensure adherence by employees to the legal and internal procedures, and familiarity with the dangers they and the business entity face and on how their job responsibilities can encounter specified money laundering and terrorist financing risks;
  - iv. Designation of a compliance officer at an appropriate level of authority, seniority and independence to coordinate and monitor the compliance program, receive internal reports and issue suspicious transaction reports to the Authority; See Sections 20 and 23 of the MLFTA.
  - v. Establishment of management information/reporting systems to facilitate aggregate and group wide monitoring;
  - vi. An effective independent risk-based oversight function to test and evaluate the compliance program; and
  - vii. Screening procedures for hiring, and on-going systems to promote high ethical and professional standards to prevent the licensee from being used for criminal activity.
24. Policies should be periodically reviewed for consistency with the business model, product and service offering, and the licensee's risk appetite. Special attention should be paid to new and developing technologies. In this regard, licensees should (a) identify and assess ML/FT risks arising from new products/services and delivery channels; new business practices and new or developing technologies for new and existing products and (b) manage and mitigate such risks. Risk assessments should take place prior to the launch or use of such products/services, channel, business practices and technologies.

### **6.1 Risk-Based Approach<sup>4</sup>**

25. The Bank recognises the diversity of the institutions it regulates and it will seek to establish that, overall, processes appropriate to institutions are in place and operating effectively. All licensees should therefore design an AML/CFT framework that satisfies the needs of their institution, taking into account inter alia:

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<sup>4</sup> In keeping with The FATF Recommendations, examples are not mandatory elements of the standards and are included for guidance only. The examples are not intended to be comprehensive, and although they are considered to be helpful indicators, they may not be relevant in all circumstances.



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- i. The nature and scale of the business;
- ii. The complexity, volume and size of transactions;
- iii. The degree of risk associated with each area of operation;
- iv. Type of customer (e.g. whether ownership is highly complex, whether the customer is a PEP, whether the customer's employment income supports account activity, whether customer is known to other members of the financial group);
- v. Type of product/service (e.g. whether private banking, one-off transaction, mortgage);
- vi. Delivery channels (e.g. whether internet banking, wire transfers to third parties, remote cash withdrawals);
- vii. Geographical area (e.g. whether business is conducted in or through jurisdictions with high levels of drug trafficking or corruption, whether the customer is subject to regulatory or public disclosure requirements);
- viii. The internal audit and regulatory findings; and
- ix. Value of customer accounts and frequency of transactions.

Licensees should also observe higher/lower risks identified in risk assessments undertaken by the Bank or in a national risk assessment and take appropriate enhanced or simplified measures.

26. In keeping with Section 17 of the MLFTA, licensees should apply customer due diligence standards on a risk sensitive basis depending on the type of customer, business relationship or transaction. Reduced due diligence is acceptable for example, where information on the identity of the customer or beneficial owner is publicly available or where checks and controls exist elsewhere in national systems. Alternatively, licensees should apply enhanced due diligence to customers (Section 7.4) where the risk of being used for money laundering or terrorist financing is high.

27. Licensees should document a risk-based approach in their AML/CFT programmes. This approach requires an assessment of the risk posed by the nature of the business and the implementation of appropriate mitigation measures, while maintaining an overall effective programme. Risk should be assessed in relation to the customer base, products and services, delivery channels and geographic areas and ratings (e.g. low, medium, high) identified along with assigned actions for each rating type. As part of this exercise, licensees should consider risk variables, either singly or in combination, which may increase or decrease the potential risk posed, thus impacting the appropriate level of CDD measures. Examples of such variables include:

- a. The purpose of an account or relationship.
- b. The level of assets to be deposited by a customer or the size of transactions undertaken.
- c. The regularity or duration of the business relationship.



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28. While each licensee will determine the number and name of risk categories, the fundamental issue is for the adoption of reasonable criteria for assessing risks. In addition to “Red Flags” appended to this Guideline, typologies of money laundering and terrorist financing schemes are available<sup>5</sup> to assist in risk categorisation.

29. Licensees should ensure that systems are in place to periodically test the accuracy of the assignment of the customer base to risk categories and that the requisite due diligence is being followed. In addition, licensees should periodically review their risk categories as typologies evolve on practices by money launderers and terrorists.

## **7.0 CUSTOMER DUE DILIGENCE**

30. Customer due diligence is an essential element of the effort to prevent the financial system from being used to perpetrate money laundering and terrorist financing. Licensees are ultimately responsible for verifying the identity of their customers. In this regard, licensees should not accept anonymous accounts or accounts in fictitious names. If licensees maintain numbered accounts, they should ensure compliance with this Guideline.

31. As part of their due diligence process, licensees should:

- 1) Establish procedures for obtaining identification information on new customers so as to be satisfied that a prospective customer is who he claims to be;
- 2) Use reasonable measures to verify and adequately document the identity of the customer or account holder at the outset<sup>6</sup> of a business relationship. This process should include, where appropriate:
  - A. Taking reasonable measures to understand the ownership and control structure of the customer;
  - B. Obtaining reliable, data or information from an independent source on the purpose and intended nature of the business relationship, the source of funds, and source of wealth, where applicable; and
  - C. Discontinuing the transaction, if customer documentation information is not forthcoming at the outset of the relationship.
- 3) Employ enhanced due diligence procedures for high risk customers or transactions (Section 7.4);

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<sup>5</sup> For example, [www.fatf-gafi.org](http://www.fatf-gafi.org).

<sup>6</sup> For the purpose of this Guideline, the outset of the relationship is the earlier of acceptance of the signed application / proposal, or the first receipt of funds from the customer.



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- 4) Update identification records, on a risk-focussed basis, to ensure that all existing customer records are current and valid and conform to any new requirements (Section 7.6);
- 5) Monitor account activity throughout the life of the business relationship in accordance with Section 16 of the MLFTA; and
- 6) Review the existing records if there is a material change in how the account is operated or if there are doubts about previously obtained customer identification data.

32. For the purposes of this Guideline, the licensee should seek to identify the customer and all those who exercise control over the account / business arrangement. A customer includes:

- i) A person or entity that maintains an account with the licensee;
- ii) A person or entity on whose behalf an account is maintained i.e. beneficial owner. Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

Reference to “ultimately owns or controls” and “ultimate effective control” refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control.

33. There may be doubt as to the natural person(s) with controlling ownership interest; or there is no natural person(s) exerting control through ownership interests. In such cases, the licensee should identify those natural person(s) exercising control of the legal person or legal arrangement through other means. Where no natural person is identified by the aforementioned, the licensee should identify the relevant natural persons in senior managing positions or those exercising ultimate effective control over legal persons and arrangements, respectively.

- a. The beneficiaries of business transactions conducted by professional intermediaries such as lawyers, accountants, notaries, business introducers or any other professional service providers; or
- b. Any person or entity connected with a business transaction that can pose a significant risk to the licensee, including persons establishing business arrangements, purporting to act on behalf of a customer or conducting business transactions such as, but not limited to:
  - Opening of deposit accounts;
  - Entering into fiduciary transactions;
  - Renting safe-deposit boxes;
  - Requesting safe custody facilities; and
  - Occasional transactions exceeding thresholds as discussed below or linked transactions under this benchmark, and all occasional wire transfers.



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34. Section 2 of the MLFTA defines an occasional transaction as a financial or other relevant transaction other than one that is conducted or to be conducted in the course of an existing business arrangement and includes a wire transfer. An occasional transaction may also include:

- a. Encashment of cheques drawn on the licensee;
- b. Exchange of coins for cash;
- c. Purchase of foreign currency for holiday travel; and
- d. Currency exchanges e.g. bureau de change and cambios.

35. Licensees should undertake due diligence on, inter alia:

- Occasional wire transfers over BDS\$2,000 or its equivalent in foreign currency; and
- All currency exchange transactions over BDS\$2000 or its equivalent in foreign currency.

36. The extent of identity information and verification of occasional transactions below these thresholds<sup>7</sup> is dependent on the materiality of the transaction and the degree of suspicion.

37. At a minimum, a licensee should:

- A. Identify and verify<sup>8</sup> the persons conducting occasional transactions below the threshold cited above. (See Section 7.4.9 on wire/funds transfers);
- B. Maintain an effective system to monitor for abuse of occasional transactions; and
- C. Establish clear instructions for the timely reporting of unusual and suspicious occasional transactions.

38. In effecting the due diligence process, licensees should:

- i. Whenever possible, require prospective customers to be interviewed in person. Exceptions to this are outlined in Sections 7.4.3 and 7.4.4;
- ii. In verifying customer identity, use independent official or other reliable source documents, data or information to verify the identity of the beneficial owner prior to opening the account or establishing the business relationship. Identification documents which do not bear a photograph or signature and which are easily obtainable (e.g. birth certificate) are not acceptable as the sole means of identification. Customer identity can be verified using a combination of methods such as those listed at **Appendix 4**. Verification may involve the use of external electronic databases;

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<sup>7</sup> See Section 8.0 for discussion on profiling and business transaction limits.

<sup>8</sup> At a minimum, identification information should consist of the customer's name and address, which is verified by valid photo-bearing ID with a unique identifier.



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- iii. In instances where original documents are not available, only accept copies that are certified by an approved person. See **Appendix 5**. Approved persons should print their name clearly, indicate their position or capacity together with a contact address and phone number;
- iv. If the documents are unfamiliar, take additional measures to verify that they are genuine e.g. contacting the relevant authorities; and
- v. Determine through a risk analysis of the type of applicant and the expected size and activity of the account, the extent and nature of the information required to open an account. Examples of documentation for different types of customers are set out in Sections 7.1 to 7.5.

39. Generally, licensees should not accept funds from prospective customers unless the necessary verification has been completed. In exceptional circumstances, where it would be essential not to interrupt the normal conduct of business (e.g. non face-to-face business and securities transactions), verification may be completed after establishment of the business relationship. However, a reasonably timeline for completing the verification process should be established. Should this be determined to be an acceptable risk, licensees should adopt risk management procedures with respect to the conditions under which a customer may utilise the business relationship prior to verification.<sup>9</sup> If the requirements are not met, and it is determined that the circumstances give rise to suspicion, the licensee should make a report to the Authority (See Section 8).

40. Where there is a suspicion that a transaction relates to money laundering or the financing of terrorism, licensees should be cognizant of tipping off a customer when conducting due diligence. The licensee should make a business decision whether to open the account or execute the transaction as the case may be, but a suspicious report should be submitted to the Authority.

## **7.1 Personal Customer**

41. A licensee should obtain relevant information on the identity of its customer and seek to verify some of the information on a risk basis, through the use of reliable, independent source documents, data or information to prove to its satisfaction that the individual is who that individual claims to be. See Section 2 of the MLFTA. The basic information should include:

- a. True name and permanent residential address;
- b. Valid photo-bearing identification, with unique identifier, (e.g. passport, national identification card, driver's licence);
- c. Date and place of birth and nationality (if dual, should be indicated);

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<sup>9</sup> Procedures should include a set of measures such as a limitation of the number, types and/or amount of transactions that can be performed and the monitoring of large or complex transactions being carried out outside of expected norms for that type of relationship.



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- d. Occupation and business or principal activity;
- e. Contact details e.g. telephone number, fax number and e-mail address;
- f. Purpose of the account; and
- g. Signature.

42. In addition, the licensee may obtain any other information deemed appropriate and relevant e.g. source of funds and estimated account turnover.

43. The licensee should determine the degree of verification to be undertaken on a risk basis. In some instances, verification may be satisfied by maintaining current photo-bearing identification with a unique identifier (e.g. passport, national identification card).

44. Where a customer is unable to produce original documentation needed for identification or verification, copies should be accepted if certified by persons listed in **Appendix 5**.

#### **7.1.1 Unavailability of Identity Documents**

45. There may be circumstances where some types of customers are unable to supply the identity documents at Section 7.1. Such customers include the elderly, the disabled, students, minors and individuals dependent on the care of others. Licensees may determine what alternate identity documentation to accept and verification to employ. Where applicable, the following should be among documentation obtained:

- a) A letter or statement from a person listed at **Appendix 5** that the person is who he/she states;
- b) Confirmation of identity from another regulated institution in a jurisdiction with equivalent standards;
- c) Confirmation(s) from the student's workplace, school, college or university; and
- d) Identity information on the adult opening the account, and a birth certificate, or national registration card for the account holder.

#### **7.2 Corporate Customer**

46. To satisfy itself as to the identity of the customer, the licensee should obtain:

- a. Name of corporate entity;
- b. Principal place of business and registered office;
- c. Mailing address;
- d. Contact telephone and fax numbers;



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- e. Identity information (See Section 7.1) on the beneficial owners of the entity. This information should extend to identifying those natural person(s) who ultimately own and control the company and should include anyone who is giving instructions to the licensee to act on behalf of the company. However,
  - i. If the company is publicly listed on a recognised stock exchange and not subject to effective control by a small group of individuals, identification on shareholders is not required; and
  - ii. If the company is a private, identity should be sought on persons with a minimum of 10% shareholding.
- f. Identity information (See Section 7.1) on directors and officers who exercise effective control over the business and are in a position to override internal procedures / control mechanisms and, in the case of bank accounts, the signatories to the account. This is particularly necessary where no natural person is identified (see Section 7.0 ii and bullet e above);
- g. Description and nature of business;
- h. Purpose of the account, source of funds and the estimated account activity;
- i. Certified copy of the certificate of incorporation, organisation, registration or continuance, as the case may be, or any other certificate that is evidence of the creation, registration or continuance of the body corporate, society or other legal person as such, officially authenticated where the body corporate, society or other legal person was created in another country;
- j. By-laws and any other relevant documents, and any amendments thereto, filed with the Registrar of Corporate Affairs and Intellectual Property, the Registrar of Co-operatives or the Registrar of Friendly Societies, as the case may be;
- k. Board resolution authorising the opening of the account and conferring authority on signatories to the account; and
- l. Recent financial information or audited statements.

47. In addition, the licensee may obtain any other information deemed appropriate. For example, where it is deemed necessary, a licensee may also request the financial statements of parent or affiliate companies, or seek evidence that the entity is not in the process of being dissolved or wound-up. It should request this information, particularly for non-resident companies, where the corporate customer has no known track record or it relies on established affiliates for funding.

### **7.3 Partnership/Unincorporated Business**

48. Partnerships and unincorporated businesses should meet the relevant requirements set out in Section 7.1. The licensee should identify each partner as well as immediate family members with ownership control. In addition to providing the identification documentation for partners/controllers and authorised signatories, where a formal partnership arrangement exists, the licensee may obtain a mandate from the partnership authorising the opening of an account.



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## **7.4 Enhanced Due Diligence**

49. A licensee may determine that a customer is high risk because of the customer's business activity, ownership structure, nationality, residence status, anticipated or actual volume and types of transactions. A licensee should be wary of doing business with persons from countries where, for example, it is believed that there is a high level of drug trafficking or corruption and greater care may be needed in establishing and maintaining the relationship or accepting documentation from such countries. Licensees should observe the Public Statements issued by the FATF and CFATF as it relates to business relationships and transactions with natural and legal persons, and financial institutions from listed countries.

50. Regarding the policy framework, the licensee should therefore include a description of the types of customers that are likely to pose a higher than average risk and procedures for dealing with such applications. High-risk customers should be approved by senior management and stringent documentation, verification and transaction monitoring procedures should be established. Applying a risk-based approach, enhanced due diligence for high risk accounts may include, where deemed relevant, and with more frequency than applied for low risk customers:

- a) An evaluation of the principals;
- b) A review of current financial statements;
- c) Verification of the source of funds;
- d) Verification of source of wealth;
- e) The conduct of reference checks;
- f) Checks of electronic databases;
- g) Review of relevant country assessment reports; and
- h) Periodic reporting to the Board about high risk accounts.

51. Types of situations requiring enhanced due diligence include, but are not limited to, the below:

### **7.4.1 Trust Clients & Other Legal Arrangements**

52. Licensees should take reasonable measures to obtain information about the true identity of the persons on whose behalf an account is opened or a transaction is conducted. This applies especially if there are any doubts as to whether or not these clients or customers are acting on their own behalf.

53. At a minimum, the licensee should obtain the following<sup>10</sup>: -

- a. Name of trust;

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<sup>10</sup> These minimum requirements apply whether the licensee is a named trustee or is providing services to a trust.



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- b. Nature / type of trust;
- c. Country of establishment;
- d. Identity of the trustee(s), settlor(s), protector(s)/controller(s) or similar person holding power to appoint or remove the trustee and where possible the names or classes of beneficiaries;
- e. Identity of person(s) with powers to add beneficiaries, where applicable; Identity of the person providing the funds, if not the ultimate settlor; and
- f. Any other natural person exercising effective control over the trust (including through a chain of control/ownership).

For any other types of legal arrangements, the identity of persons in equivalent or similar positions.

54. Depending on the type or nature of the trust, it may be impractical to obtain all of the above at the onset of the relationship e.g. unborn beneficiaries. In such cases, discretion should be exercised and documented in a manner consistent with the requirements in this Guideline. In all circumstances, the licensee should verify beneficiaries before the first distribution of assets. Further, licensees should verify protectors/controllers the earlier of the first instance of exercise of power conferred by the trust instrument or the issue of instruction to an advisor to provide advice.

55. Ongoing due diligence should be applied in the context of changes in any of the parties to the trust, revision of the trust, addition of funds, investment of trust funds or distribution of trust assets/provision of benefits out of trust assets.

56. Verification of the identity of the trust is satisfied by obtaining a copy of the creating instrument and other amending or supplementing instruments.

57. Licensees should inform the Bank and the FIU when applicable laws and regulations in the domicile where trusts are established, prohibit the implementation of this Guideline.

#### **7.4.2 Non-Profit Organisations (NPOs)**

58. The FATF has adopted a functional definition of a NPO based on those activities and characteristics of an organisation which put it at risk of terrorist financing abuse, rather than on the simple fact that it is operating on a non-profit basis. Consequently, a NPO is defined as a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”. NPOs differ in size, income, structure, legal status, membership and scope. NPOs can range from large regional, national or international charities to community-based self-help groups. They also include research institutes, churches, clubs, and professional associations. They typically depend in whole or in part on charitable donations and voluntary service for support. NPOs enjoy the public trust,



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have access to considerable sources of funds, and are often cash-intensive. In some cases, terrorist organisations have taken advantage of these and other characteristics to infiltrate some NPOs and misuse funds and operations to cover for, or support, terrorist activity. Licensees should therefore, apply a risk-based approach to NPOs and apply effective and proportionate measures.

59. The FATF further notes that not all NPOs are high risk, and some may represent little or no risk at all. It may be possible that existing measures are sufficient to address the current FT risk to the NPO sector identified in a country, although periodic reviews may identify new or evolved FT risks over time. This is important consideration for financial institutions in their implementation of a risk-based approach. It means that a “one size fits all” approach to all NPOs is not appropriate in how financial institutions manage business relationships with customers who are NPOs. To assess the risk, a licensee should focus inter alia on:

- a. Purpose, ideology or philosophy;
- b. Geographic areas served (including headquarters and operational areas);
- c. Organisational structure;
- d. Donor and volunteer base;
- e. Funding and disbursement criteria (including basic beneficiary information);
- f. Record keeping requirements; and
- g. Its affiliation with other NPOs, Governments or groups.

60. The licensee should also include the following in the identity records:

- 1) Evidence of registration of the home and local operation, where applicable;
- 2) Identity of all signatories to the account; and
- 3) Identity of board members and trustees, where applicable.

61. As part of the verification process, licensees should confirm that the organisation is registered under the appropriate laws and with the tax authorities and should carry out due diligence against publicly available terrorist lists. As part of ongoing monitoring activity, licensees should examine whether funds are being sent to high-risk countries. Licensees should bear in mind that there is legitimate and important NPO activity in high risk areas and conflict zones, occasioned by the difficulty of providing assistance to those in need.

### **7.4.3 Non Face-to-Face Customers**

62. The rapid growth of financial business by electronic means increases the scope for non-face-to-face business and increases the risk of criminal access to the financial system. Customers may use the internet, the mail service or alternative means because of their convenience or because they wish to avoid face-to-face contact. Consequently, licensees should pay special attention to risks associated with new and developing technologies. Customers may complete applications but licensees should satisfy the requirements in this section before establishing a business relationship.



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63. When accepting business from non-face-to-face customers, in order to prove to its satisfaction that the individual is who that individual claims to be, licensees should:

- A. Obtain documents certified by approved persons listed at **Appendix 5**;
- B. Ensure that all company documents are signed by the Company Secretary;
- C. Request additional documents to complement those which are required for face-to-face customers, including more than one photo bearing ID;
- D. Make independent contact with the customer, for example by telephone on a listed business or other number; and
- E. Request third party introduction e.g. by an introducer as noted in Section 7.4.4.

64. In addition, the licensee may:

- a) Carry out employment checks (where applicable) with the customer's consent through a job letter or verbal confirmation on a listed business or other number;
- b) Require the first payment to be carried out through an account in the customer's name with another bank subject to equivalent customer due diligence standards; and
- c) Obtain any other information deemed appropriate.

65. Where initial checks fail to identify the customer, the licensee should independently confirm and record additional checks. If the prospective customer is required to attend a branch to conduct the first transaction, or to collect account documentation or credit/debit cards, then valid photo bearing identification should be obtained at that time.

66. Where a licensee or its subsidiary initiates transactions in its role as a securities broker or in the sale of mutual funds without establishing face-to-face contact and obtaining all of the relevant documentation, the licensee should make all efforts to obtain such information within a reasonably timeline. In accepting such transactions, licensees should:

- i. Set limits on the number and aggregate value of transactions that can be carried out;
- ii. Indicate to customers that failure to provide the information within the established timeframe, may trigger the termination of the transaction; and
- iii. Consider submitting a suspicious report.

#### **7.4.4 Introduced Business**

67. A licensee may rely on other regulated third parties to introduce new business in whole or in part but the ultimate responsibility remains with the licensee for customer identification and verification. A licensee should:

- a. Document in a written agreement the respective responsibilities of the two parties;
- b. Satisfy itself that the regulated entity or introducer has in place KYC practices at least equivalent to those required by Barbados law and the licensee itself;



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- c. Satisfy itself about the quality and effectiveness of supervision and regulation in the introducer's country of domicile (refer to FATF Recommendations 26, 27 and 28); and satisfy itself that the introducer is regulated, and supervised or monitored for, and has measures in place for compliance with CDD and record-keeping requirements in line with the FATF Recommendations 11;
- d. Obtain copies of the due diligence documentation provided to the introducer prior to the commencement of the business relationship;
- e. Satisfy itself that an introducer continues to conform to the criteria set out above (e.g. conduct periodic reviews);
- f. Consider terminating the relationship where an introducer fails to provide the requisite customer identification and verification documents; and
- g. Consider terminating the relationship with an introducer who is not within the licensee's group, where there are persistent deviations from the written agreement.

68. When a prospective customer is introduced from within a licensee's group, provided the identity of the customer has been verified by the introducing regulated parent company, branch, subsidiary or associate in line with the standards set out in the Guideline, it is not necessary to re-verify the identification documents unless doubts subsequently arise about the veracity of the information. The licensee should however, retain copies of the identification records in accordance with the requirements in the MLFTA. Licensees should obtain written confirmation from a group member confirming completion of verification. **See Appendix 6.**

#### **7.4.5 Professional Service Providers**

69. Professional service providers act as intermediaries between clients and the licensee and they include lawyers, accountants, and other third parties that act as financial liaisons for their clients. When establishing and maintaining relationships with professional service providers, a licensee should:

- i. Adequately assess account risk and monitor the relationship for suspicious or unusual activity;
- ii. Understand the intended use of the account, including the anticipated transaction volume, products and services used, and geographic locations involved in the relationship; and
- iii. Obtain the identity of the beneficial owners<sup>9</sup> of the client funds where it is not satisfied that the intermediary has in place due diligence procedures equivalent to the standard of this Guideline.

70. Where pooled accounts are managed by:

- a. Providers on behalf of entities such as mutual funds and pension funds; or
- b. Lawyers or stockbrokers representing funds held on deposit or in escrow for several

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<sup>11</sup> For example, refer to country assessment reports available on some websites listed in **Appendix 2.**



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individuals, and funds being held are not co-mingled (i.e. there are sub-accounts), the licensee should identify each beneficial owner. Where funds are co-mingled, the licensee should take reasonable measures to identify the beneficial owners. Subject to the Bank's approval, the latter is not required where the provider employs at a minimum, equivalent due diligence standards as set out in this Guideline and has systems and controls to allocate the assets to the relevant beneficiaries. Licensees should apply the criteria at Section 7.4.4 in conducting due diligence on providers.

71. Licensees should observe guidance from the FIU regarding attorney-client accounts.

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

72. Concerns about the abuse of power by public officials for their own enrichment and the associated reputation and legal risks which licensees may face have led to calls for enhanced due diligence on such persons. The FATF categorises PEPs as foreign, domestic, or a person who is or has been entrusted with the prominent function by an international organisation<sup>12</sup>.

73. Financial institutions should, in relation to foreign PEPs (whether as a customer or beneficial owner<sup>12</sup>), in addition to performing normal customer due diligence measures:

- a) Have appropriate risk-management systems to determine whether the customer or the beneficial owner is a politically exposed person;
- b) Obtain senior management approval for establishing (or continuing, for existing customers) such business relationships;
- c) Take reasonable measures to establish the source of wealth and source of funds; and
- d) Conduct enhanced ongoing monitoring of the business relationship.

74. With respect to domestic PEPs or persons who are or have been entrusted with a prominent public function by an international organization, in addition to performing normal customer due diligence measures, financial institutions should:

- a) Take reasonable measures to determine whether a customer or the beneficial owner is such a person; and

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<sup>12</sup> The FATF Recommendations categorises PEPs as follows:

**Foreign PEP** as "individuals who are or have been entrusted with prominent public functions by a foreign country (e.g. Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political parties officials)".

**Domestic PEP** as "individuals who are or have been entrusted domestically with prominent public functions (e.g. Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political parties officials)".

**Persons who are or have been entrusted with the prominent function by an international organisation** refer to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions. The definition of PEP is not intended to cover middle ranking or more junior individuals in the foregoing categories.



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- b) In cases of a higher risk business relationship with such persons, apply the measures referred to in paragraphs (b), (c) and (d) above.

75. However, a domestic PEP is subject to the foreign PEPs requirements if that individual is also a foreign PEP through another prominent public function in another country.

76. The requirements for all types of PEP should also apply to family members or close associates<sup>13</sup> of such PEPs.

#### **7.4.7. Corporate Vehicles**

77. Barbados law prohibits companies from issuing shares in bearer form. Where a licensee decides that companies with nominee shareholders represent an acceptable business risk, they should exercise care in conducting transactions. Licensees should ensure they can identify the beneficial owners of such companies and should immobilise bearer shares as a means of monitoring the identity of such companies by, for example, requiring custody by:

- a. The licensee, or its subsidiary, regulated affiliate, parent or holding company;
- b. A recognized regulated financial institution in a jurisdiction with equivalent AML/CFT standards; and
- c. Requiring the prior approval before shares can be exchanged.

#### **7.4.8 (a) Correspondent Banking**

78. Correspondent banking relates to the provision of banking services by one bank (correspondent) to another bank, usually domiciled overseas (respondent). A correspondent bank processes &/or executes transactions for third parties i.e. customers of respondent banks; and may also engage in trade finance related services, cash clearing, liquidity management and short term borrowing, foreign exchange or investment in a particular currency. Cross border correspondent banking involving third parties may present enhanced risk, however, there is no requirement for a correspondent bank to conduct due diligence on the customers of their customers.

79. The decision to approve a respondent relationship should depend inter alia on the licensee's assessment of all relevant risk factors, including the nature of the counterpart's business, their money laundering and terrorist financing prevention and detection systems and controls, and the quality of bank supervision and regulation in the counterpart's country. Licensees offering cross-border wire or fund transfers should not conduct correspondent and respondent banking relations with shell banks<sup>14</sup>.

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<sup>13</sup> **Family members** are individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership. **Close associates** are individuals who are closely connected to a PEP, either socially or professionally.

<sup>14</sup> A **shell bank** is a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.



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80. Licensees that offer correspondent banking services should conduct due diligence on their respondent banks on a risk basis as well as ongoing due diligence to ensure that CDD information and the risk assessment on the counterpart remain up-to-date. Reduced due diligence is acceptable where the respondent bank is listed on a recognized stock exchange; or is a member of the licensee's own financial group and subject to a group AML/CFT programme and consolidated supervision.

81. Where as a correspondent bank, the licensee has determined the need for enhanced due diligence the licensee obtain the following on the respondent bank:

- a. Information on ownership and governance;
- b. Assessment of the risk profile (consider e.g. the location, nature of major business activities, and whether the bank has been subject to a money laundering or terrorist financing investigation or regulatory action);
- c. Satisfy itself that there is an equivalent AML/CFT programme in place;
- d. Confirm that the respondent does not maintain business relations with shell banks;
- e. Assess of the quality of bank supervision and regulation in the respondent's country; and
- f. Obtain senior management's approval before establishing the relationship.

#### **7.4.8 (b) MVTs Providers**

82. The FATF definition of money or value transfer service (MVTs) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs. Transactions performed by such providers can involve one or more intermediaries and a final payment to a third party, and may include new payment methods.

83. As part of their normal CDD processes, financial institutions should understand the purpose and nature of the intended business relationship e.g. whether the MVTs provider intends to use the account for its own corporate or settlement purposes; or whether it intends to use the account to provide correspondent services to its own customers. In the latter case, where the MVTs provider acts as intermediary for other MVTs providers or is accessing banking or similar services through the account of another MVTs customer, the correspondent bank should consider all of the factors listed above for respondent banks.

84. It is only after considering all relevant risk factors, and on a case by case basis, should a licensee apply enhanced due diligence to a MVTs provider.



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#### **7.4.9 Wire/Funds Transfer**

85. For the purposes of this Guideline, wire transfer and funds transfer refer to any transaction carried out on behalf of an originator<sup>15</sup> person through a licensee by electronic means for availability to a beneficiary person at another financial institution. The originator and beneficiary may be the same person. Beneficiary refers to the natural or legal person or legal arrangement who is identified by the originator as the receiver of the requested wire transfer.

When serving as intermediary or beneficiary financial institutions, licensees should have risk-based policies and procedures which include: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action.

86. The degree of enhanced due diligence depends on the licensee's role in the wire transfer and the size and origin or destination of the funds. These circumstances are set out below:

*For Ordering Financial Institutions:*

- i) The licensee should obtain, retain and verify the full originator information, i.e. the originator's name, account number (or unique identifier where the originator is not an account holder), and address<sup>16</sup> for wire transfers in any amount. Verification of existing customers should be refreshed where there are doubts about previously obtained information.
- ii) The licensee should include in cross-border wire transfers above the BDS\$2,000 threshold full originator and beneficiary information<sup>17</sup>. Batch transfers<sup>18</sup> that include cross-border wire transfers sent by a money/value transfer service provider should be treated as cross-border transfers.
- iii) Where the institution is conducting a domestic transfer above the BDS\$2,000 threshold, the licensee should include full originator information. However, the licensee may send only the originator's account number (or unique identifier) where full originator information can be made available to:
  - a. The receiving financial institution and the Bank within three (3) business days of receipt of a request; and
  - b. Domestic law enforcement authorities upon request.

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<sup>15</sup> The originator is the account holder who allows the wire transfer from that account, or where there is no account, the person (natural or legal) that places the order with the ordering financial institution to perform the wire transfer.

<sup>16</sup> It is permissible to substitute national identity number/customer identity number/date and place of birth.

<sup>17</sup> Beneficiary information should include name of the beneficiary and the beneficiary account number where such an account is used to process the transaction or, in the absence of an account, a unique transaction reference number which permits traceability of the transaction.

<sup>18</sup> In general, only routine wire/funds transfers should be batched.



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- iv) Licensees should observe requirements at bullets i) and ii) above for all cross border wire transfers below BDS\$2,000.
- v) Batch transfers that include cross-border transfers may be treated as domestic wire transfers, provided that the requirements applicable to domestic transfers are met.
- vi) Licensees should not execute wire transfers if the criteria above (i to v) are not met.

*For Intermediary Financial Institutions:*

- vii) The licensee should ensure that all originator and beneficiary information from cross-border transfers of any amount, remain with the related transfers. Where difficulties arise in maintaining this information with a related domestic wire transfer, then all information received from the ordering or other intermediary financial institution should be retained for no less than five years in accordance with Section 18 of the MLFTA.

*For Beneficiary Financial Institutions:*

- viii) For cross border wire transfers of BDS2,000 and above, licensee should verify the identity of the beneficiary, if the identity has not been previously verified. Information should be maintained in accordance with Section 10.

87. The requirements are not applicable to the following types of payments:

- a. Any transfer that flows from a transaction carried out using a credit or debit card so long as the credit or debit card number accompanies all transfers flowing from the transaction. However, when credit or debit cards are used as a payment system to effect a money transfer, the necessary information should be included in the message; and
- b. Financial institution-to-financial institution transfers where both the originator and the beneficiary are financial institutions acting on their own behalf.

88. Where a relationship is deemed high risk e.g. located in a high-risk jurisdiction, further to standard due diligence, a licensee should undertake a more detailed understanding of the:

- i) AML/CFT programme of the respondent bank and its effectiveness;
- ii) Review effectiveness of the respondent's group programme;
- iii) Respondent's owners, director and senior managers; and
- iv) Ownership structure.

## **7.5 Reduced Customer Due Diligence**

89. As discussed in Section 6.1, the licensee's policy document should clearly define the risk categories/approach adopted and associated due diligence, monitoring and other requirements. A licensee may apply reduced due diligence to a customer provided it satisfies itself that the customer is of such a risk level that qualifies for this treatment. Such circumstances are set out below:



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- i) Where an application to conduct business is made by:
  - a. An entity licensed under the IFSA or FIA;
  - b. An entity registered under the Securities Act or the Mutual Funds Act;
  - c. An entity licensed under the Insurance Act or Exempt Insurance Act;
  - d. An entity licensed under the Cooperatives Society Act, Friendly Societies Act or Building Societies Act;
  - e. The Government of Barbados; or
  - f. A statutory body.
- ii) Where there is a transaction or series of transactions taking place in the course of a business relationship, in respect of which the applicant has already produced satisfactory evidence of identity.
- iii) Where an existing customer opens a new account unless the condition described at Section 7.6, sub-item (ii) holds. However, if the source of funds/wealth originates from an external source, or from a country where, for example, it is believed that there is a high level of drug trafficking or corruption, reduced due diligence should not apply.
- iv) Where a licensee acquires the business of another regulated entity, whether in Barbados or elsewhere, and it is satisfied that the due diligence standards of the acquired institution are at least equivalent to that set in this Guideline, it need not re-verify the customers.

90. Licensees should not apply reduced due diligence where there is a suspicion of money laundering or terrorist financing. Further, if the licensee is not satisfied that equivalent standards have been followed or the customer records are not consistent with the requirements of this Guideline, the licensee should seek to identify and verify the identity of customers who do not have existing relationships with the licensee along the lines set out in Section 7.6.

## **7.6 Retrospective Due Diligence**

91. Where the identity information held on existing customers does not comply with the requirements of this Guideline, licensees should develop a risk-based programme for ensuring compliance. Licensees should:

- i. Record their non-compliant business relationships, noting what information or documentation is missing;
- ii. Establish a framework for effecting retrospective due diligence, including the setting of deadlines for the completion of each risk category. The timing of retrofitting can be linked to the occurrence of a significant transaction, a material change in the way that an account is operating, or doubts about previously obtained customer due diligence data; and
- iii. Establish policies for coping with an inability to obtain information and documentation, including terminating the relationship and making a suspicious report.



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92. Where a licensee deems on the basis of risk and materiality, that it is not practical to retrofit a customer (e.g. the settlor has died; the account is inactive or dormant), exemption of such accounts should be approved by the compliance officer and senior management, ratified by the board and documented on the individual's file.

## **8.0 UNUSUAL & SUSPICIOUS TRANSACTIONS**

93. Suspicious transactions are financial transactions that give rise to reasonable grounds to suspect that they are related to the commission of a money laundering or terrorism offence. These transactions may be complex, unusual or large or may represent an unusual pattern. This includes significant transactions relative to the relationship, transactions that exceed prescribed limits or a very high account turnover that is inconsistent with the expected pattern of transactions. In some instances, the origin of the transaction may give rise to suspicion. For examples of "Red Flags" see **Appendix 7**.

94. A pre-requisite to identifying unusual and suspicious activity is the profiling of customers and determination of consistent transaction limits. Unusual transactions are not necessarily suspicious, but they should give rise to further enquiry and analysis. In this regard, licensees should examine, to the extent possible, the background and purpose of transactions that appear to have no apparent economic or visible lawful purpose, irrespective of where they originate.

95. Licensees should develop procedures to assist in the identification of unusual or suspicious activity in all types of business transactions, products and services offered (for example wire transfers, credit/debit cards and ATM transactions, lending, trust services and private banking).

96. A licensee should:

- A. Develop effective manual &/or automated systems to enable staff to monitor, on a solo, consolidated and group-wide basis, transactions undertaken throughout the course of the business relationship and identify activity that is inconsistent with the licensee's knowledge of the customer, their business and risk profile; and
- B. Determine customer specific limits based on an analysis of the risk profile of customers, the volume of transactions and the account turnover. This may give rise to multiple limits and/or aggregate limits on a consolidated basis.

97. Licensees should not grant blanket exemptions and should:

- i. Clearly document their policy for the granting of such exemptions including the qualifying criteria for exemption, officers responsible for preparing and authorizing exemptions, the basis for establishing threshold limits, review of exempt customers and procedures for processing transactions;



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- ii. Maintain authorised exempt lists showing threshold limits established for each qualifying customer; and
- iii. Monitor currency exchanges and international wire transfers.

98. For the purposes of this Guideline, and consistent with Section 2 of the MLFTA, a transaction includes an attempted or aborted transaction.

### **8.1 Internal Reporting Procedures**

99. To facilitate the detection of suspicious transactions, a licensee should:

- i. Require customers to declare the source and/or purpose of funds for business transactions in excess of threshold limits, or such lower amount as the licensee determines, to reasonably ascertain that funds are not the proceeds of criminal activity. **Appendix 8** indicates a specimen of a Declaration Source of Funds (DSOF) form. Where electronic reports are employed instead of the form, they should capture the information included on the Appendix and should be signed by the customer;
- ii. Develop written policies, procedures and processes to provide guidance on the reporting chain and the procedures to follow when identifying and researching unusual transactions and reporting suspicious activities;
- iii. Identify a suitably qualified and experienced person to whom unusual and suspicious reports are channelled. The person should have direct access to the appropriate records to determine the basis for reporting the matter to the Authority (See Section 8.2);
- iv. Require its staff to document in writing their suspicion about a transaction; and
- v. Require documentation of internal enquiries.

### **8.2 External Reporting**

100. Licensees are required by law to report forthwith to the Authority where the identity of the person involved, the transaction or any other circumstance concerning that transaction lead the licensee to have reasonable grounds to suspect that a transaction:

- i) Involves proceeds of crime to which the MLFTA applies;
- ii) Involves the financing of terrorism;
- iii) Is of a suspicious or an unusual nature; or
- iv) Is conducted by, or relates to, a person against whom a terrorist designation order is in force or relates to the property of such a person.

101. In addition, pursuant to the United Nations Resolutions on terrorist financing, licensees should freeze any funds or other assets held for individuals or organisations listed on the UN list of persons connected to terrorism or to a person against whom a terrorist designation order is in force, and submit a report to the Authority. The UN list may be accessed at [www.un.org](http://www.un.org).



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102. Where a suspicious report has been filed with the Authority, and further unusual or suspicious activity pertaining to the same customer or account arises, licensees should file additional reports with the Authority.

103. Licensed financial institutions, their directors, officers, employees and agents are protected under the MLFTA from any action, suit or proceedings for breach of any restriction on disclosure of information, if they report suspicious activity in good faith to the Authority, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred. See Sections 48(5) and 48(6) of the MLFTA. It is against the law for employees, directors, officers or agents of a licensee to disclose that a suspicious transaction report or related information on a specific transaction has been reported to the Authority.

104. Reports should be in the format determined by the FIU (**See Appendix 9**). However, where a matter is considered urgent, an initial report may be made by contacting the FIU by telephone or encrypted e-mail.

105. Where a person is a client of both the licensee and another group member, and a suspicious report is prepared by the latter, the Barbados FIU should be notified.

## **9.0 COMPLIANCE AND AUDIT**

106. All licensees should designate a suitably qualified person at the management level, with the appropriate level of authority, seniority and independence as Compliance Officer. The Compliance Officer should be independent of the receipt, transfer or payment of funds, or management of customer assets and should have timely and uninhibited access to customer identification, transaction records and other relevant information. The powers and reporting structure of the officer should be conducive to the effective and independent exercise of duties.

The Compliance Officer should:

- i. Undertake responsibility for developing compliance policies;
- ii. Develop a programme to communicate policies and procedures within the entity;
- iii. Monitor compliance with the licensee's internal AML programme;
- iv. Receive internal reports and consider all such reports;
- v. Issue, in his/her own discretion, external reports to the Authority as soon as practicable after determining that a transaction warrants reporting;
- vi. Monitor the accounts of persons for whom a suspicious report has been made;
- vii. Establish and maintain on-going awareness and training programmes for staff at all levels;
- viii. Establish standards for the frequency and means of training;
- ix. Report at least annually to the board of directors (or relevant oversight body in the case of branch operations) on the operations and effectiveness of the systems and controls to combat money laundering and the financing of terrorism;



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- x. Review compliance policies and procedures to reflect changes in legislation or international developments;
- xi. Participate in the approval process for high-risk business lines and new products, including those involving new technologies; and
- xii. Be available to discuss with the Bank or the FIU matters pertaining to the AML/CFT function.

107. The internal audit department should carry out reviews to evaluate how effectively compliance policies are being implemented. Such reviews should be carried out on a frequency consistent with the licensee's size and risk profile. The review process should identify and note weaknesses in policies and procedures, corrective measures and ensure timely follow-up of actions.

108. The Bank recognises, however, that the designation of a Compliance Officer or the creation of an internal audit department may create difficulties for some small licensees. Where the licensee is part of a larger regulated financial or mixed conglomerate, the Group Compliance Officer or Group Internal Audit may perform the compliance and/or internal audit services. Where this is not possible, a licensee may, subject to the Bank's agreement, outsource the operational aspects of the compliance or internal audit function to a person or firm that is not involved in the auditing or accounting functions of the licensee. Notwithstanding, the responsibility for compliance with the MLFTA and the Guideline remains that of the licensee and the requirements of this section will extend to the agent. A licensee should have a local control function and be in a position to readily respond to the Bank and FIU on AML/CFT issues.

## **10.0 RECORD-KEEPING**

109. To demonstrate compliance with the MLFTA and to allow for timely access to records by the Bank or the FIU, licensees should establish a document retention policy that provides for the maintenance of a broad spectrum of records, including customer identification data, business transaction records, internal and external reporting and training records.

110. Licensees should maintain business transaction records for a minimum of **five years** in accordance with section 18 of the MLFTA.

111. However, it may be necessary for licensees to retain records, until such time as advised by the FIU or High Court, for a period exceeding the date of termination of the last business transaction where:

- i. There has been a report of a suspicious activity; or
- ii. There is an on-going investigation relating to a transaction or client.



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112. Licensees should ensure that records held by an affiliate or head office that is an introducer, branch or subsidiary outside Barbados, at a minimum, comply with the requirements of Barbados law and this Guideline.

113. Licensees should retain records in a format, including electronic, scanned or microfilm, that would facilitate reconstruction of individual transactions (including the amounts and types of currency involved) so as to provide, if necessary, evidence for prosecution of criminal activity and to enable licensees to comply swiftly with information requests from the FIU. This applies whether or not records are stored off the premises of the licensee.

114. In the case of a merger or acquisition, the licensee should ensure that the records described above can be readily retrieved. Where the records are kept under a contractual arrangement by an entity other than a licensee, the licensee is responsible for retrieving those records before the end of the contractual arrangement.

115. The nature of records that should be retained is set out at Section 2 of the MLFTA, which defines a business arrangement, business transaction and business transaction record.

#### **10.1 Internal and External Records**

116. Licensees should maintain records related to unusual and suspicious business transactions for no less than 5 years. These should include:

- i. All reports made by staff to the Compliance Officer;
- ii. The internal written findings of transactions investigated. This applies irrespective of whether a suspicious report was made;
- iii. Consideration of those reports and of any action taken; and
- iv. Reports by the Compliance officer to senior management and board of directors.

#### **10.2 Training Records**

117. In order to provide evidence of compliance with Section 21 of the MLFTA at a minimum, a licensee should maintain the following information:

- a) Details and contents of the training programme provided to staff members;
- b) Names of staff receiving the training;
- c) Dates that training sessions were held;
- d) Test results carried out to measure staff understanding of money laundering and terrorist financing requirements; and
- e) An on-going training plan.



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## **11.0 TRAINING AND AWARENESS**

118. An integral element of the fight against money laundering and the financing of terrorism is the awareness of those charged with the responsibility of identifying and analysing potential illicit transactions. Therefore, licensees should establish on-going employee training programmes. Training should be targeted at all employees but added emphasis should be placed on the training of the Compliance Officer and the compliance and audit staff because of their critical role in sensitising the broader staff complement to AML/CFT issues and ensuring compliance with policy and procedures. Additionally, front line staff should be targeted so as to enable them to respond appropriately when interacting with the public.

119. Licensees should:

- i. Develop an appropriately tailored training and awareness programme consistent with their size, resources and type of operation to enable their employees to be aware of the risks associated with money laundering and terrorist financing, to understand how the institution might be used for such activities, to recognise and handle potential money laundering or terrorist financing transactions and to be aware of new techniques and trends in money laundering and terrorist financing;
- ii. Clearly explain to staff the laws, the penalties for non-compliance, their obligations and the requirements concerning customer due diligence and suspicious transaction reporting;
- iii. Formally document, as part of their anti-money laundering policy document, their approach to training, including the frequency, delivery channels and content;
- iv. Ensure that all staff members are aware of the identity and responsibilities of the Compliance Officer and/or the Reporting Officer to whom they should report unusual or suspicious transactions;
- v. Establish and maintain a regular schedule of new and refresher programmes, appropriate to their risk profile, for the different types of training required for:
  - a. New hire orientation;
  - b. Operations staff;
  - c. Supervisors;
  - d. Board and senior management; and
  - e. Audit and compliance staff.
- vi. Obtain an acknowledgement from each staff member on the training received;
- vii. Assess the effectiveness of training<sup>19</sup>; and
- viii. Provide all staff with reference manuals/materials that outline their responsibilities and the institution's policies. These should complement rather than replace formal training programmes.

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<sup>19</sup> Assessment methods include written or automated testing of staff on training received, use of evaluation forms by recipients of training, confirmation of delivery of training according to plan, and review of the contents of training.



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### **11.1 Content and Scope of the Training Programme**

120. Regarding the overall training programme, a licensee should cover topics pertinent to its operations and should be informed by developments in international AML/CFT standards. Training should be general as well as specific to the area in which the trainees operate. As staff members move between jobs, their training needs for AML/CFT may change. Training programmes should, inter alia, incorporate references to:

- i. Relevant money laundering and terrorism financing laws and regulations;
- ii. Definitions and examples of laundering and terrorist financing schemes;
- iii. How the institution can be used by launderers or terrorists;
- iv. The importance of adhering to customer due diligence policies, the processes for verifying customer identification and the circumstances for implementing enhanced due diligence procedures;
- v. Effective ways of determining whether clients are PEPs and to understand, assess and handle the potential associated risks;
- vi. The procedures to follow for detection of unusual or suspicious activity across lines of business and across the financial group;
- vii. The completion of unusual and suspicious transaction reports;
- viii. Treatment of incomplete or declined transactions; and
- ix. The procedures to follow when working with law enforcement or the FIU on an investigation.



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## **12.0 PRE-EMPLOYMENT BACKGROUND SCREENING**

121. The ability to implement an effective AML/CFT programme depends in part on the quality and integrity of staff. Therefore, licensees should undertake due diligence on prospective staff members. The licensee should ensure that senior management:

- 1) Verify the applicant's identity;
- 2) Develop a risk-focussed approach to determining when pre-employment background screening is considered appropriate or when the level of screening should be increased, based upon the position and responsibilities associated with a particular position. The sensitivity of the position or the access level of an individual staff member may warrant additional background screening, which should include verification of references, experience, education and professional qualifications;
- 3) Maintain an on-going approach to screening for specific positions, as circumstances change, or for a comprehensive review of departmental staff over a period of time. Internal policies and procedures should be in place (e.g. codes for conduct, ethics, conflicts of interest) for assessing staff; and
- 4) Have a policy that addresses appropriate actions when pre-employment or subsequent due diligence detects information contrary to what the applicant or employee provided.



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## APPENDICES

### Appendix 1

#### **Coverage of Activities of Financial Institutions**

Although the MLFTA applies to all persons and businesses, additional administrative requirements are placed on financial institutions. According to Part I of MLFTA, a *financial institution* means:

(a) a person who conducts as a business one or more of the activities listed in the First Schedule and includes:

- (i) a trustee of an international trust within the meaning of the *International Trusts Act*, who is resident in Barbados within the meaning of that Act;
- (ii) an exempt insurance company within the meaning of the *Exempt Insurance Act*;
- (iii) a person who operates an insurance business within the meaning of the *Insurance Act*;
- (iv) a market actor, self-regulatory organisation, participant and issuer of securities within the meaning of the *Securities Act*;
- (v) a mutual fund and mutual fund administrator within the meaning of the *Mutual Funds Act* or any person who manages a mutual fund;
- (vi) a licensee under the *Financial Institutions Act*;
- (vii) a person who provides an international financial service within the meaning of the *International Financial Services Act*;
- (viii) a building society within the meaning of the *Building Societies Act*;
- (ix) a credit union within the meaning of the *Co-operative Societies Act*;
- (x) a friendly society within the meaning of the *Friendly Societies Act*;
- (xii) a foundation within the meaning of the *Foundations Act, 2013 (Act 2013-2)*; and
- (xiii) a private trust company within the meaning of the *Private Trust Companies Act, 2012 (Act 2012-22)*

(b) a foreign sales corporation within the meaning of the *Barbados Foreign Sales Corporation Act*;

(c) an international business company within the meaning of the *International Business Companies Act*; and

(d) a society with restricted liability within the meaning of the *Societies With Restricted Liability Act*;



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The activities of financial institutions are defined in the **First Schedule** of the MLFTA as follows:

1. Acceptance of deposits and other repayable funds from the public, including private banking.
2. Lending, including consumer credit, mortgage credit, factoring (with or without recourse), and financing of commercial transactions, including forfeiting.
3. Financial leasing other than with respect to arrangements relating to consumer products.
4. Money or value transmission services.
5. Issuing and managing means of payment, including credit and debit cards, travelers' cheques, money orders and bankers' drafts, and electronic money.
6. Issuing financial guarantees and commitments.
7. Trading in
  - (a) money market instruments, including cheques, bills, certificates of deposit and derivatives;
  - (b) foreign exchange;
  - (c) exchange, interest rate and index instruments; and
  - (d) transferable securities.
8. Commodity futures trading.
9. Participation in securities issues and the provision of financial services related to such issues.
10. Individual and collective portfolio management.
11. Safekeeping and administration of cash or liquid securities on behalf of other persons.
12. Investing and administering or managing funds or money on behalf of other persons.
13. Underwriting and placement of life insurance and other investment-related insurance, including insurance intermediation by agents and brokers.
14. Money and currency changing.
15. Any other service of a financial nature.



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**Appendix 2**

**Additional References**

<b>Name of Organisation</b>	<b>Website Address / Link</b>
Basel Committee on Banking Supervision	<a href="http://www.bis.org/bcbs/">http://www.bis.org/bcbs/</a>
Caribbean Financial Action Task Force (CFATF)	<a href="https://www.cfatf-gafic.org/">https://www.cfatf-gafic.org/</a>
Commonwealth Secretariat	<a href="http://www.thecommonwealth.org">http://www.thecommonwealth.org</a>
Egmont Group for Financial Intelligence Units	<a href="http://www.egmontgroup.org">http://www.egmontgroup.org</a>
Financial Action Task Force (FATF)	<a href="http://www.fatf-gafi.org">http://www.fatf-gafi.org</a>
Financial Stability Board	<a href="http://www.fsb.org">http://www.fsb.org</a>
International Association of Insurance Supervisors	<a href="http://www.iaisweb.org">http://www.iaisweb.org</a>
International Monetary Fund	<a href="http://www.imf.org">www.imf.org</a>
International Organisation of Securities Commission	<a href="http://www.iosco.org">http://www.iosco.org</a>
Interpol	<a href="http://www.interpol.int">http://www.interpol.int</a>
Organisation of American States – CICAD	<a href="http://www.cicad.oas.org">http://www.cicad.oas.org</a>
The Financial Crime Enforcement Network (FINCEN)	<a href="http://www.fincen.gov/">http://www.fincen.gov/</a>
The World Bank	<a href="http://www.worldbank.org">http://www.worldbank.org</a>
United Nations	<a href="http://www.un.org">http://www.un.org</a>
United Nations – International Money Laundering Information Network	<a href="http://www.imolin.org">http://www.imolin.org</a>
United Nations – Security Council Resolutions	<a href="http://www.un.org/en/sc/documents/resolutions/">http://www.un.org/en/sc/documents/resolutions/</a>
United Nations Office on Drugs and Crime	<a href="http://unodc.org">http://unodc.org</a>
US Department of the Treasury (Resource Center/Terrorism and Illicit Finance/Money Laundering)	<a href="http://www.treasury.gov">http://www.treasury.gov</a>
Office of The Comptroller of the Currency	<a href="https://www.occ.treas.gov">https://www.occ.treas.gov</a>
Wolfsberg Group	<a href="http://www.wolfsberg-principles.com/index.html">http://www.wolfsberg-principles.com/index.html</a>



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**Appendix 3(a)**

**Summary of Money Laundering and Terrorism Sanctions and Offences**

Area	Description of Offence / Breach	Description of Fine / Sanction	Section of Legislation
<b>Reporting Obligations</b>	Failure of a financial institution to make a report on a transaction involving proceeds of crime, the financing of terrorism; is of a suspicious or unusual nature; or is conducted by, or relates to, a person against whom a terrorist designation order is in force or relates to the property of such a person; to the FIU Director.	\$100,000 on directors jointly and severally	Section 23 (3) MLFTA
	Failure of a licensee to maintain business transactions records.	\$100,000 on directors jointly and severally	Section 18(4) MLFTA
	Failure of a person to report transfers out of Barbados or transfers Barbadian currency or foreign currency into Barbados, of more than BDS\$10,000 without Exchange Control permission.	Summary conviction - \$10,000 or 2 years imprisonment  Conviction on indictment - \$200,000 or 5 years imprisonment	Section 24(6) MLFTA
	Failure by a person to report receiving more than BDS\$10,000 in Barbadian currency (or foreign equivalent) without the Exchange Control permission.	Summary conviction - \$10,000 or 2 years imprisonment  Conviction on indictment - \$200,000 or 5 years imprisonment	Section 24 (6) MLFTA
<b>Internal Policies, Procedures, Controls; Internal Reporting Procedures; Internal Employee Training and Awareness Programs</b>	Failure by a financial institution to develop policies and procedures; audit functions; and procedures to audit compliance.	Imposition of a pecuniary penalty (up to \$5,000 for any of the circumstances referred to at section 34(1) of the MLFTA; \$500 daily for failure to take a measure or action or cease a behaviour or practice) in accordance with section 36.	Section 19(2) of the MLFTA
<b>Information Gathering &amp; Investigations</b>	Failure by a financial institution to comply with any instruction issued or request made by the FIU Director.	The licence of the financial institution may be suspended.	Section 30(5) of the MLFTA.



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Area	Description of Offence / Breach	Description of Fine / Sanction	Section of Legislation
<b>Onsite Inspections</b>	Failure to comply with an instruction or request made by an authorised officer or Regulatory Authority.	The licence of the financial institution may be suspended.	Section 31(4) of the MLFTA
<b>Interference in the Line of Duty</b>	The obstruction, hindrance, molestation or assault to any member of the Authority, constable or other person in performing duties under the Act.	\$50,000 or imprisonment of 2 years or both.	Section 42 MLFTA
<b>Directives</b>	Contravention of the Act but circumstances do not justify taking action under sections 34, 35 or 36 of the MLFTA.	Issuance of directives by the Anti-Money Laundering Authority or Regulatory Authority to cease and desist.	Section 33 of the MLFTA.
<b>Money Laundering Offences</b>	Engagement in money laundering.	Summary conviction - \$200,000 or 5 years imprisonment or both.	Section 6 (1) MLFTA
		Conviction on indictment - \$2,000,000 or 25 years imprisonment or both.	
	Providing assistance to engage in money laundering.	Forfeiture of licence for financial institution.	Sections 35 & 46(1) of the MLFTA
		Summary conviction - \$150,000 or 4 years imprisonment or both.	Section 6(2) MLFTA
		Conviction on indictment - \$1,500,000 or 15 years imprisonment or both	
	A body of persons (corporate or unincorporated) whether as a director, manager, secretary or other similar officer engaging in a money laundering offence.	Subject to trial and punishment accordingly.	Section 44 MLFTA
<b>Disclosure of Information</b>	Disclosure of information on a pending money laundering investigation. Falsifying, concealing, destruction or disposal of information material to investigation or order.	\$50,000 or 2 years imprisonment or both	Section 43(b) MLFTA



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Area	Description of Offence / Breach	Description of Fine / Sanction	Section of Legislation
	Disclosure or publication of the contents of any document, communication or information in the course of duties under this Act.	\$50,000 or 5 years imprisonment or both.	Section 48(3) MLFTA
<b>Terrorism Offences</b>	Provision or collection funds or financial services to persons to be used to carry out an offence as defined in the listed treaties <sup>20</sup> or any other act.	Conviction on indictment to 25 years imprisonment.	Section 4(1) Anti-Terrorism Act
	Provision of assistance or involve in the conspiracy to commit a terrorist offence.	Conviction on indictment and principal offender punished accordingly.	Section 3 of ATA
	A terrorist offence committed by a person responsible for the management or control of an entity located or registered in Barbados, or otherwise organised under the laws of Barbados.	\$2,000,000 notwithstanding that any criminal liability has been incurred by an individual directly involved in the commission of the offence or any civil or administrative sanction as imposed by law.	Section 5 of ATA

<sup>20</sup> Treaties respecting Terrorism: Convention for the Suppression of Unlawful Seizure of Aircraft, Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons including Diplomatic Agents, International Convention against the taking of Hostages, Convention on the Physical Protection of Nuclear Material, Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, Convention for the suppression of Unlawful Acts against the Safety of Maritime Navigation, Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf and the International Convention for the Suppression of Terrorists Bombings.





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<b>Description of Offence</b>	<b>Sanctions Enforceable by the Anti-Money Laundering Authority or Regulatory Authority</b>	<b>Section of Legislation</b>
	specified in subsection (1), an additional penalty of \$500 for every day or part of a day that the institution failed to take the measure or action or cease the particular activity, behaviour or practice.	



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**Appendix 4**

**Verification Examples**

**A. Personal Clients**

- Confirm the date of birth from an official document (e.g. birth certificate).
- Confirm the permanent address (e.g. utility bill, tax assessment, bank statement, letter from a public notary).
- Contact the customer e.g. by telephone, letter, email to confirm information supplied
- Confirming the validity of the official documents provided through certification by an authorised person.
- Confirm the permanent and/business residence through credit agencies, home visits
- Obtain personal references from third parties and existing customers in writing.
- Contact issuers of references.
- Confirmation of employment.

**B. Corporate Customers & Partnerships**

- Review of current audited information (preferably audited).
- Obtain statements of affairs, bank statements, confirmation of net worth from reputable financial advisers.
- Seek confirmation from a reputable service provider(s).
- Confirm that the company is in good standing.
- Undertake enquiries using public and private databases.
- Obtain prior banking and commercial references, in writing.
- Contact issuers of references.
- Onsite visitations.
- Contact the customer e.g. by telephone, letter, email to confirm information supplied.

**C. Trusts and Fiduciary Clients**

- Seek confirmation from a reputable service provider(s).
- Obtain prior bank references.
- Access public or private databases.



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**Appendix 5**

**Approved Persons For Certification of Customer Information**

In keeping with Section 7.4.3 on non face-to-face customers, licensees should only accept customer information that has been certified by:

Any of the below persons in Barbados, or their counterparts in jurisdictions with at least equivalent AML/CFT standards:

- Notary Public
- \*Senior Public Servant
- Member of the Judiciary
- Magistrate
- Attorney-At-Law with a valid practising certificate
- Accountant who is a member of a national professional association
- Senior banking officer (at least management level)
- Senior Officer of a Consulate/Embassy/High Commission of the country issuing the passport

\*In Barbados, this refers to the:

- Registrar/Deputy Registrar of Corporate Affairs and Intellectual Property
- Registrar/Deputy Registrar, Supreme Court
- Registrar/Deputy Registrar, Land Registry
- Chief Personnel Officer, Personnel Administration Division
- Permanent Secretary, Ministry of Home Affairs
- Permanent Secretary, Chief of Protocol, Ministry of Foreign Affairs
- Chief/Deputy Chief Immigration Officer
- Private Secretary to the Governor General
- Commissioner/Deputy Commissioner/Assistant Commissioner/Senior Superintendent of Police
- Superintendent/Assistant Superintendent of Prisons



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**Appendix 6**

**Confirmation of Customer Verification of Identity**

**Part A - Personal Customers**

Full Name of Customer: (Mr/Mrs/Ms)  
.....

Known Aliases:.....

Identification:.....

Current Permanent Address:.....

Date of Birth:.....      Nationality:.....

Country of Residence:.....

Specimen Customer Signature Attached:                      Yes          No   

**Part B - Corporate & Other Customers**

Full Name of Customer:.....

Type of Entity:.....

Location & Domicile of Business:.....

Country of Incorporation:.....

Regulator / Registrar:.....

Names of Directors:.....  
.....

Names of majority beneficial owners:.....  
.....



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**Appendix 6 (cont'd)**

**Confirmation of Customer Verification of Identity**

**Part C**

- We confirm that the customer is known to us. Yes  No
- We confirm that the identity information is held by us. Yes  No
- We confirm that the verification of the information meets  
- the requirements of Barbados law and AML/CFT Guideline. Yes  No
- We confirm that the applicant is acting on his own behalf and  
- not as a nominee, trustee or in a fiduciary capacity for any  
- other person. Yes  No  N/A

**Part D**

Customer Group Name:.....

Relation with Customer:.....

**Part E**

Name & Position of Preparing Officer:.....  
(Block Letters)

Signature & Date:.....

Name & Position of Authorising Officer:.....  
(Block Letters)

Signature & Date:.....



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**Appendix 7**

**Red Flags**

There are a myriad of ways in which money laundering or terrorism financing may occur. Below is a non-exhaustive list of “Red Flags” that may warrant closer attention. Financial institutions are encouraged to refer to such organisations as the FATF, Egmont Group and United Nations Office on Drugs and Crime for typology reports and sanitised cases on money laundering and terrorist financing schemes, respectively. In addition,

**General**

If the client:

- Does not want correspondence sent to home address.
- Shows uncommon curiosity about internal systems, controls and policies.
- Over justifies or explains the transaction.
- Is involved in activity out-of-keeping for that individual or business.

If the client:

- Produces seemingly false identification or identification that appears to be counterfeited, altered or inaccurate.
- Provides insufficient, false, or suspicious information, or information that is difficult or expensive to verify.

**Economic Purpose**

- Transaction is unnecessarily complex for its stated purpose.
- Activity is inconsistent with what would be expected from declared business.
- Transaction involves non-profit or charitable organization for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity of the organization and the other parties in the transaction.
- Accounts that show virtually no banking activity but are used to receive or pay significant amounts not clearly related to the customer or the customer’s business.



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### **Cash Transactions**

- Client starts conducting frequent cash transactions in large amounts when this has not been a normal activity in the past.
- Frequent exchanges small bills for large ones.
- Deposits of small amounts of cash on different successive occasions, in such a way that on each occasion the amount is not significant, but combines to total a very large amount. (i.e. “smurfing”).
- Consistently making cash transactions that are just under the reporting threshold amount in an apparent attempt to avoid the reporting threshold.
- Stated occupation is not in keeping with the level or type of activity (e.g. a student or an unemployed individual makes daily maximum cash withdrawals at multiple locations over a wide geographic area).
- Unusually large deposits or withdrawals of cash by an individual or a legal entity whose apparent business activities are normally carried out using cheques and other monetary instruments.
- Multiple and frequent purchase or sale of foreign currency by a tourist.
- Multiple and frequent large withdrawals from an ATM using a local debit card issued by another financial institution.
- Multiple and frequent large withdrawals from an ATM using debit or credit card issued by a foreign financial institution.

### **Deposit Activity**

- Account with a large number of small cash deposits and a small number of large cash withdrawals.
- Funds are being deposited into several accounts, consolidated into one and transferred outside the country.
- Multiple transactions are carried out on the same day at the same branch but with an apparent attempt to use different tellers.



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- Establishment of multiple accounts, some of which appear to remain dormant for extended periods.
- Account that was reactivated from inactive or dormant status suddenly exhibits significant activity.
- Reactivated dormant account containing a minimal sum suddenly receives a deposit or series of deposits followed by frequent cash withdrawals until the transferred sum has been removed.
- Multiple deposits are made to a client's account by third parties.
- Deposits or withdrawals of multiple monetary instruments, particularly if the instruments are sequentially numbered.

**Cross-border Transactions**

- Deposits followed within a short time by wire transfers to or through locations of concern, such as countries known or suspected to facilitate money laundering activities.
- Transaction involves a country where illicit drug production or exporting may be prevalent, or where there is no effective anti-money laundering system.
- Immediate conversions of funds transfers into monetary instruments in the name of third parties.
- Frequent sending and receiving of wire transfers, especially to or from countries considered high risk for money laundering or terrorist financing, or with strict secrecy laws. Added attention should be paid if such operations occur through small or family-run banks, shell banks or unknown banks.
- Large incoming or outgoing transfers, with instructions for payment in cash.
- Client makes frequent or large electronic funds transfers for persons who have no account relationship with the institution.
- Client instructs you to transfer funds abroad and to expect an equal incoming transfer.



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- Client sends frequent wire transfers to foreign countries, but business does not seem to have connection to destination country.
- Wire transfers are received from entities having no apparent business connection with client.

**Personal Transactions**

- Client has no employment history but makes frequent large transactions or maintains a large account balance.
- Client has numerous accounts and deposits cash into each of them with the total credits being a large amount.
- Client frequently makes automatic banking machine deposits just below the reporting threshold.
- Increased use of safety deposit boxes. Increased activity by the person holding the boxes. The depositing and withdrawal of sealed packages.
- Third parties make cash payments or deposit cheques to a client's credit card.
- Client has frequent deposits identified as proceeds of asset sales but assets cannot be substantiated.

**Corporate and Business Transactions**

- Accounts have a large volume of deposits in bank drafts, cashier's cheques, money orders or electronic funds transfers, which is inconsistent with the client's business.
- Accounts have deposits in combinations of cash and monetary instruments not normally associated with business activity.
- Unexplained transactions are repeated between personal and business accounts.
- A large number of incoming and outgoing wire transfers take place for which there appears to be no logical business or other economic purpose, particularly when this is through or from locations of concern, such as countries known or suspected to facilitate money laundering activities.



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**Lending**

- Customer suddenly repays a problem loan unexpectedly, without indication of the origin of the funds.
- Loans guaranteed by third parties with no apparent relation to the customer.
- Loans backed by assets, for which the source is unknown or the value has no relation to the situation of the customer.
- Default on credit used for legal trading activities, or transfer of such credits to another company, entity or person, without any apparent justification, leaving the bank to enforce the guarantee backing the credit.
- Use of standby letters of credit to guarantee loans granted by foreign financial institutions, without any apparent economic justification.

**Securities Dealers**

- Client frequently makes large investments in stocks, bonds, investments trusts or the like in cash or by cheque within a short time period, which is inconsistent with the normal practice of the client.
- Client makes large or unusual settlements of securities in cash.
- Client is willing to deposit or invest at rates that are not advantageous or competitive.

**Accounts Under Investigation**

- Accounts that are the source or receiver of significant funds related to an account or person under investigation or the subject of legal proceedings in a court or other competent national or foreign authority in connection with fraud, terrorist financing or money laundering.
- Accounts controlled by the signatory of another account that is under investigation or the subject of legal proceedings by a court or other competent national or foreign authority with fraud, terrorist financing or money laundering.



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### **Fiduciary Business**

- Client seeks to invest a large sum of money with no apparent interest in the details of the product (e.g. mutual fund) and does not enquire about the characteristics of the product and /or feigns market ignorance.
- Corporate client opens account with large sum of money that is not in keeping with the operations of the company, which may itself have recently been formed.
- Formation of a legal person or increases to its capital in the form of non-monetary contributions of real estate, the value of which does not take into account the increase in market value of the properties used.

### **Employees**

- Lifestyle, financial status or investment activity is not in keeping with employee's known income.
- Reluctance to go on vacation, to change job position or to accept a promotion, with no clear and reasonable explanation.
- Employee frequently receives gifts &/or invitations from certain clients, with no clear or reasonable justification.
- Employee hinders colleagues from dealing with specific client(s), with no apparent justification.
- Employee documents or partially supports the information or transactions of a particular client, with no clear and reasonable justification.
- Employee frequently negotiates exceptions for a particular client(s).



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**Appendix 8**

**Declaration Source Of Funds/Wealth**

**Customer Name Or Business:**.....

**Current Address:**.....

**Account Number:**.....

**Identification:**.....

**Amount Of Transaction & Currency:**

**Description/Nature Of Business Transaction:**

- Deposit    Monetary Instrument    Currency Exchange    Wire Transfer    Credit/Debit Card  
 ATM    Loan    Investment    Trust Settlement / Distribution Other    (Specify)

**Source of Funds / Wealth:**

.....  
.....  
.....

**Supporting Evidence:**.....

**Customer Signature:**.....

**Date:**.....

**Transaction Approved?**      Yes       No

If No, state reason:.....

.....  
.....

OFFICER COMPLETING TRANSACTION  
(Signature & Title)

AUTHORISING OFFICER  
(Signature & Title)





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- |  |  |
|--|--|
| <input type="checkbox"/> Accountant                            | <input type="checkbox"/> Life Insurance Broker/Agent           |
| <input type="checkbox"/> Attorney-at-Law                       | <input type="checkbox"/> Life Insurance Company                |
| <input type="checkbox"/> Bank                                  | <input type="checkbox"/> Merchant Bank                         |
| <input type="checkbox"/> Cooperative Society                   | <input type="checkbox"/> Money Service Business/Money or Value |
| <input type="checkbox"/> Credit Union                          | <input type="checkbox"/> Transmission Services                 |
| <input type="checkbox"/> Corporate &/or Trust Service Provider | <input type="checkbox"/> Mutual Fund Administrator/Manager     |
| <input type="checkbox"/> Dealer in Precious Metals/Stones      | <input type="checkbox"/> Real Estate Agent                     |
| <input type="checkbox"/> Finance Company                       | <input type="checkbox"/> Regulator                             |
| <input type="checkbox"/> Gaming Institution                    | <input type="checkbox"/> Securities Dealer                     |
| <input type="checkbox"/> General Insurance Company             | <input type="checkbox"/> Trust Company/Corporation             |
| <input type="checkbox"/> International/Offshore Bank           | <input type="checkbox"/> Other .....                           |

**Part B – Identity of Customer 1**

1. .... 2. .... 3. ....  
Surname Given Name Middle Name(s)
4. .... 5. ....  
Alternative Names/Spelling  
.....  
Address(es)
6. .... 7. ....  
Nationality/(ies) Date of Birth (D/M/Y)
8. Identifier #1  ID Card  Passport  Driver's License  Other.....  
9. ....  
ID No.(1)  
10. ....  
Place of Issue
11. Identifier #2  ID Card  Passport  Driver's License  Other .....
12. ....  
ID No.(2)  
13. ....  
Place of Issue
14. .... 15. ....  
Occupation Employer
16. ....  
Telephone # (Include area Code) (H) Telephone # (Include area code) (W)





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16. .... Telephone # (Include area Code) (H) ..... Telephone # (Include area code) (W)  
 ..... Telephone # (Include area Code) (C) .....

17. .... Email Address(es) ..... Email address(es)

18. .... Account Number(s)  Personal  
 Corporate  
 Trust  
 Other .....

19. .... State if account is joint, other signatories, etc.

20. .... Provide other account(s) customer may have at institution, include account type, whether joint, other signatories, etc.

*Customer 2 applies where there is more than one customer at the counter.*

**PART C** – To be completed only if the transaction was conducted on behalf of another person/entity other than those mentioned in Part B.

1. .... Surname 2. .... Given Name 3. .... Middle Name(s)

4. .... Alternatively Entity's name 5. ....  
 ..... Address(es)

6. .... Nationality/(ies) 7. .... Date of Birth (D/M/Y)

8. Identifier #1  ID Card  Certificate of Incorporation  
 Passport  Registration for Business Name  
 Driver's License  Other .....

9. .... ID No.(1) 10. .... Place of Issue 11. .... Occupation/Type of Business

12. .... Employer 13. .... Telephone (#1) - area code (H) ..... Telephone (#2) - area code (W)







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**PART F - Details of financial institution/place of transaction**

- |  |  |
|--|--|
| 1. ....<br>Organisation                        | 2. ....<br>Branch where transaction occurred if applicable |
| 3. ....<br>Name and Title of Reporting Officer | 4. ....<br>Signature of Reporting Officer                  |
| 5. ....<br>Dealers internal reference number   | 6. ....<br>Reporting Officer's direct telephone number     |