



**NRB Bank**

**Money laundering and Terrorist  
Financing Risk Assessment  
Guidelines**



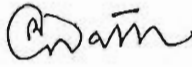


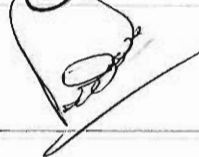

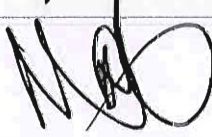
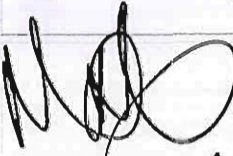
**NRB Bank Limited**

**March 2015**

# Money Laundering and Terrorist Financing Risk Assessment Guideline

NRB Bank LTD

## Approval Sheet

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MD & CEO (current charge)

## List of Acronyms

AML & CFT	- Asset- Anti Money Laundering & Combating Financing
ML & TF	- Money laundering & Terrorist financing
BB	-Bangladesh Bank
FATF	- Financial Action Task Force.
DNFBP	- Designated non- financial businesses and professions
RO-FI	- Reporting Organization- Financial institutions.
BFIU	- Bangladesh Financial Intelligence Unit
ATA	- Anti-Terrorism Act
NRBBL	-NRB bank limited
RBA	- Risk Base Approach
CRP	- Customer Risk Profiling
STR	- Suspicious Transaction Report
NGO	- Non government organization
NPO	- Non profitable Organization.
EDD	- Enhance Due Diligence
CDD	-Customer Due Diligence
KYC	- Know Your Customer
AOF	- Account Opening Form
CAMLCO	-Chief Anti Money Laundering Compliance Officer.
BM	-Branch Manager
OM	-Operation Manager
DMS	-Data Management System
CRFT	-Customer Risk Profiling Template.



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## OVERVIEW OF ML&TF RISK

### 1.1 INTRODUCTION

As a financial institution for prevention of money laundering and combating financing of terrorism, NRB Bank is very keen to achieve highest success in this regard. The success of AML&CFT program highly depends on efficient assessment of related threat/vulnerability/risk and placing necessary tools for combating ML&TF risks as per the result of assessed threat/vulnerability/risk.

The purpose of this guideline is to:

- Provide general information about risks related with the products, services, delivery channels, and geographical locations;
- Assist banks to assess their ML&TF risks efficiently;
- Enable banks in implementing an AML&CFT program appropriate to their business having regard to the business size, nature and complexity; and
- Provide a broad risk management framework based on high-level principles and procedures that a bank may wish to consider when developing and implementing a risk-based approach to identify, mitigate and manage ML&TF risks.

This guideline will enable the banks to understand how and to what extent, it is vulnerable to ML&TF risks. It will often result in stylized categorization of risks, which will help banks to determine the level of AML&CFT resources necessary to mitigate that risk.

### 1.2 OBLIGATION FOR ML&TF RISK ASSESSMENT AND MANAGEMENT:

- Recommendation 1 of Financial Action Task Force (FATF), the international standard setter on anti-money laundering (AML) and combating terrorist financing (CTF) states that countries should require financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action to mitigate their money laundering and terrorist financing risks.
- Rule 21 of MLPR 2013 states that every Reporting Organization-Financial Institution (RO-FI) shall conduct periodic risk assessment and forward the same to the Bangladesh Financial Intelligence Unit (BFIU) for vetting.
- Rule 21 also states that RO-FI shall utilize this risk assessment report after having vetted by BFIU.
- Money Laundering Prevention Act, 2012 empowers BFIU sufficiently to establish a sound and efficient AML&CFT regime.
- Every reporting agency has to comply with the instructions issued by BFIU under the power of Money Laundering Prevention Act (MLPA), 2012 and Anti-Terrorism Act (ATA), 2009 (including all amendments).
- This Guideline has been issued through BFIU circular letter aiming to strengthen AML&CFT regime in Bangladesh. Therefore, it is obligatory for banks to comply with this Guideline.



### 1.3 ASSESSING RISK

NRB bank has taken appropriate steps to identify and assess their money laundering and terrorist financing risks for customers, countries or geographic areas, products, services and transactions or delivery channels. NRBBL document those assessments in order to be able to demonstrate their basis, keep these assessments up to date, and have appropriate mechanisms to provide risk assessment information to competent authorities.

### 1.4 RISK MANAGEMENT AND MITIGATION

NRB Bank have adequate policies, controls and procedures that enable bank to manage and mitigate effectively the risks that have been identified. Also bank monitor the implementation of those controls and to enhance them, if necessary. The policies, controls and procedures have been approved by senior management, and the measures taken to manage and mitigate the risks consistent with national requirements and with guidance from Central Bank

### 1.5 WHAT IS RISK

Risk can be defined as the combination of the probability of an event and its consequences. In simple term, risks can be seen as a combination of the chance that something may happen and the degree of damage or loss that may result if it does occur.

### 1.6 WHAT IS RISK MANAGEMENT:

Risk management is the process of recognizing risk and developing methods to both minimize and manage the risk. This requires the development of a method to identify, priorities, treat (deal with), and control and monitor risk exposures. In risk management, a process is followed where the risks are assessed against the likelihood (chance) of them occurring and the severity or amount of loss or damage (impact) which may result if they do happen.

### 1.7 WHICH RISKS DO BANKS NEED TO MANAGE?

For the Money laundering and Terrorist financing aspect, NRB bank address two risks that's are Business Risk and regulatory risk.

**Business risk** is the risk that business may be used for ML&TF. NRB bank has developed Risk Register whereby risks emanating from various business aspects can be accounted for. Bank has determine 4 risk as business risk which are given bellow:

- **Customers:** Identifying risk determinants while establishing relationships with customer;
- **Products or services risks:** Envisaging risk attributes resulting from customer's need for financial services and appropriate controls;
- **Business practices and/or delivery method risks:** Identifying risks associated with delivery channels which may vary from customer to customer depending on their needs;
- **Country or jurisdictional risks:** Risks resulting from customer country presence and jurisdiction in which the customer is operating.

**Regulatory risk** is the risk of a change in regulations and law that might affect an industry or a

business. Also it is associated with not meeting all obligations of banks under the Money Laundering Prevention Act, 2012, Anti-Terrorism Act, 2009 (including all amendments), the respective Rules issued under these two acts and instructions issued by BFIU.

Examples of regulatory obligations are failure to report STR/SAR, unable or inappropriately verification of customers and lacking of AML&CFT program (how a business identifies and manages the ML&TF risk it may face) etc. NRB bank has identifies the ML&TF risk it faces, and then works out the best ways to reduce and manage that risk. For this reason we operate a complete ML&TF risk-free environment.



## RISK MANAGEMENT FRAMEWORK

### 2.1 THE PROCESS OF RISK BASED APPROACH:

The RBA process comprises of two broader phases:

- Risk assessment of customers and their business activities in context with money laundering & terrorist financing;
- Based on the Risk assessment, filling in the Risk Profiling of Customers through Automated Excel based CRP Form;

### 2.2 RISK ASSESSMENT OF CUSTOMERS AND THEIR BUSINESS ACTIVITIES:

This is the primary phase of RBA, which is related with the analysis of potential threats and vulnerabilities, which may expose the bank to ML/ TF risk. It is mandatory for branches to assess and evaluate the common and industry-specific indicators related to customers, their businesses/ revenue sources, products, delivery channels, geographies, account activity.

Further to this effect, branches should also give due consideration to their subjective judgments and past experience related to the customers.

### 2.3 RISK MANAGEMENT FRAMEWORK

A risk management framework would consist of:

- Establishing the internal and external context within which the designated service is, or is to be, provided. These may include:
  - the types of customers;
  - the nature, scale, diversity and complexity of their business;
  - their target markets;
  - the number of customers already identified as high risk;
  - the jurisdictions the bank is exposed to, either through its own activities or the activities of customers, especially jurisdictions with relatively higher levels of corruption or organized crime, and/or deficient AML/CFT controls and listed by FATF;
  - the distribution channels, including the extent to which the bank deals directly with the customer or the extent to which it relies (or is allowed to rely on) third parties to conduct CDD and the use of technology;
  - the internal audit and regulatory findings;
  - the volume and size of its transactions, considering the usual activity of the bank and the profile of its customers.
- Risk identification;
- Risk assessment or evaluation; and

In identifying and assessing the ML/TF risk to which NRBBL are exposed, NRBBL consider a range of factors which are given below:

**Risk Identification:** In assessing and mitigating NRB bank mainly identify the ML&TF risk, which is given below:





- Customer risk
- Products & services related risk
- Business practices/delivery methods or channels related risk
- Country/jurisdiction risk

Regulated risk are

- Failure to report STRs/SARs
- Inappropriate customer verification
- Inappropriate record keeping
- Lack of AML/CFT program

Risk assessment/evaluation in the context of the ML/TF risk assessment process involves taking the risks analyzed during the previous stage to determine priorities for addressing them, taking into account the purpose established at the beginning of the assessment process. These priorities can contribute to development of a strategy for their mitigation. Priorities or measure the size & importance of risk are

- **Likelihood**- chance of the risk happening
- **Impact**- the amount of loss or damage if the risk happened
- **likelihood X impact** = level of risk (risk score)

#### 2.4 QUANTIFICATION OF RISK THROUGH RISK MATRIX:

- For quantitative recognition and determination of inherent risk associated to customers' relationships, NRBBL has adopted a Risk Matrix outlining the risk levels to be assigned to different customers.
- The Risk Levels are categorized as "Low, Medium & High", and required to be assigned:

- (i) While on-boarding customers, and
- (ii) While performing ongoing due diligence

- These risk levels are to be assigned by using on-ground judgments and assessments in conformity with the parameters of Risk Matrix, as given in Para 2.4 below

#### 2.5 RISK MATRIX:

Risk Factor- I		Maximum Risk Weight -20	
Sl.	Customer/Account Type	Risk Level	Weight
1	Jewelry business/ Gold business/ high valuables/ precious metal dealer	High	20
2	money exchange/ courier service/ mobile banking agent/agent banking	High	20
3	Real Estate developer/ agent	High	20
4	Construction Promoters of projects	High	20



5	Offshore corporation	High	20
6	Art/ antique dealer	High	20
7	restaurant/ bar/night club/ hotel/ parlor business	High	20
8	export/ import and export/import agent	High	20
9	Garment business	High	20
10	Share/stock dealer, broker, portfolio manager, merchant bank	High	20
11	investor in share/stock business	High	20
12	NGO/NPO	High	20
13	manpower export business	High	20
14	Cinema Production agency/ Broadcast Agency	High	20
15	arms business	High	20
16	Mobile Phone Operator	High	20
17	Political Party	High	20
18	Club/ Society	High	20
19	Nonresidents, foreign nationals	High	20
20	Trust	High	20
21	Charity	High	20
22	Travel agent	High	20
23	Transport Businessman	High	20
24	Auto dealer (Recondition vehicle)	High	20
25	Computer/ mobile phone dealer	High	20
26	Freight/Shipping/cargo agent	High	20
27	leasing/finance company	Medium	12
28	Insurance/ brokerage agency	Medium	12
29	religious organization/farm	Medium	12
30	Amusement Company/ Park	Medium	12
31	Motor parts business	Medium	12
32	Tobacco and cigarette business	Medium	12
33	Manufacturer	Medium	12
34	<b>Service</b> (other than salaried)	Medium	12
35	Student/ minor/ unemployed & like customers	Medium	12
36	House wife/ widows/ <b>Households</b>	<b>Medium</b>	12
37	<b>Auto</b> primary (new vehicle)	Medium	12
38	shop owner (Retail)	Low	8
39	<b>Business</b> -agent	Low	8
40	small enterprise (yearly turnover below 5 M)	Low	8
41	Construction Building materials Trader	Low	8
42	Software business	Low	8
43	Service (only salaried)	Low	4
44	Retired from service	Low	4
45	Farmers	Low	4



46	Others (High net worth customers with no clearly identifiable source of income)	Medium	12
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Risk Factor- II		Maximum Risk Weight -20	
Sl.	Business Types/ Revenue Sources/ Income Levels	Risk Level	Weight
1	Business of Jewelry business/ Gold business/ business high valuables/ precious metals	High	20
2	Any income/revenue source from money exchange/ courier service/ mobile banking agent/agent banking	High	20
3	Business of Real Estate developer/ agent	High	20
4	Business of Construction Promoters of projects	High	20
5	Business of Offshore corporation	High	20
6	Business of Art/ antique dealer	High	20
7	Any income from restaurant/ bar/night club/ hotel/ parlor business	High	20
8	Business of export/ import and export/import agent	High	20
9	Any income/revenue source from Garment business	High	20
10	Any income/ revenue source of Share/stock dealer, broker, portfolio manager, merchant bank	High	20
11	Any Income from investment in share/stock business	High	20
12	Charities, Donations, any other source through which funds are generated by NGOs, NPOs, Charitable/ Religious Organizations, Associations, Clubs, Societies, etc	High	20
13	Any income/ Revenue Source from manpower export business	High	20
14	Business income from Cinema Production agency/ Broadcast Agency	High	20
15	Income generated from arms business	High	20
16	Business Income of Mobile Phone Operator	High	20
17	Charities, Donations, any other source through which funds are generated for Political Party	High	20
18	Charities, Donations, any other source through which funds are generated for Club/ Society	High	20
19	Any Business type / revenue source of non resident / <b>foreign nationals</b>	High	20
20	Charities, Donations, any other source through which funds are generated for Trust	High	20
21	Income generated from Charities/ Donations	High	20
22	Business revenue of Travel agent	High	20
23	Income generated from Transport Business	High	20
24	Business of Auto dealership (Recondition vehicle)	High	20
25	Business of Computer/ mobile phone dealership	High	20
26	Business of Freight/Shipping/cargo agent	High	20
27	Source of fund from principal line of business of leasing/finance company	Medium	12



28	Source of fund from principal line of business of Insurance/ brokerage agency	Medium	12
29	Charities, Donations, any other source through which funds are generated for religious organization/farm	Medium	12
30	Business income from Amusement Company/ Park	Medium	12
31	Income from Motor parts business	Medium	12
32	Any income/ Revenue source from Tobacco and cigarette business	Medium	12
33	Income from Manufacturing Business	Medium	12
34	Income generated from Service (other than salaried)	Medium	12
35	Any income source of Student/ minor/ unemployed & like customers	Medium	12
36	Any income source of House wife	Medium	12
37	Income from Auto primary (new vehicle) business	Medium	12
38	Business income from Retail shop	Low	8
39	Any income/ revenue source of agent Business	Low	8
40	Business income from small enterprise (yearly turnover below 5 M)	Low	8
41	Business income of trading Construction Building materials	Low	8
42	Income generated from Software business	Low	8
43	Income generaed through salaries and other sources	Low	4
44	Income generated from pensions and other sources	Low	4
45	Income generated from proceeds of crops	Low	4
46	Others (High net worth customers with no clearly identifiable source of income)	Medium	12

Risk Factor- III		Maximum Risk Weight -10	
Sl.	Product Type	Risk Level	Weight
1	Regulatory Accounts (School Banking, Farmers, Women Entrepreneur etc)	Low	5
2	All Other Accounts	High	10

Risk Factor- IV		Maximum Risk Weight -20	
Sl.	Delivery Channel/ Dominant Mode of Operation	Risk Level	Weight
1	Cash	High	20
2	Foreign Remittance	High	20
3	Online Transaction / Mobile Banking	High	20
4	Any combination of above (i.e., 1 & 2 or 2 & 3 or 1 & 3 or 1 & 2 & 3)	High	20
5	Local Remittance (i.e., Pos, DDs, etc.)	Low	5
6	Transfer/ Collection/ Clearing Transaction	Low	5
7	Internet Banking /BFTN	Low	5
8	Any combination of above (i.e., 5 & 6 or 7 with 1 & 2 or 3)	Medium	15



Risk Factor- V		Maximum Risk Weight -20	
Sl.	Geographic Location	Risk Level	Weight
1	Barisal	Low	5
2	Chittagong	High	20
3	Dhaka	Medium	10
4	Khulna	Medium	10
5	Rajshahi	High	20
6	Rangpur	Low	5
7	Sylhet	High	20

Risk Factor- VI		Maximum Risk Weight -10	
Sl.	Account Activity	Risk Level	Weight
1.	Activity in the Account of customer i.e Business of Jewelry business/ Gold business/ business high valuables/ precious metals	Regardless of Credit Turnover	10
2.	Activity in the Account of customer i.e Any income/revenue source from money exchange/ courier service/ mobile banking agent/agent banking	Regardless of Credit Turnover	10
3.	Activity in the Account of customer i.e Business of Real Estate developer/ agent	Regardless of Credit Turnover	10
4.	Activity in the Account of customer i.e Business of Construction Promoters of projects	Regardless of Credit Turnover	10
5.	Activity in the Account of customer i.e Business of Offshore corporation	Regardless of Credit Turnover	10
6.	Activity in the Account of customer i.e Business of Art/ antique dealer	Regardless of Credit Turnover	10
7.	Activity in the Account of customer i.e Any income from restaurant/ bar/night club/ hotel/ parlor business	Regardless of Credit Turnover	10
8.	Activity in the Account of customer i.e Business of export/ import and export/import agent	Regardless of Credit Turnover	10
9.	Activity in the Account of customer i.e Any income/revenue source from Garment business	Regardless of Credit Turnover	10
10.	Activity in the Account of customer i.e Any income/ revenue source of Share/stock dealer, broker, portfolio manager, merchant bank	Regardless of Credit Turnover	10



11.	Activity in the Account of customer i.e Any Income from investment in share/stock business	Regardless of Credit Turnover	10
12.	Activity in the Account of customer i.e Charities, Donations, any other source through which funds are generated by NGOs, NPOs, Charitable/ Religious Organizations, Associations, Clubs, Societies, etc	Regardless of Credit Turnover	10
13.	Activity in the Account of customer i.e Any income/ Revenue Source from manpower export business	Less than BDT 8.40 M	1
		From BDT 8.40 M To 90 M	5
		Greater than BDT 90 M	10
14.	Activity in the Account of customer i.e Business income from Cinema Production agency/ Broadcast Agency	Less than BDT 8.40 M	1
		From BDT 8.40 M To 90 M	5
		Greater than BDT 90 M	10
15.	Activity in the Account of customer i.e Income generated from arms business	Less than BDT 1 M	1
		From BDT 1 M To BDT 10 M	5
		Greater than BDT 10 M	10
16.	Activity in the Account of customer i.e Business Income of Mobile Phone Operator	Less than BDT 1M	1
		From BDT 1 M To BDT10 M	5
		Greater than BDT 10 M	10
17.		Less than BDT 8.40 M	1



	Activity in the Account of customer i.e Charities, Donations, any other source through which funds are generated for Political Party	From BDT 8.40 M To 90 M	5
		Greater than BDT 90 M	10
18.	Activity in the Account of customer i.e Charities, Donations, any other source through which funds are generated for Club/ Society	Less than BDT 8.40 M	1
		From BDT 8.40 M To 90 M	5
		Greater than BDT 90 M	10
19.	Activity in the Account of customer i.e Any Business type / revenue source of non resident / foreign nationals	Less than BDT 1 M	1
		From BDT 1 M to 10 M	5
		Greater than BDT 10 M	10
20.	Activity in the Account of customer i.e Charities, Donations, any other source through which funds are generated for Trust	Regardless of Credit Turnover	1
21.	Activity in the Account of customer i.e Income generated from Charities/ Donations	Regardless of Credit Turnover	1
22.	Activity in the Account of customer i.e Business revenue of Travel agent	Regardless of Credit Turnover	1
23.	Activity in the Account of customer i.e Income generated from Transport Business	Regardless of Credit Turnover	1
24.	Activity in the Account of customer i.e Business of Auto dealership (Recondition vehicle)	Regardless of Credit Turnover	1
25.	Activity in the Account of customer i.e Business of Computer/ mobile phone dealership	Regardless of Credit Turnover	10
26.	Activity in the Account of customer i.e Business of Freight/Shipping/cargo agent	Regardless of Credit Turnover	10



27	Activity in the Account of customer i.e Source of fund from principal line of business of leasing/finance company	Regardless of Credit Turnover	5
28	Activity in the Account of customer i.e Source of fund from principal line of business of Insurance/ brokerage agency	Regardless of Credit Turnover	5
29	Activity in the Account of customer i.e Charities, Donations, any other source through which funds are generated for religious organization/farm	Regardless of Credit Turnover	10
30	Activity in the Account of customer i.e Business income from Amusement Company/ Park	Regardless of Credit Turnover Regardless of Credit Turnover	10
31	Activity in the Account of customer i.e Income from Motor parts business	Regardless of Credit Turnover	5
32	Activity in the Account of customer i.e Any income/ Revenue source from Tobacco and cigarette business	Regardless of Credit Turnover	5
33	Activity in the Account of customer i.e Income from Manufacturing Business	Regardless of Credit Turnover	5
34	Activity in the Account of customer i.e Income generated from Service (other than salaried)	Regardless of Credit Turnover	5
35	Activity in the Account of customer i.e Any income source of Student/ minor/ unemployed & like customers	Regardless of Credit Turnover	5
36	Activity in the Account of customer i.e Any income source of House wife	Regardless of Credit Turnover	5
37	Activity in the Account of customer i.e Income from Auto primary (new vehicle) business	Regardless of Credit Turnover	5
38	Activity in the Account of customer i.e Business income from Retail shop	Regardless of Credit Turnover	5
39	Activity in the Account of customer i.e Any income/ revenue source of agent Business	Regardless of Credit Turnover	10





40	Activity in the Account of customer i.e Business income from small enterprise (yearly turnover below 5 M)	Regardless of Credit Turnover	1
41	Business income of trading Construction Building materials	Regardless of Credit Turnover	1
42	Activity in the Account of customer i.e Income generated from Software business	Regardless of Credit Turnover	1
43	Activity in the Account of customer i.e Income generated through salaries and other sources	Regardless of Credit Turnover	1
44	Activity in the Account of customer i.e Income generated from pensions and other sources	Regardless of Credit Turnover	1
45	Activity in the Account of customer i.e Income generated from proceeds of crops	Regardless of Credit Turnover	1
46	Activity in the Account of customer i.e Others (High net worth customers with no clearly identifiable source of income)	Regardless of Credit Turnover	10

#### **BENCHMARK OF RISK RATING:**

Risk Levels of Accounts should be assigned as per following benchmark of the Risk Rating.

#### **Risk Levels Risk Score**

High Risk	70 To 100
Medium Risk	50 To 69
Low Risk Below	50

*Note: Above are the minimum sets of guidelines that are required to be followed for risk profiling of customers. Further, branches may also opt to apply their on-ground Judgment/ Assessment on case to case basis, and may increase the risk level from Low to Medium and From Medium to High regardless of the risk level calculated through Risk Matrix. The reason behind the change of risk rating should be documented & mentioned in CRP Form under the Branch comment. In case of other -way round, branches cannot decrease the risk level from High to Medium or Low.*

#### **2.6 TAKING THE APPROPRIATE DECISION:**

After identification and quantification of inherent risks associated with the business relation in-line with CRP; branches should decide the risk levels of customers, and accordingly mark the same in KYC Forms.

However, in case, if there is any suspicion/ where customer is unable to provide any information/ documents with respect to CDD/EDD requirements, Branches should take



appropriate decision whether to establish relationship with new customers OR continue relationship with existing customers considering the AML/CFT associated Risk.

## **2.7 RISK PROFILING OF CUSTOMERS ON CRP FORM:**

- Risk profiling of customers (for new & existing Customers) should be done by properly filling the CRP Form and inputting the effect (risk level i.e. High/ Medium/ Low) of same in the KYC Form of the customer, as explained in Para 2 above.
- For the ease of branches, an automated Excel based CRP form has been developed and provided along with its Comprehensive User Guidelines.



# AML/CFT DRAFT GUIDELINES FOR CUSTOMER DUE DILIGENCE (CDD)/ENHANCED DUE DILIGENCE (EDD):

## 3.1 CUSTOMER DUE DILIGENCE (CDD):

Following CDD measures should be applied for all type of customers in conjunction with normal requirement of Account opening and ongoing Monitoring. Before on-boarding the customer, branch should ensure that customer has been physically identified, personally interviewed, and all other AML/ CDD requirements completed. If necessary, branches may obtain further information/ documents in addition to these guidelines in order to get optimum satisfaction regarding profile of the customer. The steps are enumerated below:

**i. Obtain information and valid documents from customers** to ascertain the customer's identification/ verification/ source of funds/ intended purpose/ nature of business relation/ their Counter Parties/ Geographies involved, etc as per AOF/ KYC Form/ CAOD list.

**ii. Verify the Identity of customer/ Mandatee/ Authorized signatories/ Any other person acting on behalf of customers:**

- ☑ Prior to establishing business relations, complete Verification of customers and the beneficial owners (of accounts) should be carried out. Further, identify the persons who act on behalf of the customer (e.g. Mandatee, authorized persons, etc) and verify the identity of such persons also.
- ☑ In case of business/ legal entities, verify the identity of natural persons (i.e. Proprietors, Partners, Directors, Trustees/ Management Committee/Members of Governing Body/ Members of Executive Committee, Authorized Persons, etc, as the case may be).
- ☑ In case of individual (natural person) shareholders holding 20% or above stake in an entity, identification and verification of such natural person is required to be carried out.
- ☑ For legal persons holding shares equal to 20% or above in an entity, identification and verification of individual (natural person) shareholders holding shares equal to 20% or above of that legal persons should also be carried out.

**iii. Identify & verify the beneficial ownership:**

- ☑ In case of natural persons identify and establish the beneficial ownership of funds/ account by conducting personal interview of the customer &/ or doing market check for the same. In case if the beneficial owner is found to be other than the account holder, account opening request of such customers should be declined.
- ☑ In case of legal persons (Entities such as Limited Companies/ NGOs, NPOs, Trusts, etc), necessary documents/ information should be obtained to understand the ownership and control structure of the customer, and determine the identity of that actual persons who ultimately own or control the customer.
- ☑ In case, if the signatory of account is neither a beneficial owner nor a key principal (of entity), he/ she should also be verified, if he/she is the principal contact person



with the branch acting on behalf of directors or owners with whom the branch have little or no direct contact.

#### **iv. Joint Accounts:**

In case of joint accounts, CDD/EDD measures on all of the joint account holders should be performed, as if each of them is individual customer of the Bank.

#### **v. Government Account:**

- Government Account should not be opened in personal name of the government official.
- Government Accounts, which is to be operated by officer of the local government should be opened only on production of especial resolution/ authority from the concerned administrative department duly endorsed by the ministry of Finance OR finance Department of the concerned Government.
- In case of autonomous entities and armed forces including their allied offices, account can be opened on the basis of especial resolution/ authority from the concerned administrative department.

#### **vi. Dormant Accounts:**

For dormant accounts, branches may allow credit entries without requiring activations. However, debit transactions/ withdrawals shall not be allowed until the account holder requests for activation and produces an attested copy of his/her NID, if already not available, and branch is satisfied with the KYC/ CDD profile of customer.

#### **vii. Prohibition of Personal Accounts for business purposes:**

- Branches should not allow personal Foreign Currency Accounts to be used for business/ commercial purposes.
- However, in case of personal accounts in local currency (i.e BDT), branches may allow personal accounts to be used for business purposes, only in case of proprietorships, small businesses and professions, where constituent documents are not available, and Branch Management is satisfied with KYC profile of the account holder, purpose of relationship and expected turnover of the account keeping in view financial status & nature of business of that customer.

#### **3.1 ENHANCED DUE DILIGENCE (EDD):**

Following EDD measures should be applied for below mentioned customers, in conjunction with the CDD measures above, normal requirements of Account Opening and ongoing Monitoring. If necessary, branches may also obtain further information/ documents in addition to these guidelines in order to get optimum satisfaction regarding profile of the customer.



SL No	Customer	Recommendations for EDD
1	NPOs/NGOs/ Charities, Trusts, Clubs, Societies, and Associations etc	<p>In relation to these customers, NRBBL may:</p> <ul style="list-style-type: none"> <li>- ☑The account should be opened in the name of relevant NGO/NPO/Trust/ Society/ Club/ Association/ Charitable/ Religious Organizations (as the case may be), as per title given in the constituent documents of the entity.</li> <li>- ☑The individuals who are authorized to operate these accounts and members of their governing body/ Management Committee/ Board of Trustees should also be subject to EDD. Branches should ensure that these persons are not affiliated with any proscribed/ banned individual/ group/ entity, whether under the same name or a different name.</li> <li>- ☑In case of advertisements through newspapers or any other medium, especially when bank account number is mentioned for donations, branches should ensure that the title of the account is the same as that of the entity soliciting/ asking for donations. In case of any difference, immediate caution should be marked on such accounts, and the matter should be escalated to the CAMLCO in order to consider the case for filing of STR and/or take other actions as per law.</li> <li>- ☑Personal accounts should not be allowed to be used for charity purposes/collection of donations.</li> <li>- ☑All existing relationships of NGOs/NPOs/Trust/ Society/ Club/ Association/ Charitable/ Religious Organizations should be reviewed and monitored to ensure that these organizations, their authorized</li> </ul>



signatories, members of their governing body and the beneficial owners are not linked with any proscribed entities and persons, whether under the same name or a different name. In case of any positive match, branches should immediately report the same to the CAMLCO of the bank in order to consider the case for filing of STR and/or take other actions as per law.

Besides above, following steps should be adopted while opening the accounts of NGOs, NPOs, Trusts/ Societies/ Clubs/ Associations/ Charitable/ Religious Organizations:

- Obtain Declaration from the Governing Body/ Board of Trustees/ Management Committee/ Sponsors on ultimate control, purpose and source of funds, etc.
- Obtain an undertaking from Governing Body/Board of Trustees/Management Committee /sponsors to inform the bank about any change in control or ownership of entity during operation of the account
- Obtain a Resolution of the Governing Body/ Board of Trustees/ Management Committee of the entity for opening & operating the Account
- Obtain a fresh Resolution of the Governing Body/ Board of Trustees/ Management Committee of the entity in case of change in person(s) authorized to operate the account
- To ascertain the physical existence of entity, branches should conduct the physical verifications of the same, and document the results



		<p>thereof by attaching a visit report with AODs.</p> <ul style="list-style-type: none"> <li>- Review all the required documents to ensure that the same are in line with COAD checklist.</li> <li>- Obtain legal opinion from NRBBL's Legal Division from legal perspectives.</li> <li>- Upon receipt of satisfactory response from the Legal Division, obtain clearance from AML Monitoring Unit- Compliance Division from AML perspective.</li> </ul>
2	Accounts of Housewife/ House Hold/ Widow:	<ul style="list-style-type: none"> <li>- Obtain Self-declaration of customer for source and beneficial ownership of funds duly approved by BM/OM.</li> <li>- Identify the funds providers, and in case if monthly credit turnover of account exceeds BDT 01 Million, all efforts should be made to verify the funds providers; and also retain record of the same for audit trail purpose.</li> </ul>
03	Proprietorships and self-employed individuals/ professionals	<ul style="list-style-type: none"> <li>- Branches should ascertain the physical existence of business or self-employment status of customer, by conducting physical verifications of the same within FIVE working days from opening of the account. The visit report of the same should be retained in the Branch Record for Audit Trail Purposes. Further, its scanned copy should also be uploaded on the DMS.</li> <li>- In case of unsatisfactory verification, branches should report the same to their respective Manager for further guidance. Further to this end, Manager should review the case by using his/ her self-judgment/ experience and decide fate of the case, (i.e. whether</li> </ul>



		<p>to continue or discontinue the relationship).</p> <ul style="list-style-type: none"> <li>- Furthermore, in case of any suspicion from AML/CFT perspectives, the same should be reported to AML Monitoring Unit for further action.</li> </ul>
04	Accounts of landlords / Property Owners:	<ul style="list-style-type: none"> <li>- Obtain appropriate proof of land holding / property ownership e.g. ownership documents / lease deed / rental deed or any other acceptable land holding evidence/ verifiable information (as much as possible)</li> <li>- In addition to above, obtain a self-declaration of customer for source &amp; beneficial ownership of funds/ account duly approved by BM</li> <li>- Obtain additional information regarding the land holding records of customer, e.g. location, area, etc., (as much as possible)</li> </ul>
	Accounts of Politically Exposed Persons (PEPs)/ Influential Persons):	<ul style="list-style-type: none"> <li>- In relation to PEPs and influential Persons, their close associates or family members/ Political Parties, branches should obtain approval from the respective business head prior to opening or continuing the account where the customer or a beneficial owner is PEP or subsequently becomes PEP.</li> <li>- Further, while initiating/ recommending/ approving the opening of such accounts, the source of wealth or beneficial ownership of funds, as appropriate should be established by using appropriate means including the self-assessment of Branch.</li> </ul>
	Exchange Companies/ AMCs / (Authorized Money Changer's Account)/ Mobile Banking:	<ul style="list-style-type: none"> <li>- To ascertain the physical existence of entity, branches should conduct the physical verifications of the</li> </ul>





		<p>same, and document the results thereof by attaching a visit report with AODs.</p> <ul style="list-style-type: none"> <li>- Obtain prior approval from the Respective business head to open the account. Before approving such accounts, BM should:</li> <li>- Review all the required documents to ensure that the same are in line with COAD checklist.</li> <li>- Obtain the clearance from FID for opening of account.</li> <li>- Before giving clearance to respective Manager Operations, FID should seek opinion from AML Monitoring Unit- Compliance Division from AML/CFT perspectives.</li> </ul>
	<p>Other High Risk Accounts of customers not specified above</p>	<p>Other High Risk Accounts of customers not specified above, i.e. High Net-worth Customers with no clearly identifiable source of income; Non Resident Customers, Foreign Nationals, customers dealing in high value/ precious items; arms and ammunition dealers; Antique, Old Auto spare parts, Metal Scrap Dealers, excluding the accounts of correspondent banks, as per Risk Matrix.</p> <p>In case of these customers:</p> <ul style="list-style-type: none"> <li>- Accounts should be opened with the prior approval of the Country Office.</li> <li>- Branches should ascertain the physical existence of business or self-employment status of customer by conducting physical verification (required only for businesses mentioned above) of the same within FIVE working days from opening of the account. The visit report of the same should be retained in the Branch Record for Audit Trail Purposes. Further, its scanned copy should also be uploaded on the DMS.</li> </ul>



		<ul style="list-style-type: none"> <li>- In case of unsatisfactory verification, branches should report the same to the Country Office for further guidance. Further to this end, Manager Operations should review the case by using his/ her self-judgment/ experience and decide fate of the case, (i.e. whether to continue or discontinue the relationship).</li> <li>- Furthermore, in case of any suspicion from AML/CFT perspectives, the same should be reported to AML Monitoring Unit for further action.</li> </ul>
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### 3.2 PERIODIC/ ONGOING REVIEW OF ACCOUNTS:

- Periodic review of KYC profiles of Low & Medium Risk Customers should be performed with a frequency not exceeding two (2) Years. Further, in case of High risk customers, periodic review should be done with a frequency not exceeding one (1) year.
- However, KYC profiles of all accounts should also be reviewed/ updated based on observing any change in the normal activity of customer's account and/ or in their known profiles.
- In relation to Para above, the findings of such reviews including the justifications/ reasons for revising/ updating the KYC Profiles should duly be documented and retained in hard copy at the respective branches, and soft copy of the same be also uploaded on DMS for Audit Trail Purposes

### 3.3 TRANSACTION MONITORING:

Large Transaction in the customer's Accounts should be monitored on the basis of system generated reports by applying following threshold amounts; and further economic consideration/ justifications of the same should be duly enquired, properly recorded & retained at the respective branches.

Type / Category of Account	Threshold Amount *** BDT
Individual / Individuals Accounts	1.00 lac and above
NGO/NPO/Trust/ Club/ Charity etc	3.00 lac and above
All other Accounts not specified above	5.00 lac and above

\*\*Single day transaction



- If any cash online transaction exceeds BDT 500,000, service providing branch should obtain the prior confirmation from the account maintaining branch via email/ any other (recordable) means in order to know that the said transaction is in-line with customer's CDD/EDD profile. In case of unsatisfactory response of account maintaining branch, the transaction should be declined.
- Review the deviations/ breaches in customer's Annual Account Turnover identified through system generated report (This report should be generated on monthly basis by selecting tolerance level as 50% in the system). Further to this effect, update/ revise KYC profiles of the same by obtaining and documenting the plausible justifications/ reasons thereof.

### **3.4 WALK-IN CUSTOMERS:**

In case of Walk-in customers branches should:

- For BDT 5,000 or below, obtain details like name, address & telephone number
- For above BDT 5,000, detail like name, bank account number, copy passport/NID/Birth Certificate / Any other Photo ID, Telephone / Mobile No.
- Obtain Copy of NID / valid ID (regardless of threshold), while issuing remittance instruments e.g. POs, DDs, MTs etc;
- Obtain Copy of NID (regardless of threshold), while conducting online transactions (except Deposit through Cash Deposit Machines or Cash Collection/ Management Services).
- If (online) cash transaction exceeds BDT 100,000, the name and NID No. (of originator) shall be captured in the system.
- While executing online transactions, branches should pay special attention to the geographical factors/locations for movement of funds.
- Needless to mention that no KYC profile of customer should be filled/ revised/ updated without interviewing/obtaining market information/using self judgment. To this end, obtain documentary evidence from the customer OR document the plausible justifications/ reasons of the same. Further, the records of KYC Forms including their supporting documents (e.g. Visit Report, Customer's Request Letter for profile change, etc) should invariably be retained in hard copy in a systematic manner at the respective branches for audit trail purposes; and soft copy of the same be uploaded on DMS (Data Management System) for easy retrieval purposes.
- Based on periodic/ongoing review and monitoring, if branch finds any justifiable grounds of suspicion regarding the conduct of customer's account/ transaction in terms of AML/CFT guidelines, findings of the same should immediately be reported to the CAMLCO for further guidance/ action.

### **3.5 HIGH RISK GEOGRAPHIES FROM AML/CFT PERSPECTIVE:**

While performing Risk Profiling of Customers from AML/CFT perspective, following Local/ International Geographies should be taken/ considered as High Risk Geographies.

**LOCAL/ DOMESTIC HIGH RISK GEOGRAPHIES:**

SL	Domestic High Risk Area
01	Chittagong
02	Rajshahi
03	Sylhet
04	Cox Bazar
05	Sherpur
06	Chapai Nawabgonj
07	Satkhira

**INTERNATIONAL HIGH RISK GEOGRAPHIES:**

SL	Name of High Risk Country
01	Iran
02	Democratic People's Republic of Korea (North Korea)
03	Afghanistan
04	Algeria
05	Ecuador
06	Ethiopia
07	Indonesia
08	Kenya
09	Myanmar
10	Syria
11	Tanzania
12	Turkey
13	Yemen
14	Sudan
15	Pakistan
16	Israel



# USER GUIDELINES FOR CUSTOMERS' RISK PROFILING TEMPLATE

## INTRODUCTION:

Customer Risk Profiling Form (CRPT) is an Automated Excel based Form. This form is designed by considering the various inherent risk factors and its determinants related to the business relations & their day today activities in the light of Bangladesh Bank - BFIU Guidelines & international best practices.

This Automated CRP template is duly compatible to automatically calculate the risk score of customers and their associated Risk Levels (i.e. High, Medium, and Low).

Keeping in view the AML/CFT perspectives, CRP form has been designed by considering following Six Risk Factors:

1. Types of Customers/ Accounts
2. Business Type/ Revenue Sources/ Income Level
3. Product Types
4. Types of Delivery Channels/ Dominant Mode of Transactions
5. Geographic Locations
6. Activity of Accounts

Accordingly, while doing customer's profiling of new customers (at the time of account opening) and/ or for existing customers (at the time of their KYC revision/ updation), Branches should fill-out this (CRP) form completely and accurately in accordance with below mentioned guidelines.

### **STEP # 01:** Provide the account information of customer:

This section of CRP template consists of fields related to name & code of branch (where account is maintained/ being opened), account number & title. Accordingly, branch should provide the relevant information in all the fields, as specified in CRP Form.

### **STEP # 02:** Select customer/ account type through drop down option:

#### Risk Factor-I (Associated to Types of Customers/ Accounts):

Branch should select the most appropriate customer/ account type through the drop down options, as given in the CRP Form. (For details, please refer Clause 2.1.2 of Risk Based Approach on the Risk Matrix).

Upon selection, relevant risk weight of the same will automatically be assigned for this Risk Factor.

### **STEP # 03:** Select source of income/ revenue/ business type through drop down option:

#### Risk Factor-II (Associated to Business Type/ Revenue Sources/ Income Level):



Based on option selected in the Risk Factor-I (above), its relevant option automatically appears under Risk Factor-II along with its associated weight. However, in case of following options appearing in under Risk Factor-II, branches should also select the appropriate option through the given sub drop-down menu regarding specific source/ level of customer's income.

**STEP # 04:** Select the product/ account type through drop down option:

**Risk Factor-III- (Associated to Product/ Account Types):**

This risk factor consists of two drop-down options (i.e. BBA Account & All other checking Accounts). Accordingly, Branch should select the relevant product/ Account Type of customer through the given drop down options. Upon selecting the relevant option, risk weight of the same will automatically be assigned for this risk factor.

**STEP # 05:** Select type of transactions through drop down options:

**Risk Factor-IV- (Associated to Types of Delivery Channels/ Dominant Mode of Transactions):**

This risk factor consists of various combinations/ permutations of delivery channels/ mode of transactions, which are likely to be used by the customers. Accordingly, Branch is required to select the appropriate option through the given drop-down menu.

**STEP # 06:** Select geographic location as high or low through drop down options:

**Risk Factor-V (Associated to Geographic Locations):**

This risk factor comprises of two drop down options (i.e. *Customers and/ or their Counter Parties involving High Risk Geographies & Customers and/ or their Counter Parties NOT involving High Risk Geographies*). Accordingly, before selecting the appropriate option for this risk factor:

- Branches should check the customer's Address (i.e. Current Residential/ Permanent/ Office/Corresponding Address) as per his/ her identity document obtained during the course of Account Opening/CDD/EDD process, from the List of High Risk Geographies (as per attached Annexure-I and also available on Employee Portal). In case, if customer's geographic location is found as falling in High Risk Geographies, the appropriate option (for this risk factor) should be selected accordingly.
- In case of nonresident Pakistanis, their country of residence should be checked from the aforesaid list of High Risk Geographies (Countries), and appropriate option for the same should be selected accordingly.
- In case of Foreign Nationals, their country of nationality should be checked from the aforesaid High Risk Countries, and appropriate option for the same should be selected accordingly.
- In case of counter parties of customers, the same process should be followed.

**STEP # 07:** Select annual credit turnover of the account

**Risk Factor-VI- (Associated to Credit Turnover/ Activity of Accounts):**



Based on the options selected in the Risk Factor-I & II, the relevant option for activity of account will automatically appear along with its associated weight. However, in case of following options, branches should also select the appropriate option through the given drop down menu for activity (Expected Annual Credit Turnover) of customer's Account.

- *Activity in the Accounts of Professionals/ Self Employed individuals & Proprietorships*
- *Activity in the Accounts of Land Lords / Property Owners*
- *Activity in the Accounts of Housewives/ Widows/ Households*
- *Activity in the Accounts of Minors, Students, Unemployed & like Customers*
- *Activity in the Accounts of Un-registered Partnership concerns OR Registered Partnership Concerns involving Businesses e.g. Real Estate, Civil Work, Brokerage, Share Dealing, Travel/ Tourism, Trading of general items, etc*
- *Activity in the Accounts of Registered Partnerships involving businesses not specified above*
- *Activity in the Accounts of Salaried Individuals, Staff, Pension Holders and like Customers*

**STEP # 08:** Overall risk value/ category will be automatically assigned

**STEP # 09:** Take the print-out of crp form

**STEP # 10:**

- Review & reconsider the risk category of customer based on additional information (if available).

- In case, if risk level is required to be increased from low to medium or

High, strike-out the risk category on the crp form & mention the revised risk category

**STEP # 11:** Affix the signatures of concerned staff

**STEP # 12:** Input the above risk level in the kyc form available in system



**Annexure-1**

NRB Bank limited				
CUSTOMER RISK PROFILING TEMPLATE (CRT)				
Account Information				
Branch Name:		Branch Code:		
Account Number:				
Account Title:				
Risk Factors	Risk Variables/ Determinants			Risk Weight
Risk Factor- I	Customer/ Account Types: [Maximum Risk Weight-20]	SELECT BELOW		
Farmers				4
Risk Factor- II	Business Types/ Revenue Sources/ Income Levels:[Max R/W-20]	SELECT BELOW		
Income generated from proceeds of crops				4
Risk Factor- III	Product Types: [Maximum Risk Weight-10]	SELECT BELOW		
Regulatory Accounts (School Banking, Farmers, Women Entrepreneur etc)				5
Risk Factor- IV	Delivery Channels/ Dominant Mode of Transactions: [Max: R/w-20]	SELECT BELOW		
Any combination of above (i.e., 5 & 6 or 7 with 1 & 2 or 3)				15
Risk Factor- V	Geographic Locations: [Maximum Risk Weight-20]	SELECT BELOW		
Rangpur				5
Risk Factor- VI	Account Activity: [Maximum Risk Weight-10]	SELECT BELOW		
Activity in the Accounts of Non-Bank Finance Companies (NBFC's) Regulated/ Supervised by Securities and Exchange Commission (Regardless of Credit Turnover)	Regardless of Credit Turnover			1
Total Assigned Risk Score/ Weight				34
RISK LEVEL OF ACCOUNT				
Assigned Risk Levels [i.e. Low (Risk Score Below 50), Medium (From 50 To 69) & High (Form To 100)]				
LOW				
Branch Comments (IF ANY)				
Re-Consideration/ Review of Risk Rating (Assigned Risk Level)				
Customer`s Risk Profile is re-considered and reviewed in-line with the pre-defined criteria of Bank`s Internal Risk Assessment				
Prepared by:		Reviewed & Approved by:		
Name	Signature	Name	Signature	Date





