



Anti-Money Laundering (AML) and Combating Financing in Terrorism (CFT) Policy

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1. INTRODUCTION

LankaBangla Finance Limited (LBFL) is committed to the highest standards of anti money laundering (AML) compliance and requires management and employees to adhere to these standards to prevent use of our products and services for money laundering purposes.

LBFL will examine its Anti Money Laundering strategies, goals and objectives on an ongoing basis and maintain an effective Anti Money Laundering program for the Company's business that reflects the best practices for a diversified, global financial services provider.

Adherence to the LBFL Anti-Money Laundering Program is the responsibility of all employees. The program is formulated and directed by the Chief Anti-Money Laundering Compliance Officer (CAMLCO). The program includes client screening and monitoring requirements, "know your customer" policies (including the requirement to establish the identity of beneficial owners), Embargo policies, record keeping requirements, the reporting of suspicious circumstances in accordance with relevant laws, and training.

2. SCOPE

2.1. Objectives

The standards set out in this Policy are minimum requirements based on applicable legal and regulatory requirements in compliance with the *Money Laundering Prevention Act, 2012*, the *Anti-Terrorism (Amendment) Act 2013* and *Bangladesh Bank guidelines in this respect* and apply for LBFL. These requirements are intended to prevent LBFL, our employees and clients from being misused for money laundering, terrorist financing or other financial crime. This Policy establishes the general framework for the fight against money laundering and financing of terrorism.

2.2. Applicability

According to section 25 of the *Money laundering prevention Act, 2012*, LBFL must ensure that the legal duties resulting from the regulations set out in this Act and Bangladesh Bank guidelines regarding AML are fulfilled by our subordinated enterprises, branches, subsidiaries and affiliates in Bangladesh and abroad.

Wherever any regulations are stricter than the requirements set out in this Policy, the stricter standard has to be applied. If any applicable laws are in conflict with this Policy, the relevant entity must consult with the legal department and the Chief Anti Money Laundering Compliance Officer to resolve the conflict.

If the minimum requirements set out in this Policy cannot be applied in a certain country because application would be against local law or cannot be enforced due to other than legal reasons, LBFL has to assure that it will not

- enter into a business relationship,
- continue a business relationship or
- carry out any transactions.

If business relations already exist in that country, LBFL has to assure that the business relationship is terminated regardless of other contractual or legal obligations.

2.3. Definition of the Term Money Laundering

Money Laundering is the participation in any transaction that seeks to conceal or disguise the nature or origin of funds derived from illegal activities such as, for example, fraud, corruption, organized crime, or terrorism etc (*Details as per sub-section v of Section 2 of the MLP Act, 2012*). Predicate offences for money laundering are defined by the *Money Laundering Prevention Act, 2012*. Generally speaking, the money laundering process consists of three “stages”:

Placement: The introduction of illegally obtained monies or other valuables into financial or non-financial institutions.

Layering: Separating the proceeds of criminal activity from their source through the use of layers of complex financial transactions. These layers are designed to hamper the audit trail, disguise the origin of funds and provide anonymity.

Integration: Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds.

These “stages” are not static and overlap broadly. Financial institutions may be misused at any point in the money laundering process.

2.4 Definition of the Term Terrorist Financing

Terrorist financing can be simply defined as financial support, in any form, of terrorism or of those who encourage, plan, or engage in terrorism. The International Convention for the Suppression of the Financing of Terrorism (1999) under the United Nations defines TF in the following manner:

- I) If any person commits an offense by any means, directly or indirectly, unlawfully and willingly, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out:
 - a. An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the link* given below; or
 - b. Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking any active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.

*International Convention for the Suppression of the Financing of Terrorism (1999),

Article 2 <http://www.un.org/law/cod/finterr.htm>.

The treaties referred to annex in sub-paragraph 1(a) shall be available in this web link.

- II) For an act to constitute an offense set forth in the preceding paragraph 1, it shall not be necessary that the funds were actually used to carry out an offense referred to in said paragraph 1, subparagraphs (a) or (b).

According to the article 7 of the Anti Terrorism (Amendment) Act, 2013 of Bangladesh, financing of terrorism means:

Offences relating to financing terrorist activities –

- (1) If any person or entity willingly, from legal or illegal sources, supplies, receives, collects money, services or any other property or makes arrangement of such things either directly or indirectly with such intention that partially or fully-
- a. will be used for conducting terrorist activities; or
 - b. will be or may be used for any purposes by terrorist person or entity in this respect is known by the person or entity;

Then that person or entity shall be deemed to have committed the offence of financing terrorist activities.

- (2) In case of deciding criminal for committing the offence of financing terrorist activities, it shall not depend on whether money, services or any other property mentioned in paragraph 1 has actually been used for attempting or executing or conducting terrorist activities or relating to any specific terrorist activities.

3. REQUIREMENTS

LBFL Head Office, branches and subsidiaries have to comply with the following basic principles:

- **Ascertainment of customer identity:**
 - When entering into a lasting business relationship,
 - When performing a single transaction or deal,
 - Before accepting cash or other physical values worth BDT 100,000 or more (or equivalent) outside an existing business relationship.
- **Establishment of purpose of business relationship:** When entering into a lasting business relationship, LBFL must obtain information on kind and purpose thereof, if this is not clear from the business relationship itself. Customer due diligence is performed for high risk customers, non face to face business (if applicable), handling of politically exposed persons (PEPs).
- **Identification of Ultimate Beneficial Owner:** Whenever LBFL is required to identify a customer, it must establish and verify the identity of the ultimate natural person,
 - who owns or
 - controls the customer or its assets or
 - on whose behalf the transaction is carried out or the business relationship is established
- **Client account monitoring:** A permanent monitoring of clients' accounts must be implemented to detect unusual/suspicious transactions. Monitoring must be effected for applicable business areas using adequate processes and systems.
- **Correspondent banking:** Special attention must be paid to correspondent banking business and adequate security measures must be implemented.
- **Forbidden business:** Payable through accounts and relationships with shell banks are forbidden for LBFL and LBFL correspondent banks.

- **Reporting of suspicious circumstances/transactions:** Such circumstances/transactions must be reported to the competent authorities according to local law. Anti Money Laundering Compliance officers in LBFL Head office and Branches must be informed about all suspicious events, if not explicitly prohibited by local law.
- **Staff reliability:** LBFL must not employ staffs who are deemed not reliable. It undertakes proper screening mechanism in its different appointment procedures so that it does not face money laundering and terrorist financing risks by any of its staff. LBFL also incorporates AML/CFT compliance into job descriptions and performance evaluation of appropriate personnel. It is the responsibility of each employee to become familiar with rules and regulations that relate to his or her assignment. Moreover, disciplinary action would be taken if employees consistently fail to perform in accordance with AML/CFT framework for a consecutive period of six months.
- **Communicating the policy:** LBFL communicate clearly to all employees on annual basis through a statement from the Managing Director/CEO that clearly sets forth its policy against money laundering and any activity which facilitates money laundering or the funding of terrorist or criminal activities.
- **Anti Money Laundering controls:** The responsible Anti Money Laundering Officer must ensure by adequate customer and business related controls that all applicable AML requirements are being adhered to and security measures are properly functioning.
- **Anti Money Laundering Training:** All employees (including trainees and temporary personnel) responsible for carrying out transactions and/or for initiating and/or establishing business relationships must undergo anti money laundering training. LBFL has decided to extend the target audience for AML to cover all staff. Initial training must be attended within six (6) months after an employee has joined LBFL and subsequently every two years. Minimum content training requirements defined by the Chief Anti Money Laundering Compliance Officer have to be adhered to.
- **Anti Money Laundering Risk Analysis:** LBFL has set up a system to assess the level of risk exposure considering product and client risk and derive appropriate security measures from this analysis.

4. ESTABLISHMENT OF CENTRAL COMPLIANCE UNIT (ANTI MONEY LAUNDERING COMMITTEE)

To ensure compliance of the Money Laundering Prevention Act, 2012 and ATA 2009 (as amended in 2012) LBFL has established arrangement for internal monitoring and control through formation of a Central Compliance Unit (CCU) / Anti Money Laundering Committee (AMLC) under the leadership of a high official at the Head Office. The committee comprises the following officials:

Sl. No.	Designation	Name	Position in the Committee
1.	Chief Risk Officer & CAMLCO	Mr. Mohammed Kamrul Hasan	Head
2.	Deputy Managing Director	Mr. Khwaja Shahriar	Member
3.	Chief Financial Officer	Mr. Quamrul Islam	Member
4.	Head of Operations	Mr. A.K.M. Kamruzzaman	Member
5.	Head of Retail Finance	Mr. Khurshed Alam	Member
6.	Head of Accounts	Mr. Shamim Al Mamun	Secretary

In order to accomplish properly the jurisdiction and function of the CCU, LBFL has determined institutional strategy and program. CCU will issue the instructions to be followed by the branches; these instructions will be prepared on the basis of combination of issues in monitoring of transactions, internal control, policies and procedures from the point of view of preventing money laundering & terrorist financing. CCU shall be dedicated solely to the organization's related responsibilities and perform the compliance functions. The responsibilities of CCU include:

- a) preparing an overall assessment report after evaluating the self assessment reports received from the branches and submitting it with comments and recommendations to the managing director;
- b) preparing an assessment report on the basis of the submitted checklist of inspected branches by the Internal Audit Department on that particular quarter;
- c) Submitting a half-yearly report to BFIU within 60 days after end of a quarter.

5. APPOINTMENT OF CHIEF AML/CFT COMPLIANCE OFFICER

LBFL designate a Chief AML/CFT Compliance Officer (CAMLCO) at its head office who has sufficient authority to implement and enforce corporate-wide AML/CFT policies, procedures and measures. The CAMLCO will directly report to the Chief Executive Officer/Managing Director for his/her responsibility. The CAMLCO will also be responsible to coordinate and monitor day to day compliance with applicable AML/CFT related laws, rules and regulations as well as with its internal policies, practices, procedures and controls.

5.3.1 Position of CAMLCO: The Chief AML/CFT Compliance Officer will be the head of CCU. The designated CAMLCO, directly or through CCU, should be a central point of contact for communicating with the regulatory and/or investigation agencies regarding issues related to financial institution's

AML/CFT program. The position of the CAMLCO cannot be lower than the third rank in seniority in organizational hierarchy.

5.3.2 Qualification and experience: The CAMLCO should have a working knowledge of the diverse financial products offered by the financial institutions. The person could have obtained relevant financial institutional and compliance experience as an internal auditor or regulatory examiner, with exposure to different financial institutional products and businesses. Product and financial institutional knowledge could be obtained from being an external or internal auditor, or as an experienced operational staff. The Chief AML/CFT Compliance Officer should have a minimum of seven years of working experience, with a minimum of three years at a managerial/administrative level.

5.3.3 Responsibilities: The major responsibilities of a CAMLCO are as follows:

- Chairs the Central Compliance Unit of Money Laundering
- Monitors, reviews and coordinates application and enforcement of the financial institution's compliance policies including AML/CFT Compliance Policy. This will include an AML/CFT risk assessment, practices, procedures and controls for account opening, KYC procedures and ongoing account/transaction monitoring for detecting suspicious transaction/account activity, and a written AML/CFT training plan
- Monitors changes of laws/regulations and directives of Bangladesh Bank and revise its internal policies accordingly
- Responds to compliance questions and concerns of the staff and advise regional offices/branches/units and assist in providing solutions to potential issues involving compliance and risk
- Ensures that AML/CFT policy is complete and up-to-date, maintains ongoing awareness of new and changing business activities and products and identifies potential compliance issues that should be considered by LBFL
- Develops the compliance knowledge of all staff, especially the compliance personnel and conduct training courses in the institution in this regard
- Develops and maintains ongoing relationships with regulatory authorities, external and internal auditors, regional/branch/unit heads and compliance resources to assist in early identification of compliance issues
- Assists in review of control procedures in LBFL to ensure legal and regulatory compliance and in the development of adequate and sufficient testing procedures to prevent and detect compliance lapses
- Monitors the business through self-testing for AML/CFT compliance and take any required corrective action
- Determines the structure and resource levels of AML
- Ensures resources are deployed effectively to support the Business in mitigating AML risks
- Drives communication to the Board / CEO/ Audit Committee and other stakeholders with respect to issues concerning AML
- Represents AML at Board, Management Committees and at senior corporate level as appropriate
- Maintains relationships to external auditors, regulatory and other regulatory bodies
- Controls, manages and administers AML's budget and resources planning processes
- Is responsible for AML systems, technology, AML Risk Analysis, MIS and operations
- Manages the Suspicious Transaction Report /Suspicious Activity Report process:

- ❖ reviewing transactions referred by divisional, regional, branch or unit compliance officers as suspicious;
- ❖ reviewing the transaction monitoring reports (directly or together with account management personnel);
- ❖ ensuring that internal Suspicious Activity Reports (SARs):
 - ✓ are prepared when appropriate;
 - ✓ reflect the uniform standard for –suspicious activity involving possible money laundering or terrorist financing|| established in its policy;
 - ✓ are accompanied by documentation of the branch’s decision to retain or terminate the account as required under its policy;
 - ✓ are advised to other branches of the institution who are known to have a relationship with the customer;
 - ✓ are reported to the Chief Executive Officer, and the Board of Directors of the institution when the suspicious activity is judged to represent significant risk to the institution, including reputation risk .
- ❖ ensuring that a documented plan of corrective action, appropriate for the seriousness of the suspicious activity, be prepared and approved by the branch manager;
- ❖ maintaining a review and follow up process to ensure that planned corrective action, including possible termination of an account, be taken in a timely manner;
- ❖ managing the process for reporting suspicious activity to BFIU after appropriate internal consultation;

6. BRANCH ANTI MONEY LAUNDERING OFFICERS

LBFL appoints Branch Anti-Money Laundering Compliance Officer (BAMLCO) at each of their branches. BAMLCO will be the second man of a branch and have a minimum three year experience in related field. The responsibilities of a BAMLCO are as follows:

- Have a direct reporting line to Head of CCU committee.
- Manage the transaction monitoring process and report any suspicious activity to Branch Manager, and if necessary to the CAMLCO
- Are responsible for the implementation of the applicable Policies on AML & KYC.
- Provide training to Branch staff.
- Ensure that guidelines and procedures are in line with Anti Money Laundering laws / regulations and the applicable regulations of Bangladesh Bank.
- Are the primary point of contact with regulators and law enforcement authorities
- Are responsible for the AML Risk Analysis
- Communicate to all staff in case of any changes in national or its own policy.
- Are responsible for the implementation of adequate monitoring – research /surveillance tools
- Track and follow up on the conditions that have been imposed as part of the KYC approval
- Develop and maintain procedures and systems to ensure that unusual and suspicious transactions are reported to CAMLCO.
- Develop and carry out adequate controls to ensure that all applicable legal and regulatory AML requirements are being adhered to.
- Sign-off in the New Product Approval and Smart sourcing process where appropriate.

- Submit branch returns to CAMLCO timely.

7. RESPONSIBILITIES OF OTHER EMPLOYEES

The table below details the individual responsibilities of the employees of LBFL:

Function	Role / Responsibilities
Staff Responsible for account opening	• Perform due diligence on prospective clients prior opening an account • Be diligent regarding the identification (s) of account holder and the transactions relating to the account • Ensure all required documentation is completed satisfactorily • Complete the KYC Profile for the new customer • Ongoing monitoring of customers KYC profile and transaction activity • Escalate any suspicion to the Supervisor, Branch Manager and BAMLCO
Customer Service Officer	• Support the Account Officer in any of the above roles • Perform the Account Officer roles in their absence
Operations Staff	• Ensure that all control points are completed prior to transaction monitoring • Be diligent on transaction trends for clients • Update customer transaction profiles in the ledger/system
Branch Manager (Unit Head)	• Ensure that the program is effective within the branch/unit • First point of contact for any issues
Risk Management /Credit Officer/ Internal Control Officer	• Perform Risk Assessment for the Business • Perform periodic Quality Assurance on the program in the unit • Communicate updates in laws and internal policies
Operations & Technology Manager	• Ensures that the required reports and systems are in place to maintain an effective program
Controller of Branches	• Overall responsibility to ensure that the branches have an AML program in place and that it is working effectively
Chief Executive Officer (CEO)	• Overall responsibility to ensure that the Business has an AML program in place and it is working effectively

8. MONEY LAUNDERING – TRAINING AND AWARENESS

8.1 Overview

LBFL will take reasonable care to provide appropriate anti-money laundering training on an ongoing basis for its employees who handle, or are managerially responsible for the handling of, transactions which may involve money laundering. All relevant staff should be educated in the process of the “Know your Customer” requirements for money laundering and terrorist financing prevention purposes. The training in this respect should cover not only the need to know the true identity of the customer but also, where a business relationship is being established, the need to know enough about the type of business activities expected in relation to that customer at the outset to know what might constitute suspicious activity at a future date. Relevant staff should be alert to any change in the pattern of a customer’s transactions of circumstances that might constitute criminal activity.

LBFL will provide initial training which:

- deals with the law on money laundering, and the responsibilities of staff;

- is applicable to all staff who handle, or are managerially responsible for the handling of, transactions which may involve money laundering and
- Should be customer focused, and takes place with sufficient frequency (within a minimum period of 48 months) and ensure that it is given to all of the staff referred to in the above sub-para.

The training should include the following:

- General information on the risks of money laundering and terrorist financing schemes, methodologies, and typologies;
- Legal framework, how AML/CFT related laws apply to FIs and their employees;
- Institution's policies and systems with regard to customer identification and verification, due diligence , monitoring;
- How to react when faced with a suspicious client or transaction;
- How to respond to customers who want to circumvent reporting requirements;
- Stressing the importance of not tipping off clients;
- Suspicious transaction reporting requirements and processes;
- Duties and accountabilities of employees;

8.2 Job Specific Training

The nature of responsibilities/activities performed by the staff of LBFL is different from one another. So their training on AML/CFT issues should also be different for each category. Job specific AML/CFT trainings are discussed below:

8.2.1 New Employees

A general appreciation of the background to money laundering and terrorist financing, and the subsequent need for reporting any suspicious transactions should be provided to all new employees who are likely to be dealing with customers or their transactions, irrespective of the level of seniority. They should be made aware of the importance placed on the reporting of suspicions by the organization, that there is a legal requirement to report, and that there is a personal statutory obligation to do so.

8.2.2 Customer Service/Relationship Managers

Members of staff who are dealing directly with the public are the first point of contact with potential money launderers and terrorist financiers and their efforts are vital to the organization's strategy in the fight against money laundering and terrorist financing. They must be made aware of their legal responsibilities and should be made aware of the organization's reporting system for such transactions. Training should be provided on factors that may give rise to suspicions and on the procedures to be adopted when a transaction is deemed to be suspicious. It is vital that 'front-line' staffs are made aware of the organization's policy for dealing with non-regular (walk-in) customers particularly where large transactions are involved, and the need for extra vigilance in these cases.

8.2.3 Processing (Back Office) Staff

The staffs, who receive completed Account Opening, FDR application forms and cheques for deposit into customer's account or other investments must receive appropriate training in the processing and verification procedures. The staffs, who are in a position to deal with account opening, or to accept new customers, must receive the training given to relationship managers and other front office staff above. In addition, the need to verify the identity of the customer must be understood, and training should be given in the organization's account opening and customer/client verification procedures. Such staff should be aware that the offer of suspicious funds or the request to undertake a suspicious transaction may need to be reported to the AML/CFT Compliance Officer (or alternatively a line supervisor) whether or not the funds are accepted or the transactions proceeded with and must know what procedures to follow in these circumstances.

8.2.4 Credit Officers:

Training should reflect an understanding of the credit function. Judgments about collateral and credit require awareness and vigilance toward possible laundering and funding terrorists. Indirect lending programs and lease financing also call for KYC efforts and sensitivity to laundering risks.

8.2.5 Audit and compliance staff:

These are the people charged with overseeing, monitoring and testing AML/CFT controls, and they should be trained about changes in regulation, money laundering and terrorist financing methods and enforcement, and their impact on the institution.

8.2.6 Senior Management/Operations Supervisors and Managers

A higher level of instruction covering all aspects of money laundering and terrorist financing prevention procedures should be provided to those with the responsibility for supervising or managing staff. This will include the offences and penalties arising from the laws for non-reporting and for assisting money launderers and terrorist financiers; internal reporting procedures and the requirements for verification of identity and the retention of records.

8.2.7 Senior Management and Board of Directors

Money laundering and terrorist financing issues and dangers should be regularly and thoroughly communicated to the board. It is important that the compliance department has strong board support, and one way to ensure that is to keep board members aware of the reputational risk that money laundering and terrorist financing poses to the institution. Major AML/CFT compliance related circulars/circular letters issued by BB should be placed to the board to bring it to the notice of the board members.

8.2.8 AML/CFT Compliance Officer

The AML/CFT Compliance Officer should receive in depth training on all aspects of the Money Laundering and Terrorist Financing Prevention Legislation, Bangladesh Bank directives and internal policies. In addition, the AML/CFT Compliance Officer will require extensive instructions on the validation and reporting of suspicious transactions and on the feedback arrangements, and on new trends and patterns of criminal activity.

8.3 The Anti-Terrorism (Amendment) Act, 2013

It should be noted that any training given on anti money laundering must include the subject of the Anti-Terrorism (Amendment) Act, 2013, and how this now covers all financial crime, however small.

A successful defense, under the Anti-Terrorism (Amendment) Act, 2013, on the part of a member of staff of not having been trained to recognise and report suspicions, will leave the firm liable to prosecution for breach of the Regulations.

Not knowing the policies or procedures is not a defense. The regulations have implemented an 'ought' to know stance, and therefore all staff, referred to above must be trained.

8.4 Training Procedures

- The trainers can take the following steps to develop an effective training program:
- Identify the issues that must be communicated and decide how best to do this e.g. sometimes, e-learning can effectively do the job, sometimes classroom training is the best option.
- Identify the audience by functional area as well as level of employee/management. This should be accompanied by a quick why they are here assessment. New hires should receive training different from that given to veteran employees.
- Determine the needs that are being addressed; e.g. uncovered issues by audits or examinations, created by changes to systems, products or regulations.
- Determine who can best develop and present the training program.
- Create a course abstract or curriculum that addresses course goals, objectives and desired results. Be sure to identify who the audience should be and how the material will be presented.
- Establish a training calendar that identifies the topics and frequency of each course.
- Course evaluation shall be done to evaluate how well the message is received; copies of the answer key should be made available. Similarly, in case of a case study used to illustrate a point, provide detailed discussion of the preferred course of action.
- Track Attendance by asking the attendees to sign in. Employee who shall remain absent without any reason may warrant disciplinary action and comments in employee's personal file.

8.5 Refresher Training

In addition to the above compliance requirements, training are to be tailored to the needs of specialized areas of the LBFL business. It will also be necessary to keep the content of training programs under review and to make arrangements for refresher training at regular intervals i.e. at least annually to ensure that staff does not forget their responsibilities and to reflect individual circumstances, possibly in conjunction with compliance monitoring. Training should be conducted ongoing basis, incorporating trends and developments in LBFL business risk profile, as well as changes in the legislation. Training on new money laundering and terrorist financing schemes and typologies are of the utmost importance when reviewing policies and controls and designing monitoring mechanisms for suspicions activity.

8.6 In practice

All staff training that the firm is required to perform must be maintained and staff are required to record their acknowledgement of the date and nature of the training received. A simple signature on a register may be deemed appropriate. These records should also assist in the completion of the annual report to the Board of Directors.

8.6.1 Who should be trained and when?

It is mandatory for all employees that handles, or is managerially responsible for the handling of, transactions which may involve money laundering, and who may act for customers who are categorized as risk levels 1, 2 or 3 to be trained to understand the procedures in place within LBFL to minimize the risk of money laundering.

8.6.2 What should training cover?

Training provided should enable all employees with the responsibility for handling transactions, adequate awareness of and to observe and assess the information that is required for them to judge whether a transaction or instruction is suspicious in the circumstances.

The frequency and nature of induction and repeat training should take into account the expected skills of the staff concerned, the nature of the business, transactions and the means of delivery, i.e. whether face-to-face or remote.

In keeping up-to-date with changes, sanctions lists and industry news, the Responsible Officer should notify staff of material changes through additional 'ad hoc' training or in the form of news bulletins, for example. It is of particular importance that Compliance and Internal Audit staff, at least, is kept abreast of changes to regulations so that appropriate monitoring of the business can be implemented.

8.6.3 Training should be risk based

Training should take a risk based approach by including consideration of business carried out by the Company. Staff should be advised how to handle such situations so that appropriate emphasis is placed on the need to check on the sources of funds.

It is of paramount importance that the message given to staff during training is: "There are no degrees of suspicion; you are either suspicious or you are not – when in any doubt, submit a suspicion report".

8.7 Independent Audit Function

8.7.1 Why the audit function is necessary

To ensure the effectiveness of the AML/CFT program, LBFL should assess the program regularly and look for new risk factors. Financial institution like LankaBangla covered by laws should establish and maintain policies, procedures and controls which should include an appropriate compliance function and an audit function.

8.7.2 Why the audit function must be independent

The audit must be independent (i.e. performed by people not involved with the LBFL AML/CFT compliance staff). Audit is a kind of assessment of checking of a planned activity. Only those will check or examine the institution that does not have any stake in it. To ensure objective assessment it is important to engage an independent body to do audit.

8.7.3 Whom they report

The individuals conducting the audit should report directly to the board of directors/senior management.

8.7.4 The ways of performing audit function

Audit function shall be done by the internal audit. At the same time external auditors appointed by LBFL to conduct annual audit shall also review the adequacy of AML/CFT program during their audit.

8.7.5 Internal audit

LBFL internal auditors should be well resourced and enjoy a degree of independence within the organization. Those performing the independent testing must be sufficiently qualified to ensure that their findings and conclusions are reliable. The responsibilities of internal auditors are:

- Address the adequacy of AML/CFT risk assessment.
- Examine/attest the overall integrity and effectiveness of the management systems and the control environment.
- Examine the adequacy of Customer Due Diligence (CDD) policies, procedures and processes, and whether they comply with internal requirements.
- Determine personnel adherence to LBFL AML/CFT policies, procedures and processes.
- Perform appropriate transaction testing with particular emphasis on high risk operations (products, service, customers and geographic locations).
- Assess the adequacy of LBFL processes for identifying and reporting suspicious activity.
- Communicate the findings to the board and/or senior management in a timely manner.
- Recommend corrective action for deficiencies.
- Track previously identified deficiencies and ensures that management corrects them.
- Assess training adequacy, including its comprehensiveness, accuracy of materials, training schedule and attendance tracking.
- Determine when assessing the training program and materials:
 - ✓ The importance that the board and the senior management place on ongoing education, training and compliance
 - ✓ Employee accountability for ensuring AML/CFT compliance.
 - ✓ Comprehensiveness of training, in view of specific risks of individual business lines.
 - ✓ Participation of personnel from all applicable areas of LBFL.
 - ✓ Frequency of training.
 - ✓ Coverage of LBFL policies, procedures, processes and new rules and regulations.
 - ✓ Coverage of different forms of money laundering and terrorist financing as they relate to identifying suspicious activity.
 - ✓ Penalties for noncompliance and regulatory requirements.

8.7.6 External Auditor

External auditor shall play an essential part in reviewing the adequacy of controls by communicating their findings and recommendations to management via the annual management letter, which accompanies the audit report. External audit should focus their audit programs on risk factors and conducts intensive reviews of higher risk areas where controls may be deficient. External auditors may report incidences of suspected criminal activity uncovered during audits, to the financial sector supervisors.

9. RECORD RETENTION

Records must be kept of all transaction data and data obtained for the purpose of identification, as well as of all documents related to money laundering topics (e.g. files on suspicious activity reports, documentation of AML account monitoring, etc.). Those records must be kept for a minimum of 5 (five) years from the date of reporting.

Know Your Customer (KYC) Profile Form

A. Customer/Account Name:

B. Account or Reference Number:

C. What are the Nature of Business, Relationship and Source of Funds?

- | | |
|--|------------|
| 1. Confirmed principal line of business/legal status | (Yes / No) |
| 2. Obtained Sufficient, legally certified evidence of business/ legal status
e. g. Trade License, Incorporation | (Yes / No) |
| 3. Verified clients annual income and source of income, capital & assets | (Yes / No) |

D. Describe how the sources of fund have been verified and confirmation of whether of not the levels, types of amounts of transaction are commensurate with nature of the business described when the relationship was established.

- | | |
|--|------------|
| 1. Purpose/Size and anticipated transaction activity confirms to actual business trend to customer | (Yes / No) |
| 2. Documented the form & detail of the initial major transfer of fund to LBFL with dates | (Yes / No) |

E. Who is the actual owner of the account (i.e. account holder acting as an agent/trustee)

- | | |
|--|------------|
| Branch official/RM meet the principal parties conducting business with LBFL | (Yes / No) |
| Established that client is acting on his/her own behalf or profiled beneficial owner | (Yes/No) |
| Documented source of introduction/referral/additional reference | (Yes / No) |
| Obtained certification that signatory are authorized | (Yes / No) |

F. Original Passport / ID sighted and photocopy obtained (if not obtained referral) (Yes/No)

G. For on-resident & Foreigners ensure the reason for opening the account in Bangladesh

(i. e. why not in the country of residence / origin)

Type of VISA (Resident/Work):

.....

.....

.....

H. What does the customer Do?

Category	Risk Level	Rating
Jewelry/Gems Trade	High	5
Money Transmitters/Changers	High	5
Real Estate Agents	High	5
Construction Promoters of Projects	High	5
Offshore Corporation	High	5
Art/Antique Dealers	High	5
Restaurant /Bar/Casino/Night Club owners	High	5
Traders with a turnover of more than 1 crore per anum	High	5
Import/Export	High	5
Cash Incentive Business(cash deposit >10 lakh in a month)	High	5
Share & stock broker	High	5
Commercial Banks/NBFI's	High	5
Travel Agents	High	5
Transport Operators	Medium	3
Auto Dealers (Used/reconditioned cars)	Medium	3
Auto Primary (New Cars)	Low	2
Shop Owner (Retail)	Low	2
Business – Agents Franchises	Low	2
Small Trader (Turnover less than 50 lacs per anum)	Low	2
Software Business	Low	1
Manufacturer (other than arms)	Low	1
Retired from service	Low	0
Service	Low	0
Self Employed Professionals	Low	2
Operations in Multiple Locations	High	5
Corporate Customers of Reput (irrespective of the category)	Low	2

I. What is the net worth/sales turnover of the customer?

Value for CA (Tk. Lakh)	Risk Level	Risk Rating
0 -50 Lakh	Low	0
50L -200 L	Medium	1
> 2 Crores	High	3

J. How was the a/c opened?

Mode	Risk Level	Risk Rating
RM / Affiliate	Low	0
Direct Sales Agent	Medium	1
Internet	High	3
Walk-in-/Unsolicited	High	3

K. Overall Risk Assessment

Risk Rating	Risk Assessment
<=10	High
>10	Low

Comments :-

SUSPICIOUS TRANSACTION REPORT (STR)

(Applicable for Banks and NBFIs)

A. Reporting Institution :

1. Name of the NBFI : _____
2. Name of the Branch: _____

B. Details of report :

1. Date of sending report: _____
2. Is this the addition of an earlier report : Yes ☐ No ☐
3. If yes, mention the date of previous report: _____

C. Suspect Account Details :

1. Account Number : _____
2. Name of the Account: _____
3. Nature of Account : _____
(Lease/Loan/ML/Factoring/TDR/Other pls specify)
4. Nature of Ownership: _____
(Individual/proprietorship/partnership/company /other, pls specify)
5. Date of opening: _____
6. Address : _____

D. Account holder details:

1. 1. Name of the account holder: _____
2. Address: _____
3. Profession: _____
4. Nationality: _____
5. Other account(s) number(if any): _____

6. Other business: _____
7. Father's name: _____
8. Mother's name: _____
9. Date of Birth: _____
10. TIN: _____

2.
 1. Name of the account holder: _____
 2. Relation with the account
holder mention in sl. 1

 3. Address: _____
 4. Profession: _____
 5. Nationality: _____
 6. Other account(s) number(if any): _____
 7. Other business: _____
 8. Father's name: _____
 9. Mother's name: _____
 10. Date of Birth: _____
 11. TIN: _____

E. Introducer details:

1. Name of Introducer: _____
2. Account Number: _____
3. Relation with account holder: _____
4. Address: _____
5. Date of Opening: _____

6. Whether introducer is maintaining

good relation with NBF: _____

F. Reasons for considering the transaction(s) as unusual/suspicious:

- a. ☐ Identity of Clients
- b. ☐ Activity in account
- c. ☐ Background of client
- d. ☐ Multiple accounts
- e. ☐ Nature of transaction
- f. ☐ Value of transaction
- g. ☐ Other reason (pls specify)

(Mention summary of suspicious and consequence of events)

[To be filled by the AMLCIO]

G. Suspicious Activity Information:

Summary characterization of suspicious activity:

a. ☐ Bribery/Gratuity	h. ☐ Counterfeit debit/credit card	o. ☐ Mortgage Loan Fraud
b. ☐ Cheque Fraud	i. ☐ Counterfeit instrument	p. ☐ Mysterious Disappearance
c. ☐ Cheque Kitting	j. ☐ Credit Card fraud	q. ☐ Misuse of position of self dealing
d. ☐ Commercial Loan Fraud	k. ☐ Debit card Fraud	r. ☐ Structuring
e. ☐ Computer Intrusion	l. ☐ Defalcation/Embezzlement	s. ☐ Terrorist Financing
f. ☐ Consumer Loan Fraud	m. ☐ False statement	t. ☐ Wire Transfer Fraud
g. ☐ Counterfeit Check	n. ☐ Identity Theft	u. ☐ Other _____

H. Transaction details:

SL No.	Date	Amount (Tk)	Type**

**Cash/Transfer/Clearing/TT/etc (add separate paper if necessary)

I. Counter Part's details:

SL No.	Date	Bank	Branch	Account No.	Amount(tk)

J. Has the suspicious transaction/actively had a material?

Impact on or otherwise affected the financial soundness of the NBFI:

YES

NO

☐☐**K. Has the NBFI taken any action in this context? If yes, give details.****L. Documents to enclosed:**

1. Account opening Form along with submitted documents:
2. KYC profile, Transaction profile
3. Account statement for last one year
4. Supporting Voucher/correspondence mention in sl no. H

Signature:**(CAMLCO or Authorized officer of CCU)**

Name :

Designation:

Phone No.:

Date: