



Customer Identification Program



Issue No. 31

May 2015

In this Issue

- *Identification Procedures in Relation to Business Relationships and One-off Transactions*
- *Developing your Customer Identification Program (CIP)*
- *Complying with CIP*
- *Additional Verification & Lack of Verification*
- *List Comparison*
- *Checklist for Compliance*
- *Website Upgrade*

Identification Procedures in Relation to Business Relationships and One-Off Transactions

Pursuant to Regulation 4 of the Anti-Money Laundering Regulations, 2011, (“**AMLR**”) a relevant person shall apply:

- identification procedures before the establishment of a business relationship or before carrying out a one-off transaction;
- on-going identification procedures during a business relationship;
- identification procedures where
 - (i) the relevant person suspects money laundering; or
 - (ii) the relevant person has doubts about the veracity or adequacy of documents, data or information previously obtained.

Identification procedures referred to in sub-regulation (1)(a) and (1)(c) (of the **AMLR**) are procedures:

- (a) for identifying the customer;
- (b) for determining whether the customer is legitimately acting for a third party and, if so
 - (i) identifying that third party;
 - (ii) where the third party is not an individual understanding the ownership and control structure of that third party; or
 - (iii) where sub-paragraph (ii) does not apply, identifying each individual who is that third party’s beneficial owner or controller;
- (c) in respect of a customer that is not an individual for
 - (i) identifying any person purporting to act on behalf of the customer and verifying that the person is authorized to act in that capacity;
 - (ii) understanding the ownership and control structure of that customer; and
 - (iii) identifying the individuals who are the customer’s beneficial owners or controllers;

- (d) obtaining information on the purpose and intended nature of the business relationship or one-off transaction;
- (e) where a relevant person fails to institute the requisite procedures as contemplated by this sub-regulation, it commits an offence and shall be liable on conviction to a fine of fifty thousand dollars and if after conviction, the contravention of the offence continues, to a further fine of two hundred and fifty dollars for each day that the offence continues.

For the purpose of these Regulations, identification of a person means

- (a) establishing the true identity of that person, including that person’s name and legal status and where that person is not an individual verifying the legal status of the person; and
- (b) Obtaining evidence that
 - (i) is reasonably capable of verifying that the person to be identified is in fact one and the same as the customer, third party, beneficial owner or controller being identified; and
 - (ii) satisfies the relevant person through the use of documents, data or other information that the evidence of identification referred to in subparagraph (i) is conclusive.

The identification of a person in the manner that is described in sub-regulation (4)(b) may be completed as soon as reasonably practicable after the establishment of a business relationship if

- (i) it is not sufficiently urgent or necessary to interrupt the normal conduct of business; and
- (ii) there is, in the interim, little risk of money laundering occurring.

In light of the requirements of **Regulation 4** of the **AMLR** and **Paragraphs 74-81** of the **Financial Services (Implementation of Industry Standards) Regulations, 2011**, regulated entities are therefore encouraged to develop a Customer Identification Program (CIP) appropriate to the size and type of its business. Each regulated entity should incorporate CIP procedures into their Anti-money laundering compliance program. As such, the CIP procedures ought to be in writing.

Developing your Customer Identification Program (CIP)

The Customer Identification Program (CIP) implemented by each regulated entity must include procedures for opening new accounts which are consistent with legal and regulatory frameworks. The CIP procedures must include the identification

information that is obtained from each customer as well as reasonable procedures for verifying the validity of the identity of each customer.

Complying with Customer Identification Program (CIP)

A regulated entity must use documentary methods to verify a customer's identity and must have written procedures that set forth the minimum acceptable requirements. The CIP should contain procedures for verifying the identity of the customer within a reasonable period of time after the account is opened. The verification procedures must use the identifying information obtained by the regulated entity. A regulated entity must verify enough information to form a reasonable belief that it knows the true identity of the customer. At a minimum, regulated entities must retain the following identifying information;

- ◇ Full Name of customer(s);
- ◇ Current Residential/ Physical Address;
- ◇ Date and place of birth for the individual(s);
- ◇ Contact information; and
- ◇ Any other information required by the CIP obtained at account opening for a period of five years after the account is closed.

The CIP begins with the verification. This is a two-step process. First the customer must provide certain identifying information. Second, the regulated entity must verify the accuracy of the information provided.

As with all aspects of a CIP, the regulated entity must be able make a reasonable determination that it knows the true identity of the customer.

Once a regulated entity obtains the customer's identifying information, it must verify the information received. Procedures should be risk-based and implemented within a reasonable time after the account is opened. A CIP should specify what type of documents the regulated entity will use. To verify the identify of an individual, a CIP may look to unexpired government-issued identification evidencing nationality or residence and bearing a photograph.

The CIP procedures should describe, inter alia:

- ◆ When the regulated entity should not open an account.
- ◆ The terms under which a customer may use an account while the regulated entity attempts to verify identification
- ◆ When the regulated entity should close an account (after failed attempts to verify identify)
- ◆ When the regulated entity should file a Suspicious Activity Report.

Additional Verification and Lack of Verification

A CIP should also include procedures on how to respond when, despite attempts to verify customer identity, a regulated entity is not able to form a reasonable belief that it knows the true identity of a customer.

List Comparison

The CIP is to include procedures for determining whether a customer appears on any list of known or suspected terrorist organizations issued by international bodies. This list comparison should occur within a reasonable time period after the account is opened. One example would be checking the OFAC List.

Checklist for Compliance

Consider the following checklist to help you get started

- ⇒ Audit Existing Policies and Procedures
- ⇒ Draft and Integrate (with existing AML policies)
- ⇒ Revise Account Opening Procedures
- ⇒ Revise Client Acceptance Forms
(Revise forms to capture minimum identifying information)
- ⇒ Train Staff
- ⇒ Update AML Compliance Program

Website Upgrade

Our website www.nevisfsrc.com has been upgraded with a multiple language feature, that offers content in the following languages:

- ◇ English
- ◇ Spanish
- ◇ German
- ◇ Russian
- ◇ Chinese

A series of flags have been placed in the top right corner of the various pages of the website that denote each respective language. Each selection dynamically renders the page into the language of choice and enables the user to navigate to subsequent pages in the chosen language.

Source

Anti-Money Laundering Regulations, 2011

Financial Services (Implementation of Industry Standards) Regulations, 2011

USA Patriot Act Section 326, Customer Identification Program (CIP) Joint Final Rule "An Industry White Paper" by Katie Iverson

