

**GUIDANCE NOTES ON ANTI MONEY
LAUNDERING AND COMBATING
FINANCING OF TERRORISM
FOR MONEY CHANGERS**



Anti Money Laundering Department
Bangladesh Bank

Preface

The methods and techniques of Money Laundering (ML) and Terrorist Financing (TF) are ever evolving process and changing in response to developing counter measures. For that reason, Financial Action Task Force (FATF), the international standard setter on Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT), has revised its 40 (forty) recommendations for AML and 9 (nine) special recommendations for CFT.

In line with the international standards and initiatives, Bangladesh has also amended its Money Laundering Prevention Act (MLPA), 2002 and enacted MLPA, 2009. To combat Terrorism and Terrorist Financing Anti Terrorism Act (ATA), 2009 has also been enacted. Both the Acts have empowered Bangladesh Bank (BB) to perform the anchor role in combating ML&TF through issuing instructions and directives for reporting agencies including Money Changers (MCs). As reporting agencies MCs are to comply with the requirements of MLPA, 2009 and any circular or instructions issued by BB from time to time.

The guidance notes named 'Guidelines on Anti Money Laundering and Combating Financing of Terrorism for Money Changers' are issued as per power conferred in section 23 of Money Laundering Prevention Act, 2009 for proper compliance of the provisions of the said Act by the MCs in Bangladesh with immediate effect.

This guidance notes along with the instructions or circulars issued by Foreign Exchange policy department, all instructions in the Guidelines for Foreign Exchange Transactions and Foreign Exchange Regulation Act, 1947 must be complied by the MCs

Table of Contents

	Page
Preface	i
List of Abbreviation	iii
Basics on Money Laundering and Terrorist Financing	1-3
Introduction	1
What is Money Laundering	1
What is Terrorist Financing	2
The Link between Money Laundering and Terrorist Financing	3
Laundering Techniques	3
Compliance Requirements for MCs in Bangladesh	4
Supervisory Power and Responsibilities of Bangladesh Bank	4
Penalties under MLPA	5
Operation and KYC/CDD Related Instructions for MCs	5
Politically Exposed Persons (PEPs)	6
Compliance Program	7
Role and Responsibilities of AML/CFT Compliance Officer/Contact Point	7
Meaning, Importance, obligation and nature of STR/SAR	7
What is STR/SAR	8
Obligations of STR/SAR	8
Importance of STR/SAR	8
STR/SAR Identification and Reporting Procedure	8
When and Where to report	9
Indicators of Suspicious Transaction/Activity	9
“Tipping off” customer	9
“Safe Harbor” provisions for reporting	9
Annexure	10-11

List of Abbreviations

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMLDD	Anti-Money Laundering Department of Bangladesh Bank
APG	Asia Pacific Group on Money Laundering
ATA	Anti Terrorism Act
BB	Bangladesh Bank
BDT	Bangladesh Taka
CDD	Customer Due Diligence
CTR	Cash Transaction Report
EDD	Enhanced Due Diligence
FATF	Financial Actions Task Force
FIU	Financial Intelligence Unit
KYC	Know Your Customer
MCs	Money Changers
ML	Money Laundering
MLPA	Money Laundering Prevention Act
PEPs	Politically Exposed Persons
STR	Suspicious Transaction Report
SAR	Suspicious Activity Report
TC	Travelers' Cheaque
TF	Terrorist Financing
UNSCR	United Nations Security Council Resolution
USD	US Dollar

1. Basics of Money Laundering and Terrorist Financing

1.1 Introduction

For most countries, money laundering and terrorist financing raise significant issues with regard to prevention, detection and prosecution. Sophisticated techniques used to launder money and finance terrorism add to the complexity of these issues. Such sophisticated techniques may involve: multiple financial transactions, the use of different financial instruments and other kinds of value-storing assets; different types of financial institutions, accountants, financial advisers, shell corporations and other service providers; complex web of transfers to, through, and from different countries.

A less simple concept, however, is defining terrorism itself, because the term may have significant political, religious, and national implications that may vary from country to country. Money laundering and terrorist financing often display similar transactional features, mostly having to do with concealment and disguise.

Money launderers send illicit funds through legal channels in order to conceal their criminal origins, while those who finance terrorism transfer funds that may be legal or illicit in origin in such a way as to conceal their source and ultimate use. But the result is the same—reward. When money is laundered, criminals profit from their actions; they are rewarded by concealing the criminal act that generates the illicit proceeds and by disguising the origins of what appears to be legitimate proceeds. Similarly, those who finance terrorism are rewarded by concealing the origins of their funding and disguising the financial support to carry out their terrorist stratagems and attacks.

1.2 What is Money Laundering

Money laundering can be defined in a number of ways. But the fundamental concept of money laundering is the process by which proceeds from a criminal activity are disguised to conceal their illicit origins. Most countries subscribe to the definition adopted by the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) (the Vienna Convention) and the United Nations Convention Against Transnational Organized Crime (2000) (the Palermo Convention):

- The conversion or transfer of property, knowing that such property is derived from any offense, e.g. drug trafficking, or offenses or from an act of participation in such offense or offenses, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an offense or offenses to evade the legal consequences of his actions;
- The concealing or disguising the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from an offense or offenses or from an act of participation in such an offense or offenses, and;
- The acquisition, possession or use of property, knowing at the time of receipt that such property was derived from an offense or offenses or from an act of participation in such offense or offenses.

The Financial Action Task Force on Money Laundering (FATF)¹, which is recognized as the international standard setter for anti-money laundering (AML) efforts, defines the term “money

¹ The Financial Action Task Force on Money Laundering (FATF), formed by G-7 countries in 1989, is an intergovernmental body whose purpose is to develop and promote an international response to combat money laundering. In October, 2001, FATF expanded its mission to include combating the financing of terrorism. FATF is

laundering” succinctly as “the processing of...criminal proceeds to disguise their illegal origin” in order to “legitimize” the ill-gotten gains of crime.

Money Laundering is defined in Section 2 (3) of the Prevention of Money Laundering Act 2009 as follows:

Money Laundering means:

- i) transfer, conversion, bringing/remitting funds in and out of Bangladesh the proceeds or properties acquired through commission of any predicate offence² for the purpose of concealing or disguising the illicit origin of the property or smuggle fund or property earned through legal or illegal means to abroad.
- ii) to conduct, or attempt to conduct a financial transaction with an intent to avoid a reporting requirement under this Act (the MLPA, 2009).
- iii) to do or attempt to do such activities so that the illegitimate source of the fund or property can be concealed or disguised or knowingly assist to perform or conspire to perform such activities.

1.3 What Is 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:

1. 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 annex; 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 an act.
- 2.... *(deleted by UN)*
3. 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, subparagraph (a) or (b)³.

Some countries face difficulties in defining terrorism as not all countries have adopted the conventions agreed on specifically what actions constitute terrorism. In addition, the meaning of terrorism is not universally accepted due to significant political, religious and national implications that differ from country to country. FATF, which is recognized as the international standard setter for combating financing of terrorism (CFT) efforts, does not specifically define

a policy-making body, which brings together legal, financial and law enforcement experts to achieve national legislation and regulatory AML and CFT reforms. Currently, its membership consists of 34 countries and territories and two regional organizations.

² Predicate offence is the underlying criminal activity that generated proceeds, which when laundered, results in the offense of money laundering.

³ 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.

the term financing of terrorism in its nine Special Recommendations on Terrorist Financing (Special Recommendations). Nonetheless, FATF urges countries to ratify and implement the 1999 United Nations International Convention for Suppression of the Financing of Terrorism. Thus, most countries have adopted the above definition for purposes of defining terrorist financing.

According to the article 7 of the Anti Terrorism Act, 2009 of Bangladesh, **financing of terrorism** means:

- (1) Whoever provides or incites to provide money, service or property and intends that it should be used, or has reasonable ground to suspect that it will or may be used for the purpose of terrorist acts; commits an act of terrorist financing.
- (2) Whoever receives money, service or property and intends that it should be used, or has reasonable ground to suspect that it will or may be used for the purpose of terrorist acts; commits an act of terrorist financing.
- (3) Whoever arranges money, service or property and intends that it should be used, or has reasonable ground to suspect that it will or may be used for the purpose of terrorist acts; commits an act of terrorist financing.
- (4) A person guilty of the offence as described in the subsections from 1 to 3 shall be punished with imprisonment for a term which may extend to twenty years and it shall not be less than three years, to which fine may also be added.

1.4 The Link between Money Laundering and Terrorist Financing

The techniques used to launder money are essentially the same as those used to conceal the sources of, and uses for, terrorist financing. Funds used to support terrorism may originate from legitimate sources, criminal activities, or both. Nonetheless, disguising the source of terrorist financing, regardless of whether the source is of legitimate or illicit origin, is important. If the source can be concealed, it remains available for future terrorist financing activities. Similarly, it is important for terrorists to conceal the use of the funds so that the financing activity goes undetected.

For these reasons, FATF has recommended that each country criminalize the financing of terrorism, terrorist acts and terrorist organizations, and designate such offenses as money laundering predicate offenses. Finally, FATF has stated that the Nine Special Recommendations combined with The Forty Recommendations on money laundering constitute the basic framework for preventing, detecting and suppressing both money laundering and terrorist financing.

As noted above, a significant difference between money laundering and terrorist financing is that the funds involved in terrorist financing may originate from legitimate sources as well as criminal activities. Such legitimate sources may include donations or gifts of cash or other assets to organizations, such as foundations or charities that, in turn, are utilized to support terrorist activities or terrorist organizations. Consequently, this difference requires special laws to deal with terrorist financing. However, to the extent that funds for financing terrorism are derived from illegal sources, such funds may already be covered by a country's AML framework, depending upon the scope of predicate offenses for money laundering.

1.5 Laundering Techniques

Obviously there is no one way of laundering money or other property. It can range from the simple method of using it in the form in which it is acquired to highly complex schemes involving a web of international businesses and investments. In general, money laundering process comprises three stages:

Placement – placing the criminal funds into the financial system directly or indirectly.

Layering – the process of separating criminal proceeds from their source by using complex layers of financial transactions designed to hide the audit trail and provide anonymity.

Integration – if the layering process succeeds, integration schemes place the laundered proceeds back into the legitimate economy in such a way that they appear to be normal business funds.

This three stage model is more often occur simultaneously or overlap depending on the facilities of the launderer, the requirements of the criminals, and on the robustness, or otherwise, of the regulatory and legal requirements.

2. Compliance Requirements for MCs in Bangladesh

2.1 In Bangladesh compliance requirements for MCs (Money Changers means a sole proprietorship or partnership firm/company licensed by Bangladesh bank under “FER Act, 1947” to act as Money Changer for dealing in certain foreign exchange transactions as directed by Bangladesh Bank from time to time.), as reporting organization, is based on Money Laundering Prevention Act (MLPA), 2009 circular-instructions issued by Bangladesh Bank.

Compliance Requirements of MCs under MLPA and related AML Circulars-

- (a) As per section 25(1) of MLPA, 2009 each money changer shall preserve correct and complete information of identification of every customer and they shall preserve the same for a period of at least five years;
- (b) Each Money changer shall provide records to Bangladesh Bank from time to time, or on demand;
- (c) All officials of the money changers are to remain conscious and alert to identify unusual/suspicious transactions. Cases of unusual/suspicious transactions which may have connections to money laundering will have to be reported proactively and immediately on their detection as per section 25(1)(d) of MLPA, 2009 in writing as per proforma attached herewith annexure-1 to the Anti-Money Laundering Department, Bangladesh Bank, Head Office, Dhaka;
- (d) No official of the money changer shall disclose anything at any stage regarding the reported unusual/suspicious transactions to the clients or any other persons so that the investigation is hampered or influenced adversely;
- (e) In order to ensure proper compliance of the MLPA, 2009 and AML circulars issued by Bangladesh Bank each Money changer shall arrange appropriate training for its officials/staffs.

2.2 Supervisory Powers and Responsibilities of Bangladesh Bank

According to the provision laid down in the section 23 of MLPA, Bangladesh Bank is the core implementing agency of AML/CFT. To combat and prevent money laundering and to resist any such activities, Bangladesh Bank has among others the following powers and responsibilities:

- (a) call for and receive from reporting organizations any information related to the transactions where there is reasonable ground to believe that the transaction is involved with money laundering;
- (b) issue, from time to time, necessary directions to reporting organizations for taking counter measures to combat money laundering activities;
- (c) monitor the activities of the reporting organizations to ensure proper reporting and the compliance of its directions or instructions and if necessary inspect the reporting organization physically;
- (d) provide training to the staff and officers of any other organization or institution which Bangladesh Bank may consider necessary including the reporting organizations and

arrange meeting, seminar for them for the purpose of the proper implementation of this Act;

(e) carry out any other related functions for meeting the objectives of this Act.

If the investigating organization makes a request for information related to money laundering or suspicious transaction, Bangladesh Bank shall provide with the information, if not barred otherwise by the existing laws or any other causes.

2.3 Penalties under MLPA:

According to section 25 (2) of MLPA, 2009 if any reporting organization violates the directions mentioned in sub-section (1) of 25 of MLPA, 2009, Bangladesh Bank may-

- (a) impose a fine up to 5(five) lac taka but not less than 10(ten) thousand taka on the defaulting reporting organizations; and
- (b) cancel the license of the company or cancel the permission of business of the company in addition to the fine mentioned in clause (a) and, as the case may be, inform the matter to the permitting or licensing authority of such license or permit, so that the concerned authority may, in accordance with the relevant laws or rules or regulations may take necessary action.

3. Operation and KYC/CDD Related Instruction for Money Changers

3.1 "Money Changer" is a person or firm licensed by BB according to Foreign Exchange Regulation Act 1947, desirous of undertaking, as their solo line of business, the purchase and sale of foreign currency notes, coins, TCs from and to incoming and outgoing tourists. Instructions to be followed by the money changers for the purposes of preventing money laundering and combating financing of terrorism are given bellow:

Money Changer shall have no branch office. The premise to be used for money changing business shall not be used for any other business activity.

Change in money changer's office location shall require prior approval of the Bangladesh Bank. Application for changing office location should be forwarded to the General Manager, Foreign Exchange Operation Department, Bangladesh Bank Along with deed of rent (in case of rented house), reasons for change etc.

3.2 Money Changers are allowed to buy foreign currency notes, Coins and TCs from incoming foreign and Bangladesh nationals coming /returning from abroad. For each such purchase an encashment certificate shall be furnished to the seller in a format as prescribed in Guidelines for Foreign Exchange Transactions, Appendix 5/1.

While buying foreign exchange, Money Changers shall have to collect photocopies of the identification details from the passport including the pages containing visa (if available) and pages containing endorsement of foreign exchange (if any) on the passport and comply the complete KYC /CDD as prescribed in the annexure-2 and preserve those documents at least for five years.

3.3 Money Changers may sell foreign currency notes, coins and TCs only to outgoing Bangladesh nationals against their annual private travel entitlements (per calendar year) subject to a maximum limit of USD 1000 or equivalent in the form of cash and/ or TC.

Release of foreign exchange in excess of USD 200 or equivalent shall require valid visa.

Money Changers may also sell foreign currency notes, coins and TCs to outgoing foreign nationals having duly issued encashment certificates, subject to a maximum limit of USD 500 or

equivalent by re-conversion of Bangladesh Taka proceeds of foreign exchange sold by a tourist during his/her stay in Bangladesh. Only the Money Changer that issued the encashment certificate earlier can make such re-conversion.

While releasing foreign exchange for travel abroad, money changers shall verify and satisfy themselves that the travel for which the foreign exchange released earlier was actually undertaken or the issued foreign exchange was duly encashed. Each sale of foreign exchange shall be recorded in the passport and air ticket (in case of air travel) of the outgoing passenger with seal and signature of authorized person of the Money Changer. For issuance of TC, signature of the buyer should be obtained on the TC as per usual norm. In each case of release of foreign exchange for travel abroad, photocopies of the identification details from the passport including the pages containing visa (if available) and pages containing endorsement of foreign exchange (if any) on the passport duly signed by the authorized person of the Money Changer with seal shall be retained at least for five years for inspection by Bangladesh Bank Team. In case of release of foreign exchange to a foreign tourist against encashment certificate evidencing conversion of foreign currency into Taka, photocopy of the encashment certificate produced by the outgoing tourist shall be retained at least for five years along with the receipts/vouchers and other records of sale. It may be mentioned here that reconversion of Take into foreign currency (Maximum USD 500 or equivalent) can be done only by the money changer with whom the foreign exchange was encashed earlier.

3.4 The Money Changers shall verify to satisfy themselves that the journey is to be undertaken not later than two weeks after the date on which the exchange is issued. In case of air travel the date of departure needs to be determined on the basis of air ticket and an undertaking from the passenger may be treated as the determining criterion for other cases. No exchange should be sold unless the date of departure is specified in the air ticket.

3.5 Politically Exposed Persons (PEPs)

While buying foreign exchange from Politically Exposed Persons (PEPs) enhanced due diligence shall have to be exercised. PEPs means *“Individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials”*. All instructions as detailed for PEPs shall equally apply if business relationship is established with the family members and close associates of these persons who may pose reputational risk to the MC.

Following instructions shall have to be followed to ensure Enhanced Due Diligence (EDD), while buying foreign exchange from Politically Exposed Persons (PEPs):

- a risk management system shall have to be introduced to identify risks associated with the PEPs;
- obtain senior management/ proprietor approval for buying/selling foreign exchange with such customers;
- take reasonable measures to establish the source of wealth and source of funds; and
- the MCs should observe all formalities as detailed in Guidelines for Foreign Exchange Transactions while buying/selling foreign exchange from/to non-residents;

- 3.6 MCs shall not engage themselves in any buying or selling of foreign currency with individual or entity listed under the resolution of United Nations Security Council⁴ (all other resolution including UNSCR 1267 and UNSCR 1373) or listed locally⁵.

3.7 Details of all sales and purchases shall be recorded in the books properly and completely. All such records and books of accounts of the licensees must be made available for inspection by Bangladesh Bank officials as and when directed.

3.8 Compliance status of AML/CFT measures will be considered while renewing money changer's licence.

4. Compliance Program

4.1 Money Changers (MCs) are subject to AML/CFT laws and should establish and maintain an effective AML/CFT program that includes at least the following:

- Development of internal policies, procedures and controls;
- Appointment of an AML/CFT compliance Officer/contact point;
- Ongoing employee training; and
- Independent audit function including internal and external audit function to test the effectiveness and efficiency of the program.

The compliance program should be documented, approved by the Board of Directors/top most committee/proprietor of MCs and communicated to all levels of the organization. In developing an AML/CFT compliance program, attention should be paid to the size and range of activities, complexity of operations, and the nature and degree of ML/FT risks facing by the institution.

4.2 Role and Responsibilities of AML/CFT Compliance Officer/Contact Point:

- 1) Monitor, review and coordinate application and enforcement of the MCs' AML/CFT Policy.
- 2) Monitor changes of laws/regulations and directives of Bangladesh Bank that may require revisions to the policy and making these revisions;
- 3) Respond to compliance questions and concerns of the staff, assist in providing solutions to potential issues involving compliance and ML/TF risks;
- 4) Ensure that the MC's AML/CFT Policy is complete and up-to-date; maintain ongoing awareness of new and changing business activities of MC;
- 5) Actively develop the compliance knowledge of all staff, especially the compliance personnel. Develop and conduct training courses in the MCs to raise the level of awareness of compliance in the MC;
- 6) Develop and maintain ongoing relationships with regulatory authorities, external and internal auditors to assist in early identification of compliance issues;
- 7) Reporting Suspicious Transaction or Suspicious Activity as per instruction of BB.

5. Meaning, Importance, Obligation and Nature of STR/SAR

The final output of all AML/CFT compliance program is reporting of suspicious transaction or reporting of suspicious activity. Suspicious Transaction Report (STR) or Suspicious Activity Report (SAR) is an excellent tool for mitigating or minimizing the ML/FT risks of reporting

⁴ UN designated list refers UNSCR-1267 and UNSCR-1373 and its successors. These lists will be available by: www.un.org/sc/committees/1267/consolist.shtml

⁵ Local list refers the sanction list of individual or entities by the Ministry of Home Affairs from time to time.

agencies including MCs. So, establishment of a mechanism to detect STR/SAR and reporting such to the competent Authority is necessary for the safety and soundness of the money changing sector.

5.1 What is STR/SAR

Generally, STR/SAR means a formatted report of suspicious transactions/activities where there is a reasonable ground to believe that funds are the proceeds of crime or may be linked to terrorist activity or the transactions do not seem to be usual. Such unusual activities or transactions must be reported to competent authorities. Herein the competent authority refers to Bangladesh Bank as per Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009. In the section (2)(n) of Money Laundering Prevention Act, 2009 "**suspicious transaction**" means transactions-

- (i) that substantially deviates from the usual transaction;
- (ii) that have reasonable grounds to suspect that the transactions have involvement with any proceeds of crime;

As per Anti Terrorism Act, 2009, STR refers to the transaction that relates to financing for terrorism or terrorist individual or entities. Important thing is that MCs need not establish any proof of occurring a predicate offence before reporting STR/SAR; they must submit STR/SAR only on the basis of suspicion.

5.2 Obligations of STR/SAR

According to the provision laid down in the section 25(1)(d) of Money Laundering Prevention Act, 2009, reporting agencies (including MCs) are obligated to submit STR/SAR to the Bangladesh Bank spontaneously. Anti Money Laundering Department of Bangladesh Bank has also instructed the MCs to submit STR/SAR through AML Circular No. 18 circulated pursuant to the legislation mentioned above.

5.3 Importance of STR/SAR

As discussed above, STR/SAR is very crucial for the safety and soundness of the MCs. The MCs should submit STR/SAR considering the followings:

- It is a legal requirement in Bangladesh;
- It helps protect the reputation of MCs;
- It helps to protect MCs from unfounded allegations of assisting criminals, including terrorists;
- It helps the authorities to investigate financial crimes related to money laundering and terrorist financing.

5.4 STR/SAR Identification and Reporting Procedure

It is very important for MCs to establish an effective identification system of STR/SAR to mitigate the AML/CFT risk of that institution. MCs must have in place an efficient detection mechanism to identify STR/SAR. When any transaction (buying or selling) seems to be suspicious in terms of the nature, activity, volume, complexity etc., or significantly mismatch with customer declared information the concerned officer should apply his/her prudence on it. If he/she dose not get satisfactory answer, after evaluation it should be reported or recorded. Note that suspicion may not arise only at the time of transaction but also at the time of completing KYC and attempted transaction.

5.5 When and Where to report

MCs should ensure appropriate timing of submitting suspicious transaction report to mitigate AML/CFT risk. The timing of report differs with respect to nature of STR/SAR.

1. Any suspicious transaction/activity related to money laundering must be reported immediately.
2. Any suspicious transaction/activity related to terrorist financing must be reported within the 3 days of detection.

All report should be sent to:

General Manager
Anti Money Laundering Department
Bangladesh Bank, Head Office
Motijheel, Dhaka.
Phone: +88 02 7120659
Fax: +88 02 7120371

5.6 Indicators of Suspicious Transaction/Activity

The following examples may be indicators of a suspicious transaction and call for submission of suspicious transaction report:

- Customer is evasive or unwilling to provide document (passport) when requested.
- Customer using different identification for different transactions.
- Customers frequently visit non-cooperative countries/jurisdictions.
- Customer exchanging small denomination notes into large denomination notes, in large quantity.
- Customers having relations with persons working abroad in illegal job.
- Customers come to exchange foreign currency with that amount which is not consistent with his known income/source of fund.
- Customers giving false information.
- Persons who are the owner of a money changer come to change money to another money changer without any acceptable reason.
- Persons directly or indirectly involved in Smuggling.
- Information given in KYC is inconsistent with each other.
- Person's occupation is not consistent with his no. of visit/no. of transaction.
- Source of fund does not cover his no. of visit/no. of transaction.

The above indicators are not exhaustive.

5.7 “Tipping off” Customer

The term "tipping off" simply refers disclosure of filing suspicious transaction/activity report to the customer. As per section 6 of the Money Laundering Prevention Act, 2009 any sort of tipping off is strictly prohibited. So, MCs must ensure the confidentiality of filing STR/SAR.

5.8 “Safe Harbor” Provisions for Reporting

MLPA, 2009 encourages financial institutions to report all suspicious transactions by protecting financial institutions and employees from criminal and civil liability when reporting suspicious transactions in good faith to competent authorities. Section 28 of MLPA, 2009 provides the safe harbor for reporting. If the MCs fail to report STR/SAR they will be subject to punishment under section 25 (2) of MLPA, 2009

Annexure : 1

Reporting Form of Unusual / Suspicious Transaction/Activity

----- Name of the Money Changer

----- Official address of the Money Changer

1. Detailed information of the suspected person/ institution in the case of the unusual / suspicious transaction/activity :

2. Description of Unusual/Suspicious Transaction/activity:

a) Amount of Money Involved:

b) Dates of Transaction:

3. Reasons/Situations for Treating the Transaction/Activity as Unusual/Suspicious Transaction:

4. Other Information:

Signature of the Officer (Contact Point):

Name of the Officer:

Time:

Date:

Annexure : 2

Sample of KYC :

KYC for the Customer of Money Changers:

Name and Address of the Money changer

- 1. Name of Customer :**
- 2. Fathers Name :**
- 3. Mothers Name :**
- 4. Wife's/Husband's Name (if applicable) :**
- 5. Date of Birth :**
- 6. Occupation :**
- 7. Permanent Address :**
- 8. Mailing Address :**
- 9. Source of Fund :**
- 10. Purpose of Transaction :**
- 11. Type of Transaction (Sale/Buy) :**
- 12. Exchangeable Currency :**
- 13. Applied Exchange Rate :**
- 14. Amount :**
- 15. Passport no :**
- 16. Name of Air Lines (if applicable) :**
- 17. Country of Visit :**
- 18. Date of Arrival/Departure (App.) :**