

**REGULATION FOR BANKS ON PREVENTION OF MONEY  
LAUNDERING AND FINANCING OF TERRORISM**

**(unofficial English translation)**

# REGULATION FOR BANKS ON PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

## CHAPTER ONE

### PRELIMINARY

- Introduction** 1. This Regulation is issued pursuant to paragraph (a) subparagraph (3) of section 75 of Law No. 10/2014 (Prevention of Money Laundering and Financing of Terrorism Act).
- Short title** 2. This Regulation shall be cited as “Regulation for Banks on Prevention of Money Laundering and Financing of Terrorism.”
- Commencement** 3. This Regulation shall come into effect from 15<sup>th</sup> January 2015.
- Applicability** 4. Unless expressly provided otherwise in this Regulation, this Regulation applies to all Banks licensed under the Maldives Banking Act.
- Responsibility for compliance** 5. (a) Each Bank shall comply with the provisions of this Regulation and the board of directors shall ensure that its subsidiaries, branches, employees, Agents and third parties to whom it outsources any of its functions, complies with this Regulation.
- (b) A Bank may comply with the requirements of this Regulation on a risk-based approach.

## CHAPTER TWO

### CUSTOMER DUE DILIGENCE

- Prohibition** 6. (a) Banks shall not keep anonymous accounts, or accounts in obviously fictitious names.
- (b) A Bank shall not enter into or continue business relations with banks registered in jurisdictions where they are not physically present or are not being regulated by a competent regulatory authority. Banks shall terminate any such relationships established when this Regulation comes into effect.
- When customer due diligence is required** 7. Each Bank shall perform customer due diligence measures provided in this Regulation when:
- (a) establishing business relationship with a customer;

- (b) carrying out a Single Transaction of an amount equivalent to 50,000 (fifty thousand) Maldivian Rufiyaa and above, whether such transaction is conducted as a single transaction or several transactions that appear to be linked. If the amount of the transaction is unknown at the time of the operation, the customer due diligence measures shall be performed as soon as the amount becomes known or the threshold is reached;
- (c) carrying out a domestic or international transfer of funds;
- (d) there is suspicion of money laundering or financing of terrorism activities, regardless of the amount, and notwithstanding that the Bank would otherwise not be required under this Regulation to perform customer due diligence measures;
- (e) doubts exist about the veracity or adequacy of previously obtained customer identification data.

**Identification of customers, beneficial owners and third parties**

8. (a) Where a Bank is required to perform customer due diligence under this Regulation, the Bank shall:
- (1) identify the customer and verify the identity of the customer;
  - (2) identify beneficial owner in relation to a customer, and shall verify the identity of the beneficial owner using reliable, independent sources; and
  - (3) ascertain the nature or intended purpose of the Business Relationship.
- (b) When a customer appoints a person to act on behalf in establishing a Business Relationship or carry out a Single Transaction, the Bank shall:
- (1) identify the person that acts on behalf of the customer and verify the identity using reliable, independent sources; and
  - (2) verify the authority of such person to act on behalf of the customer and retain copies of documents used to verify such authority (such as copy of a valid power of attorney or equivalent document or the official document) and shall ensure that such copies

are copies of the original.

- (c) For the purpose of identification requirement in paragraphs (a) and (b) above, the Bank shall obtain and record information of the customer, beneficial owner and third party, including but not limited to the following:
  - (1) full name, including any aliases;
  - (2) identification number (e.g. identity card number, passport number, Visa number, where the customer is not a natural person the incorporation number or business registration number);
  - (3) current residential and permanent residential, registered or business address, and contact information; and
  - (4) nationality or place of incorporation or registration.
- (d) Where a Bank, acting on the instructions of a wire transfer originator in sending funds by wire transfers, shall:
  - (1) identify the wire transfer originator and verify identity;
  - (2) collect and record adequate details of the wire transfer, including but not limited to, details of the originator, wire transfer beneficiary, beneficiary institution, and date of the wire transfer, type and amount of currency involved; and
  - (3) include in the transfer message or payment instruction that accompanies or relates to the transfer, the name, address, and unique identification number of the originator, and originator's account number or unique reference number assigned to the transaction.
- (e) Bank whose activities include money or value transfer services, acting on the instruction of originator in sending funds shall:
  - (1) identify the originator and verify identity;
  - (2) collect and record adequate details of the transfer, including but not limited to, details of the originator,

beneficiary, beneficiary institution, and date of the transfer, type and amount of currency involved; and

- (3) include in the transfer message or payment instruction that accompanies or relates to the transfer, the name, address, and national identity number or passport number or the work permit number of the originator, and originator's account number or unique reference number assigned to the transaction.
- (f) Where a Bank act as a beneficiary institution that receives funds on the account of a beneficiary, including wire transfer beneficiary, shall formulate and implement appropriate internal polices, procedure and controls for identifying the beneficiary and handling receiving transfers.
- (g) Where a Bank is an intermediary in a transfer payment chain, the Bank in passing onward the message or payment instruction, shall maintain all the required originator information with the transfer.
- (h) Where a customer is a legal entity or a partnership, Banks are required to understand the nature of the customer's business and its ownership structure.
- (i) Where a customer is a legal entity, Bank shall, apart from identifying the customer, identify the directors of the company.
- (j) Where a customer is a partnership, Bank shall, apart from identifying the customer, identify the partners of the partnership.
- (k) Where a customer is a legal arrangement, Bank is required to understand the nature of the customer's business and its ownership structure. In addition, Bank shall, apart from identifying the customer, identify and verify the identity of beneficial owners.
- (l) Where the customer or beneficial owner in relation to a customer is a government entity, the Bank shall only be required to obtain such information as may be required to confirm that the customer is a government entity as asserted, unless it suspects that the transaction is connected with money laundering or financing of

terrorism.

- (m) Banks may, apply simplified customer identification and due diligence measures on Business Relationships or Single Transactions that they consider low risk of money laundering or financing of terrorism.
- (n) Banks shall update and verify customers' identification information and monitor customers' financial transactions on an ongoing basis to detect extra-ordinary or unusual financial activities.
- (o) Banks shall ensure compliance to Section 16 (k) of the Act before establishing a cross-border correspondent banking relationship.

**Verification of Identity**

9. Each Bank shall verify the identity of the customer and the beneficial owner using reliable independent sources.

**Timing of Verification**

10. (a) Each Bank shall verify the identity of the customer and beneficial owner, before or during, the course of establishing a Business Relationship, and before conducting a Single Transaction.
- (b) A Bank may establish a Business Relationship before completing the verification of the identity of the customer and the beneficial owner, if:
- (1) the deferral of completion of the verification of the identity of the customer and beneficial owner is essential so as not to interrupt the Bank's normal conduct of business;
  - (2) the risk of money laundering and financing of terrorism can be effectively managed; and
  - (3) there is no suspicion of money laundering and financing of terrorism.
- (c) Where a Business Relationship is established before verification of the identity of the customer or beneficial owner, the Bank shall complete such verification process as soon as is reasonably practicable.

**Failure to Complete Customer Due**

11. If a Bank cannot fulfil the obligation of due diligence measures provided in this Regulation, it shall not establish or continue the business relationship or complete a Single Transaction and, if

<b>Diligence</b>	circumstance warrant, shall submit a suspicious transaction report to the Financial Intelligence Unit.
<b>Customer not physically present for the Business Relationships and transactions</b>	12. Each Bank shall establish policies and procedures and take adequate measures to address the risk of money laundering and financing of terrorism when establishing Business Relationships and conducting transactions where the customer is not physically present for the Business Relationship or transaction.
<b>Enhanced due diligence measures</b>	<p>13. (a) In addition to the due diligence measures provided in this Regulation, Each Bank shall perform enhanced due diligence measures in relation to business relations and transactions that may pose high risk of money laundering and financing of terrorism.</p> <p>(b) Each Bank shall classify customers and transactions that are assessed as high risk for money laundering and financing of terrorism. The following customers and transactions shall be classified as high risk customers and transactions.</p> <ol style="list-style-type: none"> <li>(1) politically exposed persons;</li> <li>(2) persons from countries that have inadequate measures for prevention of money laundering and financing of terrorism;</li> <li>(3) customers not physically present for establishing business relationships and transactions; and</li> <li>(4) any other customer and transaction that may be stipulated by the Authority.</li> </ol> <p>(c) Each Bank shall exercise enhanced due diligence measures where money laundering or financing of terrorism risk are assessed as high risk. Enhanced due diligence measures shall include, but not limited to the following.</p> <ol style="list-style-type: none"> <li>(1) obtaining additional information on customer and the beneficial owner;</li> <li>(2) establishing, by appropriate and reasonable means, the source of wealth and source of funds of the customer and the beneficial owner;</li> </ol>

- (3) obtaining approval from the senior management of the Bank before establishing, or continuing for existing customer, Business Relationship with the customer;
- (4) conducting enhanced monitoring of the Business Relationship with the customer and regularly updating the identification information of the customer and the beneficial owner.

**On-going due diligence**

- 14.** (a) Each Bank shall perform on-going due diligence on the Business Relationship with its customers, and monitor transactions that are carried out in order to ensure that they are consistent with their knowledge of their customer, commercial activities, risk profile and where required, the source of fund.
- (b) The frequency of the on-going due diligence shall commensurate with the level of money laundering or financing of terrorism risks posed by the customer based on the risk profiles and nature of the transactions.

**Monitoring transactions**

- 15.** (a) Each Bank shall examine with particular care all extraordinary, unusually large transactions and all transactions with unusual patterns, which have no apparent economic or visible lawful purpose.
- (b) Each Bank shall pay special attention to transactions with persons or legal entities, residing in countries that do not apply the relevant international standards to combat money laundering and financing of terrorism. The Financial Intelligence Unit shall provide information of such countries to the Banks.

**CHAPTER THREE**

**RECORD KEEPING**

**Record keeping**

- 16.** (a) Each Bank shall maintain relevant records and documentation including business correspondence and transactions, in particular those obtained during customer due diligence process. These include copies of documents used to verify the identity of customers, beneficial owners and those persons required under this Regulation.

- (b) In addition to the information specified in paragraph (a), each Bank shall keep the following information and documentation.
- (1) identification information and copies of documents collected to verify the identity;
  - (2) records and documentation collected for the internal analysis conducted on matters that are considered suspicious;
  - (3) records of suspicious transaction reports submitted to the Financial Intelligence Unit; and
  - (4) information collected pursuant to Section 16 (k) of the Act before establishing a cross-border correspondent banking relationship.
- (c) The following record-keeping periods shall apply for the records kept under this Section:
- (1) records and documents collected for a Single Transaction, 5 (five) years following the completion of the Single Transaction. This includes, but not limited to the customer identification information and any other information and documents relating to the respective Single Transaction.
  - (2) records and documents collected for Business Relationships, 5 (five) years following the termination of a Business Relationship. This includes, but not limited to the customer identification information, transaction history, and any other information and documents related to the respective Business Relationship.
  - (3) suspicious transaction reports and information and documents related to such reports, unless the Financial Intelligence Unit has instructed otherwise, 5 (five) years following the report was made to the Financial Intelligence Unit.

## CHAPTER FOUR

### REPORTING AND MONITORING

- Information to the Financial Intelligence Unit**
17. Each Bank shall provide any such information requested by the Financial Intelligence Unit in carrying out its functions under the Act.
- Reporting suspicious transactions**
18. (a) A Bank that suspects or has grounds to suspect that funds or property are the proceeds of crime, or are related to money laundering or the financing of terrorism, is required to submit a report setting forth its suspicion to the Financial Intelligence Unit, as soon as practicable and not later than 3 (three) working days after forming such suspicion or grounds for suspicion.
- (b) A Bank that suspects or has grounds to suspect that funds or property are of or related to the following, shall submit a report setting forth its suspicion to the Financial Intelligence Unit, as soon as practicable and not later than 3 (three) working days after forming such suspicion or grounds for suspicion.
- (1) any party designated by the United Nations Security Council pursuant to Resolutions issued under Chapter VII of the UN Charter; and
- (2) any other party determined by the Financial Intelligence Unit.
- Suspension of Transactions**
19. (a) Each Bank shall inform the Financial Intelligence Unit, any transaction which they suspect to be related to money laundering or financing of terrorism or the proceeds of crime, and shall follow the instructions of the Financial Intelligence Unit in relation to the said transaction.
- (b) Where the seriousness or urgency of the case warrants, the Financial Intelligence Unit may, order the suspension of a transaction reported under paragraph (a) of this Section for a period not exceeding 72 (seventy two) hours.
- (c) Where refraining from carrying out the transactions set out in paragraph (a) of this Section is impossible or is likely to frustrate the efforts to identify the beneficiary of a suspected transaction, the Bank may execute the transaction and shall inform the Financial Intelligence



## CHAPTER FIVE

### EXEMPTION FROM LIABILITY

- Exemption from liability for reporting suspicious transaction in good faith** 23. No criminal, civil, disciplinary or administrative proceedings for breach of banking or professional secrecy or contract may be instituted against Banks or their directors, officers or employees who in good faith submit reports or provide information in accordance with the provisions of this Regulation.
- Exemption from liability for executing suspicious transactions** 24. (a) No criminal action of money laundering and financing of terrorism shall be brought against Banks, or their directors, officers or employees in connection with the execution of a suspicious transaction where a suspicious transaction report was made in good faith in accordance with the Act and this Regulation.
- (b) The exemption from liability provided in this Section shall apply if a person carries out a transaction at the request of the law enforcement authorities, acting in the manner specified in Sections 27(d)(1) and 44 of the Act.

## CHAPTER SIX

### PROGRAMS TO COMBAT MONEY LAUNDERING AND FINANCING OF TERRORISM

- Programs to combat money laundering and financing of terrorism** 25. (a) Each Bank shall develop and implement internal programs for the prevention of money laundering and financing of terrorism. Such programs shall include but not limited to the following:
- (1) establishing internal policies, procedures and controls to ensure high standards in hiring employees, and prescribe compliance management arrangements and adequate screening procedures;
  - (2) carrying out internal audit arrangements to check conformity, compliance with and effectiveness of the measures taken to implement the Act and this Regulation.
  - (3) internal control measures to ensure safety and security of the systems and records.

- (b) Each Bank shall ensure that its employees and Agents appointed to act on its behalf are trained on:
  - (1) the Act and this Regulation, and the Bank's internal policies and procedures on prevention of money laundering and financing of terrorism;
  - (2) customer due diligence measures, and identification of customers and their beneficiaries;
  - (3) the detecting and reporting of suspicious transactions;
  - (4) duties and responsibility of the employees and Agents in preventing money laundering and financing of terrorism;
- (c) Each Bank shall designate a compliance officer at management level for the implementation of the Act and this Regulation within the Bank, and shall inform the name and contact details of the officer to the Financial Intelligence Unit.

**Administrative penalties**

- 26.** (a) The Financial Intelligence Unit may impose any of the following administrative penalties, against a Bank, its directors, officers or employees who fail to comply with any of the provisions of this Regulation.
- (1) issue a notice in writing to comply within a specified period;
  - (2) impose a fine between 10,000.00 (ten thousand) Maldivian Rufiyaa and 500,000.00 (five thousand) Maldivian Rufiyaa;
  - (4) impose a daily fine of amount between 10,000.00 (ten thousand) Maldivian Rufiyaa and 100,000.00 (one hundred thousand) Maldivian Rufiyaa until compliance is obtained, where failing to comply within the specified period,
- (b) The Authority may publish any administrative action taken for non-compliance pursuant to paragraph (a) above.

## CHAPTER SEVEN

### TRANSITIONAL PROVISIONS AND DEFINITIONS

**Existing Customers**            27. Each Bank shall, within 3 (three) months following the commencement of this Regulation, perform customer due diligence measures stipulated in this Regulation for existing customers when this Regulation comes into effect.

**Definitions**                28. The terms and expressions used in this Regulation shall, except where expressly defined below in this Regulation or where the context otherwise requires, have the same respective meaning as in the Act.

“*Agent*” means any natural or legal person or entity that carries out any function or obligation of a Bank at its request with a formalized agreement.

“*Bank*” has the meaning assigned to it in the Act;

“*Beneficiary*” in relation to wire transfer or value transfer means the person to whom or for whose benefit the funds are sent.

“*Beneficiary Institution*” means the Bank that receives the funds on the account of the beneficiary including wire transfer beneficiary.

“*Beneficial Owner*” has the same meaning assigned to it in the Act.

“*Business Relationship*” means a business, professional or commercial relationship, with an element of duration, between a Bank and a customer, which is expected by the Bank at the time when the relation is established.

“*Financial Intelligence Unit*” or “Unit” refers to the Financial Intelligence Unit established under Section 27 of the Act.

“*the Act*” means the law No. 10/2014 (Prevention of Money Laundering and Financing of Terrorism Act).

“*Legal Arrangement*” shall mean express trusts and other similar legal arrangements.

“*Maldives Monetary Authority*” or “*Authority*” refers to Maldives Monetary Authority established under the Law

no 6/81 (Maldives Monetary Authority Act)

“Originator” means the party who initiated the transfer of funds.

“*Politically exposed person*” has the same meaning assigned to it in the Act.

“*Proceeds of Crime*” has the meaning assigned to it in the Act;

“*Single Transaction*” means a transaction that is carried out outside a business relationship;

“*Wire Transfer*” means any transaction carried out on behalf of an originator through an institution by electronic means with a view to making an amount of funds available to a beneficiary person at a beneficiary institution, irrespective of whether the originator and the beneficiary are the same person.