

## **[ BSP MEMORANDUM, October 17, 2003 ]**

### **REVISED GUIDELINES ON CUSTOMER DUE DILIGENCE**

The guidelines on Customer Due Diligence issued under Memorandum to All Banks and NBQBs dated October 1, 2002 are revised as follows:

1. Item 1 on Customer acceptance policy should now be read as:

1. Customer acceptance policy

Banks should develop clear customer acceptance policies and procedures, including a description of the types of customer that are unacceptable to bank management. In preparing such policies, factors such as customers' background, country of origin, public or high profile position, business activities or other risk indicators should be considered. Banks should develop graduated customer acceptance policies and procedures that require more extensive due diligence for high risk customers. For example, the policies may require the most basic account-opening requirements for a working individual with a small account balance, whereas quite extensive due diligence may be deemed essential for an individual with a high net worth whose source of funds is unclear. Decisions to enter into business relationships with high risk customers, such as individuals holding important/prominent positions, public or private (see below), should be taken exclusively at senior management level.

2. Paragraph 2 of Item 2 on Customer identification should now be read as:

Banks should establish a systematic procedure for verifying the identity of new customers and should never enter a business relationship until the identity of a new customer is satisfactorily established. Banks should "document and enforce policies for identification of customers and those acting on their behalf". The best documents for verifying the identity of customers are those most difficult to obtain illicitly and to counterfeit, such as passport, driver's license or alien certificate of registration. Special attention should be exercised in the case of non resident customers and in no case should a bank short-circuit identity procedure just because the new customer is unable to present himself for interview. The bank should always ask itself why the customer has chosen to open an account in a foreign jurisdiction.

3. Item 2.2.3 on Potentate risk should now be read as: