



**Proposed Reforms to Customer Due Diligence Requirements for Account Opening and
Provision of Financial Services in Supervised Financial Institutions**

February 2018

Executive Summary

- ❑ The Central Bank proposes simplified, more accessible customer identification (ID) requirements for deposit and payment services accounts. These reforms streamline the customer ID process by outlining which reliable, independent source documents can be used to obtain financial services.
- ❑ The Bank is also reforming the customer address verification process, with new emphasis on effective means of contacting customers. All of the Central Bank's SFIs must comply with this framework.
- ❑ This paper is limited to the customer due diligence (CDD) requirements for natural persons. In this context, a "customer" is the person or entity that maintains an account with an SFI, on whose behalf such an account is maintained (the beneficial owners); or a person who obtains services from an MTB or payment service provider.
- ❑ The current requirements allow banks to take a risk-based approach to CDD, but the costs of compliance failure are so great that banks have applied the rules in a prescriptive and risk-averse manner. It is nearly impossible to open a domestic bank account without at least 2 forms of identification (ID); one of which is a Bahamian passport.
- ❑ Further, the current emphasis on residential address is ill-suited to The Bahamas' domestic realities. There is no residential mail delivery, and street addresses are not used by either financial institutions or the government to provide critical personal services. Consequently, the residential address verification is a cumbersome process. By law, SFIs must obtain this information; but it is not the most effective means of contacting customers.
- ❑ The Bahamas also lacks a developed "identity infrastructure" (e.g. searchable national databases, unique ID numbers etc.) to implement the Financial Action Task Force's (FATF's) CDD standards in the same manner as some G10 and G20 counterparts. This is especially true in the family islands.
- ❑ The inability to open a bank account or access regulated payment services is a form of financial exclusion. When individuals are unable to obtain the reliable independent source documents needed to identify themselves, they rely on informal or unregulated alternatives. They also conduct more transactions in cash. This increases the national risk exposure to money laundering (ML), terrorist financing (TF), and other criminal activities.
- ❑ The FATF states that national authorities should adapt the standards to their domestic circumstances. Its 2013-2017 guidance on financial inclusion provides several examples of this. R.10 allows simplified due diligence on a risk sensitive basis, and the INR.1 paragraphs 6(a) and 6(b) also permit exemptions from the 40 Recommendations where there is proven low risk of ML/TF, and financial activity is carried out on a limited basis according to quantitative or limited criteria.
- ❑ This paper recommends: (1) amending the FTRA; (2) creating a basic regulation that outlines which pieces of ID will be acceptable to establish a banking relationship or access a payment service; and (3) moving away from a single residential address to multiple, verifiable points of contact.
- ❑ SFIs will still be required, using a risk based approach, to request additional information when routine transactions monitoring indicates shifts in the risk profile of customers.

Statement of the Issue

The CDD provisions in FATF R.10 are set out in Bahamian law, regulation, and policy. The Financial Transactions Reporting Act, 2000 (as amended) (FTRA), and Financial Transactions Reporting Regulations, 2000 (as amended) (FTRR) require financial institutions to verify a customer's identity, among other things, before a new account or facility is established. Supervised financial institutions (SFIs) have applied these legal and regulatory requirements in a very rule-based, prescriptive manner.¹ There are two simple "fixes" that could be put in place by the public sector: moving to a safe harbor approach to account opening documentation, and de-emphasizing residential mailing address as the primary means of customer contact.

In recent stakeholder discussions, two issues have emerged: (1) it is difficult to establish a relationship with a commercial bank without a passport (irrespective of the customer's risk profile); and (2) SFIs have had difficulty obtaining reliable, independent source documents, data and information to verify residential address. They are required to do so by the FTRA and FTRR.

The Domestic Situation

The due diligence provisions from the FATF Recommendations are largely found in the FTRA and FTRR. Regulation 3 of the FTRR lists the information that financial institutions can and must obtain to verify the identity of individual customers (see Table 1). As of this writing, there is legislation before the House Assembly that will address some of these concerns. However, the underlying research and benchmarking was conducted using the legislation and regulations already in force.

Regulation 5A of the FTRR exempts certain classes of customers from these verification procedures, including any Bahamian dollar facility of BSD 15,000 or below (as prescribed in regulation 2). The Bahamas 2017 Mutual Evaluation Report (MER) noted that these measures only allow for simplified CDD measures on a prescriptive basis-rather than a risk assessment conducted by the country and SFI.²

The Central Bank *Guidelines for Licensees on the Prevention of Money Laundering and Countering the Financing of Terrorism* (the CBOB AML/CFT Guidelines) provide direction on how to interpret these requirements, including provisions for: simplified due diligence; enhanced due diligence;³ reliance on KYC by third parties;⁴ and persons without standard ID documents (including instances where a doctor, lawyer, or other professional can confirm an individual's identity).⁵

The CBOB AML/CFT Guidelines also allow multiple means of address confirmation, such as: checking the Register of Electors; provision of a recent utility bill, tax assessment, bank or

¹ The Bahamas Mutual Evaluation Report (2017), pp. 47, 56

² The Bahamas Mutual Evaluation Report (2017), p. 101

³ CBOB (2017), pp. 36-38

⁴ CBOB (2017), pp. 34-35

⁵ CBOB (2017), pp. 20-22

credit union statement containing details of the address; checking the telephone directory; and record of a home visit.⁶

Table 1. The FTRR: CDD Information for Natural Persons⁷

INFORMATION REQUIRED TO VERIFY IDENTITY Reg. 3(1)	OPTIONAL ADDITIONAL INFORMATION THAT MAY BE REQUIRED Reg. 3(2)
<ul style="list-style-type: none"> ▪ full and correct name; ▪ address; ▪ date and place of birth; ▪ purpose of the account and the nature of the business relationship. 	<ul style="list-style-type: none"> ▪ source of funds; ▪ telephone and fax numbers (if any); ▪ occupation and name of employer (if self-employed, the nature of the self-employment), ▪ copy of the relevant pages of passport, driver’s licence, voter’s card, national identity card or such other ID document bearing a photographic likeness of the person as is reasonably capable of establishing the identity of the person; or ▪ such documentary or other evidence as is reasonably capable of establishing the identity of that individual.

Despite the flexibility in the regulations and CBOB AML/CFT Guidelines, many SFIs draft their internal policies and procedures so that both a passport and National Insurance Board (NIB) card are required to open an account. They also require address verification in the form of a utility bill or letter from a member of the same household.⁸

The Bahamas has what is referred to as limited “identity infrastructure.” National ID systems are absent, and elements of the system may be perceived as unreliable or inaccessible. By default, the Bahamian passport has become a vital ID document. Without one, it is difficult to obtain other documents (e.g. driver’s licence or NIB card), creating a domino effect which culminates in lack of a bank account.⁹

According to a memorandum from the Clearing Banks Association (CBA) Legal & Compliance Sub-committee:

⁶ CBOB (2017), pp. 20-21

⁷ Table 1 distinguishes between the mandatory information, such as address, found in regulation 3(1), and optional additional information outlined in regulation (3)(2). Emphasis added. The passport is one of several documents listed. It was meant to be illustrative, but has been interpreted as mandatory.

⁸ For international SFIs, this may be due to risk appetite or group policies. However, consistent with R.18, pp. 5-6 of the CBOB AML/CFT Guidelines state, “where an SFI is a part of an international group, it shall follow the group policy to the extent that all overseas branches, subsidiaries and associates where control can be exercised, ensure that anti-money laundering prevention and countering the financing of terrorism standards and practices are undertaken at least to the standards required under Bahamian law or, if standards in the host country are considered or deemed more rigorous, to those higher standards.”

⁹ For example, to obtain a new driver’s licence, a Bahamian needs a passport or NIB card. The NIB card itself requires: a passport; or a birth certificate and voter’s card; or a registered/recorded affidavit along with a voter’s card or passport.

- The overall infrastructure of the country does not lend itself to ample address verification resources. CBA members presently ask for utility bills or voter's cards. However, persons may move or traverse between residences and there is no means of confirmation. The latter is updated every 5 years, during which time the person may have moved several times.
- There is no governmental agency or database which banks can rely upon to verify and confirm information received from customers.
- There have been discussions with NIB regarding some form of information exchange to verify the identity of CBA customers. As of June 2017, the CBA could not confirm the status of this process, and whether it would become accessible to SFIs for verification purposes.

The FATF Position (Identification Generally)

According to FATF guidance on *Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion*:

“There are potentially negative consequences if the controls designed for standard risks and higher risks are also applied to situations where the risks are lower. This ‘over-compliance’ approach by regulators and financial institutions could exacerbate financial exclusion risk, thereby increasing overall ML/TF risk. Regulators/supervisors should play a role and provide further guidance when institutions overestimate ML/TF risks or adopt overly-conservative control measures.”¹⁰

The FATF further states:

“Although a majority of countries specify the use of a passport or government-issued identification card as one of the methods that can be used to verify the identity of customers, the FATF Recommendations do allow countries to use other reliable, independent source documents, data or information. This flexibility is particularly relevant for financial inclusion...”¹¹

In general, financial inclusion is defined as: providing access to an adequate range of safe, convenient and affordable financial services to vulnerable groups who have been underserved or excluded from the formal financial sector. When access to the formal sector is impeded, financial exclusion is the result. This increases ML/TF risk because financially excluded consumers are likely to conduct business with informal providers in the cash economy.

FATF R.10 requires SFIs to undertake CDD measures, *inter alia*, when establishing business relations.¹² The CDD measures to be taken are:

¹⁰ FATF (2013-2017), pp. 44-45

¹¹ FATF (2013-2017), p. 54

¹² Per R.10, financial institutions should be required to undertake customer due diligence (CDD) measures when: (i) establishing business relations; (ii) carrying out occasional transactions: (i) above the applicable designated threshold (USD/EUR 15,000); or (ii) that are wire transfers in the circumstances covered by the Interpretive Note to Recommendation 16; (iii) there is a suspicion of money laundering or terrorist financing; or (iv) the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data.

“(a) Identifying the customer and verifying that customer’s identity using reliable, independent source documents, data or information.

“(b) Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner, such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include financial institutions understanding the ownership and control structure of the customer.

“(c) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship.

“(d) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution’s knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.”

When performing elements (a) and (b) of the CDD measures above, SFIs must also verify that any person who claims to act on behalf of the customer is authorised to do so, and identify and verify the identity of that person.¹³

According to the FATF, the general principle of a risk based approach (RBA) is that where risks are higher, countries must require financial institutions to take enhanced measures to manage and mitigate those risks, and that correspondingly where the risks are lower (and there is no suspicion of ML or TF) simplified measures are permitted. That is, “Countries can and should (in part, to address the consequential risks of financial exclusion) move away from ‘one size fits all’ solutions, and tailor their AML/CFT regime to their specific national risk context.”¹⁴

The simplified CDD standards can be decided at the country level based on risk, or at the financial institution level. However, each financial institution remains obligated to know who their customers are, what they do, and whether or not they are likely to be engaged in criminal activity, or conduits for the proceeds of crime.¹⁵

The simplified regime need not be uniformly applied to all CDD steps (a)-(d) above. The extent of the CDD measures can be differentiated depending on the risk factors identified for each stage of the relationship. A newly banked client benefiting from simplified identification measures can be subject to normal levels of ongoing transaction monitoring.¹⁶

INR.1 paragraph 6 outlines the circumstances where countries can choose not to apply some of the FATF Recommendations. Such as where:

- a) there is a proven low risk of ML and TF; the circumstances are strictly limited and justified, and it relates to a particular type of financial institution, activity, or DNFBP; or

¹³ INR.10 para. 4

¹⁴ FATF (2013-2017), p. 44

¹⁵ FATF (2013-2017), p. 32

¹⁶ INR.10 para. 18; FATF (2013-2017), p. 63

- b) a financial activity (other than the transferring of money or value) is conducted on an occasional or very limited basis (having regard to quantitative and absolute criteria), such that there is low risk of ML and TF.

Countries that opt for the latter example must be able to demonstrate a connection between the limited nature of the financial activity and the low level of ML and TF risk based on some risk assessment (e.g. the World Bank's financial inclusion risk assessment tool).¹⁷

The FATF and BCBS on Address Verification

According to the Consultative Group to Assist the Poor (CGAP),¹⁸ the FATF, “does not require institutions to request and verify a customer’s address; however, this is common practice in developed countries and is required by some developing countries.”¹⁹

FATF guidance on financial inclusion describes countries’ efforts to manage address verification challenges:

- South Africa has implemented simplified due diligence for assorted basic bank accounts. There is no need to verify residential address. In part, because of difficulties posed by the townships.²⁰
- India has created CDD exemptions for some low value insurance policies. They are exempt from the requirement of a recent photograph and proof of address.²¹
- In Fiji, a “suitable referee” (a person known to the customer and considered reliable by the SFI) can produce a signed declaration/certification. Among other things, it must contain the customer’s address.²²
- In Malaysia the employee address, or any other address, is accepted to justify a residential address.²³

The authors noted that some of the countries had not yet been assessed against the 40 Recommendations.

In 2017, the Basel Committee on Banking Supervision re-issued *Sound management of risks related to money laundering and financing of terrorism*, with a new annex: General Guide to Account Opening. The guidance outlines the “minimum” information that banks should collect from natural persons for identification purposes:

- legal name (first and last);
- nationality, an official personal identification number or other unique identifier;
- date and place of birth; and
- complete residential address.

¹⁷ FATF (2013-2017), pp. 5-6

¹⁸ Housed at the World Bank, CGAP is a global partnership of over 30 organizations. It uses an evidence-based advocacy platform to advance financial inclusion.

¹⁹ CGAP (2009), p. 3

²⁰ FATF (2013-2017), p. 104

²¹ FATF (2013-2017), p. 85

²² FATF (2013-2017), p. 13

²³ FATF (2013-2017), p. 102

However, regarding residential addresses, BCBS notes that there are circumstances when this information is “legitimately unavailable”, which may prevent clients from accessing formal banking services. In those cases, where clients are allowed to access formal banking services, banks should apply mitigating measures as provided for by their internal risk policies, in line with national laws. These measures can include using alternative information or conducting appropriate monitoring.²⁴

Other Countries

Overall, natural persons seeking to open a retail deposit account in Barbados, Trinidad & Tobago, and Jamaica face very similar requirements to those in The Bahamas.

In the United Kingdom (UK), firms are required to use a risk based approach to CDD, choosing reliable, independent source documents based on the risk assessment required by law. The 2017 Joint Money Laundering Steering Group (JMLSG) AML/CFT guidance for UK financial sector firms states that firms should obtain a full name, residential address, and date of birth for private individuals. This information must be verified based on reliable sources, independent of the customer. These may be documents produced by the customer, electronically by the firm, or a combination of both. The requirements vary based on whether or not the ID bears a photograph.²⁵

With a photograph

Customers may use 1 document: a government-issued document which incorporates the customer’s name and either his or her residential address or date of birth.

Examples include: a valid passport or driver’s license/permit, national identity card, firearms certificate or shotgun license, or card issued by an electoral office.

Without a photograph

Customers may use 2 documents:

1. a government, court, or local authority-issued document which incorporates their full name; and
2. another ID document bearing the customer’s name and either his residential address or date of birth. It must be issued by the government, a judicial authority, a public sector body/authority, a regulated utility company, or another FCA-regulated firm in the UK financial services sector.

Examples include: a valid “old style” UK driving licence, recent evidence of entitlement to a state or local authority benefit, instrument of a court appointment (e.g. grant of probate), or current council tax demand letter or statement.

Among other things, regulations 27 and 28 of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations require identification and verification of customers when establishing a relationship. Regulation 37 permits the

²⁴ BIS (2017), p. 31

²⁵ JMLSG (2017), pp. 64-65, 80-81. See also The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, ss 27-37.

application of simplified due diligence measures on a risk-sensitive basis. The extent, timing or type of CDD measures can be adjusted.

In Canada, the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations provide the KYC requirements for the various financial services industries. There is a largely uniform set of standards with some variations between different types of business. There are five separate methods of identifying individuals (Canadian credit file, a single government issued ID etc.), including provisions for minors and reliance on third parties. Some of these are summarized in Table 2. The Australian and New Zealand approaches are similar.²⁶

In addition, a bank will be deemed compliant if it conforms to the Bank Act and Access to Basic Banking Services Regulations (ABBSR). Under the ABBSR, banks are required, with some exceptions,²⁷ to open an account for an individual if he or she is able to present one of the combinations of ID documents prescribed in the Schedule. He/she can also cash government cheques up to CAD 1,500.

To open an account, the individual must present to the bank:

- 2 pieces of ID from Part A or B of the schedule (at least one from Part A); or
- 1 piece of ID from Part A of the schedule, if the identity of the individual is also confirmed by a client in good standing with the bank or a person of good standing in the community where the bank is located.

If the person's name, date of birth, address and occupation are not captured on the pieces of ID presented, the customer must disclose that information orally or in writing (a self-certification).²⁸ The words "address" and "occupation" are followed by the words "if any".

If the bank refuses to open a retail deposit account, it must provide written notice of its refusal, and a statement informing the would-be customer of their right to complain. Banks

²⁶ The regulations have not yet been fully implemented. The transition period to adopt the new methods of identity verification have been extended to January 23, 2018. During this transition period, reporting entities can rely on either the new or old client identification methods.

²⁷ Among them:

- if the bank has reasonable grounds to believe that the account will be used for illegal or fraudulent purposes;
- if the individual has a history of illegal or fraudulent activity in relation to providers of financial services and if the most recent instance of such activity occurred less than seven years before the day the request to open a retail deposit account is made;
- if the bank has reasonable grounds to believe that the individual knowingly made a material misrepresentation in the information provided to the bank for the purpose of opening the retail deposit account;
- if the bank has reasonable grounds to believe that it is necessary to refuse to open the account in order to protect the customers or employees of the bank from physical harm, harassment or other abuse; or
- if the request is made at a branch or point of service of a bank at which the only retail deposit accounts offered are those that are linked to an account at another financial institution.

²⁸ ABBSR Regulation 4

must also display, and make available to the public, copies of a written statement explaining these provisions.²⁹

A Considered Approach for The Bahamas

The “Menu Based” Approach

This document proposes a version of the menu based approach taken in Canada. This framework anticipates new authority on the scope of AML/CFT guidance that will be delegated to the Central Bank and other domestic regulators under Section 7 of the new FTRA.³⁰

This approach creates three categories of documents: A, B, and C (see Table 3). To open an account for a natural person, an SFI must complete three steps:

- Step 1: Choose a combination of ID documents from a menu of options in each category
- Step 2: Gather at least two means of contacting the customer
- Step 3: Conduct a risk assessment of each customer (upon commencing the relationship, and on an ongoing basis using a risk-based approach).

Similar to regulation 4 of the ABBSR, if the person’s name, date of birth, and occupation are not captured on the pieces of ID presented, the customer must disclose that information orally or in writing.

Step 1: The Categories Explained

- *Category A* documents are issued by the Government of The Bahamas or authorized statutory bodies, and bear some combination of a photograph, signature, and date of birth. For example, The Bahamas Department of Immigration documents listed have extensive application requirements, often including the production of a passport. The foreign passport also falls in this group. *Category A* documents are generally more difficult to falsify.
- *Category B* and *C* documents should be easily obtained by those living and working in The Bahamas--much more so than a recent utility bill, as is current practice. They are also less expensive to acquire (and renew) than *Category A* documents, addressing the unintended socio-economic bias associated with the passport. The notion of combining documents from different categories originates from Canada’s ABBSR,³¹ and the UK example (where when an ID lacks a photograph, another document provides supplementary information).

²⁹ ABBSR regulations 10 and 14

https://www.hsbc.ca/1/PA_ES_Content_Mgmt/content/canada4/pdfs/personal/basicbanking-regulations.pdf

³⁰ Section 7(7) of the Financial Transactions Reporting Bill, 2018 provides, “a financial institution shall adhere to any guidelines, rules or codes of practice regarding identification and verification procedures for natural and legal persons that may be issued by the Supervisory Authority of that financial institution.”

³¹ See ABBSR, r. (4)(1)(a)(ii)

- Enshrining the Category C “suitable referee” in regulation will provide more solid legal footing for the standards already contained in the Central Bank AML/CFT Guidelines. The Central Bank proposes that suitable referees fit the profile of the “suitable certifier” and “respected professional” already described in CBOB AML/CFT guidelines as a starting point.³² The format of the reference/certification is to be standardized in guidance so that each SFI is guaranteed a minimum amount of information.

Where an ID document is listed, its electronic successor should also be acceptable. For example, the voter’s card may eventually look more like an NIB card, or it may be replaced by an electronic database of voters.

To open a retail deposit account, or to obtain financial services from any SFI under the Central Bank’s oversight, individuals must have one of the following combinations of documents:

- 1) 2 Category A documents;
- 2) 1 Category A document and 1 document from Category B or C; or
- 3) 1 Category B document, and 1 document from Category A or C.

Step 2: From Address Verification to Means of Contact

Given the identity infrastructure challenges previously discussed, the Central Bank can move away from strict reliance on personal mailing address, and instead require that SFIs maintain at least two contact methods with each natural person customer. The methods may include any of the following:

1. Personal mailing address
2. Business mailing address
3. Residential address
4. Authenticable email address
5. Authenticable mobile phone number
6. Home phone number
7. Business phone number

Like the ABBSR, if the SFI has reasonable grounds to believe that the customer account or transaction would be used for or involves illegal or fraudulent activities, or that the individual knowingly misrepresented their information during the account opening process (or request for services), the SFI can refuse to provide the service without violating the regulations.³³ The regulations have other reasons worth considering, such as a history of illegal or fraudulent activity in relation to providers of financial services.

³²CBOB (2017), pp. 22-25

³³ The definition of “reasonable grounds” was clarified in subsequent guidance: <https://www.canada.ca/en/financial-consumer-agency/services/industry/commissioner-guidance/guidance-2.html>

Step 3: Risk Assessment

All customers must be assessed for risk upon commencing the relationship, and on an ongoing basis using a risk-based approach. The Central Bank already provides guidance on how to assess customers for risk, and as of this writing, is developing additional guidance.

Those customers deemed high risk will need to have their sources of funds and sources of wealth verified, and must produce at least one Category A document as part of their identification package.

Minors

If a child is under 18 years old, the SFI must verify the ID of the parent or guardian and record the parent's or guardian's information. The SFI can also rely on the information about the child provided by the parent or guardian. This is similar to Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) guidance.

If the prospective customer is age eighteen (18) or over, they should be able meet the requirements independently. Why eighteen (18)? At that age, most people should be eligible for at least one government issued ID document bearing their photograph, name, and date of birth. For example, at present, the NIB card is poised to become the most common. As a matter of policy, the NIB card only has a picture if the cardholder is aged sixteen (16) and over. Also, seventeen is the minimum driving age. By age 18, these two Category A documents with photo ID can be obtained.

Establishing a Nexus with The Bahamas

These financial inclusion reforms target persons who live, work, or own homes in The Bahamas. To ensure this, if a prospective customer presents a non-Bahamian passport in Step 1, at least one of their means of contact must be a current residential address.

Cases when ID will not be required

Under the Payment Systems Act, 2012, the Central Bank anticipates that customer ID requirements for low-value stored electronic money products will be waived. These transactions generally have a low risk profile, and the risks can be further mitigated by the imposition of conditions, such as one-time use, or multiple usages but with enforceable limits on the maximum amounts that can be stored, and the maximum cumulative re-use value of the accounts on an annual basis.

Conclusion

In many ways, these revisions take the existing standards and enshrine them in regulation. The current rule based, "across the board" application of CDD measures is not risk-based as required by FATF R.1. It also fosters financial exclusion. The FATF allows each country to determine how it imposes specific CDD obligations, either through law or enforceable means. The Bahamas can provide ample justification for making these adjustments.

With few exceptions, SFIs will be required to open an account for an individual if he or she can produce the combinations of ID documents prescribed in the regulations. MTBs and other payment service providers can also provide services on these bases. Though seemingly prescriptive, this remains a risk-based approach. In keeping with global and domestic standards, each institution will be required to conduct risk assessments and engage in ongoing transaction monitoring. When a customer begins to conduct business outside of his or her risk profile, he or she should be required to produce more information.

One point is absolutely essential: customer identification is but one element of CDD. ID documents merely confirm that the customer is who they purport to be. Concerns about risk, or potential misuse of the financial system cannot be addressed by asking for more picture IDs, utility bills, etc. The appropriate response is more vetting of income and wealth sources. The proposed revisions to the CBOB AML/CFT Guidelines will assist SFIs with that process.

The SFI should still insist on additional information, such as an estimate of likely account activity, to understand “the purpose and intended nature of the business relationship” as required by R.10.

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Table 2. Summary of Various Methods to Identify an Individual (Canada) ³⁴

Method	Documents or information to review
Photo ID	<ul style="list-style-type: none"> • Refer to one photo ID issued by a federal, provincial or territorial government. • It must be valid, current and original.
Information upon request	Refer to information concerning the client received, on request, from a federal or provincial government body, or an agent or mandatary of such a body.
Credit file	<ul style="list-style-type: none"> • Canadian credit file in existence for at least three years. • Information must be provided directly from a credit bureau or third party vendor.
Dual process	<p>Any two of the following. Refer to:</p> <ul style="list-style-type: none"> • Information from a reliable source containing the name and address of the person being identified and verify that the name and address are those of the person. • Information from a reliable source that contains the name and date of birth of the person being identified and verify that the name and date of birth are those of the person. • Information that contains the name of the person being identified, confirm that the individual has a deposit account, credit card, or other loan account with a Canadian financial entity and verify that information.
Reliance on Third Parties	The institution must confirm that one of the listed entities has already ascertained the client's identity using one of the previous methods.

³⁴ Adapted from FINTRAC (2017). See also ss 64, 64.1, and 64.2 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations.

Table 3. Proposed Identification Documents for a Deposit Account or Access to Services

Category A	Category B	Category C – must be generated or issued within The Bahamas
<ul style="list-style-type: none"> <input type="checkbox"/> Certificate of Bahamian citizenship <input type="checkbox"/> Certificate of Naturalization <input type="checkbox"/> Current driver’s licence issued in The Bahamas <input type="checkbox"/> Current passport (any jurisdiction) <input type="checkbox"/> National Insurance Board (NIB) card <input type="checkbox"/> Permanent residence permit <input type="checkbox"/> Current work permit <input type="checkbox"/> Resident believer permit <input type="checkbox"/> Spousal permit 	<ul style="list-style-type: none"> <input type="checkbox"/> An original or official copy of a birth certificate issued by the Government of The Bahamas <input type="checkbox"/> An officially (apostille) certified original or copy of a birth certificate issued by a foreign jurisdiction 	<ul style="list-style-type: none"> <input type="checkbox"/> Credit reference agency search³⁵ <input type="checkbox"/> Employee identification card bearing the individual’s photograph, issued by an employer with whom the bank has a relationship. <input type="checkbox"/> Mortgage or other instrument of security (original or certified copy), bearing the individual’s name and residential address. <input type="checkbox"/> Letter issued by The Ministry of Education, an accredited trade school, or institution of higher learning.³⁶ <input type="checkbox"/> Tax assessment or certificate bearing the individual’s name and post office box, address, or other description of their real property³⁷ <input type="checkbox"/> Voter’s card <input type="checkbox"/> Written reference from a suitable referee (in form specified by the Central Bank

³⁵ Used in Canada. Presumes the formation of a credit bureau in The Bahamas.

³⁶ Helps evidence an ongoing presence in the jurisdiction. Useful for students and the unemployed.

³⁷ The author chose the term “description” because the current form of the tax certificate only includes a legal description-versus a street or residential address.

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