

## **Guidance Note on Streamlined Requirements for Account Opening, Provision of Financial Services and Customer Identification**

This guidance describes the acceptable methods of identifying individuals under the Financial Transactions Reporting Act (FTRA) and associated Regulations. It applies to all banks, trust companies, co-operative credit unions, money transmission businesses (MTBs), and payment service providers supervised by the Central Bank of The Bahamas. Collectively, they are referred to as Supervised Financial Institutions (SFIs).

These methods can be used to identify individuals (natural persons) who:

- seek to obtain payment services from any institution supervised by the Central Bank
- seek to open deposit facilities or obtain loan facilities on behalf of themselves;
- would like to be signatories to an account; or
- are associated with a Bahamian business or other entity.

This guidance also seeks to clarify which reliable, independent source documents, data or information can be used to verify a customer's identity per FATF Recommendation 10. It applies to business denominated in any currency, and all customers, irrespective of their residency or immigration status.

### **Transitional Provisions**

The transition period to adopt these new methods is between Tuesday May 1, 2018, and Friday June 15, 2018. As of June 18, 2018, you must rely solely on the client identification methods outlined in this guidance. SFIs must modify their policies and procedures to reflect these changes.

SFIs do not have to re-identify a client if they did so using the previous methods, kept the appropriate records, and have no doubts about the accuracy of information obtained. Identifying a client requires that the SFI view certain information to verify a client's identity, and ensure that the information is accurate and consistent with what is known about the client. An account/facility will be considered "verified" if the SFI has complied with all of the applicable customer due diligence (CDD) requirements at the time of onboarding.

To reduce the reliance on residential mailing address, SFIs must now maintain at least two means of contacting the customer (*see Step 2 – pg. 5 for examples*). This will provide a more efficient and predictable means of managing the risk of fraud, money laundering, and other identified risks.

### **Is identification always required?**

Payments Institutions may waive customer identification procedures when the Bahamian dollar payment instrument has a maximum stored limit of \$500, and is reloaded with up to

\$300 per month.<sup>1</sup> If at the time of issuance, a payment instrument immediately (or prospectively) falls outside of these parameters, it is subject to the guidelines below.

### **Process for Opening an Account or Provision of Services**

Individuals can open an account as long as they meet certain conditions, and provide other critical information. This approach creates three categories of documents: A, B, and C. SFIs 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).

If the person's nationality and occupation are not captured on the pieces of ID presented during Step 1, the customer may disclose that information orally or in writing. These are important risk management tools. For example, the individual may be from a jurisdiction that is high risk or subject to economic sanctions.

#### ***Step 1: The Categories Explained***

- Most *Category A* documents are issued by the Government of The Bahamas, an authorized statutory body in the Bahamas, or a foreign Government. They bear some combination of a name, photograph, signature, and date of birth.
- *Category B* and *C* documents should be easily obtained by those living and working locally. They are also generally less expensive to acquire (and renew) than *Category A* documents. Most *Category B* and *C* documents are generated, or issued, within The Bahamas.
- The Central Bank reserves the right to amend the categories as information sources evolve.

Where an identification document is listed, its electronic successor should also be acceptable. For example, a document that is paper now may subsequently become a plastic card, or part of a searchable online database.

Only originals or certified copies are acceptable. A piece of identification is considered an original if the customer received or obtained it in hand, via mail, or electronically (e.g. downloaded from a website). The document must appear valid and unmodified.

### **Process to Open an Account or Access Other Services—Customers with a Bahamian Connection**

The commentary below applies to customers who are Bahamian, or who have a Bahamian connection, such as earning income, holding assets, or possessing residency status in The Bahamas. A later section in this document describes the requirements for international banks

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<sup>1</sup>Under the Payments Instruments (Oversight) Regulations, 2017, a "Payment Institution" is defined as any Payment Service Provider other than a bank or trust company, credit union or MTB.

and trust companies wishing to open accounts for international customers with no material Bahamian connection.

The new method creates three categories of document: A, B, and C. To open a deposit account, become a signatory on a deposit account, or access a service provided by an SFI, the customer must present one of the following combinations of identification:

- 1 Bahamian passport; or
- 2 items from Category A; or
- 1 item from Category A and 1 item from Category B; or
- 1 item from Category A and 1 item from Category C; or
- 1 item from Category B and 1 item from Category C.

**Note:** The lists below are not exhaustive. SFIs must always rely on valid and current information, or original, valid and current documents from independent and reliable sources.

### **Category A**

- A certificate of Bahamian citizenship
- A certificate of naturalization
- A driver's licence issued in The Bahamas
- A passport (from any jurisdiction)
- A card issued by the National Insurance Board (NIB), bearing a National Insurance Number
- A national identity card
- A permanent residence permit
- A permit to reside
- A work permit
- A resident believer permit
- A spousal permit

### **Category B**

- An original or official copy of a birth certificate issued by the Government of The Bahamas
- An officially (apostille) certified original or copy of a birth certificate issued by a foreign jurisdiction

### **Category C**

- An employee identification card bearing the individual's photograph, issued by an employer with whom the SFI has a relationship.
- A mortgage or other instrument of security (original or certified copy), bearing the individual's name and residential address.
- A letter issued by The Bahamas Ministry of Education, an accredited trade school or institution of higher learning, confirming that the individual is (or was) a student.
- A Bahamas Government issued tax assessment or certificate bearing the individual's name and street address, post office box, or a description of their real property

- A voter's card issued by the Parliamentary Registration Department
- A Bahamas credit reference agency search (or a copy of the results)
- A written reference from a suitable referee (in the form specified by the Central Bank)

In general, there is a supervisory expectation that persons opening bank accounts in The Bahamas, or obtaining other financial services from SFIs have a material connection to the jurisdiction. This material connection is demonstrated when at least one of the items from Categories A, B, or C was issued by the Government of The Bahamas, an authorized statutory body, or generated domestically.

These requirements represent a minimum standard which SFIs must adhere to. There may be instances where additional information or documentation may be required to complete the customer profile. For example, some SFIs must determine residency for tax purposes. This can be evidenced by a utility bill, tax identification number (TIN), or its equivalent.

Where the information provided in one piece of ID does not match the information provided in another, additional information must be provided that explains the discrepancy. For example, reliable evidence of marriage, divorce, or adoption.

### **Who is a Suitable Referee?**

A Category C "suitable referee" is a person ordinarily resident in The Bahamas who knows the customer and whom the SFI can rely on to confirm that the customer is who he or she claims to be. A suitable referee can also verify other personal details about the customer. Any of the following may be a suitable referee:

- current or former employer with whom the SFI has an existing relationship
- school principal or guidance counselor
- licensed public accountant
- senior official at or above the rank of manager at any Central Bank SFI
- employee of the financial institution at which the service is being requested
- senior civil servant, including law enforcement officer
- doctor of medicine
- elected official
- justice of the peace or notary public
- minister, priest, or other religious leader
- counsel and attorney-at-law
- any other individual that the Supervisory Authority (the Central Bank) may designate

Any certification or statement provided by the referee must include the following minimum details:

- customer's full name
- customer's residential address
- customer's occupation (or nature of self-employment)
- referee's name, address, occupation and contact details (such as phone number)
- how long the referee has known the customer

- a statement confirming that the referee believes the information provided about the customer to be true
- signature of the customer and referee with the date the document was signed

### ***Step 2: Points of Customer Contact***

SFIs must maintain at least two current means of contacting each natural person customer, one of which must be a residential, personal, or businesses mailing address provided by the customer. The other(s) may be any of the following authenticable means of electronic communication:

- personal email address;
- business email address (if applicable);
- mobile phone number;
- business mobile phone number (if applicable);
- personal landline number;
- business landline number (if applicable); or
- any other means of contact that the Central Bank might specify.

The mailing address must include the street, post office box number (if any), city, state/province (if any), postal/zip code (if any), fixed line telephone contact (if any) and country.

For communication with minors, SFIs may also rely on direct points of contact with the individual(s) authorised to act on their behalf, such as legal parents or guardians.

There are some instances where customers may have may have multiple residences (e.g. one address in New Providence and another in Eleuthera, Bahamas). In these cases, it is permissible to accept more than one residential address.

SFIs must develop flexible internal procedures to verify the accuracy of the contact information provided. For example, information from the suitable referee can be used to verify the customer's address, much like the letters from landlords and roommates accepted under the previous standards. Also, items such as email addresses and mobile telephone numbers should be verified almost immediately.

### ***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. Those customers deemed high risk will need to have their sources of funds and sources of wealth independently verified, and must produce at least one Category A document as part of their identification package. A one-size-fits-all approach to customer onboarding is inconsistent with the FATF's risk-based approach and may in effect, exacerbate the risks.

### **How to Identify 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. Prospective customers aged eighteen and over must be able to meet the requirements independently.

### **Refusal to Open Account or Provide a Service**

There are several circumstances when an SFI may refuse to open an account or provide a service and still comply with this guidance:

- If the SFI has reasonable grounds to believe that the facility would be used for illegal or fraudulent purposes.
- If the SFI has reasonable grounds to believe that the individual knowingly misrepresented their personal information during the onboarding process.
- If the SFI has reasonable grounds to believe that it is necessary to refuse to open the account to protect its employees or existing customers from physical harm, harassment, or other abuse.
- If a prospective customer refuses to provide the documents or information requested.

See the full text of the AML/CFT Guidelines for related information and requirements, such as other times when a customer should be identified, and when you can rely on third parties to conduct KYC (section IV). Also, see the *Guidance Note on the Sound Management of Risks Related to Financial Crime in The Bahamas*.

### **International or High Net Worth Customers**

The Central Bank's expectations for the identification and risk-assessment of international or high net worth customers are similar to the requirements for Bahamian customers. The three-step process of identifying the customer, ensuring at least two points of customer contact, and risk assessment remains in place. However, this customer base typically requires a different range of products and services, some of which are higher risk for ML/TF/PF. As such:

- Every customer must present a valid passport as part of the identification process. The Central Bank's supervisory expectation is that international customers will be identified by their passport and one other document. The second document may be another passport, a tax identification card/document, utility bill, etc.
- SFIs must obtain independent verification of the residential address (and where relevant, the business address) of customers resident in countries where such verification is reasonably achievable. As a rule of thumb, verification is "reasonably achievable" in every country offering regular delivery of mail to individual homes and businesses.
- In limited circumstances, the equivalent of "Category C" documents may be used. These limited circumstances include customers who are minors; very young minors in particular. In such circumstances, SFIs are expected to reach a very high level of documentary confidence in the identity of their customer.
- There is no expectation that any international customer possesses a Bahamian nexus.

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