

MD's Statement on AML & CFT

In order to prevention of Money Laundering and Terrorist Financing all employees of MIDAS Financing Limited are instructed to comply with related laws and regulations and corporate ethical standards.

All activities carried on by MIDAS Financing Limited must comply with related governing laws and regulations.

'Complying with rules and regulations' is the responsibility of each individual in the organization in the normal course of their assignments. It is the responsibility of the individual to become familiar with the rules and regulations that relate to his or her assignment. Ignorance of the rules and regulations is no excuse for non-compliance.

In order to prevent Money Laundering and Terrorist Financing employees of all levels of MIDAS Financing Limited are advised to go through, understand and follow the instructions mentioned below:

Instructions to be followed for prevention of Money Laundering and Terrorist Financing:

The following instructions regarding prevention of Money Laundering and Terrorist Financing have to be followed by the Head Office and Branch Office personnel:

Related Head Office and Branch Office personnel have -

- 1) to perform due diligence properly on prospective clients prior to opening an account.
- 2) to be diligent regarding the identification(s) of account holder and the transactions relating to the account.
- 3) to ensure all required documentation is completed satisfactorily.
- 4) to perform risk assessment for the business as well as deposit collection.
- 5) to complete the KYC Profile for the new customer.
- 6) to continue ongoing monitoring of customer's KYC profile and transaction activity.
- 7) to maintain complete and correct information with regard to the identity of its customers during the operation of their accounts;

- 8) to be sure about the customer's identity and underlying purpose of establishing relationship with the institution, each Booth and Branch shall collect adequate information up to its satisfaction.
- 9) to preserve previous records of transactions of any customer's account for at least 5(five) years from the date of closure;
- 10) If any suspicious transaction or attempt of such transaction as defined under clause (z)3 of section 2 of MLPA, 2012 is observed, have to report the matter as suspicious transaction to the BAMLCO, Branch Manager and CAMLCO immediately.

Under clause (z) 3 of section 2 of MLPA, 2012 —suspicious transaction means such transactions –

- (1) which deviates from usual transactions
 - (2) of which there is ground to suspect that,
 - (i) the property is the proceeds of an offence,
 - (ii) it is financing to any terrorist activity, a terrorist group or an individual terrorist;
 - (3) which is, for the purposes of this Act, any other transaction or attempt of transaction delineated in the instructions issued by Bangladesh bank from time to time.
- 11) Related Head Office and Branch Office personnel shall not open or maintain numbered or anonymous account.
 - 12) If a person operates an account on behalf of the customer, the concerned Head Office and Branch Office personnel will satisfy itself that the person has due authorization to operate. Correct and complete information of the person, operating the account, has to be collected.
 - 13) Legal status and accuracy of information of the operators are to be ascertained in case of the accounts operated by trustee and professional intermediaries (such as lawyers/law firm, chartered accountants, etc).
 - 14) While establishing and maintaining business relationship and conducting financial transaction with a person (including legal representative, financial institution or any other institution) of the countries and territories that do not meet international standard in combating money laundering (such as the countries and territories listed as high risk country in FATF's public statements) enhanced due diligence shall have to be ensured.
 - 15) The identity of the beneficial owner of the account shall have to be confirmed on the basis of the information obtained from reliable sources up to the satisfaction of the institution. Moreover, the concerned MFL personnel have to do the followings:

- Complete and correct information of identity of the persons besides the customer, shall have to be collected and preserved if a customer operate an account on behalf of another person in his/her own name.
- The controller or the owner of the customer shall have to be identified.
- Complete and correct information of identity of the beneficial owners shall have to be collected and preserved. For the purpose of this subsection, a person will be treated as a beneficial owner if-

- a) he has controlling share of a company or/and
- b) hold 20% or more shares of a company.

16) While opening and/or operating account of Politically Exposed Persons (PEPs) enhanced due diligence shall have to be exercised.

Following instructions shall have to be followed to ensure Enhanced Due Diligence:

- a risk management system shall have to be introduced to identify risks associated with the accounts opening and operating of PEPs;
- take reasonable measures to establish the source of wealth and source of funds;
- ongoing monitoring of the transactions have to be conducted

All instructions as detailed for PEPs shall be equally applicable if business relationship is established with family members and close associates of these persons who may pose reputational risk to the organization.

The above instructions shall also be applicable to customers or beneficial owners who become PEPs after business relationship have been established.

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.

17) Where the concerned person is unable to identify the customer and verify that customer's identity using reliable, independent source documents, data or information, and to identify the beneficial owner, and to take reasonable measures to verify the identity of the beneficial owner and unable to obtaining information on the purpose and intended nature of the business relationship, he would not open the account, commence business relations or perform the transaction; or would terminate the business relationship; and would consider making a suspicious transactions report in relation to the customer.

18) When a business relationship is being established, the nature of the business that the customer expects to conduct with MFL have to be ascertained at the outset to establish what might be expected later as normal activity. This information should be updated as appropriate, and as opportunities arise. In order to judge whether a

transaction is or is not suspicious, concerned officials need to have a clear understanding of the business carried out by their customers.

- 19) Concerned officials would not only establish the identity of their customers, but would also monitor account activities to determine those transactions that do not conform with the normal or expected transactions for that customer or type of account.

There are two main components of a person's identity, remembering that a person may be any one of a range of legal persons (an individual, corporate body, partnership, etc).

The two elements are:

- The physical identity (e.g. Birth Certificate, TIN/VAT Registration, Passport/National ID, Driving License etc.); and
- The activity undertaken.

Where a passport is taken as evidence, the number, date and place of issuance should be recorded.

The other main element in a person's identity is, sufficient information about the nature of the business that the customer expects to undertake, and any expected or predictable, pattern of transactions.

- 20) Once account relationship has been established, reasonable steps should be taken by concerned officials to ensure that descriptive information is kept up-to-date as opportunities arise. It is important to emphasize that the customer identification process does not end at the point of application.
- 21) The concerned MFL personnel should not open any account in anonymous or fictitious name.
- 22) The concerned MFL personnel should not open an account or close an account where he is unable to apply appropriate customer due diligence measures i.e. He/She is unable to verify the identity and/or obtain documents required as per the risk categorization due to non cooperation of the customer or non reliability of the data/information furnished to the financial institution. Decision by MFL to close an account should be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision.
- 23) The concerned MFL personnel should perform necessary checks before opening a new account to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc. UN Sanction list as well as local prohibited list should be checked in this regard.

24) The concerned MFL personnel should monitor customer's activities throughout the business relation. Information would be updated or reviewed as appropriate and records have to be maintained by the concerned MFL personnel.

Records relating to verification of identity will generally comprise:

- a description of the nature of all the evidence received relating to the identity of the verification subject;
- the evidence itself or a copy of it or, if that is not readily available, information reasonably sufficient to obtain such a copy.

Records relating to transactions will generally comprise:

- details of personal identity, including the names and addresses, etc. pertaining to:

- (1) the customer;
- (2) the beneficial owner of the account or product;
- (3) the non-account holder conducting any significant one-off transaction;
- (4) any counter-party;

- details of transaction including:

- 1) nature of such transactions;
- 2) volume of transactions customer's instruction(s) and authority (ies);
- 3) source(s) of funds;
- 4) destination(s) of funds;
- 5) book entries;
- 6) custody of documentation;
- 7) date of the transaction;
- 8) form in which funds are offered and paid out.
- 9) parties to the transaction
- 10) identity of the person who conducted the transaction on behalf of the customer

These records of identity will be kept for at least five years from the date when the relationship with the customer has ended. This is the date of:

- i. closing of an account
- ii. providing of any financial services
- iii. carrying out of the one-off transaction, or the last in a series of linked one-off transactions; or
- iv. ending of the business relationship; or
- v. commencement of proceedings to recover debts payable on insolvency.

Concerned MFL personnel should properly preserve the records pertaining to the identification of the customer, his/her address (e.g. copies of documents like passport, national ID card, driving license, trade license, utility bills etc.) obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended and would be made available to the competent authorities upon request without delay.

25) Concerned MFL personnel should obtain following information while opening accounts or establishing other relationships with individual customers:

- Correct name and/or names used;
- parent's names;
- Date of birth;
- Current and permanent address;
- Details of occupation/employment and sources of wealth or income
- Contact information, such as – mobile/telephone no.

26) The original, certified copy of the following Photo ID will also play vital role to identify the customer:

- (i) Current valid passport;
- (ii) Valid driving license;
- (iii) National ID card;
- (iv) Employer provided ID Card, bearing the photograph and signature of the applicant;

27) Identification documents which do not bear photographs or signatures, or are easy to obtain, are normally not appropriate as sole evidence of identity, e.g. birth certificate, certificate from any local government organs, credit cards, non-Bangladeshi driving license. Concerned MFL personnel would also be aware of the authenticity of passports.

28) One or more of the following steps is recommended to verify addresses:

- provision of a recent utility bill, tax assessment or bank statement containing details of the address (to guard against forged copies it is strongly recommended that original documents are examined);
- checking the Voter lists;
- checking the telephone directory;
- visiting home/office;
- sending thanks letter.

The information obtained would demonstrate that a person of that name exists at the address given, and that the applicant is that person.

- 29) In respect of joint accounts where the surname and/or address of the account holders differ, the name and address of all account holders, not only the first named, should normally be verified.
- 30) Any subsequent change to the customer's name and address of which the MFL becomes aware have to be recorded as part of the Know Your Customer process.
- 31) All documents collected or gathered for establishing relationship have to be filed in with supporting evidence. Where this is not possible, the relevant details would be recorded on the applicant's file.
- 32) Particular care has to be taken by concerned MFL personnel to verify the legal existence of the applicant and to ensure that any person purporting to act on behalf of the applicant is authorized to do so. The principal requirement is to look behind a corporate entity to identify those who have ultimate control over the business and the company's assets, with particular attention being paid to any shareholders or others who exercise a significant influence over the affairs of the company. Enquiries would be made to confirm that the company exists for a legitimate trading or economic purpose, and that it is not merely a —brass plate company||
- 33) Before a business relationship is established, measures should be taken by way of company search and/or other commercial enquiries to ensure that the applicant company has not been, or is not in the process of being, dissolved, and struck off, wound-up or terminated. In addition, if MFL becomes aware of changes in the company structure or ownership, or suspicions are aroused by a change in the nature of business transacted, further checks should be made.
- 34) The following documents should normally be obtained by concerned MFL personnel from companies:
- Certified copy of Certificate of Incorporation or equivalent, details of the registered office, and place of business;
 - Certified copy of the Memorandum and Articles of Association, or by-laws of the client.
 - Copy of the board resolution to open the account relationship and the empowering authority for those who will operate any accounts;
 - Explanation of the nature of the applicant's business, the reason for the relationship being established, an indication of the expected turnover, the source of funds, and a copy of the last available financial statements where appropriate;
 - Satisfactory evidence of the identity of each of the principal beneficial owners being any person holding 10% interest or more or with principal control over the company's assets and any person (or persons) on whose instructions the

signatories on the account are to act or may act where such persons are not full time employees, officers or directors of the company;

- Satisfactory evidence of the identity of the account signatories, details of their relationship with the company and if they are not employees an explanation of the relationship. Subsequent changes to signatories will be verified;
- Copies of the list/register of directors.

35) Where the business relationship is being opened in a different name from that of the applicant, concerned MFL personnel should also satisfy that the reason for using the second name makes sense.

36) The following persons (individuals or legal entities) will also be identified:

- All of the directors who will be responsible for the operation of the account / transaction.
- All the authorized signatories for the account/transaction.
- All holders of powers of attorney to operate the account/transaction.
- The beneficial owner(s) of the company
- The majority shareholders of a private limited company.

37) If the authorized signatories are changed, care should be taken to ensure that the identities of all current signatories have been verified. In addition, it may be appropriate to make periodic enquiries to establish whether there have been any changes in directors/shareholders, or the nature of the business/activity being undertaken. Such changes could be significant in relation to potential money laundering activity, even though authorized signatories have not changed.

38) Particular care have to be exercised by concerned MFL personnel when establishing business relationships with companies incorporated or registered abroad, or companies with no direct business link to Bangladesh. In such circumstances, concerned MFL personnel should carry out effective checks on the source of funds and the nature of the activity to be undertaken during the proposed business relationship. In the case of a trading company, a visit to the place of business may also be made to confirm the true nature of the business.

39) In the case of partnerships and other unincorporated businesses whose partners/directors are not known to MFL, the identity of all the partners or equivalent have to be verified in line with the requirements for personal customers. Where a formal partnership agreement exists, a mandate from the partnership authorizing the opening of an account and conferring authority on those who will operate it should be obtained.

40) Evidence of the trading address, a copy of the latest accounts report (audited where applicable) of the business or partnership have to be obtained.

- 41) An explanation of the nature of the business or partnership has to be ascertained to ensure that it has a legitimate purpose.
- 42) The identities of holders of powers of attorney, the grantor of the power of attorney and third party mandates should establish. Records of all transactions undertaken in accordance with a power of attorney have to be kept.
- 43) When MFL would submit a report of suspicious transaction to BFIU or when it will know that a customer or any transaction is under investigation, concerned MFL personnel would not destroy any records related to the customer or transaction without the consent of the BFIU or conclusion of the case even though the five-year limit may have been elapsed.
- 44) Considering the nature of business concerned MFL personnel have to be vigilant in KYC and sources of funds of the customer to identify STR/SAR.
- 45) In evaluation stage concerned BAMLCO will be tactful considering the tipping off provision of the acts.

Concerned MFL person should follow the Section 6 of MLPA 2012 and FATF Recommendation 21, which prohibits financial institution, their directors, officers and employees from disclosing the fact that an STR or related information is being reported to BFIU.
- 46) Cash transaction should be avoided.
- 47) In case of early repayment of the loan amount before maturity period concerned MFL personnel should asked about the sources of fund.
- 48) Encashment of deposit money prior to the maturity date should be discouraged.

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