



Anti Money Laundering Activities and it's Prevention in BRAC Bank Ltd

INTERNSHIP REPORT ON

Anti Money Laundering Activities and it's Prevention in BRAC Bank Ltd

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June 15, 2014

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Subject: **Submission of Internship Report on “Anti Money Laundering Activities and its prevention in BRAC Bank Limited”**

Dear Madam,

Firstly, I would like to thank you for approving this invaluable topic. The study has given me the prospect to get a profound insight and utilize my academic knowledge in the practical world.

This is to inform you that I have successfully completed my internship at BRAC Bank Limited. During my internship there, I was working in the “Regulatory Affairs Department” under the supervision of Abdullah Al Masum, Senior Manager, AML & NBR Affairs, Regulatory Affairs. It has been a great advantage to work under such a friendly and helpful supervision in a steady, amiable environment. I feel this has provided a vast learning opportunity for me and during the three months of my internship, I have learned and gained a lot.

The study contains a comprehensive study on the activities and practices of Anti Money Laundering Activities of BRAC Bank Limited. The study focuses upon various relevant factors. I have provided some crucial findings and analysis and suggested some implementable recommendations. .

I have tried my level best to follow your guidelines. I am very much glad that you have given me the opportunity to prepare this report and hope that this report will meet the standards of your judgment. I will also be obliged to provide you with any explanation concerning the report.

Thank you.

Sincerely,

Catherine Aniee Bose

ID# 10104106

BRAC Business School

BRAC University

DECLARATION

I do solemnly declare that this Internship report focuses on “*Anti Money Laundering Activities and its Prevention in BRAC Bank Limited.*” The report work is prepared by me under my supervisor Ms Mahtab Faruqui, Senior Lecturer, BRAC Business School, BRAC University. This report is not a copyright and was not submitted formerly to any university or organization.

I do earnestly declare that this report is the best effort and tried heartily to present better and does not include any copyright.

Signature

.....

Catherine Aniee Bose

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CERTIFICATE OF SUPERVISOR

This is to certify that Catherine Aniee Bose is a student of BRAC Business School, ID: 10104106, Major in Finance and Marketing, successfully completed her “Internship Program” entitled “*Anti Money Laundering Activities and Prevention in BRAC Bank Limited.*” at BRAC Bank Limited under my supervision as the partial fulfillment for the award of BBA degree.

She has done her job according to my supervision and active guidance. She has tried her best to do this successfully. I think her program will help her in the future to build up her career. I wish her success and prosperity.

Signature

.....

Ms. Mahtab Faruqui,

Senior Lecturer, BRAC Business School

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66, Mohakhali, Dhaka-1212, Bangladesh

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The successful achievement of this Internship Report is the result of the contribution and association of a number of people, especially those who took the time to share their considerate supervision and suggestions to improve the report. First of all I would like to pay my gratitude to the Almighty for giving me the ability to work hard, diligently and under pressure.

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Finally my sincere gratitude goes to my family, friends, classmates and colleagues who helped me whenever I needed.

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Senior Lecturer

BRAC Business School

BRAC University

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Head of Regulatory Affairs

BRAC Bank Limited

Mr. Abdullah Al Masum

Senior Manager

AML and NBR Affairs, Regulatory Affairs

BRAC Bank Limited

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Associate Manager

AML and NBR Affairs, Regulatory Affairs

BRAC Bank Limited

Ms. Tania Yasmin

Senior Manager

Internal Audit and Compliance, Regulatory and Internal Control Department.

BRAC Bank Limited

Executive Summary

This report aims at providing an overall analysis of the Anti Money Laundering Activities and its prevention in BRAC Bank. As the bank deals with money, people sometimes tend to utilize the advantage of banks to conduct different types of illegal chores to reap benefit out of it, so banks have to make sure that these types of illegal activities do not take place. To prevent these activities they take necessary steps and follow some structured guidelines.

That's why, first of all, I've made an overview of the organization, BRAC bank Limited, where I had completed my internship program. Here I tried to focus the bank's history of origination, its mission and vision, major departments and business units and major products and services. Then, in Part two, I have explained in details of the activities at the office.

Finally I got some findings from the analysis of the anti-money laundering activities. Then I conclude my report saying some policy implications and limitations of the report.

The purpose of this study is to present the scenario and prevention of money laundering in Bangladesh in terms of banking sector at the perspective of BRAC Bank Ltd. Bangladesh faces significant risks of money laundering (ML) and some risks of terrorism financing (TF). The authorities readily acknowledge the prevalence of corruption, narcotics trafficking and human trafficking. Bangladesh has required its banking sector to adopt anti-money laundering/combating the financing of terrorism (AML/CFT) preventive measures for several years, however there are significant gaps in coverage with securities and remittance sectors not yet included in the regime. While progress has been made, the scope and depth of preventive measures needs to be expanded in scope (activities and obligations). AML preventative measures were initially set out in the MLPA 2002, which was replaced by the MLPO 2008, and various Bangladesh Bank AML Circulars, and in enforceable AML Guidance Notes. Bangladesh Bank has issued a number of Anti Money Laundering Circulars to instruct banks and financial institutions on detailed AML/CFT preventative measures. In this study I tried my level best to discuss about the exact scenario of money laundering and prevention which are taken by BRAC Bank Limited.

To complete this report I have gone through some papers and articles about Anti Money Laundering from the internet. I also took help from my superiors of my office. Money Laundering can never be prevented by a person alone; it requires an effort of the people from every nook and corner.

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Abbreviations:

AML – Anti Money Laundering
MLPA- Money Laundering Prevention Act. Jan 16, 2012
BAMLCO- Branch AML Compliance Officer
PFA- Public Figure and Associates
PEP- Politically Exposed Persons
CAMLCO- Chief AMLCO
SAR- Suspicious Activity Reports
TP- Transactions Profile
CTR- Cash Transaction Report
BFIU- Bangladesh Financial Intelligence Unit
STR- Suspicious Transaction Report
KYC- Know Your Customer
ICT- Information Communication Technology Risk
CCU- Central Compliance Unit
NBR- National Board of Revenue
AOF- Account Opening Form
RMD- Risk Management Division
FD- Fixed Deposit
FDR- Fixed Deposit Rate
GD- General Diary
BM- Branch Manager
TIN- Tax Identification Number
GA- General Administration
TA/DA- Traveling and Dearness Allowance

CHAPTER 1
INTRODUCTION TO THE STUDY

1.1 Introduction:

For acquiring BBA degree, internship program is a requirement. Every student must undergo the internship program; before completions of the degree .To have a practice of the real corporate world before starting the career internship program is a huge prospect for the graduates. In the modern business world internship helps students to exhibit skills and capability from their knowledge and additionally enables them to reveal development and satisfactory professional, personal and interpersonal behavior. Alone the classroom discussion cannot make a student ideal in dealing with the real business world; therefore it is an opening for the students to get familiar with the real life situation or on hands practical experience through this program. I am **Catherine Aniee Bose**, and I prepared this report under the supervision of **Ms. Mahtab Faruqui**, Senior Lecturers, BRAC, Business School, BRAC University, to meet the requirement of internship program of BBA degree.

1.2 Rationale of the Study:

To link the gap between the academic understanding and real life practice the internship program is very helpful as a requisite for completion of the BBA program. To have a practical experience in line with the theoretical understanding the program is very helpful.

I had my own as well as my banks rationale behind selecting this study. Firstly I was suggested to select this topic by my supervisor in the Bank. He asked me to work on this topic and also said he can provide me with relevant information, which would help me in completing the report. I could have worked on other topics as well but I was privileged as the department I used to work in contained crucial confidential Information which cannot be revealed to the general people and hence it was another reason to choose this topic to work on where information can be shared. .Most importantly my feeling is that I craved to know about the Anti Money Laundering Activities of BRAC Bank Limited. Moreover, my knowledge of this sector will definitely help me in my work if I do work for any bank in the future. Additionally other faculties of BRAC Business School can scrutinize the report and understand and impart knowledge to other students as well. They would come to learn the functions of the Anti Money Laundering Activities through the help of this report. So, as a whole this topic can certainly help all of us in a variety of different ways.

1.3 Statement of the Problem:

This study may raise some statement and or remedy of the problem. As a private organization frequent political pressure & macroeconomic situation of the country hamper the banks smooth operation. The bank also takes some reasonable steps in their Anti Money Laundering activities. They are required to send information of various organization or individual persons as requested by Bangladesh Bank, Tax Office, Anti Corruption bureau, National Board of Revenue etc. All the processes and verification are done very cautiously so that no adverse situation occurs which may hinder the bank as a whole. Moreover, whenever they conduct their activities few new measures are taken or some new strategies are followed so that they can conduct the activities without any risk.

1.4 Scope and Limitation of the study:

This report has been organized through extensive conversation with bank employees and with the Anti Money Laundering team. During the preparation of this report, I had the opportunity to acquire profound knowledge of all the banking and anti money laundering activities practiced by the “BRAC Bank Ltd.” I am also overwhelmed by the fact that this study has helped me to acquire a direct perspective of a leading private Bank in Bangladesh.

We can achieve our objectives and overcome our limitations through the scope of the work. I have my objectives specified. Scope and limitations in relation to my work on this study are vast and given below:

1.4.1 Scopes:

- Anti Money Laundering activities are potential topic to study on.
- Information needed for the paper can be gathered easily.
- Supervisors in the workplace are very helpful to provide guidance and assistance in preparing the paper.

1.4.2 Limitations:

- The main limitation of this report is that the topic itself is very confidential so very few information could be disclosed in the paper.
- Sufficient books, publications and journals are not available.
- There is insufficient time to do this report.
- Sometimes, there were some works I had to do without being explained why these works were to be done. This situation has created lot of problems to understand why a specific function is being performed.

1.5 Objectives of the Report:

The main objective of the study is to present the scenario and prevention of money laundering in Bangladesh in terms of banking sector at the perspective of Brac Bank Ltd. In a broader sense, the specific objectives to be analyzed would include the followings:

1.5.1 Broad Objective:

- To analyze the Anti Money Laundering (AML) Activities of BRAC Bank Ltd.

1.5.2 Specific Objectives:

- To analyze the AML activities which are conducted in the bank.
- To analyze why AML activities are conducted.
- How these are done in this bank.
- What measures are taken to prevent money laundering
- To make Recommendation to the AML Department.

1.6 Methodology:

From selection of the topic to final report preparation the study requires an orderly procedure. Data sources are to be identified and collected, to perform the study. They are to be categorized, analyzed, interpreted and presented in an organized manner and key points are to be found out. So, all the information is collected from primary and secondary sources. Most of the relevant information has been collected by practically working in the department and discussing with the department employees and supervisor and also collected few data from the banks e-learning. I have also included my work experience to complete this report.

1.6.1 Primary Data:

- Primary data was gathered by discussing with the employees of the department.
- To support myself in learning more about the topic, direct observations played a very important role.

1.6.2 Secondary Data:

Various internal and external sources for secondary data helped me and those are:

- Annual report of BRAC Bank Ltd
- Relevant file study as provided by the concerned officer
- Some brochures and related articles of BBL and
- Some other papers given by my supervisor in BBL.
- Publications obtained from the Internet and from the website of BBL.

CHAPTER 2

OVERVIEW ON BRAC BANK LTD

2.1 Overview

In 1972 **BRAC** started as a development organization dedicated to alleviate poverty by empowering the poor to bring about change in their own lives. **BRAC BANK** is one of the largest operational commercial venture with a

Vision

“Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a “just, enlightened, healthy, democratic and poverty free Bangladesh”.

BRAC Bank Limited is a full service scheduled commercial bank. It has both local and International Institutional shareholder. The bank is primarily driven with a view of creating opportunities and pursuing market niches not traditionally meet by conventional banks. BRAC Bank has been motivated to provide “best-in-the-class” services to its diverse assortment of customers spread across the country under an on-line banking dais.

Today, BRAC Bank is one of the fastest growing banks in the country. In order to support the planned growth of its distribution, network and its various business segments, BRAC Bank is currently looking for impressive goal oriented, enthusiastic, individuals for various business operations.

The bank wants to build a profitable and socially responsible financial institution. It carefully listen to the market and business potentials, It is also assisting BRAC and stakeholders to build a progressive, healthy, democratic and poverty free Bangladesh. It helps make communities and economy of the country stronger and to help people achieve their financial goals. The bank maintains a high level of standards in everything for our customers, our shareholders, our acquaintances and our communities upon, which the future affluence of our company rests.

With 155 Branches, SME Service Centers & SME/Krishi Branches, 322 ATM Booths, 31CDMs, 398 SME Unit Offices and more than 7,695 (as on May 2013) BRAC Bank is one of country’s fastest growing banks. The bank has already proved to be the largest SME financier in just 12 years operation in Bangladesh and it is continuing to broaden its horizon into Retail, Corporate, Foreign Remittance and other areas of banking with more than 1.3 Million

Customers. In the year: 2010, BRAC Bank has been recognized as Asia's most Sustainable Bank in Emerging Markets by the Financial Times and IFC.

2.2 BBL's Financial Performance for the last few years:

Particulars	Dec-12	Dec-11	Dec-10	Dec-09
Cash and Bank balances	28,902	15,670	13,474	13,513
Fixed & Other Assets	15,778	12,510	8,506	7,088
Investments	25,373	14,199	12,856	10,375
Loans & Advances	103,624	90,822	82,461	64,151
Total Assets	173,677	133,201	117,298	95,127
Borrowing from Banks	9,556	4,112	7,250	2,450
Other Current Liabilities	19,420	15,761	12,472	9,307
Client Deposits	134,646	103,726	88,158	75,220
Shareholder's Equity	10,055	9,603	9,418	8,151
Total Liability & Equity	173,677	133,201	117,298	95,127

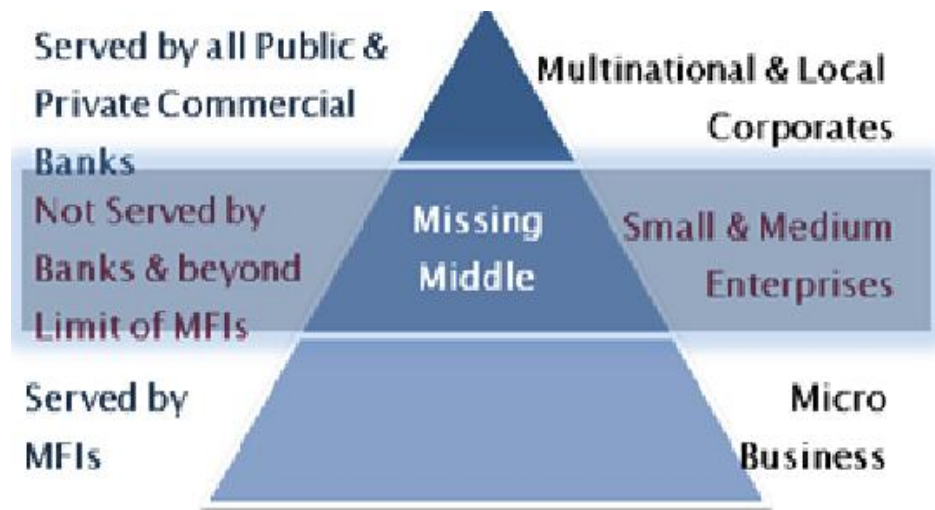
2.3 Shareholding Structure as on 31.03.2013

Name of Shareholder	% of Shareholding
BRAC	44.64%
International Finance Corporation	5.36%
Others	0.01%
Non-Resident Bangladeshi	0.29%
Mutual Funds	4.37%
Institutions and General Public	45.33%

2.4 The Board of Directors of BRAC Bank Limited includes:

Sir Fazle Hasan Abed	Chairman
Mr. Muhammad A. (Rume) Ali	Director
Ms. Nihad Kabir	Independent Director
Dr. Hafiz G.A. Siddiqi	Independent Director
Ms. Zahida Ispahani	Independent Director
Mr. Syed Mahbubur Rahman	Managing Director and CEO

BRAC Bank was founded to serve the “Missing Middle” in 2001 with institutional shareholding of BRAC, ShoreCap and IFC. BRAC Bank is now 11+ years old and it has pioneered the small and medium enterprise (SME) banking.



If we think of a financial pyramid, there are corporate institutions (local and multinational) at the top of the pyramid and there are low income individuals at the bottom. Those who are at the top are served by all public & private commercial banks and other financial institutions and those who are at the bottom are served by Micro Finance Institutions (MFIs), e.g. NGOs. However SMEs in Bangladesh did not have access to banks and financial institutions like the big multinational & local corporate and that's where BRAC Bank has filled the gap.

2.5 Divisions of BRAC Bank Limited

1. SME Banking
2. Retail Banking
3. Corporate Banking Division
4. Cash Management & Custodial Services
5. Treasury & Financial Institutions
6. Human Resources Division
7. Finance Division
8. Credit Risk Management
9. Operations

10. Technology
11. Company Secretariat, L & RA
12. Risk Management
13. Special Asset Management
14. Research & Development
15. Service Quality
16. Communication.

2.6 Products and Services of BRAC Bank Ltd.

BRAC Bank Limited is offering different types of service Products and services to their retail customers. The services of PFS and Credit Card Services are known as Retail banking or Consumer Banking. Retail banking deals with providing the bank services to individuals on a one-to-one basis.

2.6.1 SME banking:

Initially, BRAC bank started their journey to cater SME business. BRAC bank believes in empowering huge human resource in the country. After liberation war, most of the commercial banks were providing large amount of loan to large industries and big corporations. No was doing anything for small and medium entrepreneurs, no one was thinking their potentiality. This group was defined as “Missing middle”. This missing middle had the potentiality but due to shortage of fund, they could not contribute to the national economy. With a view to providing them, a firm ground under their feet BRAC bank is providing SME loan service to this missing middle.

SME products:

A. Deposit Products:

I. Prapti current account:

A current account in which interest is paid on a daily basis. Any kind of business organization such as sole proprietorship, partnership, private limited company can open this account.

II. Prachurjo Fixed deposit:

This fixed deposit is especially for small and medium business.

Eligibility:

- Any entrepreneur involved in sole proprietorship, partnership or private limited Company.
- Opening balance minimum Tk 50,000.
- Interest rate is applicable in maturity

III. Shonchoy SME deposit:

This account is for all SME clients. Eligibility same as prachurjo deposit. It has a tenure of 1 to 10 years. There is no maintenance fee.

B. Loan products:

I. Anonno Rin:

A business loan designed to facilitate any business need. Any business having trade license and 3-4 years experience can take this loan. This loan starts from 3-10 lac.

II. Apurbo Rin:

Apurbo loan is to cater small business, offering BDT 1- 10 million loan.

III. Prothoma Rin:

Prothoma rin is specially offered to women entrepreneur to encourage them. Maximum BDT 1 million is offered for 10% interest rate. Trade license is required for applying.

IV. Durjoy:

Any kind of business organization can apply for this loan. Installment period is up to five years. Besides trade license, one-year bank statement is necessary to apply.

V. Shomriddhi Rin:

Shomriddhi rin is specially provided to cover up import-export related expenses. Loan payment facility is up to 180 days.

VI. Shokti Rin:

A business loan under which a customer can avail BDT 1-10 million to meet any kind of business needs.

2.6.2 RETAIL BANKING DIVISION

Retail Division offers a wide array of lucrative and competitive banking products to the individual customers of the bank. Recently a new retail banking model has been developed. In this model BRAC Bank designs their products based on customer standing. Easy, Excel, Supreme and Premium banking has been developed to serve the customer. It also offers different types of term deposit scheme and attractive STD & Savings deposit schemes giving interest on daily balance.

Retail Products:

BRAC Bank has divided its retail products into three categories-

A. Deposit products:

1. Savings account:

a. Triple Benefit savings account:

A savings account, which offers 8.5% p.a. interest to account in every month on average monthly balance. The minimum account opening balance requirement is BDT 50,000.

1. Savings classic account:

Savings Classic Account offers interest rate up to 8.5% p.a. The minimum account opening balance requirement is BDT 15,000.

2. Aporajita Account:

This account is specially offered to women customers. Only BDT 5000 is needed to open the account. Although it is, a non-cheque book account but customer can receive one if he/ she wants.

3. Future Star Account:

This account is for those parents who want to save for their children. Parents or any legal guardian can operate the account on behalf of minor. The minimum account opening balance requirement is BDT 2,000.

- **Current Accounts:**

- **Current classic Account:**

- It is a non-interest bearing account with chequebook and Visa debit card facilities. A 12 pages chequebook comes free with opening account. Minimum opening balance requirement is BDT 15,000.

- **Current Plus:**

- An excellent opportunity to unlimited transaction, especially for those who require transaction in daily basis. If annual average balance up to BDT 25000 or above then no annual debit card has to pay.

- **Ezee account:**

- This account is for those who need frequent transaction free from chequebook. It is an interest bearing account, which offers 2% p.a.

- **Salary account:**

- Another non-chequebook individual account for employees to assist disbursement of their salaries. The organization needs at least 10 employees and an average salary per employee of Tk 10,000 per month.

- **Campus account:**

- Campus Account is an interest-bearing current account exclusively offered for university students with an interest rate of 4% p.a. The minimum account opening balance requirement is BDT 2,000. Any balance greater than zero will be eligible for interest.

- **Term Deposits:**

- **Fixed Deposit General:**

- Fixed Deposit General is a non-transactional account that gives interest and principal at maturity. Minimum amount required to open the General FD account is BDT 50,000. FD General can be opened for 1/3/6/12/24/36 months. Interest is paid on maturity, calculated on 360 days, as per the Interest Rate Matrix. This account is available on a roll over basis until the customer confirms its closure. 10% Government Tax shall apply to the interest amount.

- **Deposit Premium scheme:**

- A special savings offer that allows savings for a monthly basis. The monthly installment can be as low as BDT 500 or any multiples of it i.e. BDT 1,000, BDT 2,500, BDT 5,000 and so on.

Flexi DPS:

Flexi Deposit Premium Scheme is a non-transactional account that a customer uses for interest earning and savings purposes through monthly installment basis. Minimum amount required to open an FDPS account is BDT 500 and its multiples. FDPS can be opened for 1/2/3/4/5/6/7/8/9/10 years. This account is available on a roll over basis until the customer authorizes its closure.

Abiram Fixed Deposit:

Abiram Fixed Deposit is a non-transactional account that deposits interest monthly to your existing current or savings account. Minimum amount required to open an Abiram FD account is BDT 100,000. Abiram FD can be opened for 1/2 years. This account is available on a roll over basis until the customer confirms its closure. Interest is paid on a Monthly basis after adjusting 10% Government tax on the interest amount.

B • Loan Product:**Salary Account:**

This salary is designed especially for employees working in different corporate house to facilitate disbursement of their salary. It is a non-chequebook account. Interest rate for Salary Account is 4% p.a. Any balance greater than zero will be eligible for interest.

Quick loan:

With a minimum amount of BDT 20,000, any businessperson or self-employed person of a monthly income BDT 20,000 can open this account. Loan amount is up to BDT 1000,000.

Auto Loan:

BRAC bank is providing loan to purchase car to any salaried person, businessperson, self-employed person with a monthly salary amount of BDT 25000(for salaried person), BDT 35000(for others)

Home loan(Apon Ghor):

Apon ghor is a home loan, which is providing customers loan as well as attractive privilege consultancy for-

Ø Interior

Ø Furniture & Soft Furnishing

Ø Home Appliance

Ø Color & Window Treatment

Secured loan/ overdraft:

Customers can take this loan against their fixed deposit to meet any cash emergency.

- Cards

Credit card:

Platinum Card:

Platinum privileges:

- Ø Free access at Balaka VIP Lounge
- Ø Priority arrival and departure service at airport.
- Ø 20% discount at D'DAMAS.
- Ø 10% Discount at LEO Diamond
- Ø 10% discount at OTOBI

Universal card:

This is a Visa/Master dual currency credit card with worldwide acceptability. Its USD credit limit will be within approved BDT limit assigned for the cardholder. A secured dual card's limit will be maximum USD 30,000 against lien on RFCO or ERQ account.

- **Debit Card**

Visa/MasterCard planet Debit card:**Enhanced facilities:**

- ✓ Enhanced daily cash withdrawal limit of BDT 50,000 from ATM Booth
- ✓ Cash withdrawal facility from More than 280 BRAC Bank ATM booths
- ✓ ATM booths of more than 30 banks under OMNIBUS network
- ✓ All ATM booths of Rupali Bank Ltd.
- ✓ BDT 3,00,000 cash withdrawal facility from Branch POS counters
- ✓ BDT 1,00,000 purchase facility from Merchant POS
- ✓ Free Account Enquiry
- ✓ Free Mini Statement Printing

2.6.3 Corporate Banking:

There are three categories of corporate products-

- ✓ Loan Products
- ✓ Trade Finance
- ✓ Corporate Cash Management

2.6.3.1 Loan products:

Overdraft:

This is an on-demand credit facility designed to meet day-to-day operational activities of the business, including purchase of raw materials and expenses.

Lease finance:

One of the more convenient long-term sources of acquiring capital machinery and equipment. The client is given an opportunity to have exclusive rights to use an asset, for an agreed period of time, against payment of rent.

Loan against Trust Receipt:

This is a loan against a Trust Receipt provided to the client when the documents covering an import shipment are given without payment. Under this system, the client will hold the goods of their sale proceeds in trust for the bank, until the loan allowed against the Trust Receipt is fully paid.

2.6.3.2 Trade Finance:

Letter of credit (LC):

This facility is related to import or local purchase of different items. It is also provided for the import and export of goods (such as raw materials, machinery, equipment, any trading item).

Letter of Guarantee (LG):

To meet different contractual requirement such as participating in Bid, Performance Guarantee and Advance Payment guarantee for different contractual requirements.

Nationwide collection service:

Bank will collect client's bill through bills pay machine at the correspondent' branches, where BRAC bank branches are not available there.

Payment Transfer service:

BRAC Banks Payment Transfer Solution (PTS) service is formulated to facilitate organizations transfer funds to their respective locations through our own branch & SME Sales & Service center network and through corresponding branch network. It facilitates the corporate clients by providing faster fund transfer solution in a cost effective manner.

• **Probashi banking:**

BRAC bank is providing probashi banking to facilitate demand for remittance. These services are described below-

Probashi Current account:

This account offers for those who have objection to earn interest due to religious reason.

Probashi Savings Account:

It is a regular savings account maintained in local currency for non-residents Bangladeshis who want to utilize this account in future when they come back to Bangladesh.

• **Probashi Fixed Deposit:**

A fixed deposit account which allows non-resident Bangladeshis to deposit their money for a fixed period of time. Interest is paid at the maturity at an attractive rate.

Probashi Abiram:

Another fixed deposit facility which allows NRB's to get return every month.

Probashi Biniyug:

Probashi biniyug is a product by which a non resident can invest in capital market in Bangladesh by opening BO account.

• **E Banking:**

E-Commerce:

BRAC bank is providing e-commerce service to all VISA & Mastercard holders. It is a convenient way of making transaction right from the web.

24 hour call center:

BRAC bank is providing 24 hour call center service to ease customer's transaction. For any banking purpose they can call into 16221 for receiving following service-

- Accounts detail
- Balance Query
- Inter-city charge query
- Debit/ Credit card activation
- Cheque book request

2.7 BRAC Bank subsidiaries



bKash is designed to provide financial services via mobile phones to both the unbanked and the banked people of Bangladesh. The overall bKash value proposition is simple: **a safe, convenient place to store money; a safe, easy way to make payments and money transfers**. This service was introduced in 2011. BRAC Bank has 51% shareholding in bKash.



BRAC EPL formally commenced operation under a new management team on October 1, 2009. The predecessor of the company, known as Equity Partners Limited (EPL) and its affiliate Equity Partners Securities Ltd (ESPL), was formed in early 2000 as a merchant bank and brokerage company subsequently. Since the acquisition by BRAC Bank, **BRAC EPL** is providing the **stock brokerage** and **investment services** as BRAC EPL Stock Brokerage Ltd & BRAC EPL Investments Ltd.



A BRAC Bank company, biTS (BRAC IT Services Limited) has been formed to provide meaning-based solutions that understand the full spectrum of enterprise information as well as the relationships that exist within it comprising from Consultancy, Software development, Service management to implementation partner. biTS has been formed in 2013 through the merger of a subsidiary IT company owned by BRAC and the IT Division of BRAC Bank. biTS is an IT Solution and Services company and is a subsidiary jointly owned by BRAC Bank Limited, BRAC and Ayesha Abed Foundation where BRAC Bank holds 51% shares, BRAC 42% and Ayesha Abed Foundation 7%.

2.8 SWOT Analysis

The comparison of Strengths, Weaknesses, Opportunities and Threats is normally referred to as a SWOT analysis. Its central purpose is to identify the strategies that will create a firm-specific business model that will best align, fit, or match a company’s resources and capabilities to then demands of the environment in which it operates.

<p>Strengths</p> <ul style="list-style-type: none"> ✓ Well Capitalized ✓ Brand Name ✓ Faster Processing ✓ Young Energetic Employees ✓ Superior Customer Services ✓ Excellent Networking System 	<p>Opportunities</p> <ul style="list-style-type: none"> ✓ Acquire Asset ✓ Expansion ✓ Launching New Services ✓ Foreign Outlets ✓ Better Deal In B2B Sector ✓ Applied Research Centers
<p>Weaknesses</p> <ul style="list-style-type: none"> ✓ Limited Banking Service ✓ Lack of entry-level experience ✓ Lack Of Research ✓ Migration tendencies of employees 	<p>Threats</p> <ul style="list-style-type: none"> ✓ Increasing Competition ✓ Difficulties to Expand Market in ✓ Rural Areas ✓ New Legal System

CHAPTER 3

ACTIVITIES AT BRAC BANK LTD.

3.1 My Activities in BRAC Bank Limited (BBL)

My nature of the job at BRAC Bank Ltd. was very structured and specific. After joining at BBL my supervisor gave some reading materials to have a clear view regarding the actual activities in the Regulatory Affairs. There was information which could not be disclosed with the outside individuals other than BRAC Bank Employees. Since I was working as an intern they had to make some of the information available to me for the benefit of the smooth flow of work. I was assigned with a plenty of activities to know all of the work flow very well. Below were the activities I was assigned to.

- ❖ Crosscheck previous MIS- When a query arrives in the department I had to be sure whether the query is a prior query or new for the department. If it has come beforehand I had to find out which response had been sent against that query. If the same query has come before then they are not replied back but kept with the previous queries. However, if they are new queries then the queries are forwarded to appropriate and destined places to gather required documents and are replied back.
- ❖ Query table update – Whenever any queries are received by AML department, the data has to be updated in the specific MIS. The name, where it came from, when was it received in MD’s office by department head, when the mail has been received, whether the responses from the branch is positive or negative, if positive what are the necessary documents needed to be sent along with the response, or when the response has been sent etc.
- ❖ Scan- When the queries are sent from BFIU, Tax Office or NBR received by Regulatory Affairs I had to scan these documents and keep it in a folder. Later on, these were e-mailed to the respective appropriate destined places. Usually the queries were forwarded to the Head of retail, SME, Branch Managers etc .Later on they are forwarded to the CSM or BSSO to search and verification for the person or the companies which were asked by BFIU, Tax, or NBR.
- ❖ Email- When the scanning is done I had to attach the scanned copies in the mail and prepare the writing in the mail. It was checked by my supervisor and finally sent to the concerned department or appropriate place. E-mail is the most widespread use of

communication in BRAC Bank. Before doing anything a mail shooting is a requirement. All employees are provided with email ID's to communicate with each other.

- ❖ Search- When the branches gave a positive response for assurance we had to look for the account in BBL's own account information database.
- ❖ Write Response letter- Against each query a response letter has to be written whether it is a positive or negative. With each positive letter I was supposed to attach the required documents and for the negative response it has to be written in the paper that there was no account of the person or the company as requested.
- ❖ Print with letter head- After I was done writing the response letter I had to take printout in a paper which was called the letterhead. Bank's name, logos, address etc.
- ❖ Sign by department head or company secretary- Before the letter was sent to their destined origin they were to be signed. If it was a letter addressed to BFIU then it was to be signed by the company secretary. On the other hand if it was letter addressed to tax office or ACC or NBR then it was to be signed by the department head. BFIU letter had been prioritized to be replied urgently.
- ❖ Put down reference number – Before each letter was dispatched a reference number has to be put on the letter for the advantage of finding it and updating the information in the MIS and thus create a database.
- ❖ Photo copy- Before the letter was sent I had to make 2 copies. One for dispatch use and another for the sent address's official use and safe keeping.
- ❖ Envelope writing and packing- The contact details and name of the recipient had to be written on the envelope.

- ❖ Seal of RA- I also had to put the department seal/regulatory affairs seal on the envelope for the advantage of tracing out where it came from.
- ❖ Dispatch and receive copy- When the letter was sent to the dispatch department they put their seal and I had to keep it with the documents or query letters in a specific file.
- ❖ Entry in Excel – When the letter was sent I had to update the MIS.

3.2 Training

3.2.1 Head Office Training

During the internship at BRAC Bank all the interns have to go through a 3 day long training process. On the first day of the training people from the corporate, retail, SME etc. came and shared their knowledge and experience with power-point presentation. An overview of BRAC as a whole and BRAC Bank was also showcased for the interns and then after the daylong session an MCQ exam of 20 marks on the overview of BRAC and BRAC Bank was conducted where I obtained full marks. Later there was a half an hour written test regarding some personal views and opinions.

3.2.2 Branch Banking/Retail Banking

To make the interns aware of the activities and daily proceedings of BRAC Bank, the interns have to spend a whole day at any branch of BRAC Bank. I was sent to the Banani Branch for the whole day. As I was an intern in the Head Office I was a little deprived of seeing how the bank actually performs. Because of this training at branch office I got the chance to know about the operational process of BRAC Bank. There in the close supervision of the branch managers, customer service managers and the branch sales and service officers I learned how they offered services to the customer, the problems customers were facing and how they are solving the problems and the process of customers' account opening in the bank etc.

3.2.3 SME Banking

On the third and final day the interns were sent to SME Branch to learn how the SME programs are performed. I was sent to Mohakhali SME branch along with 8 other members. There the SME project manager explained in details about the “Missing Middle Theory” of BRAC Bank and how they dealt with these people, what are the problems they have to face to serve this missing middle, why targeting a missing middle is a big challenge and how they are sorting out the problems. After the 3 days training program we again had to give examination on overall training program about what we have learned on that three days training.

3.3 Critical Observations

During the three months of the internship at BRAC Bank I learned a lot of things which will help me in my future endeavors. However, I could identify some problems which were a little bit tough to handle specially in times of urgency. This are-

- a. Whenever I was asked to find a paper from an old file I was not sure where I would find them. There was no MIS for the old files. Only people who were working there for the AML knew where the paper could be. Sometimes it took a very long time to search folder after folder just to find one paper which was really important at that time.
- b. Suppose an employee was on vacation that day and we needed a file, we had to call that person to know where that file could be just because there was no MIS and sometimes we could not even find the file.
- c. The training program which was provided to us was very effective, essential and beyond helpful. Nonetheless, I think if the training was provided to the interns before they start working at the bank would be more beneficial. Because the BRAC overview, BRAC Bank overview and information about Retail, Corporate, SME are required before an intern starts working in the office.

3.4 Recommendations

- a. To create an MIS for the previous files would be long term and it would be really tough, so I can recommend that from now on besides keeping a scanned copy of the queries, they should also keep a scanned copy of the response letter and hyperlink that document in the excel sheet for easy search. They can also write down the file number and the file cabinet number for easy search of the hard copy. I think this will reduce the work load a lot, even if not now; in future it will and also decrease on the hassle.
- b. I also hope BBL authority would consider providing the training session before every intern joins the bank for their easy working.

4.1 Anti Money Laundering

To prevent use of products and services for money laundering purposes, BRAC Bank is committed to the highest principles of anti money laundering (AML) compliance and requires management and employees to adhere to these standards. Usually financial institutions are vulnerable to being used by money launderer; BRAC Bank Ltd has always taken its measure to prevent money laundering. The Board of Directors of the Bank view Money Laundering Prevention as a part of Risk Management strategy and essential part of the Bank's business systems and needs.

Based on the experience gained and the opinion expressed by national and international experts, the Money Laundering Prevention Act, 2009 was rescinded and a new law named Money Laundering Prevention Act, 2012 was promulgated with effect from January 16, 2012.

4.2 What Money Laundering is

As per Money Laundering Prevention Act (MLPA) 2012, Money Laundering means -

- A. Conscious transfer, transform or relinquish of asset relating to crime with following intention:
1. Conceal or disguise the illegal nature, source, position, ownership and control of illegitimate income. Or
 2. Provide assistance to a person involved in committing the predicate offence, with intent to evade the legal consequences of his action
- B. Smuggle fund or property, earned through legal or illegal means, to foreign countries through illegitimate norm.
- C. Conscious transfer, transmit to foreign countries or receipt in Bangladesh with a purpose of concealing or disguising the illicit origin of income derived from criminal activity.
- D. To conduct, or attempt to conduct a financial transaction with intent to avoid a reporting requirement under this Act. (Structuring)
- E. Convert or transfer or transform any legal or illegal property with the intention to influence or facilitate performing relevant offence.

F. Receiving property, acquiring position or making use of the same instead of being aware of the illicit origin of fund

G. Being involved in an act that facilitates to conceal or disguise the source of illegally obtained proceeds.

H. Participate, be the part, conspiracy in committing, try to commit or facilitate to commit, influence or guide any offence stated above.

Predicate Offence means such a following offence by which the earned money is laundered or attempt to launder. The lists of twenty seven predicate offence:

1. Bribe & Corruption
2. Counterfeiting of Currency.
3. Counterfeiting documents
4. Extortion
5. Fraud
6. Forgery
7. Illicit Arms trafficking
8. Illicit Traffic in Narcotic Drug and psychotropic substances
9. illicit dealing in stolen and other goods
10. Kidnapping, illegal restraint, hostage-taking
11. Murder, grievous bodily injury
12. Child & Woman Trafficking
13. Smuggling
14. Unauthorized cross-border transfer of domestic and foreign currency
15. Robbery, Theft or dacoity or Water/Air Piracy.
16. Human Trafficking
17. Dowry
18. Smuggling and offence related to duty evasion
19. Offence related to Tax
20. Violation of intellectual patent right
21. Terrorism or Terrorist Financing

22. Counterfeiting and piracy of product
23. Environmental crime
24. Sexual Exploitation
25. Insider trading and Market manipulation
26. Organized Crime
27. Fund collection through unfair threatening.
28. Any other related offence as decided by Bangladesh Bank with approval of government serving the purpose of MLP Act 2012

In short, money laundering is the way in which criminals turn their illegal proceeds or “dirty” money, which can be traced back to them, into “clean” money, which cannot be linked to any crime.

Definition of Money Laundering as per section 2(L) of Money Laundering Prevention Act, 2002

In the earlier Act on anti-money laundering, two categories of activities were defined as money laundering, namely:

- (a) Earned or acquired assets directly or indirectly through illegal means.
- (b) Transfer, conversion, concealment of whereabouts of earned/acquired assets, which was earned directly or indirectly through illegal means, or assisting such activities.

Definition of Money Laundering as per section 2(k) of Money Laundering Prevention Act, 2009

Four categories of activities have been defined as money laundering in the present Act, namely:

- (a) Transfer, conversion, remitting abroad or bring from abroad to Bangladesh the proceeds or properties acquired through commission of a predicate offence, for the purpose of concealing or disguising the illicit origin of the money or property;
- (b) Illegal remitting abroad of money or properties acquired/earned through legal or illegal means.
- (c) To conduct, or attempt to conduct a financial transaction with an intent to avoid reporting requirements.
- (d) To do or attempt to do such activities so that the illegitimate source of the fund or property can be concealed or disguised or knowingly assist to perform or conspire to perform such activities.

In brief, four categories of activities that are defined as money laundering in the new Act are:

- (a) Transfer, conversion, remitting to and from Bangladesh involving proceeds of a predicate offence.
- (b) Illegal remitting abroad of legally/illegally earned money/property.
- (c) Transaction to avoid reporting requirements.
- (d) To assist such activities.

What is Money Laundering: Classic View

The process by which one conceals the existence, illegal source or illegal application of income, and then disguises that income to make it appear legitimate. That is, the money-launderer is converting his dirty money to clean money.

Reverse Money Laundering

The act of transferring/placing legitimate money and assets into an underground criminal network to support criminal activity. That is, one who is investing his clean money to dirty activities, he is laundering money.

4.3 Motivations for Laundering Money

There are numerous motivations for laundering money. Some notables are:

- (a) Avoid revealing involvement in the underlying crime;
- (b) Hide it so that the Government can't take it away;
- (c) Criminal needs it for future illegal activity;
- (d) Be able to spend it!

4.4 Kinds of Criminals Launder money

Situations depend on country to country. In Bangladesh, mainly the following categories of persons are associated with money laundering –

- (a) Public officials who receive bribes;
- (b) Businessmen to finance smuggling, under-invoicing, over-invoicing;
- (c) Human traffickers;
- (d) Migrants to transfer assets;
- (e) Drug dealers and terrorist financiers.

Any other offence declared by Bangladesh Bank.

Reporting Agency as per section 2(L)

As we have seen that transaction to avoid reporting requirements has been defined as money laundering. Let us now see who are to reports, that is, which are reporting agencies:

- (a) Bank/Financial Institutions;
- (b) Insurance Companies;
- (c) Money changers;
- (d) Companies remitting money;
- (e) Any such organization declared by Bangladesh Bank.

Why we must prevent Money Laundering

Money laundering helps to commit crime. It has a very shocking consequence over our economy, security and social life. It intrigues the drug dealers, smugglers, terrorists, illegal arms dealers, corrupt public officials, and others to conduct and stimulate their criminal activities. To combat these activities the cost of the government increases for expanding the law enforcement and health care expenditures (for example, for treatment of drug addicts).

Government tax revenue is lessened because of Money laundering and therefore ultimately harms honest taxpayers. It also makes government tax collection more complex. Besides it transmits economic power from the market, government, and citizens to criminals.

Purpose of Money Laundering

Generally money laundering helps to hide the illegal origin of the money which is generated by criminal activities. The purpose of money laundering is to split the link between the money and the crime that generated the money.

Criminals conduct money laundering for three main reasons:

- I. Money is needed to manage and precede criminal action for financial gain.
- II. Avoid audit trace to conceal the source of their wealth to make them look legal to escape trial.

III. To cover ill-gotten gains from suspicion and protect them from seizure.

4.5 Process of Money Laundering

Money laundering is not a single action rather it is done step by step. Money laundering process begins after the offences are committed and funds have been generated. These stages are:

4.5.1 Placement At this stage, illegal funds or assets are first placed into the financial system. This ‘placement’ makes the funds more liquid. For example, for manipulation and easy transfer cash is converted into a bank deposit. There are other varieties of techniques used by Money launderers to place illegal funds, which may include depositing cash into bank accounts and using cash to purchase assets.

4.5.2 Layering The process of moving the placed funds from their illegal origins is known as ‘layering’. The illegal origin is hidden and the funds are kept on the run, disguised. To layer the funds money launderers use multiple banks and accounts, and make transactions corporations and trusts. Funds may also be transferred through many accounts, companies and countries to hide their origins.

4.5.3 Integration Once the funds are layered, they are made available to criminals to use and control as evidently legal funds. This final stage in the money laundering process is called ‘integration’. The laundered funds are made available for activities such as investment in legal or illegal businesses, or spent to promote the criminal's lifestyle. At this stage, the illegal money has earned the look of authenticity.

4.6 Penalties for Money Laundering and Fine Imposed by Bangladesh Bank

- Sec. 4- for involvement by any means with Money Laundering- 4 years to 12 yrs imprisonment with fine of the money minimum 10 lac or double the amount involved with the crime whichever is higher will be confiscated.

- Sec. 5- for violating attachment order or Freezing order'- – either max. 3 yrs. imprisonment or to fine *the frozen amount advised or asset involved with the instruction or with both*
- Sec. 6- for divulging info. for impeding the investigation either max. 2 yrs. Imprisonment or to fine which may extend to 50(fifty) thousand taka, or with both.
- Sec 7- for refusing to assist or co-operate with authorized investigating officer, without any reasonable ground : either max. 1yr imprisonment or to fine which may extend to 25 (Twenty Five) thousand taka, or with both.
- Sec. 8- for providing false information on source & identity of the client or nominee knowingly: either max. 3yrs imprisonment or a fine of max. Tk 50K or both.
- Sec. 25- failure by Banks/ Fin. institutions to preserve and supply the required data information and non reporting of a suspicious transaction knowingly– Central Bank can impose a fine which may extend to extend to 25(twenty five) lac taka but not less than 50 (fifty) thousand taka. Even cancellation of license
- Sec 23- Bangladesh bank can impose a fine up to 5 lac taka (per day 10K), if reporting institution/bank fails to provide information within stipulated time.
- The offence of money laundering is punishable by terms of a minimum imprisonment for six months and a maximum of up to seven years plus a fine amounting to double the money laundered (See Section 13 of the Act).
- The punishment for violation of Seizure Orders is a minimum imprisonment for one year or a fine of at least Taka ten thousand, or both. (Section 14 of the Act).
- The punishment for violation of Freezing Orders is a minimum imprisonment for one year or a fine of at least Taka five thousand, or both. (Section 15 of the Act).
- The offence of divulging information by informing i.e. tipping off the person who is the subject of a suspicion, or any third party is punishable by a minimum imprisonment for one year or a fine of at least Taka ten thousand, or both. (Section 14 of the Act).
- The offence of obstructing investigations or failure to assist any enquiry officer in connection with an investigation into money laundering is punishable by a minimum imprisonment for one year or a fine of at least Taka ten thousand, or both. (Section 17 of the Act). If any bank, financial institution and other institutions engaged in financial activities fail to retain customer identification and transaction records or fail to furnish

required information as per the Act, Bangladesh Bank will report such failure to the licensing authority of the defaulting institution so that the concerned authority can take proper action for such negligence and failure (Section 19 (3) of the Act)

- Bangladesh Bank is empowered to impose fines of not less than Taka ten thousand and not more than Taka one lac on any bank, financial institution and other institutions engaged in financial activities for the failure or negligence to retain customer identification and transaction records or fail to furnish required information to Bangladesh Bank (Section 19 (4) of the Act). 8. If any Company, Partnership Firm, Society, or Association violates any provisions of the Act, it will be deemed that every owner, partner, directors, employees and officers have individually violated such provisions.

Bangladesh Bank has the authority to instruct any banks or institutions to freeze or suspend the transaction for 30 days. However, if needed this order can be extended up to six times.

4.7 Responsibility of BRAC Bank for Prevention of Money Laundering under this Act:

1. During the operation of the accounts, keep the correct and full information of identification of the client.
2. Keep previous transaction profile or tp of any closed accounts of customer for at least 5 years from the date of closure.
3. Provide the records kept under clause (a) and (b) to Bangladesh Bank on demand time to time.
4. Immediately inform BB, facts on suspicious transactions which might look like money laundering.

4.8 How to Prevent Money Laundering

All BRAC Bank branches and departments have to comply with the following basic principles:

- **Assurance of customer identity:**
 1. Before entering into a long term relationship
 2. During any transaction or deal

➤ **Establishment of purpose of business relationship:**

Before entering into long term business relationship, BBL must gather information of the business if it is not clear from the business relationship.

➤ **Identification of ultimate beneficial owner**

When BBL is required to identify a customer, it has to verify the identity of the final beneficiary or who owns or controls the assets or who owns more than 20% share of the company or on whose behalf the transaction is carried out.

➤ **Client account monitoring**

To discover any unusual or suspicious transaction a continuous monitoring of clients' is necessary. It will be implemented with proper process and system.

➤ **Reporting of suspicious circumstances/transactions:** Any suspicious transactions must be reported to the concerned authorities according to local law.

➤ **Staff reliability:** BRAC Bank must not employ staffs who are not considered reliable.

➤ **Anti Money Laundering controls:** The in charge AML officer must ensure that the customer and business related security measures are properly working.

➤ **Anti Money Laundering Training:** AML training is a requirement for the employees for conducting the transactions or establishing any business transactions. BBL provides the training on prevention of money laundering to every employee according to the Central Bank guidelines.

➤ **Customer Due Diligence:** If the employees have a sound knowledge about the customers, their business and outline of financial transactions money laundering can be prevented. The procedure is known as know your customer or KYC. It not only helps to stop money laundering but also is good practice.

➤ **Politically Exposed Persons (PEPs)/Public Figure and Associates (PFAs)**

People who are entitled to public actions in a foreign country for instance Heads of State or governments, military officials, senior politicians, important political party officials are considered as PEPs or politically Exposed Persons and local PEPs as PFAs or Public Figure and Associates by BRAC Bank. Before entering into such kind of relationship, branch has to take approval from CAMLCO with recommendation from concerned business head.

➤ **Transaction Monitoring Process:**

To monitor ongoing transaction activities BBL has enough systems and controls. Discrepancy is measured against the original purpose of the accounts i.r. declared Transaction profile (TP) of the customer. Probable areas to monitor are: -

1. Transaction type
2. Frequency
3. Unusually large amounts
4. Geographical origin/destination
5. Changes in account signatories

Branches are supposed to make a huge value Cash Transaction Report (CTR) and review the transaction pattern on a daily basis.

An exception report of customers are also needed to be generate whose transaction amount crosses the limit mentioned in transaction profile on a monthly basis.

BAMLCO (Branch Anti Money Laundering Compliance Officer) will review the report and will prepare internal Suspicious Activity Reports (SAR) and send to CAMLCO. A copy of the transaction identified should be attached to the SAR. CAMLCO will review the SAR along with comments from the BAMLCO.

A status report will be sent to Bangladesh Bank which is investigated by CAMLCO. Until Bangladesh Bank notifies what to do, no further encounter will be made. If after the confirmation with the client transaction is to continue, the account officer will be responsible for documenting the causes why the TP has changed and alter the KYC where needed.

➤ **Recognition and Reporting Suspicious Transaction (STR):**

It is the duty of the branch to ensure that the employees are reporting any doubtful activities to BAMLCO, so that the BAMLCO is aware of the information in the report and there are some criteria against which STR can be raised. They are

- If a customer fails to supply suitable answer for the excess transaction over TP limits.
- Inadequate, fake or doubtful information provided by the customer.
- Any reason to believe or if it seems that the money came from illegal activities.

- A transaction which has reason to believe is odd for the type of business the customer is in.
- Characteristics or activities that are strange in the circumstance of the customer business

CAMLCO must be aware of all the suspicious activities and only he can decide whether any exposé would be appropriate in accordance with the guideline or not. Until Bangladesh Bank informs the bank they have to preserve the suspicious reports.

The reporting channel is:

- Notices suspicious transactions –reports directly to the BAMLCO/BM/LM
- Line Manager conducts necessary investigation or instruct responsible person to do the same
- Line Manager reports the case to CAMLCO
- CAMLCO reports the case to Bangladesh bank

➤ **CTR (Cash Transaction Reporting)**

If the cash transaction (deposit/withdrawal) is ten lakh or above, it is alarming. These types of transactions have to be submitted to the Central Bank in softcopy. If the transactions of cash deposit are in Govt. or Govt. owned accounts, the CTR is not necessary. However in case of cash withdrawal, that CTR must be reported.

4.9 Anti-Money Laundering Legislation in Bangladesh

First anti-money laundering legislation of the country is Money Laundering Prevention Act, 2002, which was effective from 7th April,2002 to 14th April,2008. It was replaced by the Money Laundering Prevention Ordinance on 15th April,2008; subsequently, the ordinance was passed by the national parliament and Money Laundering Prevention Act,2009 was enacted giving effectiveness from 15th April, 2009 (Gazette Notification:24th Feb,2009).

4.10 Responsibilities of Reporting Agency

Let us now see what are to be reported by the reporting agency:

- (a) Keeping full information of its' clients (KYC);
- (b) Inform Bangladesh Bank proactively and immediately on suspicious transactions likely to be related to money laundering.

Suspicious Transaction as per section 2

Reporting agencies are to report suspicious transaction. Section 2 defines suspicious transaction as:

- (a) Transaction that substantially deviates from usual transaction;
- (b) Reasonable cause to believe that the transaction is related to any proceeds of crime.

4.10.1 Investigation and Trial under Money Laundering Prevention Act, 2002

As per section 5 of the Money Laundering Prevention Act, 2002, investigation was to be done by the Bangladesh Bank or any person authorized by Bangladesh Bank. And as per section 6 of the Money Laundering Prevention Act, 2002, all Session Judges were empowered for trial of money laundering cases.

4.10.2 Investigation and Trial under Money Laundering Prevention Act, 2009

Followings are the notable features of investigation and trial process under the Money Laundering Prevention Act, 2009:

- (a) As per section 11, offences under the Act shall be cognizable, non-compoundable, non-bailable.
- (b) Any individual may provide information to file First Information Report about the commission of a money laundering occurrence to the police station as per section 154 of CrPC.
- (c) Offences under the Act considered as scheduled offences of the Anti-Corruption Commission Act, 2004; therefore, such offences can be investigated only by ACC (Section 9(1)).
- (d) To be tried by the Special Judge (Section 10).

4.11 Bank Account Freeze by Bangladesh Bank

Bangladesh Bank can issue order to any Bank/Financial Institutions to freeze an account for 30 days (can be extended further 30 days) where there are grounds to suspect that the transaction involves proceeds of crime (Section 23©). Special Judge can order continuation of such freezing (Section 10).

Freezing and Attachment of Property (Section 10)

Upon application of the investigating organization, the Court may give order of attachment of property, wherever situated, within or outside Bangladesh. Mutual Legal Assistance Request (MLAR) through the Attorney General Office is needed if the property is in outside of Bangladesh.

4.12 Enforcing Organizations

Bangladesh Bank: Keeping database and analyze facts provided by the reporting organizations. Giving direction to the reporting organization and monitoring their activities. Usually these are done by the Money Laundering Prevention Unit of Bangladesh Bank.

Financial Intelligence Unit (FIU) of BB: Exchanging information about suspicious transaction with FIU of other countries on the basis of signed contract.

Ministry of Home Affairs and Attorney-General Office: Central authority for MLAR.

Anti-Corruption Commission: Investigating Organization.

4.13 Burden of Proof/Evidence

There is no such provision in the Money Laundering Prevention Act that burden of proof lies with the accused. Collecting evidence of corroborative elements with predicate offences is important to prosecute. However, as per section 7 of the Criminal Law Amendment Act, 1958, when any person is charged of possessing pecuniary resources or property which is disproportionate to his known sources of income, for which he cannot satisfactorily account, it may be taken as a relevant fact in deciding whether he is guilty of the particular offence with which he is charged.

4.14 THE LEGAL POSITION

These arise from the Money Laundering Regulations. The Regulations impose a number of statutory obligations on all financial institutions.

- To set up procedures for verifying the identity of clients
- To set up record-keeping procedures for evidence of identity and transactions
- To set up internal reporting procedures for suspicions, including the appointment of a Money Laundering Reporting Officer
- To train relevant employees in their legal obligations
- To train those employees in the procedures for recognizing and reporting suspicions of money laundering.

If employers fail to do this, they are committing an offence, which is punishable by a maximum of 2 years' imprisonment, a fine, or both.

However, the law also imposes an obligation on people personally and they must take this responsibility seriously. If not, and they knowingly help a money launderer, or if a transaction, a client or a colleague causes them to suspect money laundering - and they fail to report their suspicions they can go to jail. For example "tipping off" someone they are under investigation is an offence and upon conviction punishable by up to five years imprisonment.

4.15 COMPLIANCE COSTS

The Regulations require that financial institutions put in place systems to deter money laundering, and to assist the relevant authorities to detect money laundering activities. In order to do this, it has meant that financial institutions have had to incur additional costs and these costs are most likely to increase in the areas of administration, training and provision of storage space for records.

4.15.1 Administration

Costs occur here because of the need for businesses to obtain evidence of identity from their customers when doing business. They must also keep records of identification evidence and financial dealings for five years. Other costs which may occur would be if an institution had to introduce new systems of control - for example, new computer software, which they would not

otherwise have introduced. This will not be the case however, for all businesses. For members of self regulatory organizations, who are already required to identify customers, and for other firms which may require identification for professional reasons, the main change is likely to be in the nature of the evidence required and the time for which it must be kept. Firms that already have well-developed procedures in these areas, such as Banks and Building Societies, will find that the costs of compliance will be relatively lower.

4.15.2 Training

All relevant staff of institutions affected is required to have initial and recurrent training in:

- a. the reporting and customer identification requirements of the Regulations;
- b. the legislative position; and
- c. the companies anti-money laundering policies and procedures.

There will be one-off costs in producing new procedures and training manuals.

4.16 Institutional Arrangements to Combat Money Laundering and Terrorist Financing

Pursuant to the new act, Bangladesh Bank has issued guidelines to banks and financial institutions about the minimum requirements for customer identification and for identification and reporting of unusual or suspicious transactions. Banks and financial institutions have set up their own internal reporting and monitoring procedures accordingly. Training for employees of local banks and financial institutions in developing and adopting these internal procedures was arranged with the help of foreign banks operating in Bangladesh that were familiar with such procedures. Upon receiving reports of suspicious or unusual transactions or of specific money laundering offenses—either from banks and financial institutions or from onsite examinations by Bangladesh Bank’s own inspectors— the Anti-Money Laundering Department of Bangladesh Bank makes its own preliminary investigation for prima facie evidence of a money laundering offense. Where sufficient prima facie evidence exists, the matter is referred to the Bureau of Anti-Corruption or the police, authorizing them to obtain a court order for formal enquiry. If necessary, the assets in question can be seized or frozen, and the case may proceed to trial and punishment under the act.

4.17 Limitations

Fortunately, the key challenges for Bangladesh in combating money laundering or terrorist financing are not those of coping with a high ambient level of such crimes. Bangladesh is not on any major route for global traffic in laundered money. The major challenge lies in quickly building up strong capabilities for the identification and investigation of money laundering offenses. For the Anti-Money Laundering Department of Bangladesh Bank, setting up a financial intelligence unit with the capability of processing and collating large volumes of suspicious and unusual transactions data is a priority. For the Bureau of Anti-Corruption and the police department, the challenge is to quickly build up expertise in tracking the complex transaction chains typically involved in money laundering. Banks and financial institutions need continuous training and awareness-raising to identify the complex concealment processes adopted by money launderers to give the appearance of legitimacy. The nationalized banks with large branch networks need information technology upgrades to track the same transaction chains efficiently.

4.18 Recommendations

4.18.1 Needs for Technical Assistance/Analysis

International organizations may provide financial and technical support useful in setting up an efficient information technology-based financial intelligence unit in the Anti-Money Laundering Department of the Anti-Money Laundering and Combating the Financing of Terrorism Bangladesh Bank. Such support would build up the central bank's capacity to collate and analyze large volumes of financial transaction information. Support for information-technology upgrades in larger banks would enable them to better collate inter branch data to identify chains of suspicious transactions. Training support for officials of the Anti-Money Laundering Department and for investigators in the Bureau of Anti-Corruption and the police department would also be important. Bangladesh is not and does not intend to be a host country for laundered money or terrorism finance, as signaled strongly by the recent enactment of the Money Laundering Prevention Act. It is important for Bangladesh that outflows of illegal funds from Bangladesh do not find ready hosts elsewhere; the hundi operators abroad do not funnel away

remittances of Bangladeshi workers abroad. Strengthening anti–money laundering surveillance abroad and imposing customer identification and transaction record-keeping requirements on hundi operators in countries that host Bangladeshi workers would be beneficial and important for Bangladesh.

4.18.2 How Financial Institutions Can Combat Money Laundering

The prevention of laundering the proceeds of crime has become a major priority for all jurisdictions from which financial activities are carried out. One of the best methods of preventing and deterring money laundering is a sound knowledge of a customer’s business and pattern of financial transactions and commitments. The adoption of procedures by which Banks and other Financial Institutions —know their customers is not only a principle of good business but is also an essential tool to avoid involvement in money laundering. For the purposes of these guidance notes the term Banks and other Financial Institutions refer to businesses carrying on relevant financial business as defined under the legislation. Thus efforts to combat money laundering largely focus on those points in the process where the launderer's activities are more susceptible to recognition and have therefore to a large extent concentrated on the deposit taking procedures of banks i.e. the placement stage. Institutions and intermediaries must keep transaction records that are comprehensive enough to establish an audit trail. Such records can also provide useful information on the people and organizations involved in laundering schemes. In complying with the requirements of the Act and in following these Guidance Notes, financial institutions should at all times pay particular attention to the fundamental principle of good business practice - 'know your customer'. Having a sound knowledge of a customer's business and pattern of financial transactions and commitments is one of the best methods by which financial institutions and their staff will recognize attempts at money laundering. It will also be dealt with in staff training programs which are a fundamental part of the procedures designed to recognize and combat money laundering.

4.18.3 Responsibilities of Bangladesh Bank

The Act gives Bangladesh Bank broad responsibility for prevention of money laundering and wide-ranging powers to take adequate measures to prevent money laundering, facilitate its detection, monitor its incidence, enforce rules and to act as the prosecuting agency for breaches

of the Act. The responsibilities and powers of Bangladesh Bank are, in summary (Section 4 and 5 of the Act):

1. To investigate into all money-laundering offences.
2. Supervise and monitor the activities of banks, financial institutions and other institutions engaged in financial activities.
3. Call for reports relating to money laundering from banks, financial institutions and other institutions engaged in financial activities analyze such reports and take appropriate actions.
4. Provide training to employees of banks, financial institutions and other institutions engaged in financial activities on prevention of money laundering.
5. To authorize any person to enter into any premises for conducting investigations into money laundering offences.
6. Persons authorized by Bangladesh Bank to investigate offences can exercise the same powers as the Officer in Charge of Police Station can exercise under the Code of Criminal Procedure.
7. To do all other acts in attaining the objectives of the Act.
8. The Courts will not accept any offence under the Act for trial unless a complaint is lodged by Bangladesh Bank or any person authorized by Bangladesh Bank in this behalf.

4.18.4 Bangladesh Government can take some initiatives such as:

- ✓ Awareness programs and training activities are required for government officials, the private sector and the public
- ✓ While effective AML legislation is required, policies must recognize that strict and effective legislation may push money laundering and terrorist financing activities outside of regulated financial sector. Informal financial institutions and players must also be addressed
- ✓ There is a need to strengthen existing capacities and expertise available for detecting, preventing and prosecuting money laundering and terrorist financing activities

- ✓ Capacity building exercises need to include: (1) Setting up FIU and providing it with adequate technology and infrastructure to detect and track money laundering and terrorist financing activities.
- ✓ Assisting financial institutions in the country, particularly the larger banks to strengthen their AML/CFT capacities
- ✓ There is need for greater regional cooperation in expediting mutual legal assistance and extradition in the prosecution of money laundering and terrorist financing cases.

Conclusion

Money laundering is one of the ongoing problems facing the international economy, and from the evidence studied while researching this work, it can be seen that while the fundamentals of this crime remains largely the same, technology has offered, and will continue to offer a more sophisticated and circuitous means to convert ill-gotten proceeds into legal tender and assets. The largely unchecked growth of the Internet presents what has been described as the "Armageddon scenario of banking on the `Net - criminals could have money transferred without any audit trail". There is a total absence of regulation of the Internet and it has been recognized that authorities need to ensure that legislation keeps abreast of technology in order to understand and pick up on any new techniques that professional money launderers may come up with. There is also a growing realization about the extent that money laundering and its relationship with organized crime are interlinked. The huge profits that accrue to these criminals from such areas as drug trafficking, international fraud, advance fee fraud, long firm fraud, arms dealing, trafficking in human organs and tissue, etc., will be used not only to facilitate ongoing operations, but to consolidate the wealth, prestige and respectability of those in control of the criminal business. Money laundering begins with the fruits of a crime—the underlying or —predicate offense—and ends with funds that can be used safely or at least with minimal risk, for any purpose.

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