



BUS 400: INTERNSHIP

Report On

THE GROWING CONCERN OF CUSTOMER DUE DILIGENCE

IN LINE WITH CITIBANK N.A. BANGLADESH

Submitted To

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LETTER OF TRANSMITTAL

28th March, 2015

Mohammad Rezaur Razzak
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Subject: **Submission of Internship final report**

Dear Sir,

This is my great pleasure to submit the Internship report of my four months long Internship program in one of the world largest global banking giant Citibank, N.A. in Securities and Fund Services department. The title of the report is “The Growing Concern of Customer Due Diligence In Line With Citibank N.A”. This report has been prepared to fulfill the requirement of my internship program at my assigned organization which is Citibank, N.A. corporate office.

I have put my best effort to make this report a successful one. It has been joyful and enlightening experience for me to work in the organization and prepare this report. However this has been a great source of learning for me as well.

I would like to express my sincere gratitude to you for your kind guidance and suggestions in preparing the report. It would be my immense pleasure if you find this report useful and informative to have an apparent perspective on the issue. I shall be happy to provide any further explanation regarding this report if you have any query on this report or any other relevant matters.

Sincerely,

Maria Islam
ID: 11104085

ACKNOWLEDGEMENT

At the beginning I would like to convey my sincere appreciation to the almighty Allah for giving me the strength and the ability to finish the task within the planned time. Then I like to express my sincere gratitude to everyone who contributed towards preparing and making this study successfully.

First of all I would like to express my sincere and immense gratitude to my internship supervisor Mohammad Rezaur Razzak, Associate Professor & Director-CED of BRAC University. I am deeply indebted for his whole hearted supervision towards me during the Internship Period.

I would like to give special thanks to Mr. MD. Sami Ullah Khan (Management Associate-Securities and Fund Services), MD. Nafis Majher (Assistant Manager- OTRC) and many other people. They have provided me with some reading materials which helped me a lot in understanding the concepts and preparing the report.

I would also like to thank the authority of Citibank, N.A. for giving me the opportunity to do my internship. The experience and knowledge gained at Citibank, N.A. helped me to understand different elements related to my academic study.

I am also grateful to the other officials who helped my while preparing the report by giving their suggestions, assistance and supply of information, which are valuable to me. Their helping hand supported me a lot to complete my report successfully. Finally, I want to keep my thanks to my parents and relatives who gave special attention to me from the very beginning to till at the end of my internship program and during the preparation of my report.

EXECUTIVE SUMMARY

Banking is the most lucrative business and thus should provide the best services to the clients to maintain its welfare. More importantly, since this sector is highly customer oriented, the only way it can achieve its goal is by satisfying the customers by providing quality, effective and efficient services. I got the privilege to work as an intern in Citibank, N.A., Dhaka (Gulshan branch) for 3 months. The topic that I have focused in my report is on “The Growing Concern of Customer Due Diligence In Line With Citibank N.A” which they practice all throughout Bangladesh. I worked under Securities and Fund Services department.

In my report, I have focused on know your customer procedure, key elements of customer due diligence, benefits of customer due diligence, purpose of customer due diligence and enhanced due diligence (EDD). The key elements of KYC program have four elements such as customer acceptance policy, customer identification, on-going monitoring of high risk accounts and identification of suspicious accounts. I have also made some recommendation in line with FATF recommendations. This real picture of the bank which I was able to observe through my eyes during my internship period has contributed greatly in preparing this report. I also gathered practical experience during this period which also helped me in preparing this report accurately.

TABLE OF ACRONYMS

AML	Anti Money Laundering
CDD	Customer Due Diligence
FATF	Financial Action Task Force
ML	Money Laundering
PEP	Politically Exposed Person
TF	Terrorist Financing

GENERAL GLOSSARY

Beneficial owner *Beneficial owner* refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted.

Financial institutions *Financial institutions* means any natural or legal person who conducts as a business or operations for or on behalf of a customer

Terrorist financing *Terrorist financing* is the financing of terrorist acts, and of terrorists and Terrorist organizations.

Money laundering *Money laundering* is the process of transforming the proceeds of crime into allegedly legitimate money or other assets.

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CHAPTER 1: INTRODUCTION

1.1. Origin of Report:

This internship paper has been prepared as a part of the completion of BBA (Bachelors in Business Administration) program of BRAC University. The report titled as “The growing concern of customer due diligence in line with Citibank N.A.” is being assigned by my advisor for the completion of the graduation. As an intern I have worked in the Securities and Fund Services department of Citibank N.A. and had the opportunity to gain real life experience of the corporate world. The report contains the details of Citibank N.A. and also reflects on the works I have learned there. It contains the way Citibank N.A. works and the reasons behind their success. Being an intern, I have done some assignments for Citibank N.A. which is also enclosed in the report.

1.2 Main Objective:

The main objective of the report is to learn about customer due diligence in Citibank N.A.

1.3 Specific objectives:

My specific objectives are-

- To learn about customer due diligence procedure
- To learn about know your customer program
- To learn benefits of customer due diligence

1.4 Methodology:

I have used both primary and secondary data for the completion of the report. The experience from Citibank N.A. and the related information has been collected from primary source and the common organization information is taken from the secondary sources. The following sources of information have been used as secondary sources:

- Bangladesh Bank’s website
- Organizational websites

- Online articles and publications
- Other WebPages

1.5 Scope:

The main concern of the report is learning about customer due diligence in line with banking sector and how to perform identification of customer's information in order to prevent money laundering or terrorist financing.

1.6 Limitation:

The report covers the overall scenario of customer due diligence in banking sector. However, I have come across some limitations in preparing this report. They are-

- Restricted access of bank
- Inadequacy of information as all information is not present in the online.
- Time limitations
- Lack of reliable sources

CHAPTER 2: THE ORGANIZATION (CITIGROUP INC.)

2.1 INTRODUCTION:

Citigroup is one of the preeminent global financial services company with some 200 million-customer accounts in more than 140 countries. It provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, insurance, securities brokerage, and asset management.

The company employs approximately 260,000 staff around the world. The company offers a wide range of financial services to both consumers and businesses around the world. Retail banking operations include Citibank, which conducts business internationally with more than 1,700 branches and nearly 5,200 ATMs. Citigroup is the largest issuer of credit cards in the world.

Citigroup Inc. (Citigroup) is a global diversified financial services holding company. Citigroup businesses provide consumers, corporations, governments and institutions with a range of financial products and services. Citigroup operates two primary business segments: Citicorp, consisting of its Regional Consumer Banking (RCB) and Institutional Clients Group (ICG), and Citi Holdings, consisting of its Brokerage and Asset Management (BAM), Local Consumer Lending (LCL), and Special Asset Pool (SAP)

2.2 CITICORPORATION AND TRVELERS GROUP MERGER:

Citigroup was formed on October 9, 1998, following the \$140 billion merger of Citicorp and HTravelers GroupH to create the world's largest financial services organization. On April 6, 1998, the merger between Citicorp and Travelers Group was announced to the world, creating a \$140 billion firm with assets of almost \$700 billion. The deal would enable Travelers to market mutual funds and insurance to Citicorp's retail customers while giving the banking division's access to an expanded client base of investors and insurance buyers. While the new company maintained Citicorp's "Citi" brand in its name, it adopted Travelers group's group and Travelers distinctive "red umbrella" as the new corporate logo.

2.3 HISTORY (KEY DATES):

Year	Events
1812	Colonel Samuel Osgood takes over the New York branch of First Bank of the United States and reorganizes it as City Bank of New York.
1865	The bank converts to a national charter, adopting the name National City Bank of New York (NCB).
1919	16BNCB is the first U.S. bank to reach \$1 billion in assets.
1955	20BNCB acquires the First National Bank of New York and changes its name to First National City Bank of New York.
1961	The bank invents a new product: the negotiable certificate of deposit (CD).
1974	The name of the holding company is changed to Citicorp.
1976	First National City Bank is renamed Citibank, N.A. (for National Association).
1987	Citicorp sets aside a \$3 billion reserve fund as a provision against potentially bad Third World loans and also posts a \$1.2 billion loss for the year.
1998	Citicorp merges with financial services giant Travelers Group Inc. to form Citigroup Inc
2000	Associates First Capital Corporation, a consumer finance company specializing in subprime loans, is acquired and merged into CitiFinancial
2001	Citigroup acquires Group Financiero Banamex, a leading retail bank in Mexico

2.4 Citi's Mission: Enabling Progress

Citi works tirelessly to serve individuals, communities, institutions and nations. With 200 years of experience meeting the world's toughest challenges and seizing its greatest opportunities, we strive to create the best outcomes for our clients and customers with financial solutions that are simple, creative and responsible. An institution connecting over 1,000 cities, 160 countries and millions of people, we are your global bank; we are Citi.

2.5 Citi's Key Principles:

The values that guide Citi to perform its missions are:

<p>Responsible Finance</p> <p>Conduct that is transparent, prudent and dependable.</p>	<p>Common Purpose</p> <p>One team, with one goal: serving our clients and stakeholders.</p>
<p>Leadership</p> <p>Talented people with the best training who thrive in a diverse meritocracy that demands excellence initiative and courage.</p>	<p>Ingenuity</p> <p>Enhancing our clients' lives through innovation that harnesses the breadth and depth of our information, global network and world-class products.</p>

2.6 ABOUT CITIBANK, N.A.:

Citibank is the consumer and corporate banking division of leading financial services company Citigroup. The company has operations in around 1,700 locations, in more than 40 countries worldwide. Citibank is headquartered in New York. Citibank delivers a wide array of banking, lending and investment services to individual consumers, small businesses, large corporations and governments, as well as institutional and individual investors.

Citibank focuses substantial resources on growth in emerging markets. The company offers two transaction banking businesses for these areas - eBusiness, eCommerce, cash-management and electronic-banking business and Citibank global securities services, which provides securities-related services such as custody, clearing, agency and trust, and depository receipts. In addition, its sales and trading business provides capital markets products to clients.

2.7 ABOUT CITIBANK, N.A. BANGLADESH:

Citibank N.A., a foreign private bank commenced its banking operations on 24th June 1995 after obtaining license from Bangladesh Bank in January 1995. Although the bank already had a foreign representative office here in Bangladesh back in 1987 but it launched its first full-service branch Dhaka in 1995. The present branch of the bank is the upgraded and transformed shape of the representative office.

Since 1987, Citi's operations encompass primarily on Corporate and commercial banking services under the Institutional Clients Group (ICG). They provide a comprehensive range of financial services including treasury management, transaction services, foreign exchange and structured finance to corporate clients, governments and financial institutions. The bank has been offering its customers the highest standard of financial services backed by sophisticated technology and innovative product solutions. The bank also provides remittance services to the expatriate community all across the world and largely in the Middle East. It is the sole shareholder of Citibank, N.A. and its head office in New York governs the businesses of its Bangladesh branch. The bank commenced business in Bangladesh with a paid up capital of Tk204 million and total assets of Tk809 million.

BRANCHES IN BANGLADESH:

Branches	Service Outlet	OBU Outlet (EPZ)
Dhaka-Gulshan	Uttara	Chittagong EPZ
Dhaka-Motijheel		Dhaka EPZ
Dhaka-Dhanmondi		Adamjee EPZ
Chittagong		

2.8 NETWORK ORGANOGRAM (BANGLADESH PERSPECTIVE):

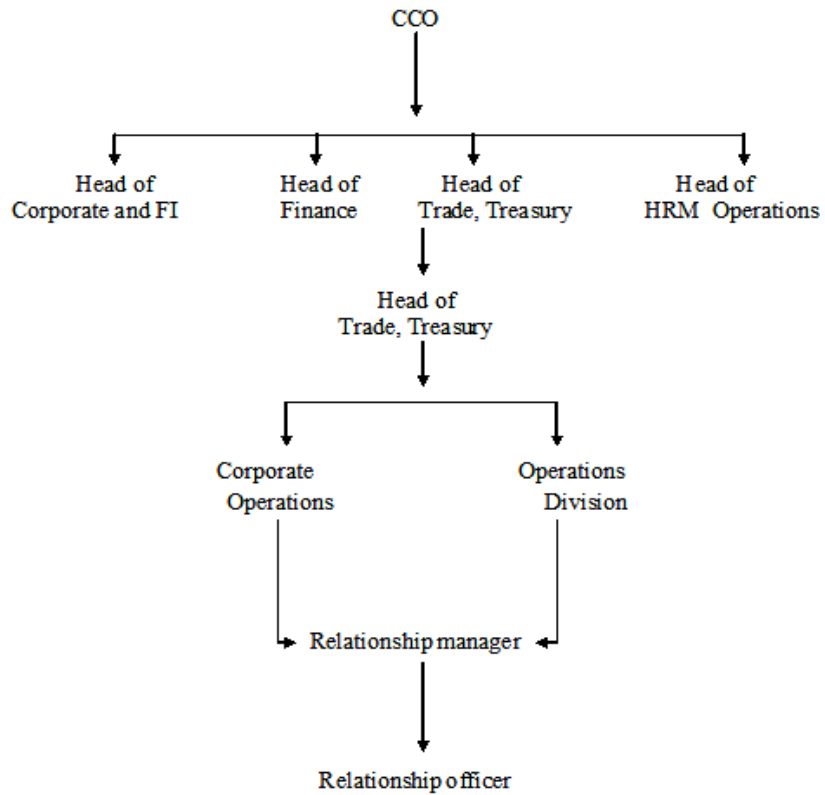


Table 1: Organizational Structure of Citibank Bangladesh

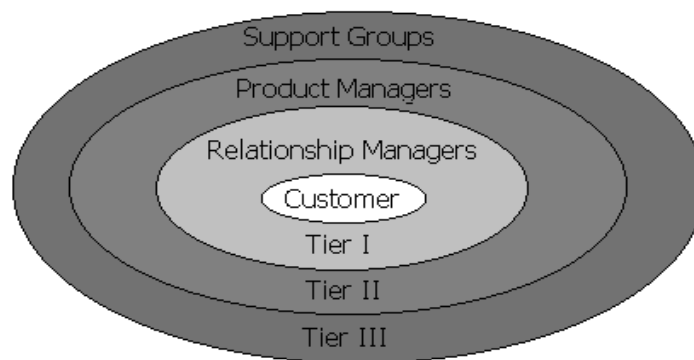


Figure 1: Three-Tier View of the Organizational Structure of Citibank N.A. Bangladesh

2.9 Departments of the Bank & Products

Corporate & Investment Banking

The bank provides strategic and financial advisory services including corporate finance, syndicated loans, project finance, working capital finance, trade finance, cash management services etc.

Securities and Fund Services(SFS)

The bank covers issuer services (Agency and Trust) for structured transactions i.e. merger, acquisition, syndication. SFS offers direct custody & clearing service and investor services (Global custody) to institutional investors only through Citi's global network.

Treasury and Trade Solutions(TTS)

The bank offers treasury products to the customers such as ready and spot rate, forward rates, currency swaps, purchase/sale of government treasury bills and bonds both locally and globally.

Financial Institutions(FI)

This department caters for the need of various banks and non-bank financial institutions as well as NGO's, not for profit organizations and diplomatic missions.

Other Departments

There are also four other departments that can be termed as support and these are Operations, Credit Administration, Financial Control and Human Resource, Fixed Income Currency & commodity

CHAPTER 3: PROJECT PART

3.1 INTRODUCTION

In response to the growing concern about money laundering and terrorist activities, security custodian service in Bangladesh is regulated efficiently by Bangladesh Bank. The United Nations (UN) was the first international organization to undertake significant actions to fight against money laundering. In line with the international initiatives and standards, Bangladesh has also enacted Money Laundering Prevention Act (MLPA), 2012 and Anti Terrorism Act (ATA), 2012.

According to financial dictionary, a financial institution that holds and manages a client's securities or other assets on his/her behalf is called as security custodian.

According to Securities and Exchange Commission (Security Custodian Service Rule 2003), "Security custodian" will mean any person who has received a Certificate of Registration for providing security custodial service under the given rules. However, any person who has entered into a contract with security custodian is known as "Subscriber".

Citibank N.A. has core expertise in the field of Global custody solution. Citibank N.A. Bangladesh provides security custodial services to Non-resident customers who are also known as foreign institutional investors (FII). The bank obtained its custody license from Securities and Exchange Commission (SEC) on December 14, 2008.

SECURITY CUSTODIAL SERVICES

As a security custodian, Citibank N.A. incorporates the following services thereto-

- 1) maintaining safe custody of subscriber's security
- 2) maintaining and operating the account of the subscriber's security and fund
- 3) collecting, keeping accounts of , and informing subscriber of any earnings, income, profit or claim relevant to security
- 4) collecting, keeping accounts of, and informing subscriber with any published or public information that is relevant to security.

As mentioned earlier, the bank provides security custodial services to Non-resident customers who are also known as foreign institutional investors (FII). Such customers have to maintain at least three accounts with or through the bank. Those are:

1. Non- Resident Investor's Taka Account(NITA) maintained by the Bank
2. Securities Account maintained by the Bank as a Custodian
3. Beneficial Owner's (BO) account with Central Depository Bangladesh Limited (CDBL) where the account is controlled by the bank as a Depository Participant (DP).

For maintain this accounts, Global Custodial Services of Citibank Group introduces foreign institutional investors (FII) to various sub-custodians in different countries. Citibank N.A. Bangladesh acts as a sub-custodian to them.

As a security custodian, Citibank N.A. has to maintain customer due diligence (CDD) or Know Your Customer (KYC) procedure for NITA, security account and BO account in order to comply with Global Window Custodian and Bangladesh Bank regulation.

3.2 CUSTOMER DUE DILIGENCE (CDD)

Due Diligence (DD) refers to investigation of a business or person prior to signing a contract with a certain standard of care.

Customer Due Diligence provides complete lifecycle assessment and re-assessment of customer risk as part of know your customer (KYC) that allows bank to better identify, manage, and mitigate customer-related risks.

According to the Money Laundering Prevention Act (MLPA) 2012, CDD means-

- ✓ identifying the client and verifying their identity on the basis of documents, data or information obtained from a reliable and independent source
- ✓ identifying, where there is a beneficial owner who is not the client and verifying their identity
- ✓ measuring risk-sensitivity of clients based on the verified information

3.3 PURPOSE OF CUSTOMER DUE DILIGENCE

Customer due diligence (CDD) is required by the Money Laundering Prevention Act (MLPA), 2012 because one can better identify suspicious transactions if you know your customer and understand the reasoning behind the instructions they give you. The purpose of it is given below:

- Meet requirements across lines of businesses
- Increase efficiency and effectiveness of AML programs
- Provide business value with customer centric approach

3.4 WHEN TO CONDUCT CUSTOMER DUE DILIGENCE

To protect financial institutions from risks of money laundering and terrorist financing by customers willful or unwilling activities, Citibank N.A. conducts customer due diligence(CDD) at different stages according to the Money Laundering Prevention Act (MLPA), 2012, such as:

- while establishing a business relationship with customers
- carrying out an occasional transaction
- while conducting financial transaction with the existing customers
- bank suspect money laundering or terrorist financing
- bank doubt the veracity or adequacy of documents, data or information previously obtained for the purpose of CDD

The distinction between occasional transactions and long-lasting business relationships is relevant to the timing of CDD and the storage of records.

In addition to that, it is important to have clear idea about money laundering or terrorist financing.

For that reason, the definition is given below:

3.5 MONEY LAUNDERING AND TERRORIST FINANCING

The Financial Action Task Force (FATF), which is recognized as the international standard setter for anti-money laundering (AML) efforts, defines the term —money laundering as —

“The processing of criminal proceeds to disguise their illegal origin in order to legitimize the ill-gotten gains of crime”

Money Laundering is also defined in Section 2 (v) of the Money Laundering Prevention Act 2012 as follows:

“Money laundering” means –

Knowingly moving, converting, or transferring proceeds of crime or property involved in an offence for the following purposes:-

1. Concealing or disguising the illicit nature, source, location, ownership or control of the proceeds of crime; or
2. Assisting any person involved in the commission of the predicate offence to evade the legal consequences of such offence

Terrorist financing can be simply defined as financial support, in any form, of terrorism or of those who encourage, plan, or engage in terrorism.

3.6 KNOW YOUR CUSTOMER PROGRAM

The adoption of effective Know Your Customer (KYC) program is an essential part of Citibank N.A.'s risk management policies such customer due diligence. Having sufficiently verified/corrected information about customers —Knowing Your Customer (KYC) - and making use of that information underpins all AML efforts, and is the most effective defense against being used to launder the proceeds of crime.

Know Your Customer (KYC) means knowing detailed information about the client's risk tolerance, investment knowledge and financial position.

Citibank N.A. believes that sound KYC Policies and Procedures not only contribute to the financial bank's overall safety and soundness, they also protect the integrity of its system by reducing money laundering, terrorist financing and other related offences.

Nature of Customer's Business:

When a business relationship is being established, the nature of the business to be identified by Citibank works as the first step. Judging whether a transaction is or is not suspicious, Citibank N.A. tries to have a clear understanding of the business carried out by their customers.

Identifying Real Person

In next step, Citibank N.A. identifies that it is dealing with a real person (natural, corporate or legal), and verifies the identity of persons who are authorized to operate the account, or transact business for the customer. Whenever possible, the prospective customer can be interviewed personally. This helps safeguarding against opening of fictitious account.

Document is not enough

No single piece of identification can be fully guaranteed as genuine or sufficient to establish identity and for that verification will generally be a cumulative process. Collection of document is not enough for KYC, identification is most important.

KEY COMPONENTS OF KYC PROGRAM

In the process of designing the KYC program, Citibank N.A. contains certain key elements which include:

- 1) Customer acceptance policy
- 2) Customer identification
- 3) On-going monitoring of high risk accounts
- 4) Identification of suspicious transactions

CUSTOMER ACCEPTANCE POLICY

Before accepting a customer, it is important to define a customer in the eye of Bangladesh Bank.

Who is a Customer

For the purpose of KYC Procedure, a "Customer" is defined in AML Circular No. 24 dated 03/03/2010, as:

- any person or institution maintaining an account of any type with a bank or financial institution or having banking related business;
- the person or institution as true beneficial owner in whose favour the account is operated;
- the trustee, intermediary or true beneficial owner of the transaction of the accounts operated by the trust and professional intermediaries (such as lawyer/law firm, chartered accountant, etc) under the existing legal infrastructure

In preparing customer acceptance policies, factors such as customer's background, country of origin, public or high profile position, linked accounts, business activities or other risk indicators should be considered. Citibank N.A. doesn't open accounts in anonymous or fictitious name. The bank also does 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.

CUSTOMER IDENTIFICATION

Customer identification is an essential element of KYC standards. 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.

What Constitutes a Customer's Identity

Identity generally means a set of attributes which uniquely define a natural or legal person. A customer can be corporate body, partnership, agency & trust etc. How to identify the attributes of a customer is given below.

CORPORATE BODIES AND OTHER ENTITIES

Because of the difficulties of identifying beneficial ownership, and the possible complexity of organization and structures, corporate entities and trusts are the most likely vehicles to be used for money laundering. Citibank N.A. make enquiries to confirm that the company exists for a legitimate trading or economic purpose, and that it is not merely a — **“brass plate company”** where the controlling principals cannot be identified.

The following documents are normally obtained by Citibank N.A. from companies:

1. **Account Opening Form:** Name of Account, type of account, currency etc. are included in the form.
2. **Transaction Profile:** Transaction Profile (TP) is an important document for monitoring transactions and recognizing suspicious transactions. The main features of the form for both deposit and withdrawal would be:
 - Various types of transactions (i.e. nature of transactions)
 - No. of transactions (monthly)
 - Maximum size (per transaction)
 - Total value (monthly)
3. **Personal Information Form (PIF):** Father's Name, Date of Birth, Nationality etc. are included in the form.
4. **Certificate of Incorporation:** Certified copy of Certificate of Incorporation with details of the registered office and place of business is collected.
5. **Memorandum:** Certified copy of the Memorandum is collected.
6. **Articles of Association:** Certified copy of Articles of Association is collected.
7. **Board of Resolution:** Copy of the board resolution to open the account relationship and the empowering authority for those who will operate any accounts is collected.

8. **Ultimate Beneficial Ownership Declaration Form (UBODF):** Satisfactory evidence of the identity of each of the principal beneficial owners being any person holding 20% 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 is collected.
9. **Financial Performance:** 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
10. **Bearer Shares Confirmation:** Certified copy of Bearer Shares Confirmation is collected.
11. **Copies of the list/register of directors and Signatures**
12. **Constitutive and Tax ID Documents**
13. **KYC Assessment Form:** After collecting information, the last thing to do is to build KYC Profile. KYC profile assesses the level of risk entitled with the customer. KYC profile gives the basic information about the customer like, Name, Address, Tel/Fax Numbers, line of business, Annual sales. If the customer is a Public Figure, the account will become automatically a High Risk Account.

The following persons (i.e. individuals or legal entities) must also be identified in line with this part of the notes:

- ❖ 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.

Citibank N.A. obtains following information for the beneficial owners. Those are:

- ✓ 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.
- ✓ The original, certified copy of the following Photo ID
 - ✓ Birth Certificate
 - ✓ National ID Card
 - ✓ Current valid passport
 - ✓ Valid driving license
 - ✓ TIN/VAT Registration
 - ✓ Employer provided ID Card, bearing the photograph and signature of the applicant

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
- checking the Voter lists
- checking the telephone directory
- visiting home/office
- sending thanks letter

Knowledge of both residence and nationality may also be necessary, in a non money-laundering context, to avoid breaches of UN or other international sanctions to which Bangladesh is a party.

No face-to-face contact: Where there is no face-to-face contact, photographic identification would clearly be inappropriate procedures to identify and authenticate the customer. According to Citibank N.A., either documentary or electronic evidence has to be there to confirm address and personal identity.

Joint Accounts: 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 in accordance with the procedures of Citibank N.A.

Change in address or other details: Any subsequent change to the customer's name, address, or employment details of which the bank becomes aware should be recorded as part of the Know Your Customer process. Generally this would be undertaken as part of good business practice and due diligence but also serves for money laundering prevention.

Introducer: To identify the customer and to verify his/her identity, an introducer may play an important role. An introduction from a respected customer, personally known to the management, or from a trusted member of staff, may assist the verification procedure to Citibank N.A.

Companies Registered Abroad

Particular care is exercised by Citibank N.A. when establishing business relationships with companies incorporated or registered abroad, or companies with no direct business link to Bangladesh. A visit to the place of business may also be made to confirm the true nature of the business.

Partnerships and Unincorporated Businesses

In the case of partnerships and other unincorporated businesses whose partners/directors are not known to the bank, the identity of all the partners or equivalent is to be verified in line with the requirements for personal customers.

KYC for Internet or Online Based Customer

Banking and investment business through the Internet add a new dimension to Financial Institutions' activities. The unregulated nature of the Internet is attractive to criminals and has possibilities for money laundering and fraud. The development of technologies such as encryption, digital signatures, etc. can play a vital role in case of knowing a customer.

Timing and Duration of Verification

According to Citibank N.A., the best time to undertake verification is prior to entry into the account relationship. Verification of identity should, as soon as is reasonably practicable, be completed before any transaction is completed. Verification, once begun, should normally be pursued either to a satisfactory conclusion or to the point of refusal.

Risk Classification: Each risk element can be rated by:

- ✓ the chance of the risk happening – **'likelihood'**
- ✓ the amount of loss or damage if the risk happened – **'impact' (consequence)**.



So, the overall process starts with assessment then towards building The KYC Profile that leads to Risk Classification of the Account as High/Low Risk. High risky customer is reviewed more than the less risky customer.



Figure 2: know your customer procedures

3.7 KNOW YOUR EMPLOYEE (KYE)

Institutions and businesses can learn at great expense that an insider can pose the same ML/TF threat as a customer. Citibank's Know Your Employee (KYE) program means that the bank has a program in place that allows it to understand an employee's background, conflicts of interest and susceptibility to money laundering complicity. Policies, procedures, internal controls, job description, code of conduct/ethics, levels of authority, compliance with personnel laws and regulations, accountability, dual control, and other deterrents are firmly in place by the bank.

3.8 ENHANCED DUE DILIGENCE (EDD)

Enhanced due diligence (EDD) is a more detailed standard required for larger customers and transactions. Citibank N.A. focus more on simplified due diligence in Bangladesh and for that the depth of EDD is less known.

3.9 BENEFITS OF CUSTOMER DUE DILIGENCE

Customer Due Diligence solution meets the needs of customer on boarding and ongoing due diligence, enabling an automated, systematic process for the entire customer lifecycle.

□ Reduce Regulatory Risk

CDD which is Integrated & risk-based screening approach eliminates subjective evaluation of customers, improves customer insight, and mitigates regulatory risk through automated, systematic and multi-factor customer assessment. It reduces the chance of money laundering and terrorist financing.

□ Increase Operational Efficiencies

Active management of suspicious activities, with automated processing of lower risk customers and guided processes and workflows to focus resources on high-risk customers, reduces manually intensive compliance steps and overall operational workload.

□ **Ensure Consistency of Processes**

Automated and centralized risk evaluation processes drive consistent decision making, increase operational transparency, and eliminate redundancy of multiple systems- minimizing inconsistencies in compliance processes across the enterprise.

CHAPTER 4

RECOMMENDATION

- Financial Action Task Force (FATF) implements international standards on combating money laundering and the financing of terrorism & proliferation. The FATF Recommendations are recognized as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard. According to FATF, Financial institutions are required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons that has high risk scenario. According to Bangladesh Bank regulation, Citibank N.A. focus more on simplified customer due diligence. In this case, enhanced due diligence can be focused more than simplified customer due diligence.

- In addition, FATF recommended to conduct enhanced ongoing monitoring of the business relationship or enhanced due diligence for politically exposed persons (PEP). PEP can be a domestic PEP or a prominent person entitled with an international organization. According to FATF, enhanced due diligence can be conducted for politically exposed persons (PEP) in Citibank N.A.

CONCLUSION

In Conclusion, It can be said that customer due diligence plays a vital role in case of preventing money laundering, terrorist financing and so on. Citibank N.A. maintains simplified customer due diligence across Bangladesh according to Bangladesh Bank regulation. It is an automated, systematic process for the entire customer lifecycle that reduce regulatory risk, increase operational efficiencies, and ensure consistency of processes in Citibank N.A. It is indeed a growing concern not only in Bangladesh but also in the whole world.

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