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Combating Money-Laundering by the Financial Institutions: An Analysis of Challenges and Efforts In Bangladesh

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Money laundering and measures to combat it have become the focus of an intense international effort. The effects of money laundering on economic development are difficult to quantify, however, it is clear that such activity damages the financial institutions, reduces productivity in the economy's real sector by encouraging crime and corruption, and can distort the economy's external sector. For developing countries to combat money laundering become more difficult than developed countries because of their inadequate regulatory environment and vulnerable financial system. The paper took a step in pointing out the effects and challenges of Money Laundering to the financial institutions in Bangladesh. The paper moves with elaborating the international developments and control mechanisms to deal with the problem of money laundering in the financial sector. In light of the aforesaid discussion the paper then proceeds to analyze the position of Bangladesh in terms of financial institutions in controlling money laundering keeping up with the mandate of international forum. The last part analyzed the data collected on the basis of questionnaire survey and tries to find out the current initiatives and challenges in the financial sector of Bangladesh to combat money laundering.

Keywords: Combating money laundering, AML in Bangladesh, Impact of ML on financial institutions, Challenges to combat money laundering.
JEL classification: G20, G28, K42

1. Introduction

In the recent years money laundering and terrorist financing become a burning issue among the developed and developing nations. Worldwide, governments are recently spending a considerable amount of their budgetary expenditure to protect the economy from the financial criminals; as such crime is not only hampering the country itself, but also the other countries around them. On the other hand, financial globalization makes it easier for the criminals to transfer funds from one country to another, by avoiding the rule of financial transactions among the countries. Initially the financial crime was the reason for socio-economic and financial disruptions among the countries. More recently, (after 9/11) such activities fueling the terrorism activities around the world for which countries, where financial crime occurred and where the money transferred both have to take co-coordinated measure to protect their respective economy from the terrorist. KPMG (2007) survey finds that money laundering flows by drug dealers, arms traffickers and other criminals reported to be in excess of USD 1 trillion every year. Therefore, combating

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money laundering and its related consequences, for example, terrorist financing continues to be a major challenge for the local and international policy makers.

Money launderer use diverse and innovative methods to conceal their criminal activities. Financial institutions are the most widely used route to transfer illegal funds and convert those funds to legal identity. Different number and variety of transactions used to launder money, often involving numerous financial institutions from many jurisdictions, and increasingly using non-bank financial institutions. Therefore, when a financial institution is used unwittingly by criminal elements or terrorists, it is not only damage to its reputation, but also the national reputation as well (Aninat *at el.* 2002). Among the developing countries, money laundering increases the probability of default or fraudulent activities among the financial institutions and therefore distorts the financial stability of the economy.

In the context of present analysis, the above consideration has at least two implications that justify analyzing the challenges and efforts of combating money laundering for the financial institutions in Bangladesh. First, the article identifies the major challenges faced by the financial institutions in Bangladesh in implementing AML mechanisms. Second, in order to face these challenges, the study collected data from all types of financial institutions to look at the collective efforts applicable to all the financial institutions. This study makes some contribution to the existing money laundering literature. First, it is the first to explore the challenges and efforts of the financial institutions in Bangladesh in combating money laundering. Second, the study will identify some of the obstacles to combat money laundering by the financial institutions (FIs) of Bangladesh in light with the discussed challenges.

The paper starts with analyzing the existing literature on the impact of money laundering among the FIs along with the specific impact for the FIs of developing countries. The next part then discussed the challenges faced by the financial institutions in developing countries in combating money laundering. The following part will give an explanation on different control mechanism adopted by various international regulatory bodies, including the regulatory authorities in Bangladesh. The final part presents the findings on questionnaire survey and some lacking in the existing anti-money laundering (AML) mechanism among the financial institutions in Bangladesh.

2. Literature Review on the Impact of Money Laundering (ML)

Banks, equity markets, and non-bank financial institutions (NBFIs), such as insurance companies, are a favored means of laundering illicit funds both internationally and within developing countries. Defining ML as part of financial abuse IMF (2001) defines financial abuse as a broad concept of illegal financial activities which has devastating impact on a countries financial system and legal activities. The paper has identified three types of financial abuse on the basis of financial institutions (FIs thereafter) involvement in the financial crime: as victim, as perpetrator, as an instrumentality. As a victim, FIs can be subject to the different types of fraudulent activities including, e.g., misrepresentation of financial information, embezzlement, check and credit card fraud, securities fraud, insurance fraud, and pension fraud. When FIs used as perpetrator, FIs can be used to sale fraudulent financial products, stock manipulation, and misappropriation of client funds. As an instrumentality FIs are used to keep or transfer funds, either wittingly or unwittingly, that are themselves the profits or proceeds of a crime, regardless of whether the crime is itself financial in nature. These types of crimes appropriately defined as Money Laundering. On the basis of the above understanding the impact of ML can be explained from the point of impact on financial sector and on the real sector.

2.1 Financial Sector

Throughout the world, banks have become a major target of ML operations and financial crimes because they provide a variety of financial services and instruments that can be used to conceal the actual source of money. Money Launderers attempt to conceal their real identity to the bankers with their polished, articulate and disarming behavior, convert their dirty money into white money. As argued by Singh (2009), launderers generally use the financial system in two stages to disguise the origin of the funds. First, they place their ill-gotten money into financial system to legitimize the funds and introduce these funds in the financial system and second, after injecting the dirty money into the financial system, through a series of transactions, they distance the funds from illegal source. Therefore, the financial institutions through whom the ‘dirty money’ is laundered become unwitting victims of this crime.

Money Laundering may hamper the reputation of the financial institution and may increase the operational risk of the banking firm when banking firm itself involved with the launderer or in criminal activities (Bartlett, 2002). Thus, without even involvement in any criminal offence, money laundering may be a cause of failure of banking (financial) sector of an economy. People may loose their confidence on the banking system. Such confidence failure towards the formal sector may increase the activities of informal financial firm. The growth of activities of the informal sector might again increase the possibility of money laundering such as credit union, hawala remittance systems etc. (Chêne, 2008).

Money laundering shifts the economic power to the criminals (Bartlett, 2002). In such a situation, criminals may use their economic power to undertake the operation of the financial firm of the country and may use the fund of the depositors to do more criminal activities. Therefore, the scarce financial resources of the developing country may be used for the criminal activates of few launderers, instead of productive investment of the economy. Such criminal activities can lead to more terrorism against humanity. Even, money laundering and terrorist financing can threaten financial stability and economic prosperity, adding to the gravity of the underlying crimes (Aninat *at el.*2002*).* In the extreme scenario, money-laundering activity undermines capital formation within developing economies (Bartlett, 2002).

The increased use of online banking reduces the cost and time of the customers and increases the profitability of banking firm with faster banking service to the customers. The money launderers use the online transaction as a method of money laundering and therefore, reduce the confidence of the customers and the profitability of the banking firm (Holahan, 2006). To combat cyber crimes regulations and technologies related to online banking needs to keep updated by the regulators and the FI's. As a result the, both the users and the service providers might face additional cost for online transactions.

2.2 Real Sector

The ease of money laundering in the financial sectors leads to increased money laundering in the real sector (Bartlett 2002). If the financial sector is not strong enough to combat ML, then the criminals marginal cost to do ML will be reduced and they would be able to do more ML with the same cost. Such ease of ML has devastating effect on production, employment and distribution. More and more economic power would be concentrated to the launderers and they might use the resources for personal interest rather than development of real economy. Such power concentration may also reduce the financial ability of the government to invest in real sector growth or to invest in combating ML (Rahman, 2007).

As argued by Bartlett (2002), the most important effect of money laundering on the real sector is the reduction of investment in the productive sector. By increasing sterile investment[1] in the economy launderer create "crowding-out" situation in the system. By reinvesting in such sector, the criminals increase the price of the sector, or the value of the assets, which means more unproductive investment and more money laundering. Supporting the argument Agarwal and Agarwal (2007) argued that in the recent decades the real estate sector being the most commonly reported entities associated with money laundering and related illicit activity Although it is not possible to identify the appropriate level of black money investment in the real estate sector as a means of money laundering, however, several studies found that in some developing countries despite reduction in real growth, real estate investment booming (Fryer, 2007). Such over investment leads to asset price bubble and could be a cause of banking sector failure.

Money laundering encourages more import in an economy, leading to less production and more unemployment. ML may also be a cause of macroeconomic instability in the developing countries. Laundered money may increase the instability in the exchange rate, increased supply of fund in the market leads to price push inflationary effect in the real sector (Rahman, 2007, IMF, 2001). Such inflationary pressures increase the interest rate in the economy and therefore less investment, less growth, unemployment and in the extreme situation increased possibility of loan default in the financial sector.

Distortion in the real sector may have reputational impact for the developing countries (IMF 2001, Singh 2009). If macroeconomic instability exists for longer term foreign investors may not be interested to invest in such economies. Less foreign investment means, lower growth, lower productivity and unemployment. Moreover, unstable real sector means reputational cost and again less foreign and local investment. Therefore, the real consequences of money laundering cannot be overlooked for longer period, since it will be very difficult for a country to overcome from such costly consequences.

2.3 Literature on the Impact of Money Laundering in Developing Countries FIS

ML and its related consequences have devastating impact on the developing countries real and financial sector. As financial institutions in the developing countries are mostly developing and they have lack in related laws and technologies to identify the laundering activities, therefore, timely actions against the launderer is a must to protect the economy's financial and real sector. Vaithilingam and Nair (2009) shows that countries have low incidence of money laundering if they have high development of internet adoption, low incidence of brain drain, sound legal, tax and financial systems. On the other hand soundness of financial system depends on the low level of ML, sound legal and tax system (IMF 2001). Therefore it can be argued that soundness of financial system depends on low level of money laundering. Therefore, developing countries need to give importance to identify the impact of ML in their financial system, so that they can prepare appropriate rules and regulations to combat such effects.

In considering the effect of money laundering on developing economies, Bartlett (2002) indicated five directions of money laundering flows in such economies. First, *domestic* flow, which means money earned through illegal way inside the county and spend also inside the country. Second, *returned* flow means criminal activities occurred in the developing country, fund placed outside the country and later on integration occurred in the developing country. Third, *Inbound* funds, for which the predicate crime occurred abroad, are either initially laundered ("placed") abroad or within the developing country, and ultimately are integrated into the developing economy. Fourth, *outbound* funds, constitutes laundered fund originated in the developing country and integrated outside the economy or capital flight. Fifth, *Flow-through* funds originate and integrate in the developed country, by using the financial institution of developing country during the period of layering.

In a detailed study by Unger et al. (2007) about money laundering, they have classified the effects of money laundering on the basis of short term effects and long term effects. According to them short term effects usually happens within one or two years – and these include losses to the victim and gains to the launderer; distortion of consumption and saving; distortion of investment; artificial increase in prices; unfair competition; changes in imports and exports; effect on output, income and employment; lower or higher revenues for the public sector; changes in the demand for money, exchange rates, and interest rates; increase in the volatility of interest and exchange rates; greater availability of credit; higher capital inflows; distortion of economic statistics. Regarding the longer tem effects (within 4 years) Unger et al (2007) argued that these threatens privatization; changes in foreign direct investment; risk for the financial sector, solvability, liquidity; profits for the financial sector; reputation of the financial sector; illegal business contaminates legal business; corruption and bribe; negative or positive effect on growth rates; undermines political institutions; undermines foreign policy goals; increases crime; and increases terrorism financing.

Some other more specific impact of money laundering in Bangladesh economy has been identified by the BB are, 1) socio economic impact by increasing crime, unhealthy distribution of wealth etc. 2) It reduces tax collection and depress the honest tax payers in the economy, 3) Money laundering distorts asset and commodity prices and leads to misallocation of resources. 4) ML distorts the production and productivity of economy due to its support on existence of shell companies. Since shell companies can offer product with their laundered money below the market rate, it become hard for the proactive firm to survive in the market. 5) Money laundering transfers economic power from the market, government, and citizens to criminals. 6) ML may corrupt officials and governments institutions by bribing, and weaken the collective ethical standards, corrupts our democratic institutions.7) Reduce the reputation of economy around the world (as Transparency International Bangladesh, ranked Bangladesh most corrupt country in the world during the year 2008 and 2009). The mentioned economic impact of ML has direct impact on the financial development of developing country.

3. Challenges to Combat Money Laundering by the Financial Institutions

Combating money laundering is a dynamic process. The criminals who launder money are continuously seeking new ways to achieve their illegal ends. Although various guidelines and legal acts formulated around the globe, including Bangladesh, criminals are also trying to protect themselves from the regulatory system by innovative criminal activities to misuse the system for their purpose. Moreover, with financial innovation which usually occurred to avoid law and take the benefit of technological advancement (Mishkin, 2004), are now used by the launderer to conceal their income from the illegal source. Some of the challenges faced by the financial institutions in combating money laundering are discussed below.

Financial institutions are the most widely used route, both in the developed and developing countries. Detection of money laundering transaction in the financial sectors remains a very important challenge to combat money laundering. Different fund transfer methods such as credit card, electronic cash transfer etc. are used by the launderers. It is difficult for the financial institutions to detect the launderer in such transactions. Therefore, to detect the money laundering in the integration process, financial institutions needs to apply “Know Your Customer” policy. However, criminals look for loophole in the KYC procedure in order to perform the integration process. From the regulatory viewpoint success of the KYC procedure is an important challenge to combat money laundering.

Weak legal system and political dishonesty remains an important issue in developing countries to combat money laundering. By using laundered money criminals try to convince the weak regulatory administration of the developing countries. It is not always easy for the developing countries financial institutions to check and take action against all the fictitious transactions, if they are not supported by the regulatory authorities (legal system, central bank and govt. administrations). Therefore, even though rules and laws are exists, challenges remains to implement those rules in practice by the financial institutions in such countries.

One of the very import challenges now a days facing by the developing countries is the costs involved in implementing anti-money laundering (AML) mechanism. With the financial globalization financial institutions are investing in the emerging and developing economies in searching for profit. Free flow of fund around the globe has given opportunity for the launderers to transfer funds from one region to another. In most cases they use shell companies to perform their intentions. Although it is possible for developed economies and large institutions to check such activities, however it is very costly for the developing economies and smaller banking firms. Therefore, it is an important challenge for the developing economies to adopt global anti-money laundering polices. In a sense, it is also a challenge to the success of the global AML mechanism.

Weak institutional framework, especially weak corporate governance regime is an important threat to combat money laundering in developing countries. Bartlett (2002) argued that there is a strong correspondence between anti-money-laundering policies and financial good-governance rules. The agency conflict between the managers and the shareholders, leads to moral hazard behavior by the managers. Such behavior may sometime patronize / encourage money laundering activities to generate higher free cash flow for the managers' self-interest. Therefore, unless the managers are rightly compensated by the owners or are ethically motivated, the success of AML mechanism will remain in questions.

4. International Development and Control Mechanism on Anti-Money Laundering

Most of the international initiative, such as BASEL II, FATF, Wolfsburg group, EU third money laundering directives, on money laundering given emphasis on the improvement of corporate governance and senior management accountability of the banking firm to combat money laundering. In 1986, United States (U.S.) adopts the Money Laundering Control Act for the first time to protect the system from the launderer. Later on most of the developed and developing countries adopted different AML principles prepared by the different international organizations.

The United Nations Vienna Convention 1988 is the first inter-governmental initiative against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention) and the 1990 Council of Europe Convention on Laundering. As a signatory state on Vienna Convention (VC) Bangladesh will have international cooperation in investigations and makes extradition between the signatory states applicable to money laundering. However, such co-operation would not interfere to the secrecy of domestic financial institutions according to the VC (BB 2008).

The Financial Action Task Force (FATF) is an inter-governmental 'policy-making body' whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF works to generate the necessary political will to bring about legislative and regulatory reforms in these areas. It has published 40 + 9 recommendations in order to meet this objective. (FATF, 2011).

Apart from FATF, UN, IMF, World Bank and Basel Committee on Banking Supervision have also policies on anti money laundering. The Bank for International Settlements (BIS)[2]has endorsed key elements of the anti money laundering practices as *explicitly* supportive of sound banking practices that reduce financial risks for individual banks and, by extension, national and international financial systems as a whole. In close collaboration with many G-10 and non-G-10 supervisory authorities, the Basle Committee has moved more aggressively to promote sound supervisory standards worldwide and formulates no of guidelines relate to money laundering control[3].

Among the different guidelines formulated by the Basel Committee[4], sound KYC (Know Your Customer) policies and procedures are critical in protecting the safety and soundness of banks and the integrity of banking systems. KYC policies promote sound banking practices, which can be seen in the prudential problem of "concentration risk" (an element of credit risk).Thus, prudent banking policy demands that no single customer becomes a dominant client, so that it reduces the possibility of involvement of financial firm with the criminals or criminals undertake the activities of financial firms.

Most recently the Wolfsberg group formulated ‘Trade Finance Principles 2011’ for the members. These principles will support as a standard for the control of the AML risk associated with the financial institutions trade finance activities. Among others, Egmont group, Interpol and Global programme against money laundering involved in enforcement of anti-money laundering measures. Most of the global banks operated in different countries are following the rules and principles of these international agencies.

4.1 Anti Money Laundering Measure in Bangladesh

For economic growth in a country, a strong rule of law governing financial institution is a fundamental prerequisite. In order to prevent money laundering the government of Bangladesh has issued “guidance on money laundering prevention” for the financial institutions. Financial Intelligence unit (FIU) has established as a monitoring authority in Bangladesh Bank. Anti-corruption commission has also given power to issue court order to freeze the property of a person that is allegedly acquired by illegal means.

The *Money Laundering Prevention Act 2009*[5](MLPA) Bangladesh provides the rules that aim at preventing and penalizing the offence of money laundering**.** The first legislation enacted to deal with the subject was the MLPA 2002 (Act No. VII of 2002), which later was replaced by the Money Laundering Ordinance 2008. Now, the Ordinance has been repealed and replaced by *the MLPA 2009.*[6]The act has imposed two categories of obligation – prevention and suppression of money laundering- on certain financial institutions and the Central Bank. The institutions that are under obligation to take actions to prevent money laundering are banks, financial institutions, insurance companies, money-exchangers, any company or institution dealing in the transferring or remittal of money, any other institution doing business with the approval of Bangladesh Bank, and other institutions as may be prescribed by the Bangladesh Bank (s. 2(l)). Apart from these institutions, the Act also creates obligations for the Bangladesh Bank.

5. Data and Methodology

5.1 Data

The data covers the Bangladeshi private commercial banks, foreign banks and non-bank financial institutions. For the purpose of measuring the challenges to combat money laundering the research have included 21 financial institutions. Among the samples 15 are private commercial banks out of 29 banks, 3 are foreign commercial banks out of 10 foreign banks and 3 are non-bank financial institutions out of 29 NBFIs (Table:1). Therefore, the data represents 50% of private commercial banks, 30% of foreign commercial banks and 10% of NBFIs.

5.2 Methodology

The anti money laundering questionnaire has prepared by following the 'The Wolfsberg Group Anti-Money Laundering Questionnaire (2008)'. The survey has conducted on focusing the challenges discussed in the first part of the paper. The questionnaire (Table:2) includes question on measures on detection of money laundering, policy on detection of criminal activities, cost factors consideration in AML measures, and the cooperation between the board and the managers in implementing AML guidelines of the central bank. The questionnaire were distributed among the senior level professionals, all of them have more than 10 years of working experience in the financial sector.

6. Discussions and Findings of the Questionnaire Survey

Regarding the questions on detection of money laundering all the respondents have taken good initiatives on the prevention of money laundering according to the guidance note of BB. However, none of the financial institutions are following additional guidelines or procedures in combating money laundering. Regarding the detection of risky transactions respondents have answered positively (98%), though some of them indicate in written that sometimes they do not check all the risky transactions, because of the profitability consideration. Regarding the questionnaire on reportable transactions only 30% of the respondents answered 'yes' in informing BB regarding suspicious transactions. In consideration of cost in AML mechanism financial institutions showed their positive intension (100%) to combat money laundering. However, only foreign banking firms answered 'yes' for disbursing additional expenditure in combating money laundering. Regarding director's intension towards AML measures all the participants answered 'yes' for the questions. However, the questions are not enough to know the intensions of the directors in combating money laundering. Supporting to the study, in a recent report by the U.S. Department of State (DOS) 2009[7], notes that despite positive developments, there are weaknesses persist in the anti-money laundering and terrorist financing regime in Bangladesh.

7. Conclusions

With the increased financial globalization, money laundering has emerged as an activity affecting societies and financial systems everywhere in the world. With the increase in money laundering activities financial systems are used by the launderers in washing up their illegal income to make it clean in different ways. Sometimes financial systems are used as a route to transfer funds from one geographic location to another. Therefore, keeping into mind the trans-national character of the money laundering crime, there is need for a unitary and coherent approach at international level, to protect the global financial system from the money laundering.

The impact of money laundering on the financial and real sector cannot be faced for longer term in an economy. Moreover, ML distorts the performance and capacity of the financial institutions to distribute credit among the productive sectors. Terrorists use a wide variety of ML methods to move funds between organizations. Mostly financial institutions are involved in such methods to finance the terrorism by the criminal's fund. In the era of globalization ML is not a problem for a single country, it has to be face by the global community.

As the pervious sections discussed, AML should be dynamic process rather than static policy. Criminals continuously look for innovative process to use the financial system to launder money. For the developing countries AML mechanism mostly increase the cost of the financial institutions to protect the system from the launderers. The questionnaire survey also supports that, ML mechanism is a costly measure for the financial institutions of Bangladesh. If, in the long run AML mechanism remains unsuccessful in developing economies, then it may distort the reputation of the financial firm and may also be used by the international criminal groups as a route to ML or terrorist financing. Therefore, international communities need to take policy to combat money laundering, reminding the administrative and financial constrains of the developing countries. Further researches may be conducted to identify the area and resources necessary for the developing countries to combat money laundering.

Table 1: Sample Financial Institutions

Institutions	Local Banks	Foreign Banks	Non-Bank Financial Institutions
1.	Pubali Bank Limited	HSBC	IDLC Finance Limited
2.	UCB Bank Limited	CITI Bank N/A	Lanka Bangla Finance Limited
3.	Prime bank	Standard Chartered Bank Limited	Delta-BRAC Housing Finance Limited
4.	Dhaka Bank Limited		
5.	South East bank Limited		
6.	Bank Asia Limited		
7.	IFIC Bank Limited		
8.	Islami Bank Bangladesh Limited.		
9.	City Bank Limited		
10.	EXIM Bank Limited		
11.	AB Bank Limited		
12.	Standard Bank Limited		
13.	Eastern Bank Limited		
14.	BRAC Bank Limited		
15.	Dutch Bangla Bank		

Table: 2

Questionnaire for a survey on combating Money Laundering challenges faced by the Financial Institutions in Bangladesh

No.	Detection of money laundering or General AML policies, practices and procedures	Yes	No
1.	Does the FI have a designated officer who is responsible for coordinating and overseeing the AML framework (according to the AML policy of Bangladesh Bank anti-money laundering compliance officer)?	Yes	No
2.	Has the FI developed written policies documenting the processes that they have in place to prevent, detect and report suspicious transactions?	Yes	No
3.	In addition to inspections by the government supervisors/regulators, is their any independent third party that assesses AML policies and practices on a regular basis?	Yes	No
4.	Does the FI follow AML policy of any international organization (Such as Basel Committee, Wolfsberg group, United Nation etc.)	Yes	No
5.	Does the FI have a policy prohibiting accounts/relationships with shell banks? *(A shell bank is defined as a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.)*	Yes	No
6.	Does the FI have policies to reasonably ensure that they will not conduct transactions with or on behalf of shell banks through any of its accounts or products?	Yes	No
7.	Does the FI have policies covering relationships with Politically Exposed Persons (PEP's), their family and close associates?	Yes	No
8	Does the FI have record (on ML) retention procedures that comply with the Money Laundering prevention Act 2009?	Yes	No
9.	Are the FI's AML policies and practices being applied to all branches and subsidiaries of the FI both in the home country and in locations outside of that jurisdiction (off-shore branches)?	Yes	No
10.	Does the financial institutions following any other procedure apart from BB's in combating money laundering?	Yes	No
B.	**Risk Assessment in detection of criminals**		
11.	Does the FI have a risk-based assessment of its customer base and their transactions (according to the Bangladesh Bank assessment can be done by using the KYC profile form)?	Yes	No
12.	Does the FI determine the appropriate level of enhanced due diligence necessary for the suspicious customers or transaction? (Suspicious means those categories of customers and transactions that the FI has reason to believe pose a heightened risk of illicit activities at or through the	yes	No

	FI)?		
13.	Has the FI implemented processes (fill-up of KYC profile form) for the identification of those customers on whose behalf it maintains or operates accounts or conducts transactions?	Yes	No
14.	Does the FI has customer acceptance policy on the basis of the customers' background, country of origin, public or high profile position, linked accounts, business activities and any other factors?	Yes	No
15.	Does the FI have a requirement to collect information regarding its customers' business activities?	Yes	No
16.	Does the FI assess its customers' AML policies or practices (if it has FI as customer)?	Yes	No
17.	Does the FI check the profile and personal activities of member of directors of their corporate clients?	Yes	No
18.	Does the FI have a process to review and, where appropriate, update customer information relating to high risk client information?	Yes	No
19.	Does the financial institution have separate policy regarding the selection of local and foreign business clients?	Yes	No
20.	Does the FI have procedures to establish a record for each new customer noting their respective identification documents and 'Know Your Customer' information?	Yes	No
C.	**Prevention and Detection of Transactions with Illegally Obtained Funds (Reportable Transactions)**		
21.	Does the FI have policies or practices for the identification and reporting of transactions that are required to be reported to the Bangladesh Bank?	Yes	No
22.	Where cash transaction reporting is mandatory, does the FI have procedures to identify transactions structured to avoid such obligations?	Yes	No
23.	Does the FI screen customers and transactions against lists of persons, entities or countries issued by government/competent authorities?	Yes	No
24.	Does the FI have policies to reasonably ensure that it only operates with correspondent banks that possess licenses to operate in their countries of origin (if they are foreign bank)?	Yes	No
25.	Does the FI have a monitoring program for unusual and potentially suspicious activity that covers funds transfers and monetary instruments such as travelers checks, money orders, etc?	Yes	No
D.	**Anti-Money laundering training and costs involved**		
26.	Does the FI provide AML training to relevant employees that includes internal AML polices identification of suspicious transactions and various method & product of ML?	Yes	No
27.	Does the FI communicate new AML related laws or changes to existing AML related policies or practices to relevant employees?	Yes	No

28.	Does the FI employ third parties to carry out the training sessions on AML?	Yes	No
29.	Does the FI provide AML training to relevant third parties that includes internal AML polices identification of suspicious transactions and various method & product of ML?	Yes	No
30.	Does the financial institution have specific budget to train and educate the employees regarding money laundering?	Yes	No
31.	Do you think that your company should spend more in AML training and development?	Yes	No
E.	**Corporate governance and money laundering**		
32.	Do the directors take any extra steps apart from Bangladesh banks policy in combating money laundering?	Yes	No
33.	Do you get all types of co-operation from the directors in implementing AML measures?	Yes	No
34.	Is the AML compliance program approved by the Bank's board or a senior committee?	Yes	No

Endnotes

[1] Sterile investment means investments that do not generate additional productivity for the broader economy. Real estate, art, antiques, jewelry, and high-value consumption assets such as luxury automobiles are examples of such investment.
[2] The purpose of BIS is to promote "cooperation among central banks and other agencies in pursuit of monetary and financial stability,"
[3] "Prevention of the Criminal Use of the Banking System for the Purpose of Money Laundering", 1988
"Customer Due Diligence for Banks", 2001
"Sound Practices for the Management and Supervision of Operational Risk ", 2003;
Shell banks and booking offices ", 2003;
[4] BIS, *Customer Due Diligence for Banks*, Basel Committee Publication No. 85 (October 2001).
[5] Act No. 8 of 2009. (The Prevention of Money Laundering Act 2002, as amended by The Prevention of Money Laundering (Amendment) Act 2003 / Ordinance 2008
[6] Has retrospectively come into force since 15 April 2008.

[7]Noted in *"Anti-Money Laundering/Combating Terrorist Financing Standard*", available in http://www.estandardsforum.org/bangladesh/standards.

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