



## Customer Due Diligence

We have often asked ourselves while trying to conduct various types of business activities, why do financial institutions require so much personal information? Generally, there are multiple forms to be completed when opening: a bank account, brokerage account, mutual fund account, credit union account, or when obtaining life or car insurance. Financial institutions, particularly those operating within the securities market of Trinidad and Tobago, are required, by law, to comply with laws and regulations related to **Customer Due Diligence** (“CDD”).

**What is CDD?** - This is the process of gathering the facts about a customer to verify their true identity. This information enables a financial institution to assess the extent to which the customer exposes it to a range of risk factors. This is why financial institutions seek to obtain a customer's name, photograph on an official document (e.g. national identification card) and home address through a recent utility bill. The practices involved in CDD can also be referred to as **Know Your Customer** (“KYC”) practices.

The policies that financial institutions have in place for CDD and KYC are the cornerstones of an effective Anti-Money Laundering and Combatting the Financing of Terrorism (“AML/CFT”) programme. CDD allows for the performance of background checks on customers, ensuring proper risk assessment before they are onboarded by the financial institution. Assessing risks associated with customers and applying a risk-based approach, are critical to the effective management of AML/CFT risk. The Registrants of the TTSEC must identify, assess, and understand the Money Laundering (“ML”) and Terrorist Financing (“TF”) risks related to the financial institution, and take the necessary actions to mitigate these risks.

As seen in **Diagram 1** below, Registrants are required to undertake CDD measures, including identifying and verifying the identity of their customers, when:

- Establishing business relations or carrying out occasional transactions (inclusive of wire transfers);
- There is suspicion of money laundering or terrorist financing; or
- The financial institution has doubts about the veracity or adequacy of previously obtained customer identification data.

According to the Financial Action Task Force (“FATF”), the CDD measures to be taken are as follows:

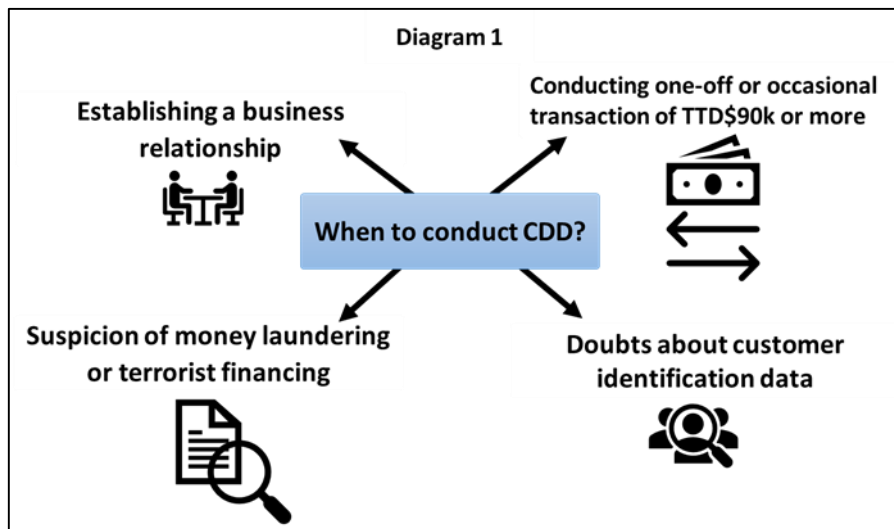
(a) Identifying the customer and verifying the customer’s identity using reliable, independent source documents, data or information;

(b) Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner, such that the financial institution is satisfied that it knows who is the beneficial owner. For legal persons and arrangements this should include financial institutions’

understanding of the ownership and control structure of the customer. Legal persons are any entities, other than natural persons, that can establish a permanent customer relationship with a financial institution or otherwise own property;

(c) Understanding and, where appropriate, obtaining information on the purpose and intended nature of the business relationship;

(d) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.



Section 15(1) of the Financial Obligation Regulations (“FORs”) state the following must be obtained when initiating a business relationship or transaction with an applicant:

- Full name of the applicant(s);
- Permanent address and proof thereof;
- Date and place of birth;
- Nationality;
- Place of business/occupation where applicable;
- Occupational income where applicable;
- Signature;
- Purpose and intended nature of the proposed business relationship or transaction and source of funds; and
- Any other information deemed appropriate by the financial institution or listed business.

Further, sections 15 (2) to (5) of the FORs state that a valid passport, national identification card or driver's licence shall be proof of identification and shall also be obtained and examined by the financial institution or listed business. Where the business relationship involves a foreign customer, a reference will be required from the foreign customer's bank. Where original documents are not available, copies will only be acceptable when they are certified by identification. Financial institutions or listed businesses are required to put special customer due diligence policies in place to address the specific concerns associated with non-face-to-face business relationships or transactions.

In addition, sections 16(2) and 16 (3) of the FORs require a financial institution when establishing a business relationship with a corporate customer to request the following documents:

- The Certificate of Incorporation or Certificate of Continuance;
- The Articles of Incorporation;
- A copy of the By-laws, where applicable;
- Management accounts for the last three years for self-employed persons and businesses which have been in operation for more than three years or, three-year estimates of income for self-employed persons and businesses which have been in operation for less than three years; and
- Information on the identity of shareholders holding more than ten per centum of the paid-up share capital of the company.

In the event that an applicant for business cannot satisfy these requirements, the financial institution may request other forms of proof of the source of funds, to be used for the transaction.

**Who keeps these records and what records are kept?** - All financial institutions operating in the securities market of Trinidad and Tobago must retain records of the following:

- All domestic and international transactions;
- Identification data obtained through the Customer Due Diligence process;
- Account files and business correspondence; and
- The results of any analysis undertaken related to an account or transaction, in electronic or in written form, for a period of six years to enable the financial institution or listed business to comply with lawful requests for information from auditors, other competent authorities and law enforcement authorities that request these.

For more information on the TTSEC's approach to AML/CFT in the local capital market, you can visit the TTSEC's website at [www.ttsec.org.tt](http://www.ttsec.org.tt).

**END**

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