



Bank Melli Iran

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**Customer Acceptance Policy (CAP)**

**&**

**Customer Identification Policy (CIP)**

Experts and Inspectors Group

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## Customer Acceptance Policy (CAP) and Customer Identification Policy (CIP)

### **Introduction**

Credit institutions sometimes face various and complicated processes in implementing the risk management process and the banking activities which are at special importance. Customer Identification (CI) has a special status in Risk Management process; in other word, CI is the trigger point of any banking activity and one of entrance sources of the banking risks. Lack of sufficient care in CI can expose credit institutions to some risks, such as, ML, financing illegal activities specially TF, legal, and reputation.

BMI CAP & CIP statement that is adopted from CI platform is under development, in such a way that all statements, circulars, and banking systems are modeling and implementing based on this platform and as a result, the identification and assessment of customers are performed based on a unique system and standard.

In the other hand, this statement is indicative of BMI principles, beliefs, and goals related to CAP & CIP as the main assets of the bank that made by people.

### **CIP Purposes in Bank Melli Iran**

- Preventing criminals from accessing the banking network for ML & TF purposes and any criminal activity.
- Understanding the nature of the customer's activity and ensuring the legitimacy of the resources before entering the banking network



- Complying with the requirements that are stipulated in laws and regulations in order to identify high-risk customers and suspicious transactions and report them legal authorities

## **CIP Measures**

BMI, in line with AML and CFT programs and complying with CI national requirements and regulations, as well as, the last CI international standards that are obliged for providing customer services, takes into consideration the following basic measures:

۱. Customer Acceptance Policy (CAP)
۲. Risk Management
۳. Customer Identification Policy (CIP)
۴. Continuous monitoring of high-risk accounts

BMI, while observing the CI requirements that are stipulated in the new AML regulations, has implemented the needed systems and collected instructions based on the mentioned rules and regulations and communicated them to the branches.

## **Customer Acceptance Policy (CAP)**

۱. CI is required before providing banking services and if it is not possible, providing banking services is prohibited and is considered as a violation.
۲. Providing banking services to a person who does not have a legal identity or a person whose identity has been revoked by the relevant authorities due to death or otherwise is prohibited.
۳. If a legal representative (agent, will executor, legal guardian, natural guardian, legal custody, etc.) is applies for banking services, in addition to the original, he/she will be fully identified and valid official legal



representative documents (such as a power of attorney prepared in the notary public offices and the rulings of the judicial authorities on guardianship and executorship) are obtained.

۴. If the bank is not able to identify an existing customer based on the latest customer risk classification, the customer relationship will be stopped.
۵. In order to document and verify the customers' information, the accuracy and authenticity of the obtained information and documents will be inquired with the relevant and independent authorities and such inquiries will be recorded and maintained.
۶. If there is any ambiguity about the authenticity or accuracy of the identification documents provided by the customers (natural, legal), such an ambiguity should be removed by investigating the databases or inquiring with the relevant legal authorities and providing banking services must be stopped until the ambiguity is resolved.

### Customer Identification (CI)

۱. Providing any banking services is subject to full identification of the natural and legal customer (Iranian, alien) and based on valid identity and residence documents and their verification by independent and reliable sources.
۲. In order to carry out CI process, the customers' business relationship risk is classified based on AML & CFT rules & regulations, and the appropriate identification procedures are implemented at three levels: simple, common, and enhanced.
۳. **Simple identification:** when the risk of business relationship is assessed as low.
۴. **Common identification:** when the customers' business relationship is exposed to risks, such as: basic services, account



opening, non-basic services above the prescribed threshold, international electronic transfers, changes in a customer's status and information, suspicion of AML & CFT.

The following measures are necessary in common identification:

- ٤,١. CI should only be done using reliable and independent sources and obtaining valid documents.
- ٤,٢. Beneficial ownership Identification should be done based on the reliable information and documents.
- ٤,٣. The nature, purpose and extent of the customers' activity during the work interaction should be specified.
- ٤,٤. In order to control the level of the customer's activity, continuous CI should be implemented and the customers' information should be updated.
- ٤,٥. Information on business relationship risk assessment should be collected and maintained.
- ٤,٦. In case of common identification of natural and legal persons (Iranian, alien) three categories of general information: identity, economic and beneficial ownership must be obtained.
- ٤,٧. In order to gather and update all the customers' identity, residence and functional information, the customers' profile should be created in the shortest possible time.
- ٤,٨. The information obtained from the customer or the legal representative (if any) should be registered and maintained in the customer profile.
- ٤,٩. The possibility of changing the customer profile is determined only by senior managers and qualified staff.



- . **Enhanced identification:** In cases the risk of business interactions with the customer is assessed as high, enhanced identification procedures and measures are performed, such as: providing services to high-risk natural and legal persons, providing basic services to PEPs, unusual transactions which has no specific economic or legal purpose, providing services to the persons related to the watch list announced by FIU.
- ٦. CI is implemented with a risk-based approach, so that the information on high-risk customers is obtained on a large scale and updated in a shorter period of time, and if it is not possible to assess the customer's risk, the service will be stopped.
- ٧. CI process is not outsourced to third parties.
- ٨. Customer identification is a continuous and purposeful monitoring in such a way that the level of information obtained from the customer is determined, maintained and updated in proportion to the customer's risk.

### **Continuous Monitoring of High-Risk Accounts**

- ١. In case of providing false information by a customer, it will be reported to FIU.
- ٢. If the financial behavior of a customer is changed and/or the customers' behavior is distinguished inconsistent with the expected level of activity, the customer's status is investigated.
- ٣. The following commitments are taken from the customer when providing banking services:
  - Not to allow other persons to use the opened account or basic services
  - Complying with AML & CFT rules and regulations and not to use the provided services for committing ML & TF



- To notify any changes in the status of expressed information to the bank as soon as possible with sufficient documentation

It should be noted that if a customer does not accept or neglect the commitments, the service will be stopped.

- ξ. For providing electronic banking services, the customer or the legal representative should initially attend the bank and the full CI process should be implemented at the beginning of the business relationship.

### **Risk Management**

١. Providing remote basic services to the customers is prohibited.
٢. Providing services to wards is subject to the complying with AML & CFT rules and regulations and related risks.
٣. Providing any services to sanctioned domestic, foreign and politically exposed persons is prohibited.
- ξ. All effective CI standards and regulations which are required for internal units must also be complied with in foreign units.
- ο. Establishing any correspondent banking relationship with or providing services to shell banks is prohibited.
٦. Establishing business relationships with high-risk customers, after assessing the customer's risk, is subject to obtaining permission from the highest responsible official in the bank.

### **Concluding Remark**

BMI staff adheres to the principles of professional ethics in the process of identifying customers, and in this regard, they are required to comply with all binding laws and regulations communicated by CBI.