

The Importance of Customer Due Diligence discussed at the Domestic Financial Institutions Conference in Barbados

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The Domestic Financial Institutions Conference (DFIC) was jointly hosted by the Central Bank of Barbados and the Financial Services Commission (FSC) in August 2020. Regulators and representatives from the financial sector discussed the topic "Customer Due Diligence, Reporting Obligations & Monitoring."

Opening discussions by the panel focused on the need for financial institutions (FIs) to comply with international Anti-Money-Laundering and Combatting the Financing of Terrorism (AML/CFT) requirements. The panel clarified that the fulfillment of these requirements is the main rationale behind customers having to submit a checklist of documents that include ID, proof of address, and source of funds such as job letters.

Noting the findings of the National Risk Assessment (NRA) for Barbados, Cyralene Benskin-Murray, General Counsel at the FSC stated that the country is particularly vulnerable to fraud and it posed a significant threat in terms of crime. In her contributions, Ms. Cyralene Benskin-Murray noted that FIs utilize the information requested from customers as part of the due diligence process to fight money laundering (ML) and terrorist financing (TF). She noted furthermore, the information facilitates monitoring, reporting purposes and developing customer profiles that help establish a pattern for incoming and outgoing funds, which greatly assist FIs to protect its customers from financial crimes.

Using an example of fraudulent online activities to transfer money from one account to another, the General Counsel revealed that such activities have occurred before and highlights the need for ongoing due diligence. Noting that the attempted transaction was prevented because the FI flagged the transaction as unusual for the customer being targeted, FIs were urged not to treat requests for information as repetitious. She added, "you are not required to produce information for just producing it sake. It is not about collecting information. The ultimate goal is to prevent money laundering and terrorist financing. The goal is to also make sure that predicate offenses, which are like fraud, corruption, and drugs, that the proceeds for those crimes do not find their way into our system."

One recommendation put forward in the sessions to address the need for the increased use of due diligence measures is the application of more risk-based assessment principles such as Know Your Own Customer (KYOC). However, General Counsel Benskin-Murray warned that FIs should be mindful to protect financial inclusion. General Counsel Benskin-Murray went on further to say that "increasing the convenience to customers first, through financial education and communication" assist customers to understand and helps FIs in the long run. She further noted that voluntary compliance with the measures is encouraged when customers understand the reasons for the process and adequate training of frontline staff in FIs will greatly assist in streamlining this process based on the risk profile of the customer.