

**Small and Medium Enterprises Development Bank Limited**

**Anti-Money Laundering &  
Combating the Financing of Terrorism  
Supervision Manual**



**Policy Owner:**

Small and Medium Enterprises Development Bank Limited

**Contact Person:**

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Compliance Department

**Effective Date:**

2<sup>nd</sup> June, 2020

**Date to Review:**

2<sup>nd</sup> June, 2021

**Related Laws and Guidelines**

- Anti-Money Laundering Law (2014, Pyidaungsu Hluttaw Law No. 11)
- Anti-Money Laundering Rules (Ministry of Home Affairs Notification No. 1202/2015)
- Anti-Money Laundering Law Order (President's Office Order No. 45/2019)

**Relative Internal Policies**

- Anti-Money Laundering and Combating the Financing of Terrorism Policy (DOC-2019-08 Rev: 1.1)
- Customer Due Diligence Policy (DOC-2019-04 Rev :1.0)
- Anti-Money Laundering and Combating the Financing of Terrorism Strategic Plan (DOC-2019-05 Rev: 1.0)

## Objective

1. To prevent SME-Development Bank's banking system from being misused for money laundering and to comply with AML/CFT laws; Rules and regulations; Guidelines of the Central Bank of Myanmar; Recommendations of the Financial Action Task Force (FATF); In accordance with the Bank's policies, This Supervision Manual is issued to monitor compliance with branches. On-Site Inspection Teams, Internal Audit Department, Risk Management Department and Compliance Department are required to inspect the branches in accordance with the procedures set out in this Supervision Manual.

## Key points to monitor compliance

2. The following key points are to be monitored:
  - a. Know Your Customer and Customer Due Diligence;
  - b. Record retention;
  - c. Monitoring and screening accounts/ transfers;
  - d. Reporting activities;
    - i. Threshold transaction report (TTR);
    - ii. Unusual or suspicious transaction report (STR);
  - e. Appointing compliance officers;
  - f. Implementation AML/CFT Policy and Procedures in the Department;
  - g. Providing AML/CFT training to employees;

## Checking on Know Your Customer and Customer Due Diligence

3. Branches must verify that the following customer information is available to the Bank at the time of opening the account regarding the provision of banking services to the customer.
  - a. **Individual**
    - i. Getting information –
      - aa. Full Name (Another Name)
      - bb. NRC Number / Passport Number
      - cc. Permanent address and mailing address
      - dd. Citizen

- ee. Occupation
- ff. Mobile number
- ii. Examination of original credentials –
  - aa. Each branch needs to verify the information of the customer by verifying the originals of the NRC card / passport of the customer.
  - bb. The bank records whether the contact information is recorded by recording all the information on the NRC card or passport as required.
- iii. **Joint Account:** In the case of joint opening of accounts by two or three persons, the evidence of the joint account holders is also obtained and verified.

#### **b. Business/ Corporate**

- i. **General:** Branches, with the exception of publicly listed companies, need to verify whether the branch has obtained the legal status of the company before providing banking services, as it is required to scrutinize the company or business owners.
- ii. Document screening
  - aa. Branches are required to obtain the following documents for companies established and registered in Myanmar;
    - Company registration certificate/ number;
    - Registration certificate for establishment of business organizations;
    - Samples of certificates of those authorized to open the company account; Decisions and signatures of the Board of Directors;
- iii. Change of ownership: Branches record whether or not all changes in assets are significant or significant changes with a change in ownership of a company or business;

#### **c. Non-Governmental Organizations (NGOs) and Non-Profit Organizations (NPOs)**

- i. In opening accounts for NGOs and NPOs, whether the branch has obtained the following documents before opening the accounts;
  - aa. Proof of organization (Certified true copy signed by the chairman or secretary);

- bb. Organization registration certificate issued by the relevant ministry (Certified true copy signed by the chairman or secretary);
- cc. Excerpt from the decision of the Executive Board or meeting minutes regarding the authorization to open the accounts;
- ii. **Verification of signature samples:** The branch will take samples of the customer under the above guidelines and verify, If more than one person is authorized to sign, verify that both copies of the signatures are verified and, if there is a change in the person authorized to sign, whether all of their signatures are obtained.
- d. **Customer who visit the branch occasionally:** Although the bank does not have an account, it is necessary to provide a copy of the information of the customer/ walk-in customer who accidentally came in to request banking services; whether the details are recorded by the branch;

### **Monitor account transfers and verify customer information again**

- 4. Branch should monitor the transfer of accounts when conducting banking and banking services and, if there is any doubt as to the following: Check the customer information and the information of the account holder:
  - a. If in doubt about the accuracy of the customer information;
  - b. If the customer is in doubt as to whether or not the account holder
  - c. What if the intermediary's statements about the account holder are suspicious?
  - d. If the accounts receivable and disbursed are not in accordance with the regular transaction / withdrawal of the contact;

### **By wire or electronic method Remittance**

- 5. By wire; SWIFT When transferring money, make sure that the following is done:
  - a. Whether the financial institutions follow the procedures for obtaining and verifying the customer information when opening a bank account;
  - b. Branch may or may not have to obtain the information on both the sender and the sender when handling remittances.
  - c. In addition, threshold transaction amount and above specified by Central Control Board (CCB); Whether unusual or suspicious transaction, not exceeding the threshold amount are reported to CCB;

**Record retention**

6. All branches are required to comply with the requirement that all documents related to the Bank's financial performance be kept for at least SEVEN years. (DOC-2020-08 Rev :1.0 – SMEDB Record Retention and Shredding Policy)
7. The following documents related to financial transactions must be verified
  - a. Documents obtained when opening/ closing an account;
  - b. Documents obtained when transaction;
  - c. Documents obtained for Safe deposit box;
  - d. Documents obtained when transferring money by wire or electronically;
  - e. Documents obtained for remittance between Myanmar and a foreign country;
  - f. Documents obtained when applying for a loan;
  - g. Relevant evidence records related to the bank and Customer;

**Responsibility for reporting**

8. Branches must verify that their customer and their financial services (deposit, withdrawal, transfer) provide timely reporting of the following:
  - a. Threshold and above deposit; withdraw; Transfer (TTR)
  - b. Abnormal or suspicious transfer (STRs)
9. MFIU Reporting software submission must be checked for compliance when reporting suspicious transactions to the Central Control Board.

**Establish a Compliance Department/ Unit and appoint Compliance Officers**

10. Each branch must have an AML Compliance Department/ Unit, which will appoint a senior official with experience in that Department/ Unit, and establish a Compliance Team in each department and branch, with the Bank Manager in charge of overseeing compliance with the Compliance Officer.

**Internal Anti-money laundering program**

11. Depending on the nature of the business, each branch has its own, an effective anti-money laundering plan should be in place and guidelines should be developed to combat money laundering.
  - a. Know Your Customer (KYC) Program: The KYC program is central to a branch's money laundering control system. The branch provides its employees with the opportunity to better implement and better understand their branch KYC program;

We have to train. The KYC program requires not only complete access to the information of the customer, but also a good understanding of the banking activities according to the type of business activity of the customer.

- b. Internal Reporting: Each branch must have an in-house reporting system to report STRs and investigate the customer. Bank employees also need to be trained to better understand and operate their internal banking system.

### **Monitoring Anti-money laundering programs**

12. The Compliance Department needs to regularly check the money laundering control system.

### **Providing training**

13. Branches are a major target for money laundering, so it is important to provide training to increase the skills of our employees at all levels of the bank to identify money laundering practices. Establish training programs appropriate to the operation depending on nature of each branch. To do so, it is important to review and encourage regular training programs for staff at various levels, including management:
  - a. BOD members and top management of the Bank;
  - b. Managers and compliance officers;
  - c. Frontline employees of the bank
  - d. Employees dealing with new customer
  - e. New employees
  - f. Innovative courses

### **Report Submission**

14. The head of the supervisory team will prepare and report on the AML/CFT compliance with each of the branches after inspection. The report must clearly state the weak points for each branch to comply with.
15. The supervisory team need to send the supervision instruction letter to the relevant branches to correct them as soon as possible, stating the shortcomings of each branch; In case of non-compliance, the law; under the provisions of the regulations will be enforced must be informed. Written Commitment must be reported that the corrective action of these branches has been taken.

### **Review**

16. The supervisory team shall be reviewed and submitted the compliance with written commitment quarterly and annually to the Chief Executive Officer.