

## Customer Due Diligence for Anti-Money Laundering and Combating Finance of Terrorism

On 13<sup>th</sup> November 2019, the Microfinance Supervisory Committee of the Ministry of Planning and Finance issued its Directive No. 2/2019 on Customer Due Diligence for Anti-Money Laundering and Combatting Financing of Terrorism (“**Directive**”) for microfinance institutions (“**MFIs**”) operating in Myanmar to comply.

The MFIs are required to conduct customer due diligence (“**CDD**”) and they are prohibited from providing services to, obtain services from, communicate or transact with suspicious customers who are unidentifiable. MFIs are also required to carry out ongoing CDD in every business relationship for verifying their transactions and source of funds and determining if the transactions are consistent with the customer’s knowledge and business activities.

The key regulatory measures and methods of risk assessment for the MFIs to comply include:-

- (1) identifying, evaluating and understanding the risks of money laundering and terrorist financing;
- (2) maintaining up-to-date written records of all risk assessments undertaken;
- (3) conducting CDD on both existing and new financing accounts and customers in accordance with the Anti-Money Laundering Law 2014 (“**AML**”);
- (4) taking extra care/caution on unusual transactions that are large and complex and transactions with unclear commercial or legal purposes;
- (5) specifically regulating customers or beneficial owners who are deemed to be domestic or foreign politically exposed persons and/or internationally politically exposed persons as defined under the AML;
- (6) reporting any suspected activity to the Financial Intelligence Unit established under the AML; and
- (7) keep information and records relevant to all financial transactions specified under the Directive and making them readily available for the relevant authorities to examine.

The Directive describes the level of risks related to money laundering and terrorist financing as a result of the risk assessment and outlines appropriate measures to resist them.

- (1) If the level of risk is high, enhanced CDD is required to be conducted under the following circumstances:-
  - (i) before establishing a relationship with or accepting a new customer, carrying out a transaction for a customer, or providing microfinance services;
  - (ii) before carrying out one or several transactions for customers who have no established relationship with the MFI, if the transaction is equal to or above threshold amount as defined by the Central Body established under the AML;

(iii) before carrying out a domestic and international wire transfer or an electronic wire transfer for a customer;

(iv) when there is any doubt on correctness or adequacy of customer identification data obtained previously; and

(v) when there is any suspicion that the transaction is linked to money laundering or terrorist financing.

(2) If the level of risk is low, a simple CDD is required to be conducted. However, an enhanced CDD should be conducted if the value of the transaction, though initially unknown, subsequently exceeds the threshold set by the Central Body established under the AML.



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