CENTRAL BANK of BELIZE

Simplified Customer Due Diligence (CDD) Guidance Notes

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SIMPLIFIED CUSTOMER DUE DILIGENCE (CDD) GUIDANCE NOTES

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ABBREVIATIONS AND ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AML/CFT Guidelines	Central Bank of Belize's Anti-Money Laundering and Combating the Financing of Terrorism Guidelines
Central Bank	Central Bank of Belize
CDD	Customer Due Diligence
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
ML/TF	Money laundering and terrorist financing
MLTPA	Money Laundering and Terrorism (Prevention) Act
NFIS	National Financial Inclusion Strategy
Simplified CDD	Simplified Customer Due Diligence
STR	Suspicious Transaction Report

1. INTRODUCTION

The Central Bank of Belize (Central Bank) is issuing the Simplified Customer Due Diligence Guidance Notes (Simplified CDD Guidance) to guide banks, credit unions, payment service providers (including remittance service providers and e-wallets), and moneylenders including pawnbrokers (regulated institutions) in accordance with section 21(2)(b) of the Money Laundering and Terrorism (Prevention) Act (MLTPA).

This guidance, in accordance with section 15 (3)(e) of the MLTPA, provides for due diligence measures to be performed on a risk-sensitive basis. It identifies different measures that regulated institutions are to apply when considering adopting a simplified customer due diligence (simplified CDD) regime for potential customers who pose a low ML/TF risk to the financial sector. These measures include, but are not limited to, simplified CDD, suspicious transaction reporting and record-keeping processes.

Furthermore, the Central Bank, having recognized that access to basic banking and other financial services is necessary to achieve Belize's National Financial Inclusion Strategy (NFIS) Vision, has taken steps to ensure that underserved individuals[1] in Belize can access a broad range of formal financial services despite the lack of standard documentation. Enabling unserved and underserved groups of people to use regulated and supervised channels support improved consumer protection and deter fraud, financial abuse, and other money laundering and terrorist financing (ML/TF) risks. One such step is the development of this Guidance.

It should be noted that failure to comply with the obligations of this Guidance may result in sanctions under section 22 of the MLTPA.

2. BACKGROUND

The Financial Action Task Force (FATF) acknowledges that identifying and verifying the identity of potential customers are two of the main challenges regulated institutions face when seeking to on-board previously unserved or underserved persons. This creates an obstacle to conduct the required level of due diligence, thus, are generally the most significant barriers preventing persons from accessing financial services. Allowing for simplified CDD measures will therefore contribute to the common objectives to implement a risk-based approach and foster financial inclusion.

3. PURPOSE

The purpose of this Guidance is to assist banks, credit unions, payment service providers (including remittance and e-wallet service providers) and moneylenders in understanding the measures that must exist to enable individuals, especially low-income, unserved, and underserved groups, to access products and services offered by regulated entities.

[1] Underserved individuals include women, lower-income populations, rural populations, and those engaged in agriculture.

4. SCOPE

This Guidance provides for the CDD measures to be applied on a risk-sensitive basis in accordance with the Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) legal framework. It incorporates both the mandatory and minimum requirements, and international best practices which are enforceable in accordance with section 21(2)(b) of the MLTPA. This Guidance should also be read in conjunction with the AML/CFT Guidelines issued by the Central Bank.

5. OBJECTIVE

This Guidance documents the requirements regulated institutions must apply when implementing simplified CDD measures for onboarding customers who pose a low risk of ML/TF. It also offers a tiered approach to support Belize's NFIS Vision by placing limits on Lower-Value (Tier 1) and Low-Value (Tier 2) business relationships or business transactions[2].

6. RISK-BASED APPROACH

A risk-based approach to AML/CFT is essential for the implementation of an effective AML/CFT risk management framework which supports financial inclusion objectives.

FATF Recommendation 1 provides for regulated institutions to maximize the use of limited resources by applying enhanced measures to manage higher risks and simplified measures to manage low risks. FATF recognizes that a risk-based approach may foster financial inclusion, especially in the case of low-income individuals who experience difficulties in accessing the regulated financial system. For this reason, it is important that when applying a risk-based approach, regulated institutions' CDD policy is not so restrictive to unreasonably deny access to financial service. This is especially the case for socially and financially disadvantaged persons who cannot reasonably produce standard identification documents.

To fulfil this requirement, regulated institutions must conduct and document a risk assessment and the risk-based approach for their AML/CFT programmes. This approach requires an assessment of the risks posed by the nature of the relationship and the implementation of appropriate mitigation measures. The assessment must include risk factors such as customer base, products and services, delivery channel, and geographic locations.

Simplified CDD measures can only be applied for products and services that, based on a risk assessment, have been determined to be low risk.

[2] Business relationship or business transaction means any arrangement including opening an account between two or more persons where the purpose of the arrangement is to facilitate a transaction between the persons concerned and includes any related transactions between any of the persons concerned and another person.

Transaction includes opening an account, any deposit withdrawal, exchange or transfer of funds in any currency whether in cash or by cheque, payment order or other instrument or by electronic or other non-physical means and any payment made or received in satisfaction, in whole or in part, of any contractual or other legal obligation.

i. When to Conduct a Risk Assessment?

In accordance with section 15(3B) (a) of the MLTPA, regulated institutions must conduct a risk assessment of potential customers at on-boarding to determine the level of ML/TF risk the business relationship will involve.

Regulated institutions must also conduct a risk assessment prior to the launch of new products, new business practices or the use of new or developing technologies, as required by FATF Recommendation 15. This ensures that effective mechanisms are in place to manage and mitigate the risks identified.

ii. What to Consider when Assessing Risk?

At account opening and on an ongoing basis, regulated institutions must assess the risk that any business relationship or occasional transaction involves or will involve ML/TF depending upon the type of customer, geographic location, product, service, transaction, or delivery channel. Where the cumulative risks are low, simplified CDD may be applied.

a. Type of Customer

Regulated institutions must consider the type of customer, which for the purpose of this Guidance is a natural person. Examples of potential low risk situations when assessing the customer include, but are not limited to:

- Customer is a resident of Belize; and
- Customer is a low-income earner.

Regulated institutions must take into consideration that being financially excluded does not automatically equate to low ML/TF risks, rather it is one factor in a holistic assessment. Consequently, regulated institutions are not to apply simplified CDD measures solely on the basis that the customer is financially excluded.

b. Geographic Location

The next factor to consider is the geographic location. Examples of potential low risk situations when assessing the geographic location include, but are not limited to:

- Customer is from an area of Belize not known to be a high-risk area for ML/TF;
- Customer is from a country identified by credible sources, such as mutual evaluations or detailed assessment reports, as having effective AML/CFT systems;
- Customer is from a country identified by credible sources as having a low level of corruption or other criminal activity;
- Customer conducts business with a country identified by credible sources, such as mutual evaluations or detailed assessment reports, as having effective AML/CFT systems; and
- Customer conducts business with a country identified by credible sources as having a low level of corruption or other criminal activity.

c. Product, Service, Transaction and Delivery Channel

The next category of risk factors to consider is the product, service, transaction, and delivery channel. Low risk is to be defined in terms of transaction value and is to consider characteristics of the product and the channels through which it is available. Examples of potential low risk situations when assessing this category include, but are not limited to:

- Customer requires access to limited services (e.g., basic transaction, payments, and balance);
- Financial products or services with appropriately defined thresholds and limited to certain types of customers based on value, method of funding, geographical limits, usage limits, segmentation of services;
- Face-to-face business relationships or transactions; and
- Use of agents with adequate AML safeguards (e.g., ongoing training on the relevant ML/TF risks and mitigating controls, and reporting of unusual or suspicious transaction).

Regulated institutions must always be able to demonstrate to the Central Bank that appropriate information was obtained to carry out the risk assessment, and that the implemented CDD measures and monitoring are appropriate to the ML/TF risks identified.

7. SIMPLIFIED CUSTOMER DUE DILIGENCE

This Guidance allows regulated institutions to apply reduced or simplified CDD measures provided that regulated institutions are satisfied that the customer is of such a risk level that qualifies for this treatment.

i. What is Simplified Customer Due Diligence?

Simplified customer due diligence does not imply an exemption from CDD measures. Instead, simplified CDD refers to a set of basic and minimal measures which must be in place when establishing a business relationship or carrying out an occasional transaction. This is only appropriate where there is little opportunity or risk of ML/TF.

ii. When to Identify a Customer?

Under section 15 of the MLTPA, regulated institutions must perform CDD to identify their customers and ascertain pertinent information as required to conduct financial business.

iii. How to Identify a Customer?

Identifying a customer entails gathering identity information on the proposed customer. While the identification document is not always required, regulated institutions are required to record and maintain the information gathered, in accordance with section 16 of the MLTPA.

For financial inclusion purposes, the basic information required to identify a natural person includes:

- The full legal name of the customer;

- Date of birth;
- Residential address;
- Nationality; and
- Source of funds, where necessary.

iv. When to Verify a Customer's Identity?

For simplified CDD, regulated institutions are required to verify a customer's identity including residential address when the account activity or transaction is outside of the established threshold.

v. How to Verify a Customer's Identity?

The verification of a customer's identity requires checking reliable, independent source documents, data or information that confirm the veracity of the identity information that was obtained during the identification process. Identification information or documentation must be collected in accordance with the policies of the regulated institution and be stored in a manner that assures confidentiality.

For financial inclusion, regulated institutions that offer products or services that require identity verification of a natural person must obtain one of the following identity documents, where standard identification documents, namely, passport and Belize Social Security Card are not available:

- Belize Driver's License;
- Belize Voter's Identification Card;
- Armed Forces Identification Card; or
- Any other government-issued photo-bearing identification with a unique identifier.

Regulated institutions must also consider other non-documentary verification procedures that can provide satisfactory evidence of a customer's identity. Examples of non-documentary verification procedures include, but are not limited to:

- Utilizing an independent information verification process, such as accessing public registers, private databases, or other reliable independent sources;
- Checking references provided by other regulated institutions; or
- Contacting the customer by telephone or by letter after an account has been opened to confirm the information supplied.

vi. Who Qualifies for Simplified Customer Due Diligence?

Regulated institutions are allowed to adopt a simplified CDD regime within its AML/CFT Compliance Program. At a minimum, regulated institutions are required to:

- Conduct and document a risk assessment of the new product or service including details of the vulnerabilities identified and risk mitigating measures;
- Update the risk assessment on an ongoing basis; and
- Document the policy and procedures on the simplified CDD measures to be implemented.

The simplified CDD regime implemented by regulated institutions must incorporate the characteristics of Tier 1 and/or Tier 2 business relationship or business transaction set out in **Annex I.**

vii. Characteristics of Lower-Value (Tier 1) and Low-Value (Tier 2) Business Relationships and Business Transactions

Tier 1 and Tier 2 business relationships and business transactions incorporate restrictions and thresholds to lower the ML/TF risks. Regulated institutions must incorporate additional restrictions on the use of an account or transaction to ensure that the risk remains low and qualifies for simplified CDD. This is to be based on the risk assessment conducted.

Examples of simplified CDD measures that may be applied where the cumulative ML/TF risks are low include, but are not limited to:

- Postponing the verification of the identification information;
- Reducing the frequency of customer identification updates;
- Reducing the degree of ongoing monitoring and scrutinising transactions, based on a reasonable limit; and
- Reducing the requirement to collect specific information or carry out specific measures to understand the purpose, intended nature of the business relationship, and source of funds.

a. Lower-Value – Tier 1

Tier 1 business relationships and transactions are to be offered to underserved Belizean adults, who are traditionally excluded from the formal financial system due to the lack of identification documents.

Tier 1 business relationships and transactions:

- Are offered to natural persons only, that are Belizean nationals or residents;
- Limited to one business relationship per person;
- Allow maximum monthly cumulative transaction of BZ$1,400;
- Allow maximum frequency and value of daily and weekly transaction threshold to be established by the regulated institution;
- Require basic customer information to open account. This includes the customer’s full legal name, date of birth, residential address, and source of funds, where necessary;
- Are limited to activity within Belize only;
- Provide for accounts to be opened at regulated institutions, agents, or via electronic platforms;
- Provide for customer information required at account opening to be submitted electronically or in person to regulated institutions or agents;
- Provide for evidence of customer identification to be recorded and maintained in electronic form; and
- Are subject to transaction monitoring by regulated institutions.

b. Low-Value – Tier 2

Tier 2 business relationships and transactions are offered to natural persons who possess only basic identification documents and who are traditionally excluded from the formal financial system due to lack of identification documents.

Tier 2 business relationships and transactions:

- Are offered to natural persons only;
- Are limited to one business relationship per person;
- Allow maximum monthly cumulative deposits of BZ$2,500;
- Allow maximum frequency and value of daily and weekly transaction threshold to be established by the regulated institution;
- Require complete customer identity information to open account. This includes basic customer information required at Tier 1, along with anticipated account activity, occupation, and name of employer or information on the trade/activity where the customer is self-employed;
- Require verification of customer identity at account opening. This must be satisfied by obtaining any of the above-mentioned identity documents to confirm at a minimum, the customer's full name, and date of birth;
- Limit transactions to domestic only;
- Provide for account to be opened at regulated institutions, agents, or via an electronic platform;
- Provide for customer information required at account opening to be submitted electronically or in person to regulated financial institutions or agents;
- Allow for non-face-to-face identification procedures;
- Provide for evidence of customer identification and verification to be recorded and maintained in electronic form; and
- Are subject to monitoring by regulated institutions.

viii. When is Simplified Customer Due Diligence Not Acceptable?

Regulated institutions are prohibited from applying simplified CDD in the following instances:

- Where regulated institutions' risk assessment changes and the customer, product or service is no longer considered to have a low degree of ML/TF risks;
- Where regulated institutions suspect ML/TF;
- Where regulated institutions have doubts about the veracity or adequacy of previously obtained customer identification data;
- Where the customer carries out occasional transactions in an amount equal to or above the sum of $30,000; and
- Where the customer, geographic location, product, service, transaction, or delivery channel is high risk. This includes where the risks involved in the use of agents are not adequately mitigated.

8. ONGOING MONITORING FOR SIMPLIFIED CUSTOMER DUE DILIGENCE

Having a low ML/TF risk for identification and verification purposes does not automatically mean that the customer is deemed to have a low risk for all types of CDD measures, in particular ongoing monitoring.

Ongoing monitoring is an essential aspect of effective CDD procedures and applies to all customers to whom a regulated institution is offering any type of product or service. This process includes monitoring and scrutiny of transactions undertaken throughout the course of a business relationship to ensure that the transactions being conducted are consistent with the regulated institution's knowledge of the customer, purpose of account/transaction, their relationship and risk profile, and where necessary, the source of funds.

Monitoring is to be carried out on a continuous basis or triggered by specific transactions/account activity. Even in the case of low risk customers, monitoring is required to verify that transactions match the initial low risk profile. Where the initial low risk profile no longer applies, the process to appropriately verify or re-verify the customer's identity and risk rating should be conducted.

Examples of such trigger events that may require regulated institutions to verify or re-verify a customer's identity include, but are not limited to:

- A significant transaction or series of transactions taking place;
- A significant change occurs in the way customer operates his account or conducts his transaction; and
- The nature of the product and services requested by the customer changes.

Regulated institutions must ensure that the copies of identity documents along with other documents, data or information collected under the simplified CDD process is recorded and maintained. CDD information should be updated based on trigger events, such as the customer obtaining new product or service, or the customer has reached the transaction threshold. Regulated institutions must ensure that this does not result in an exemption from keeping CDD information up to date.

9. REPORTING OF SUSPICIOUS TRANSACTIONS

Regulated institutions must have appropriate internal monitoring systems to detect unusual and potentially suspicious transactions. Where regulated institutions suspect or have reasonable grounds to suspect that any transaction, proposed transaction, or attempted transaction is related to any proceeds of crime, including ML/TF, it shall file a suspicious transaction report (STR) to the Financial Intelligence Unit (FIU) within three days, in accordance with section 17 (4) of the MLTPA.

Regulated institutions must also have procedures in place to determine whether it is appropriate to proceed with the business relationship after the filing of an STR.

10. RECORD-KEEPING

Regulated institutions must ensure that, at a minimum, any information, documentation, or data obtained for the purpose of applying simplified CDD is recorded and maintained in accordance with section 16 of the MLTPA. This section requires records to be maintained for a period of five years from the date the relevant business or transaction was completed, or termination of business relationship or any longer period requested by the FIU.

11. SANCTIONS

Regulated institutions that fail to implement simplified CDD measures as stated in this Guidance may be sanctioned in accordance with section 22 of the MLTPA. Fines issued will be proportionate to the severity of the violation and issued in accordance with the Central Bank's policy. The asset size of the institution, and the nature, severity and duration of the violations are assessed in determining the level of administrative penalty to be imposed.

Simplified Customer Due Diligence Requirements

Description	Lower-Value (Tier 1)	Low-Value (Tier 2)
Transaction Limits	<= BZ$1,400 per month	<= BZ$2,500 per month
Customer Type	Natural Person, Belizeans only	Natural Person
CDD Requirements	Basic customer information: • Full legal name • date and place of birth • residential address • source of funds, where necessary contact details.	Complete customer information. Basic customer information along with: • anticipated account activity occupation • name of employer or information on the trade/activity where the customer is self-employed.
Verification of Customer Identity	Postponed	Government-issued photo-bearing identification
Record-Keeping Requirements	Obtain and maintain identification particulars	Obtain and maintain identification particulars
Non-Face-to-Face Processes	Allowed	Allowed
Point of Access to Products or Services	Branches and agents of regulated institutions / electronic platforms	
Geographic Reach	Domestic transactions only	

GLOSSARY OF TERMS

Any term used in this Guidance that is not defined herein carries the meaning set out in the relevant legislation. Unless otherwise stated, the following terms appearing in this Guidance are to be applied to mean:

Terms	Definitions
Business Relationship or Business Transaction	Any arrangement, including opening an account, between two or more persons where the purpose of the arrangement is to facilitate a transaction between the persons concerned and includes any related transaction between any of the persons concerned and another person. *(Section 2 of the MLTPA)*
Customer	A person or entity purchasing or using a service or commodity and includes an applicant for the services of a business and a client.
Customer Due Diligence	The care a reasonable person should take before entering into an agreement or transaction with another party. It includes not only establishing the identity of customers, but also monitoring account activity to determine those transactions that do not conform with the normal or expected transactions for that customer or type of account. *(AML/CFT Guidelines)*
Financial Inclusion	The uptake and informed usage of a range of quality financial products and services by individuals and micro, small and medium enterprises, provided in a manner that is accessible and safe to the consumer and sustainable to the provider.
Regulated Institutions	Entities in Belize that are licensed under the Domestic Banks and Financial Institutions Act, National Payment System Act, and Moneylenders (Amendment) Act, and credit unions registered under the Credit Unions Act. *(AML/CFT Guidelines)*
Occasional Transaction	Any one-off transaction including but not limited to cash, that is conducted by a person without an account or facility at regulated institutions. *(AML/CFT Guidelines)*
Source of Funds	Description of the origin and means of transfer for monies that are accepted for the account opening and/or subsequent transfers to the account. *(AML/CFT Guidelines)*