REPUBLIC OF THE MARSHALL ISLANDS
CONFIDENTIAL
C.M. 117 (2019)

FOR ACTION
Minister of Finance, Banking and Postal Services

FOR INFORMATION
All Ministers

SUBJECT: Promulgation of the Draft Anti-Money Laundering Regulations 2002, Amended.

At its meeting on May 16, 2019, the Cabinet:

1. **approved** the Promulgation of the Draft Anti-Money Laundering Regulations 2002, Amended.

Amenta Matthew
Acting President

Earlie Carter Bing
Clerk of the Cabinet

[Reference – C.P. 8168 (2019)]
Signed by the Acting President on May 16, 2019.

Anti-Money Laundering Regulations, 2002

BANKING ACT

The Banking Commissioner pursuant to Section 181 of the Banking Act, 17 MIRC, Chapter 1, as amended, hereby makes Regulations in respect to matters related to Anti-Money Laundering and Countering the Financing of Terrorism.

Section 1. Persons associated with or who control financial institutions and cash dealers.

(a) Each financial institution and cash dealer shall identify, obtain the requisite information, retain records and file with the Banking Commissioner reports regarding persons affiliated with or who own or control the financial institution and cash dealer to the extent and in the manner required by this Section 1.

(b) Definitions. For the purposes of these Regulations:

(1) Act – means the Banking Act, 17 MIRC, Chapter 1;

(2) Acting in concert – means knowing participation in a joint activity or parallel action towards a common goal of acquiring control of a financial institution or cash dealer, whether or not pursuant to an express agreement;

(3) Attorney-General – means the Attorney-General appointed pursuant to the Constitution of the Republic of the Marshall Islands;

(4) Banking Commissioner – means the Banking Commissioner appointed under the Act;

(5) Batch transfers – means a transfer comprised of a number of individual wire transfers that are being sent to the same financial institutions, but may/may not be ultimately intended for different persons;

(6) Beneficial Owner – means the natural person(s) who ultimately owns or controls ~~an entity who ultimately owns or controls an entity~~ and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. Reference to ultimate ownership or control and ultimate effective control refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control. ~~Provided, however, that the requirement to keep, retain, maintain, or produce beneficial ownership information under this section does not create an obligation on publicly traded companies or public collective investment funds or schemes to keep, retain, maintain, or produce ownership information unless such information can be obligated without giving rise to disproportionate difficulties. a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement~~;

(7) Control – means:

(Rev. 05/13/2010)
(Rev. 01/30/2014)
(Rev. __/__/2018)

(i) the power, directly or indirectly, to direct the management or policies of a financial institution or cash dealer; or

(ii) to vote 10% or more of any class of voting shares of a financial institution or cash dealer;

(8) Cross-border transfer – means any wire transfer where the originator and beneficiary institutions are located in different jurisdictions. This also refers to any chain of wire transfers that has at least one cross-border element;

(9) Domestic transfers – means any transfer where the originator and beneficiary institutions are located in the same jurisdiction. This refers to any chain of wire transfers that takes place entirely within the borders of a single jurisdiction, even though the system used to effect the wire transfer may be located in another jurisdiction;

(10) "Financial institution and cash dealer" means the financial institution and cash dealer as defined in the Act;

(11) Identify – means to ascertain the full name, address, nationality occupation/business or principal activity;

(12) Institution affiliated party – means any director, officer, employee or person who:

(i) owns or controls a financial institution or cash dealer, or

(ii) participates in the conduct of the affairs of a financial institution or cash dealer;

(13) Intermediary – means a person relied on by a financial institution or cash dealer to perform some of the elements of the CDD process or to introduce business to the financial institution or cash dealer;

(14) Legal arrangement – refers to express trusts or other similar arrangements, i.e. fiducie, treuhand and fideicomiso;

(15) Legal persons – refers to bodies corporate, foundations, anstalt, partnerships, or associations, or any similar bodies that can establish a permanent customer relationship with a financial institution or otherwise own property;

(16) Politically exposed person – means any person who is or has been entrusted with a prominent public function in a foreign country, including, but not limited to Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned companies, and important political party officials. Family members and close associates who have business relatio nships with such persons are also included herein;

(17) Settlors – means the settlor as defined in the Trust Act, 50 MIRC, Chapter 1;

(18) Shell Bank – means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial services group that is subject to effective consolidated supervision;

(19) Trustee – means a person performing functions under Part II of the Trusts Act, 50M1RC, Chapter 1;

(20) Wire transfers – means any transaction carried out on behalf of an originator person (both natural and legal) through a financial institution by electronic means with a view to making an amount of money available to a beneficiary person at another financial institution. The originator and beneficiary may be the same person.

(c) Recordkeeping. Each financial institution and cash dealer shall

(1) adopt a methodology by which it will identify all persons who, acting alone or in concert with one or more persons, owned or controlled the financial institution or cash dealer at any time during the immediately preceding calendar year;

(2) adopt a methodology by which it will ascertain whether any institution affiliated party has been convicted of any offense involving dishonesty, breach of trust or money laundering; and

(3) record the information gathered pursuant to this subsection (c) (1) and (2) in a report no later than thirty (30) days following the end of the year.

(d) The compliance officer, as designated by each financial institution or cash dealer pursuant to Section 2 (Internal Policies, Procedures, Policies, and Training), shall certify that the information collected and retained by the financial institution or cash dealer pursuant to subsection (c)(3) is true and accurate.

(e) Reporting – ownership/control reports.

(1) Information regarding ownership and control of financial institutions and cash dealers shall be reported by completing an Ownership/Control Report form (OCR) pursuant to the OCR's instructions, and collecting and maintaining supporting documentation as required by paragraph (c) of this Section 1.

(2) The OCR shall be filed with the Banking Commissioner, as indicated in the instructions to the OCR.

(3) The OCR shall be filed annually, no later than by February 1.

(f) Retention of Reports. Each financial institution or cash dealer shall retain a copy of all reports together with any supporting documentation required by this Section 1 for a period of six (6) years from the date the report is filed with the Banking Commissioner.

Section 2. Internal Policies, Procedures, Controls and Training

Section 2A: Internal Policies, Procedures, Controls, and Training

2A.1 Financial institutions and cash dealers must adopt and implement internal policies. procedures, and controls to ensure compliance with these Regulations.

2A.2 Financial institutions and cash dealers must designate a compliance officer at the management level. The compliance officer and other appropriate staff should have timely access to customer identification data and customer due diligence (CDD) information. transaction records, and any other relevant information. The compliance officer should have the authority to act independently and to report to senior management above the compliance officer's next reporting level or the board of directors or equivalent body.

2A.3 Financial institutions and cash dealers should acquaint themselves with relevant information on the prevention of money laundering and terrorist financing.

2A.4 Financial institutions and cash dealers must maintain an adequately resourced and internal or independent audit function to test compliance (including sample testing) with these policies, procedures, and controls.

2A.5 Financial institutions and cash dealers must establish ongoing employee training to ensure that employees are kept informed of new developments, including information on current money laundering and terrorist financing techniques, methods and trends; and that there is a clear explanation of all aspects of money laundering and terrorist financing laws and obligations, and in particular, requirements concerning CDD and suspicious activity reporting.

2A.6 Financial institutions and cash dealers must establish screening procedures to ensure appropriate standards when hiring employees.

2A.7 Financial institutions and cash dealers must have a centralized system for maintaining records of the information on the identity of customers, principal beneficiaries, authorized agents, Beneficial Owners, suspicious transactions and transactions exceeding $10,000 or its equivalent in a foreign currency.

Section 2B: Monitoring

Section 2B.1 Examination of Financial Institutions and Cash Dealers' Policies and Procedures.

The Banking Commissioner shall evaluate the policies and procedures of financial institutions and cash dealers to ensure compliance with these Regulations. This examination shall be carried out pursuant to the Anti-Money Laundering Examination Procedures Manual: Standards and Associated Risks.

Section 2B.2 Annual Submission of Audit or Independent Review

Financial institutions and cash dealers shall ensure an annual audit is performed to verify the adequacy of the procedures and compliance with the entity's anti-money laundering policies and procedures. This audit shall be carried out in accordance with Advisory A-05, or any subsequent guidance published by the Banking Commissioner.

Financial institutions and cash dealers shall submit to the Banking Commissioner the report resulting from the annual audit or independent review.

Section 3. Risk-Based Customer Due Diligence (CDD)

Section 3A: Definition of Risk-based Customer Due Diligence

3A.1 CDD includes:

a. identification of customers, including Beneficial Owners of the formal customer;

b. gathering of information on customers to create a customer profile;

c. application of acceptance policies to new customers;

d. maintenance of customer information on an ongoing basis;

e. monitoring of customer transactions; and

f. rulevs on wire transfers and correspondent banking.

3A.2 CDD must be applied on a risk basis, which must include enhanced CDD for higher risk customers and "politically exposed persons" and may include simplified CDD for lower risk customers.

3A.3 CDD must be applied to existing customers on the basis of materiality and risk, and CDD must be conducted on such existing relationships at material times.

3A.4 CDD must be applied to any existing customers that have anonymous accounts or accounts in fictitious names.

Section 3B: Identification of Customers

3B.1 Financial institutions and cash dealers may not keep anonymous accounts or accounts in obviously fictitious names.

3B.2 Financial institutions and cash dealers must ensure that they know the true identity of their customers. Customers include persons who are (or who seek to be):

a. in a business relationship ("business relationship");

b. engaged in one or more occasional transactions when the total value of the transactions exceeds $10,000 ("threshold occasional transaction");

c. carrying out wire transfers as provided in Section 3M ("wire transfer"); and

d. engaged in any business or transaction in any instance where there is a suspicion that the person is involved in money laundering or terrorist financing ("suspicious activity") with the financial institution and cash dealer.

3B.3 In order to ensure proper customer identification, the financial institution and cash dealer must identify and verify the identity of the customer at any time that:

a. the person applies for a business relationship;

b. the person seeks to engage in a threshold occasional transaction;

c. the person seeks to carry out a wire transfer;

d. the person engages in a suspicious activity; and

e. where doubts have arisen as to the veracity or adequacy of previously obtained dentification data on the person.

3B.4 For customers who are physical persons, the financial institution and cash dealer must verify identity required using reliable, independent source documents, data, or information as provided for in Schedule 1 of these Regulations.

3B.5 For customers who are legal persons or legal arrangements, the financial institution and cash dealer must obtain and verify:

a. the customer's name and legal form, including by obtaining proof of incorporation or similar evidence of establishment or existence (such as a trust instrument);

b. the names and addresses of members of the customer's controlling body (such as directors or trustees);

c. legal provisions that set out the power to bind the customer;

d. legal provisions that authorize persons to act on behalf of the customer; and

e. the identity of the physical person purporting to act on behalf of the customer, using source documents as provided in Section 3B.4.

3B.6 Legible file copies must be made and retained of the relevant identification data, account files, and business correspondence for at least six years following the termination of an account or business relationship (or longer if requested by the Banking Commissioner).

3B.7 Financial institutions and cash dealers must ensure that all customer and transaction records are available on a timely basis to the Banking Commissioner upon request.

Section 3C: Determination of Beneficial Owner of the Customer

3C.1 The financial institution and cash dealer must take reasonable measures to determine if a customer is acting on behalf of one or more Beneficial Owners. If so, the financial institution and cash dealer should take reasonable steps to verify the identity of the Beneficial Owner by using relevant information or data obtained from a reliable source such that the financial institution and cash dealer is satisfied that it knows the identity of the Beneficial Owner.

Financial institutions and cash dealers must obtain information on the intended purpose and intended nature of the business relationship.

3C.2 For life and other investment-linked insurance, the beneficiary under the policy must be identified and verified.

3C.3 For public companies (or other legal persons or legal arrangements) quoted on an exchange regulated by the Banking Commission, and certain non-resident public companies subject to adequate regulatory disclosure requirements and quoted on a foreign exchange approved for this purpose by the Banking Commission that is subject to adequate supervision in a jurisdiction that is implementing effectively the FATF 40 and FATF 9 Special Recommendations, no further identification is necessary. In determining if there has been effective implementation in the jurisdiction, financial institutions and cash dealers should take into account the information available on whether these countries adequately apply the FATF 40 and FATF 9 Special Recommendations, including by examining the reports and reviews prepared by the Financial Action Task Force, International Monetary Fund, and World Bank publications.

3C.4 For other customers that are legal persons or legal arrangements, the financial institution and cash dealer must take reasonable measures to understand the ownership and control structure of the customer, including the ultimate natural person(s) who owns or controls a legal person, including natural persons with a controlling interest as described in this Section.

3C.5 With respect to companies, limited partnerships, or similar arrangements, identification should be made of each natural person that:

a. owns directly or indirectly 10 percent or more of the vote or value of an equity interest in; and

b. exercises management of the company, limited partnership or similar arrangement.

3C.6 With respect to a trust or similar arrangements, identification should be made of the settlor(s), trustee(s), protector (if any), all of the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust.

3C.7 In determining indirect ownership of equity interests,

a. an equity interest held by a company, limited partnership, or similar arrangement and by a trust should be considered as being owned proportionately by its shareholders, partners, or vested beneficiaries; and

b. an equity interest held by a family member should be considered as also being owned, in its entirety, by each family member (family members include brothers, sisters, whether by the whole or half blood, spouse, ancestors, and lineal descendants).

3C.8 Legible file copies must be made and retained of the relevant identification data, account files and business correspondence for at least six years following the termination of an account or business relationship (or longer if requested by the Banking Commissioner).

3C.9 Financial institutions and cash dealers must ensure that all customer and transaction records are available on a timely basis to the Commissioner of Banking upon request.

Section 3D: Delayed Verification

3D.1 Financial institutions and cash dealers may apply to the Banking Commission for authorization to delay completion of the customer identification process in Section 3B.3 a. and 3B.3 b. and Section 3C. Permission will be granted by the Banking Commission only if the financial institution and cash dealer presents a procedure that complies with this Section.

3D.2 Financial institutions and cash dealers may delay verification only if: verification occurs as soon afterwards as reasonably practical, the delay is essential to not interrupt the normal course of business, and the money laundering and terrorist financing risks are effectively managed.

Examples of situations where it may be essential not to interrupt the course of the normal conduct of business can be found in Appendix 1 Part A of these Regulations.

3D.3 Procedures to manage risk concerning delayed customer identification should include a set of measures such as a limitation of the number, types and/or amount of transactions that can be performed, and enhanced monitoring of large and complex transactions being carried out outside of the expected norms for that type of relationship.

Section 3E: Establishment of Customer Profile

3E.1 A financial institution and cash dealer must create a profile for each customer of sufficient detail to enable it to implement the CDD requirements of these Regulations. The customer profile should be based upon sufficient knowledge of the customer, including the customer's proposed business with the financial institution and cash dealer, and where necessary, the source of customer funds.

Section 3F: Reliance on Intermediaries

3F.1 Financial institutions and cash dealers may apply to the Banking Commission for authorization to rely on intermediaries such as trust and company service providers to perform the duties in Section 3B and 3C of this Regulation. Permission will be granted by the Banking Commission only if the financial institution and cash dealer presents a plan of internal policies and practices that comply with this Section.

3F.2 Financial institution and cash dealers may rely upon intermediaries that are also financial institutions and cash dealers (other entities that are subject to supervision by the Banking Commission under this Regulation).

3F.3 Financial institution and cash dealers may rely upon non-resident intermediaries if the financial institution and cash dealer is satisfied that the third party is adequately regulated and supervised and has measures in place to comply with the CDD requirements in this Regulation.

Financial institutions and cash dealers must be satisfied that a non-resident intermediary is subject to money laundering and terrorist financing policies comparable with the FATF 40 and FATF 9 Special Recommendations. They must be satisfied that the non-resident intermediary is subject to licensing and supervision to enforce those policies, and has not

been subject to any material disciplinary action that calls into question its execution of those policies. Financial institutions and cash dealers must ensure that non-resident intermediaries are located in a jurisdiction that is implementing effectively the FATF 40 and FATF 9 Special Recommendations. In making this determination, financial institutions and cash dealers should take into account the information available on application and adequacy of implementation of the FATF 40 and FATF 9 Special Recommendations to entities in individual countries.

3F.4 In each instance of reliance on intermediaries, the financial institution and cash dealer must immediately obtain from the third party the information required in Section 3B and 3C. While it is not necessary to obtain copies of the CDD documentation from the intermediary, financial institutions and cash dealers must take adequate steps to satisfy themselves that copies of identification data and other relevant documentation relating to the information obtained under Section 3F.3 will be made available without delay, if requested.

3F.5 Financial institutions and cash dealers may not rely upon intermediaries identified by the Banking Commission as non-complying with the FATF 40 and FATF 9 Special Recommendations, or intermediaries for whom the financial institution and cash dealer have independent credible reason to believe are not complying with the FATF 40 and FATF 9 Special Recommendations.

3F.6 The ultimate responsibility for implementation of the customer due diligence requirements of these Regulations remains with the financial institution and cash dealer.

3F.7 The requirements of this Section do not apply to outsourcing or agency relationships, i.e. where the agent is acting under a contractual arrangement with the financial institution or cash dealer to carry out its CDD functions.

3F.8 The requirements of this Section do not apply to business relationships, accounts, or transactions between financial institutions and cash dealers for their clients.

Section 3G: Acceptance of New Customers

3G.1 Financial institutions and cash dealers should not accept as customers those persons whose identity and Beneficial Owner as required in 3B, 3C, and 3D cannot be assured or for whom sufficient information to form a customer profile cannot be gathered. In such cases, financial institutions and cash dealers should determine if they should file a suspicious activity report.

3G.2 It is important that the policy on acceptance of new customers is not so restrictive that it results in a denial of access by the general public to financial services, especially for people who are financially or socially disadvantaged.

Section 3H: The Maintenance of Customer Information on an Ongoing Basis

3H.1 Financial institutions and cash dealers must gather and maintain customer information on an ongoing basis. Documents, data, or information collected under the CDD process should be kept up to date and relevant by taking reviews of existing records at appropriate times, particularly for higher risk categories of customers or business relationships.

Section 3I: Ongoing Monitoring of Customer Transactions

3I.1 Financial institutions and cash dealers must monitor ongoing customer transactions. Monitoring must include the scrutiny of customer transactions to ensure that they are being conducted according to the financial institution and cash dealer's knowledge of the customer and the customer profile, and where necessary, the source of funds, and may include predetermined limits on amount of transactions and type of transactions.

3I.2 Financial institutions and cash dealers must pay special attention to all complex, unusual large transactions, or unusual pattern of transactions that have no visible economic or lawful purpose. Financial institutions and cash dealers must examine as far as possible the background and purpose of such transactions and set forth their findings in writing. Financial institutions and cash dealers must keep such findings available for examination by the Banking Commission, auditors, and any other competent authorities, for a minimum of six years. In such cases, financial institutions and cash dealers should determine if they should file a suspicious activity report.

3I.3 Financial institutions and cash dealers must pay special attention to all business relationships and transactions with legal persons, natural persons, and financial institutions from countries that are not sufficiently applying the FATF standards and recommendations. Enhanced due diligence should be proportionate to the level of risk involved, and follow the procedures presented in section 3K below.

Section 3J: Termination of Customer Relationship

3J.1 If the financial institution and cash dealer has already commenced a business relationship and is unable to comply with the CDD required for a customer, it should terminate the customer relationship and determine if it should file a suspicious activity report.

Section 3K: Enhanced CDD for Higher Risk Customers and Politically Exposed Persons

3K.1 Financial institutions and cash dealers must apply enhanced CDD for customers that are likely to pose a higher risk of money laundering or terrorist financing ("enhanced CDD"). Enhanced CDD should include reasonable measures to establish the source of wealth and source of funds of customers and Beneficial Owners identified as higher risk customers and politically exposed persons.

Enhanced CDD should be applied to customers and Beneficial Owners identified as higher risk customers and politically exposed persons at each stage of the CDD process.

Examples of higher risk customers and politically exposed persons can be found in Appendix 1 Part B of these Regulations. The definition of politically exposed person is in Section 1 of these Regulations.

3K.2 No customers and Beneficial Owners identified as higher risk customers and politically exposed persons should be accepted as a customer unless a senior member of the financial institution and cash dealer's management has approved.

3K.3 Where a customer or Beneficial Owner has been accepted and the customer or Beneficial Owner is subsequently found to be, or subsequently becomes a higher risk customer or

politically exposed person, financial institutions and cash dealers must obtain senior management approval to continue the business relationship.

3K.4 Where financial institutions and cash dealers are in a business relationship with a higher risk customer or a politically exposed person, they must conduct enhanced ongoing monitoring of that relationship.

3K.5 Financial institutions and cash dealers must put in place appropriate risk management systems to determine whether a potential customer or the Beneficial Owner is a high risk customer or a politically exposed person.

Section 3L: Simplified CDD for Lower Risk Customers.

3L.1 Financial institution and cash dealers may apply to the Banking Commission for authorization to apply reduced or simplified customer due diligence procedure. Permission will be granted by the Banking Commission only if the financial institution and cash dealer presents a procedure that complies with this Section.

3L.2 In general, customers must be subject to the full range of CDD measures as provided in this Regulation, including the requirement to identify the Beneficial Owner. Where the risk of money laundering and terrorist financing is lower and where information on the identity of the customer and the Beneficial Owner of the customer is publicly available, or where adequate checks and controls exist in national systems, in such circumstances it would be reasonable for financial institutions and cash dealers to apply simplified or reduced CDD measures when identifying and verifying the identity of the customer or Beneficial Owner.

3L.3 Simplified or reduced CDD measures when applied to customers that are residents in another country is limited to countries that are in compliance with and have effectively implemented the FATF 40 and FATF Special 9 Recommendations.

3L.4 Simplified or reduced CDD measures are not acceptable whenever there is a suspicion of money laundering, terrorist financing, or specific higher risk scenarios.

Examples of lower risk customers are to be found in Appendix 1 Part C of this Regulation.

Section 3M: Policies and Procedures on Wire Transfers

3M.1 Financial institutions and cash dealers must ensure that all persons ordering wire transfers obtain and maintain full originator information, and verify that the information is accurate and meaningful.

3M.2 Full originator information includes:

a. the name of the originator;

b. the originator's account number (or a unique reference number if there is no account number);

c. the originator's address; and

d. the originator's identification card number.

3M.3 For cross-border wire transfers (including batch transfers and transactions using a credit or debit card to effect a funds transfer), the ordering financial institution and cash dealer should be required to include full originator information in the message or payment form accompanying the wire transfer, except in the circumstances provided below for batch transfers.

3M.4 For domestic wire transfers (including transactions using a credit or debit card as a payment system to effect a money transfer), the ordering financial institution and cash dealer must include either:

a. full originator information in the message or payment form accompanying the wire transfer, or

b. only the originator's account number or, where no account number exists, a unique identifier, within the message or payment form.

3M.5 Section 3M.4 b may be used only if full originator information can be made available to the beneficiary financial institution and cash dealer and the Banking Commission within three working days of receiving a request.

3M.6 If a cross-border wire transfer is contained within a batch transfer and is sent by a financial institution and cash dealer, it may be treated as a domestic wire transfer provided the requirements for domestic wire transfers are met.

3M.7 The financial institution and cash dealer should ensure that non-routine transactions are not batched where this would increase the risk of money laundering or terrorist financing.

3M.8 Each intermediary in the payment chain should maintain all the required orig inator information with the accompanying wire transfer.

3M.9 Financial institutions and cash dealers may apply to the Banking Commission for authorization to exempt wire transfers below $ 1,000 from the requirements of Section 3M.3 and 3M.4. Permission will be granted by the Banking Commission only if the financial institution or cash dealer presents a procedure that complies with this Section.

3M.10 Beneficiary financial institutions and cash dealers must identify and handle wire transfers that are not accompanied by complete originator information on the basis of perceived risk of money laundering and terrorist financing. Procedures to address these cases should include the financial institution and cash dealer first requesting the missing originat or information from the financial institution and cash dealer that sent the wire transfer. If the missing information is not forthcoming, the financial institution and cash dealer should consider whether, in all the circumstances, the absence of complete originator information creates or contributes to suspicion about the wire transfer or a related transaction. If the wire transfer is deemed to be suspicious, then it should send a suspicious activity report to the Banking Commission. In addition, the financial institution and cash dealer may decide not to accept the wire transfer. In appropriate circumstances, beneficiary financial institutions and cash dealers should consider restricting or terminating business relationships with financial institutions and cash dealers that do not comply with this Section.

Section 3N: Policies and Procedures on Cross Border Correspondent Banking and Similar Relationships

3N.1 Correspondent banking is defined as the provision by one bank (the correspondent) to another bank (the respondent) of credit, deposit, collection, clearing or payment services.

3N.2 Banks must develop and implement policies and procedures concerning correspondent banking. In order to provide correspondent banking services, a bank must first assess the respondent's controls against money laundering and terrorist financing and determine that they are adequate and effective. To do so, banks must gather sufficient information about respondent banks to understand their business and determine from publicly available information the reputation of the institution, quality of supervision, and whether it has been subject to a money laundering or terrorism financing investigation or regulatory action. A bank should, in general, establish or continue a correspondent relationship with a foreign bank only if it is satisfied that the bank is effectively supervised by the relevant authority. In particular, a bank should not establish or continue a correspondent banking relationship with a bank incorporated in a jurisdiction in which the bank has no presence and which is unaffiliated with a regulated financial group (i.e. a shell bank).

3N.3 The information to be collected may include, but is not limited to, details about the respondent bank's management, major business activities, where it is located, its money laundering and terrorist financing prevention efforts, the system of bank regulation and supervision in the respondent bank's country and the purpose of the account.

3N.4 A bank should pay particular attention when maintaining a correspondent banking relationship with banks incorporated in jurisdictions that do not meet international standards for the prevention of money laundering and terrorist financing. Enhanced due diligence will generally be required in such cases, including obtaining details of the Beneficial Ownership of such banks and more extensive information about their policies and procedures to prevent money laundering and terrorist financing.

3N.5 A bank must develop and implement policies and procedures concerning the ongoing monitoring of activities conducted through such correspondent accounts.

3N.6 Particular care should also be exercised where the bank's respondent allows direct use of the correspondent account by third parties to transact business on their own behalf (i.e. payable– through accounts). A bank must be satisfied that the respondent bank has performed the customer due diligence required in these Regulations for those customers that have direct access to the accounts of the correspondent, and that the respondent is able to provide relevant customer identification information on request of the correspondent.

Non face-to-face transactions and new technologies

3N.7 Financial institutions and cash dealers are required to have policies in place and take such measures as are needed to prevent the misuse of technological developments in money laundering or terrorist financing schemes.

3N.8 Financial institutions and cash dealers are required to have policies and procedures in place to address specific risks associated with non face-to face business relationships or

transactions. These policies should apply when establishing customer relationships and when conducting ongoing due diligence. This should include specific and effective CDD procedures that apply to non face-to-face customers.

Shell Banks

3N.9 It is not permissible to establish or accept the operation of a shell bank in the Marshall Islands.

3N.10 Financial institutions and cash dealers must not enter into correspondent banking relationships with shell banks.

3N.11 Financial institutions and cash dealers must satisfy themselves that respondent financial institutions and cash dealers in a foreign country do not permit their accounts to be used by shell banks.

Section 4. Transactions, Recordkeeping.

(a) Every financial institution and cash dealer shall retain records regarding all transactions tothe extent and in the manner required by this Section 4.

(b) For the purposes of this Section 4, a transaction is: a purchase, sale, loan, pledge, gift. transfer, delivery, or other disposition, of assets, and includes a deposit, credit, withdrawal, debit, transfer between accounts. exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, certificate of deposit, or other monetary instrument or investment security, purchase or redemption of any traveler's check or money order, payment or order for any money remittance or transfer, or any other payment, transfer, or delivery by, through, or to a financial institution or cash dealer, by whatever means effected

(c) Recordkeeping – All financial institutions and cash dealers shall retain records necessary to reconstruct all transactions and sufficient to identify:

(1) the name, address and occupation/business or principal activity of each person conducting or involved in a transaction or on whose behalf a transaction is conducted;

(2) the identity of all financial institutions and cash dealers involved;

(3) the nature and date of the transaction, together with all advices, requests, or instructions given or received;

(4) the type and identification numbers of all accounts involved;

(5) the type and amount of currency involved, if any;

(6) if a negotiable instrument other than currency involved

(i) the name of the drawer

(ii) the name of institution on which it is drawn

(iii) the name of the payee, if any;

(iv) amount and date of the instrument

(v) the number of the instrument, if any; and

(vi) details regarding all endorsements appearing on the instrument; and

(7) name(s) of officers, employees and agent(s) and method(s) used to verify the information required by this subsection (c).

(D) Each financial institution or cash dealer shall, in addition to the records in Subsection (c), retain the following:

(1) Each check, clean draft, or money order drawn on the bank or issued and payable by it, except those drawn for $100 or less or those drawn on accounts which can be expected to have drawn on them an average of at least 100 checks per month over the calendar year or on each occasion on which such checks are issued, and which are:

(i) dividend checks,

(ii) payroll checks,

(iii) employee benefit checks,

(iv) insurance claim checks,

(v) medical benefit checks,

(vi) checks drawn on government agency accounts,

(vii) checks drawn by brokers or dealers in securities,

(viii) checks drawn on fiduciary accounts,

(ix) checks drawn on other financial institutions, or

(x) pension or annuity checks.

(2) Each item in excess of $100 (other than bank charges or periodic charges made pursuant to agreement with the customer), comprising a debit to a customer's deposit or share account, not required to be kept, and not specifically exempted, under paragraph (d)(1) of this section;

(F) Retention of records.

(1) A financial institution or cash dealer shall maintain either the original or a microfilm, electronic or other copy or reproduction of all records, documents, advice requests and instructions regarding any transaction subject to Section 4 recordkeeping requirements for a period of six (6) years from the date of the completion of the transaction; and

(2) all records shall be filed or stored in a readily recoverable manner as to be accessible within a reasonable time.

(f) Exemption. Nothing in this regulation shall be construed as requiring the production of any evidence of identity where there is a transaction or a series of transactions taking place in the course of a business relationship, in respect of which the applicant has already produced satisfactory evidence of identity.

Section 5. Reports of suspicious transactions.

(a) General.

(1) Every financial institution and cash dealer shall file with the Banking Commissioner, to the extent and in the manner required by this Section 5, a Suspicious Activity Report (SAR) of any suspicious transaction. A financial institution or cash dealer may also file a SAR regarding any suspicious transaction that it believes is relevant to the possible violation of any law or regulation but whose reporting is not required by this section.

(A) Where a financial institution or casher dealer suspects that any transaction or any other activity could constitute or be related to terrorist financing, terrorist acts, a terrorist organization, an individual terrorist or to terrorist property the financial institution must report such suspicion to the Banking Commissioner within three working days of forming of such suspicion.

(2) For the purposes of reporting under this Section 5, a suspicious transaction is:

(a) a transaction which includes a purchase, sale, loan, pledge, gift, transfer, delivery, or other disposition, of assets, and includes a deposit, credit, withdrawal, debit, transfer between accounts, exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, certificate of deposit, or other monetary instrument or investment security, purchase or redemption of any traveler's check or money order, payment or order for any money remittance or transfer, or any other payment, transfer, or delivery by, through, or to a financial institution or cash dealer, by whatever means effected; and

(b) which is conducted or attempted to be conducted at a financial institution or cash dealer; and

(c) one which the financial institution or cash dealer knows, suspects or has reason to suspect that:

(i) involves funds or other assets derived from illegal activity, including, but not limited to, tax matters; or

(ii) was conducted or attempted to be conducted

(A) in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the

ownership, nature, source, location, or control of such funds or assets); or

(B) as part of a plan to violate or evade any Marshall Islands law or regulation or to avoid any transaction reporting requirement under Marshall Islands law or regulation; or

(iii) involves a transaction or transactions which:

(A) is/are complex or unusual; or

(B) present an unusual pattern; or

(C) has/have no apparent economic or lawful purpose; or

(D) is/are not the sort of transaction in which any person or entity involved would normally be expected to engage.

(b) Filing procedures

(1) A suspicious transaction shall be reported by completing a SAR form pursuant to the SAR's instructions, and collecting and maintaining supporting documentation as required by paragraph (c) of this Section 5.

(2) The SAR shall be filed with the Banking Commissioner, as indicated in the instructions to the SAR.

(3) The SAR shall be filed no later than three (3) working days after the date of initial detection by the financial institution or cash dealer of facts that may constitute a basis for filing a SAR. If no suspect was identified on the date of the detection of the incident requiring the filing, a financial institution or cash dealer may delay filing a SAR for an additional thirty (30) calendar days in order to identify a suspect. In no case shall reporting be delayed more than thirty three (33) calendar days after the date of initial detection of a reportable transaction. In situations involving violations that require immediate attention, such as, for example, ongoing money laundering schemes, the financial institution or cash dealer shall immediately notify the Banking Commissioner, or his designee, in addition to a later timely filing of the SAR.

(c) Retention of records. A financial institution or cash dealer shall maintain a copy of any SAR filed and the original or business record equivalent of any supporting documentation for a period of fifteen (15) years from the date of filing the SAR. Supporting documentation shall be identified, and maintained by the financial institution or cash dealer as such, and shall be deemed to have been filed with the SAR. A financial institution or cash dealer shall make all supporting documentation available to the Banking Commission and any appropriate law enforcement agencies upon request.

(d) Confidentiality of reports. Financial institutions and cash dealers, its employees, officers, directors, and agents shall not notify any person or entity other than those authorized by law, of the information, record or that an SAR has been prepared, or otherwise referred or

furnished to the Banking Commissioner, Attorney General, court of competent jurisdiction, or other lawfully recognized person.

(e) Confidentiality of individuals. The identity of any financial institutions or cash dealer, its employees, officers, directors, or agents who submit a SAR to the Banking Commissioner, Attorney General, court of competent jurisdiction, or other lawfully recognized person, shall remain confidential.

Section 6. Currency Transaction Reporting.

(a) Every financial institution and cash dealer shall obtain the requisite information and file with the Banking Commissioner reports of transactions in currency to the extent and in the manner herein required.

(b) For the purposes of obtaining, information and reporting under this Section 6, a transaction in currency is:

(1) a deposit, withdrawal, exchange of currency, or other payment or transfer;

(2) involving currency of any country of a value greater than US$10,000:

(i) in a single transaction; or

(ii) in multiple transactions taken by or on behalf of a single person within a 24 hour period when aggregated.

(c) Prior to concluding any transaction in currency all financial institutions and cash dealers shall obtain and verify the following information:

(1) the name, address, citizenship/residency status, social security number or passport number and occupation/business or principal activity of each person conducting or involved in a transaction or on whose behalf a transaction is conducted;

(2) the nature and date of the transaction;

(3) the type and identification numbers of all accounts involved;

(4) the type and amount of currency involved, and

(5) name(s) of officers, employees and agent(s) and method(s) used to verify the information required by this subsection (c).

(d) Verification – records to be examined. Financial institutions and cash dealers satisfy their requirement to verify information required by Section 6(c) records by obtaining from and examining:

(1) from individuals – original official unexpired documents bearing a photograph or reasonable alternative;

(2) articles of incorporation, charters, or their equivalents, or any other official documentation establishing that it has been lawfully registered and is in existence

at the time of identification and which delineates the powers of their legal representatives; and

(3) the appropriate documentation for all persons acting, or appearing to act in a representative capacity including all the beneficiary(ies).

(e) Reporting – transactions in currency. Filing procedures.

(1) Information regarding transactions in currency not otherwise exempted pursuant to subsection (g) and (h) of this Section 6 shall be reported by completing a Currency Transaction Report form (CTR) pursuant to the CTR's instructions, and collecting and maintaining supporting documentation as required by paragraph (e) of this Section 6.

(2) The CTR shall be filed with the Banking Commissioner, as indicated in the instructions to the CTR.

(3) The CTR shall be filed no later than ten (10) working days after the date of transaction in currency.

(f) Retention of records. A financial institution or cash dealer shall maintain a copy of any CTR filed and the original or a microfilm, electronic or other copy or reproduction, or business record equivalent of any supporting documentation of a CTR for a period of six (6) years from the date of filing the CTR. Supporting documentation shall be identified, and maintained by the financial institution or cash dealer as such, and shall be deemed to have been filed with the CTR. A financial institution or cash dealer shall make all supporting documentation available to the Banking Commissioner and any appropriate law enforcement agencies upon request.

(g) Transactions eligible for exemption from filing report.

(1) A transaction to which a financial institution or cash dealer is party is also eligible for exemption if:

(i) the other party to the transaction is a government agency of the Marshall Islands; and

(ii) the amount of currency involved in the transaction does not exceed an amount that is reasonably commensurate with the lawful business activities of that agency.

(2) A transaction is eligible for exemption if the transaction is between a financial institution and cash dealer and another financial institution and cash dealer; or

(3) A transaction is also eligible for exemption if:

(i) the transaction is between a financial institution and cash dealer and another person (in this subsection called the "customer");

(ii) the customer has had, at the time when the transaction takes place, an account verified pursuant to Section 3 with the financial institution and cash dealer for one year;

(iii) the transaction consists of a deposit into, or a withdrawal from, an account maintained by the customer with the financial institution and cash dealer;

(iv) the transaction does not involve any party representing anyone in a representative capacity;

(v) the customer carries on a commercial enterprise (other than business that includes the selling of vehicles, vessels, aircraft, real estate brokerage, mobile home dealers, accountants, lawyers, doctors, pawnbrokers, title insurance/closing companies, trade unions, and auctioneers;

(vi) the account is maintained for the purposes of that business; and

(vii) the amount of currency involved in the transaction does not exceed an amount that is reasonably commensurate with the lawful business activities of the customer.

(4) A transaction is also eligible for exemption if:

(i) the transaction is between a financial institution and cash dealer and another person (in this subsection called the "customer");

(ii) the customer has had, at the time when the transaction takes place, an account verified pursuant to Section 3 with the financial institution and cash dealer for one year;

(iii) the transaction consists of a withdrawal from an account maintained by the customer with the financial institution and cash dealer;

(iv) the withdrawal is made for payroll purposes;

(v) the customer regularly withdraws, from the account, currency of a value not less than $10,000 to pay the customer's staff and employees; and

(vi) the amount of currency involved in the transaction does not exceed an amount that is reasonably commensurate with the lawful business activities of the customer.

(h) Exemption registry. A record of each exemption granted under this section and the reason therefore must be kept by a financial institution and cash dealer in an exemption registry.

(1) For an exempted transaction between a financial institution or cash dealer and a government agency of the Marshall Islands under subsection (g)(1)and (2), the exemption registry should include the reason for the exemption and the names and addresses of the financial institution or cash dealer and/or government agencies involved in the transaction.

(2) For exempted transactions between a financial institution and cash dealer and a customer, as defined in (g) (3) and (4), the exemption registry must include the following information:

(i) the reason for exemption;

(ii) the customer's name, business or residential address, and his/her occupation, business or principal activity;

(iii) a statement whether the exemption covers deposits, withdrawals or both;

(iv) a signed statement by the customer that states the following:

(A) the party believes that the transaction is eligible for exemption under Section 6(g), and

(B) the information provided by the party to the institution in relation to the transaction is, to the best of his or knowledge and belief, true and correct;

(v) the name and title of the person making the decision to grant the exemption; and

(vi) any other information mandated by the Banking Commission.

(3) Class transactions. An exemption can apply to a class of transactions between a financial institution and cash dealer and eligible parties designated under Section 6(g). For class transactions, the exemption registry must also include in, addition to the requirements of Section 6(h) (1) and (2), the following:

(i) the range of the amounts of currency involved in the class of transactions;

(ii) the range amount of the class of transactions;

(iii) the period during which the class of transactions is to be exempt; and

(iv) any other information mandated by the Banking Commission.

(4) Financial institution or cash dealer must monitor the exemptions they have granted on a continual basis. A change in circumstances may warrant removal from the registry or require amending the exemption record in the registry. In addition to monitoring, each financial institution or cash dealer must commission an annual review of its exemption registry. A financial institution or cash dealer must contact each customer who has an exemption to determine whether there is a change in the customer's situation since the last date of review.

(5) The Banking Commission has the right to review the exemption registry at any time. The Bank Commission may, by appropriate order, direct the deletion of any.

Section 7. Assessment of Civil Money Penalties.

(a) In addition to any criminal penalties authorized by the Banking Code, each financial institution and cash dealer, and any partner, director, officer, employee, or person participating in the conduct of the affairs of a financial institution or cash dealer who violates any provision of Part 13 of Title 17 or any of its implementing regulations shall forfeit and pay a civil money penalty to the extent and in the manner hereafter specified by this Section.

(b) For any willful violation of any recordkeeping, reporting or verification requirement of Part 13 of Title 17 or any of its implementing regulations, the Banking Commissioner may recommend to the Office of Attorney General that it assess upon any financial institution and cash dealer, and upon any partner, director, officer, or employee thereof, or person participating in the conduct of the affairs of a financial institution or cash dealer who willfully participates in the violation, a civil money penalty not to exceed $10,000 per violation.

(c) For any negligent violation of any requirement of Part 13 of Title 17 or any of its implementing regulations, the Banking Commissioner may recommend to the Office of the Attorney it assess upon any financial institution and cash dealer, and upon any partner, director, officer, or employee thereof, or person participating in the conduct of the affairs of a financial institution or cash dealer who participates in the violation, a civil money penalty not to exceed $500 per violation.

(d) Assessment

(1) The Banking Commissioner shall inform the Office of the Attorney General of a violation and provide a detailed recommendation on the amount of the civil money penalty that should be sought.

(2) Upon receipt of the recommendation, the Office of the Attorney General must determine whether there is sufficient evidence to have the assessment enforced by the High Court.

(3) If the Office of Attorney General decides to enforce the assessment, written notice must be provided to the entity(ies) or person(s) from whom payment is sought. The notice must be sent out before the enforcement action is filed with the High Court.

(e) All civil money penalties collected under this Section shall be paid over to the Treasury of the Republic of the Marshall Islands.

(f) The resignation, termination of employment or termination of participation in the affairs of any partner, director, officer, employee, or person participating in the conduct of the affairs of a financial institution or cash dealer shall not affect the jurisdiction and authority of the Banking Commissioner to issue any Notice of assessment against such person or entity if such Notice is served within six years of their resignation, termination of employment or termination of participation in the affairs of the financial institution or cash dealer.

Section 8. Exceptions and exemptions.

Subject to the provisions of the Act and these Regulations, the Banking Commissioner, in his/her sole discretion, may by written order or authorization make exceptions to or grant exemptions from the requirements of Sections 1 – 7. Such exceptions or exemptions may be conditional or unconditional, may apply to particular persons or classes of persons, and may apply to particular transactions or classes of transactions. They shall, however, be applicable only as expressly stated in the order or authorization. Any exception or exemption shall be revocable in the sole discretion of the Banking Commissioner.

Section 9. Application to branches and subsidiaries

Financial institutions and cash dealers must ensure that their foreign branches and subsidiaries observe AML/CFT measures consistent with the requirements in the Marshall Islands and the FATF Recommendations.

Financial institutions and cash dealers must pay particular attention to this principle with respect to branches and subsidiaries in countries that do not or insufficiently apply the FATF Recommendations.

Where the minimum AML/CFT requirements of the Marshall Islands and the host country differ, branches and subsidiaries in host countries must apply the higher standard to the extent that the host country laws and regulations permit.

Financial institutions and cash dealers must inform the Banking Commissioner when a foreign branch or subsidiary is unable to observe appropriate AML/CFT measures because this is prohibited by host country laws, regulations or other measures.

Section 10. Guidelines

The Banking Commissioner may issue guidelines to assist financial institutions and cash dealers to implement and comply with their AML/CFT requirements.

Appendix 1

Part A: Delayed Verification

1. Examples of situations where it may be essential not to interrupt the course of the normal conduct of business are:

    a. non face-to-face business;

    b. securities transactions; and

    c. life insurance in relation to identification and verification of the beneficiary under the policy, which may take place after the business relationship with the policyholder is established, but in all such cases, identification and verification should occur at or before the time of payout or the time when the beneficiary intends to exercise vested rights under the policy.

Part B: Enhanced CDD for Higher Risk Customers

1. Relevant factors in determining if a customer is higher risk include if the person is:

    a. establishing customer relations other than "face to face";

    b. a non-resident, or if the nationality, current residency, and previous residency of the person suggests greater risk of ML or TF;

    c. connected with jurisdictions that lack proper standards in the prevention of ML or TF;

    d. a politically exposed person ("PEP") or linked to a PEP;

    e. a high net worth individual, especially if the potential customer is a private banking customer or the source of funds is unclear;

    f. engaged in a business that is particularly susceptible to money laundering or terrorism financing;

    g. a legal person or arrangement that is a personal asset holding vehicle;

    h. a legal person or arrangement whose ownership structure is complex for no good reason;

    i. a company with nominee shareholders or shares in bearer form; and

    j. higher risk for other reasons based on relevant information.

2. Non-face to face transactions include but are not limited to:

    a. business relationships concluded over the Internet or by other means such as through the post;

    b. services and transactions over the Internet including trading in securities by retail investors over the Internet or other interactive computer services;

c. use of ATM machines;

d. mobile telephone banking;

e. Transmission of instructions or applications via facsimile or similar means; and

f. making payments and receiving cash withdrawals as part of electronic point of sale transaction using prepaid or re-loadable or account-linked value cards.

3. Enhanced CDD procedures for non-face to face transactions may include:

a. certification of documents presented;

b. requisition of additional documents to complement those that are required for face to face customers;

c. development of independent contact with the customer.

4. Procedures for determining who is a PEP may include:

a. seeking relevant information from the potential customer;

b. referring to publicly available information; and

c. making access to commercial electronic databases of PEPs.

5. In applying enhanced due diligence, financial institutions and cash dealers must take care not to engage in unlawful discrimination on the basis of race, color, religion, or national origin.

Part C: Simplified CDD for Lower Risk Customers.

1. Examples of customers, transactions, or products where the risk may be lower include:

a. other financial institutions and cash dealers (other entities that are subject to supervision by the Banking Commission under this Regulation);

b. non-resident financial institutions that are subject to adequate regulation and supervision as limited by Section 3L;

c. public companies (or other legal persons or legal arrangements) quoted on an exchange regulated by the Banking Commission, and certain public companies quoted on a foreign exchange approved for this purpose by the Banking Commission that is subject to adequate supervision and providing the company is subject to adequate regulatory disclosure requirements, as limited by 3L;

d. domestic government administrations or enterprises, and certain foreign government administrations or enterprises as limited by 3L;

e. life insurance policies where the annual premium is no more than $1,000.00 or a single premium of no more than $2,500.00;

f. insurance policies for pension schemes if there is no surrender clause and the policy cannot be used as collateral;

g. pension, superannuation, or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme:

h. Beneficial Owners of non-resident pooled accounts, provided they are subject to adequate regulation and supervision as limited by 3L;

i. small scale accounts and micro-credit accounts with an annual turnover of under $200.00.

2. Non-resident and foreign entities described in b, c, d, and h may only qualify for reduced CDD if they are located in a jurisdiction that is implementing effectively the FATF 40 and FATF Special 9. In making this determination, financial institutions and cash dealers should take into account the information available on whether these countries adequately apply the FATF 40 and FATF Special 9, including by examining the approved list provided by the Banking Commission and reports, assessments, and reviews published by FATF, International Monetary Fund, and World Bank publications.

3. Simplified CDD measures are not acceptable whenever a customer has been identified by the Banking Commission as non-complying with the FATF 40 and FATF Special 9, or for which the financial institution and cash dealer have independent credible reason to believe are not complying with the FATF 40 and FATF Special 9, or for any reason that there is suspicion of money laundering or terrorist financing or specific higher risk scenarios apply.

Schedule 1

A. Procedure for verification of individuals

1. Where a financial institution and cash dealer is required to verify the identity of a person, the following information is required:

   (a) full and correct name of person and any other names previously held;

   (b) permanent address;

   (c) telephone (not including mobile phone number) and fax number (if any);

   (d) date and place of birth;

   (e) nationalities and citizenships held currently and previously by the applicant;

   (f) occupation and name of employer (if self employed, the nature of the self employment);

   (g) copy of first two pages of passport or copy of national identity card showing the following details:

      i. number and country of issuance;

      ii. issue and expiry date;

      iii. signature of the person (applicable only to national identity card);

   (h) signature;

   (i) purpose of the account and the potential account activity;

   (j) written authority to obtain independent verification of any information provided;

   (k) source of income or wealth;

   (l) written confirmation that all credits to the account are and will be beneficially owned by the financial institution and cash dealer holder;

   (m) any documentary or other evidence reasonably capable of establishing the identity of that person.

2. Paragraph 1 shall also apply to the verification of identity of the Beneficial Owners of all financial institutions and cash dealers.

B. Procedures for verification of corporate entities

Where a financial institution and cash dealer is required to verify the identity of a corporate entity whether incorporated in the Marshall Islands or elsewhere, the following information is required:

   (a) certified copy of the certificate of incorporation;

   (b) certified copy of the Articles of Association of the entity;

(c) location of the registered office or registered agent of the corporate entity;

(d) resolution of the Board of Directors authorizing the opening of the account and conferring authority on the person who will operate the account;

(e) confirmation that the corporate entity has not been struck off the register or is not in the process of being wound up;

(f) names and addresses of all officers and directors of the corporate entity;

(g) names and addresses of the Beneficial Owners of the corporate entity, except a publicly traded company;

(h) description and nature of the business including:

i. date of commencement of business;

ii. products or services provided;

iii. location of principal business;

(i) purpose of the account and the potential parameters of the account including:

i. size, in the case of investment and custody accounts;

ii. balance ranges, in the case of deposit accounts;

iii. the expected transaction volume of the account;

(j) written authority to obtain independent verification of any information provided;

(k) written confirmation that all credits to the account are and will be beneficially owned by the financial institution and cash dealer holder;

(l) any other official document and other information reasonably capable of establishing the structural information of the corporate entity.

C. Verification of identity of partnerships or unincorporated businesses

Where a financial institution and cash dealer is required to verify the identity of partnerships or other unincorporated businesses, the following information is required:

(a) verification of all partners or Beneficial Owners in accordance with the procedure for the verification of individuals;

(b) copy of partnership agreement (if any) or other agreement establishing the unincorporated business;

(c) description and nature of the business including:

i. date of commencement of business;

ii. products or services provided;

iii. location of principal place of business

(d) purpose of the account and the potential parameters of the account including:

i. size in the case of investment and client accounts;

ii. balance ranges, in the case of deposit and client accounts;

iii. the expected transaction volume of the account:

(e) mandate from the partnership or Beneficial Owner authorizing the opening of the account and conferring authority on those who will operate the account;

(f) written confirmation that all credits to the account are and will be beneficially owned by the financial institution and cash dealer holder;

(g) any documentary or other evidence reasonably capable of establishing the identity of the partners or Beneficial Owners.

D. Verification of facilities established by telephone or Internet

1. Where a request is made to a financial institution and cash dealer, by telephone, Internet, or written communication for a person, corporate entity, or partnership to become a financial institution and cash dealer holder, the financial institution and cash dealer shall verify the identity of that person, corporate entity, or partnership as provided in the relevant verification procedures in items A to C as appropriate.

2. Where the financial institution and cash dealer has obtained in writing confirmation from a foreign financial institution and cash dealer located in a country determined by the Banking Commissioner as having acceptable due diligence procedures, and that the other financial institution and cash dealer has verified the identity of the person or of the corporate entity specified in paragraph 1, no further verification of identity is necessary.