

RMA/FISD/03-2002/5182

March 14, 2002

The Managing Director
Bank of Bhutan
Phuentsholing

The Managing Director
Bhutan National Bank
Thimphu

Dear Sir(s),

Sub: Guidelines on Money Laundering and Financing of Terrorism

Further to our letter No.RMA/FISD/03-2001/3513 dated 21/12/2001 pertaining to the subject cited above, the following guidelines are being issued to the banks which is to be implemented with immediate effect:

- (i) Since Bhutan is a signatory to the "International Convention for the Suppression of the Financing of Terrorism," the RMA would like the banks to take sufficient care to abide by the UN Security Council Resolution No. 1267 (1999) and UN Security Council Resolution No.1373 (2001) relating to freezing of funds and assets linked to the terrorist organizations or of persons involved in carrying out terrorist activities. Further, the banks should also put in place appropriate measures and procedures to guard against any such financial transactions linked to the list of terrorist organizations and persons issued under Executive Order No.13224 of the United States. In this regard, the RMA should be kept fully informed of any financial transaction which is of a doubtful and suspicious nature.
- (ii) **Know Your Customer Policy** – While there has been no legal requirements for banking institutions to detect money laundering and financing of terrorist activities in the past, henceforth, the banks have the moral as well as ethical obligation to report such activities of suspicious nature to the RMA. Banking institutions shall therefore refrain from facilitating such financial transactions which are of criminal activities.

Customer identification is the key towards establishing a relationship through the opening of a bank account or providing any other banking services. It is, therefore, very important that the standard principle of "**Know Your Customer Policy**" be strictly adopted by the banks to safeguard against any such activities.

- (iii) **Customer Transaction Profile** – It is also necessary that procedures established by a bank should allow for the collection of sufficient information to develop a "transaction profile" of each customer. The primary objective of such procedures is to enable the banks to detect or predict with relative

certainty the types of transactions, which a customer is likely to engage in, and determine any inconsistent transactions, which is beyond the customer's "*transaction profile.*"

- (iv) The RMA shall, as part of its vigilance and surveillance system, will hereafter, engage the Financial Institutions Supervision Division to conduct frequent on-site visits of the banks and their branches to specifically check and verify your books of accounts relating to such financial transactions.

The banks are therefore directed that, until such time the RMA issues a more detailed guideline, you are to strictly adhere to the above directions issued in the interest of strengthening national and international initiative to curb money laundering and financing of terrorism.

Yours sincerely,


Sonam Wangchuk
Managing Director