ROYAL MONETARY AUTHORITY OF BHUTAN

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Suspicious Transaction Guidelines for Reporting Entities 2019

1. Short Title

It shall be called as Suspicious Transaction Guidelines for Reporting Entities 2019.

2. Authorization

The Royal Monetary Authority of Bhutan is authorized to issue guidelines under section 45 of Anti-Money Laundering and Countering of Terrorism Act of Bhutan (AML/CFT Act).

3. Application

The Guidelines is applicable to all the financial institutions or designated non-financial business and profession, and any other agency identified by the Royal Monetary Authority.

4. Objective

The Guidelines simply aim at assisting reporting entities in:

i. Identifying suspicious transactions and activities by providing specific indicators;
ii. Improving the quality of Suspicious Transaction Report (STR);
iii. Complying with the STR obligations by specifying when reports must be made, in what circumstances, what details to include and how to report them.

In many cases, reporting entities will be unaware of the underlying criminal activity. However, by screening transactions and activities for known indicators, a reasonable suspicion that the transaction or activity is relevant to criminal offending may arise.

5. Legal Obligations

As per section 69 of AML/CFT Act, a reporting entity shall submit a report to the Financial Intelligence Department (FID), if a reporting entity has reasonable grounds to suspect that any property, the subject of a transaction with which it is involved is:

i. The proceeds of some form of criminal activity whether committed in Bhutan or elsewhere; or
ii. Related, linked to, or is to be used for, terrorist acts or by a terrorist or a terrorist organization or by a person who finances terrorist acts.

6. Disclaimer

This guideline cannot be relied on as evidence of complying with the requirements of the AML/CFT Act. The guideline is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.

It should be noted that this guideline is not intended to be exhaustive. It requires constant updating and adaptation to changing circumstances and new methods of laundering money from time to time.

7. Transactions

A transaction or attempted transaction for which the customer refused to provide satisfactory evidence of identity should also be reported as a suspicious transaction to the FID. Throughout this guideline, any mention of a "transaction" includes one that is either completed or attempted as explained below.

i. Completed transactions

A completed transaction is one that has occurred. For example, if you process a deposit from a client towards the purchase of an asset such as a life insurance policy or a house, a financial transaction has occurred. This is true even if the final sale associated to the deposit does not go through. In this example, the refund of the deposit shall also be a financial transaction.

ii. Attempted transactions

An attempted transaction is one that a client intended to conduct and took some form of action to do so. An attempted transaction is different from a simple request for information, such as an enquiry as to the fee applicable to a certain transaction. An attempted transaction includes entering into negotiations or discussions to conduct the transaction and involves concrete measures to be taken by either you or the client.

The following are examples of attempted transactions:

- A financial institution refuses to accept a deposit because the client refuses to provide identification as requested;
- A client of a real estate agent starts to make an offer on the purchase of a house with a large deposit, but will not finalize the offer once asked to provide identification;
- An individual asks an accountant to facilitate a financial transaction involving large amounts of cash. The accountant declines to conduct the transaction; and
- A money services business will not process a request to transfer a large amount of funds because the client requesting the transfer refuses to provide identification requested.

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8. Suspicious Transaction

i. Suspicious Transactions are financial transactions in which there are reasonable grounds to suspect that, the funds involved are related to the proceeds of criminal activity. What is reasonable depends on the particular circumstances, industry, normal business practices within the industry.

ii. A suspicious transaction will often be one, which is inconsistent with a customer's known legitimate business, activities or lifestyle or with the normal business for that type of financial services product.

iii. Reporting entity shall also be alert to the implications of the financial flows and transaction patterns of existing customers, particularly where there is significant, unexpected and unexplained change in the behavior of a customer in his use of a financial services product. Even the long-standing clients should not be overlooked in respect to identifying suspicious transactions.

9. Identification of Suspicious Transactions

i. When considering whether a transaction is usual or unusual to a customer, a reporting entity and its employees must reasonably evaluate various factors surrounding the customer and the transaction such as:

- the customer's usual occupation, business or principal activity;
- the customer's transaction history;
- the customer's income level and source of income;
- reasons for the transactions as provided by the customer;
- the customer's behavior or appearance;
- the frequency of transactions;
- the size and complexity of the transaction;
- the identity or location of any other person(s) involved in the transaction;
- the usual or typical financial, business or operational practices or behavior of customers in the similar occupation or business category;
- the availability of identification documents and other documentation; and
- For more indicators: refer to appendix I to IV.

ii. This list of indicators is not exhaustive and the reporting entity may include other indicators. These factors individually may seem insignificant, but when considered together may raise questions on the appropriateness and normality of the transaction(s).

iii. All the above indicators surrounding a transaction and a customer should be assessed before reaching a conclusion that a transaction is suspicious and is likely to be a money laundering or terrorist financing related transaction or a transaction linked to a serious offence. The decision that a transaction is suspicious should be based on a combination of the indicators and not just one indicator regarding the transaction or customer.

10. Are cash transactions only to be reported as suspicious transactions?

i. The requirement to report any suspicious transaction applies to all types of transactions regardless of whether cash is involved. Thus non-cash transactions, such as telegraphic/wire transfers, that may appear suspicious, shall also be reported.

ii. There is no monetary threshold amount for reporting suspicious transactions. Thus, a transaction considered suspicious should be reported to the FID regardless of theamount of the transaction.

11. Indicators of suspicious transaction

i. The **Appendix I to IV** in this guideline contains indicators of suspicious transactions that might be useful in helping you assess whether a transaction is suspicious andshould be reported. It is not intended as a substitute for your own assessment, based on your knowledge and experience as well as the specific circumstances of the financial transaction.

ii. These transactions are considered to be suspicious transactions unless they are found rational by the reporting entity's employees in view of the customer's occupation, business details, explanations and other factors.

iii. It shall be noted that these indicators do not necessarily indicate presence of criminality and lack of known indicators does not necessarily means absence of criminality. The criminals may adjust behavior to avoid such indicators. However, the presence of an indicator, and especially the presence of multiple indicators, shall cause increase scrutiny by the reporting entity and such scrutiny may lead to the formation of suspicion.

iv. A customer's declarations regarding the background of such transactions shall be checked for acceptability. Not every explanation offered by the customer can be accepted without scrutiny. It is justifiable to suspect any customer who is reluctant to provide normal information and documents required routinely by the bank in the courseof the business relationship. Banks shall pay attention to customers who provide minimal, false or misleading information or, when applying to open an account, provideinformation that is difficult or expensive for the bank to verify.

12. How to Report a Suspicious Transaction?

i. This can be reported to the FID electronically and through signed paper reports.

ii. In cases where a reporting entity must urgently report on a suspicious transaction, it may verbally report this to the Head of the FID or any of the FID analysts via telephone. This must be followed by a formal written report.

iii. Reporting entity should provide their reports of suspicious transactions to the FID through their Anti-Money Laundering Compliance Officer. Clear internal reporting procedures should be in place and all employees must follow these reporting procedures.

13. When to Report a Suspicious Transaction?

i. A suspicious transaction must be reported to the FID as soon as practicably possible but no later than 2 working days after forming the suspicion or the receipt of the information being reported on.

ii. If the reporting entity discovers additional facts and circumstances to either support or refute the reporting entity's initial suspicion after sending the report, then the reporting entity shall inform the FID appropriately through hard copy or electronically.

14. Content of Reporting

i. Completeness

A single STR must stand-alone and contain complete information about the suspicion. A STR should provide a full picture of the suspicion itself as well as the objective facts and circumstances that gave rise to and support that suspicion. Where multiple transactions and/or behaviours are connected with a suspicion, a single report should be filed capturing all of these.

ii. Narrative

The narrative portion of the report is most important. The reporting entity should describe the suspicion and the objective facts and circumstances that gave rise to and support the reporting entity's suspicion. In any case, the reporting entity is unable to provide the full detailed narrative through STR format, the reporting entity mayprovide the narrative in a separate document and submit to the FID along with the signed hard copy of the STR. In such cases, the reporting entity should mention a brief summary of the narrative in the STR format and explicitly mention that a full narrative will be sent with the hard copy. The narrative should attempt to answer to the extent possible the basic descriptive questions of what, who, when, where, why and how.

The reporting entity should provide clear quantitative and qualitative data and should refrain from providing vague details.

Some of the questions that the narrative should attempt to answer, if possible, include:

- What is the nature of the suspicion and how was the suspicion formed?
- Why do these facts and circumstances support the suspicion?
- What red flag, triggers or indicators are present?
- What offenses may have been committed?
- What transactions, attempted transactions, behaviours, facts, beliefs and circumstances are involved and relevant to the suspicion?
- Who are the natural and legal persons involved?
- Who are the beneficial owners, their employers?
- What are their identifiers such as names, ID numbers, registration numbers, etc.?
- What are their addresses, occupations or lines/types of business?
- Any political exposure?
- How are they connected with each other and with the transactions?
- What were their roles in the transactions?
- What property is involved?
- What is the nature and disposition and estimated value of involved property?
- When and where did the transactions or attempted transactions or behaviors occur? How, if at all, do the timing or location of the transactions contribute to the reporting entity's suspicion?
- What actions have been taken by the reporting entity?
- What related STRs have the reporting entity already submitted?
- What deviations from expected activities have taken place?

The narrative shall be structured in a logical manner so that information can be conveyed to the FID analyst as efficiently, completely and accurately as possible. Narrative shall not be so brief as to compromise the goals of the narrative

iii. Accuracy

It is imperative that factual information provided in the report is accurate. This is particularly true for identifiers such as names, CID numbers, registration numbers, etc. All spellings and transcriptions of identifiers should be double checked. A single inaccurate digit in a passport number or work permit, or a misplaced or transposed character in a name, can make the difference between a successful and an unsuccessful analysis. Identifiers for legal entities (e.g. company / business registration number, registered name of company) shall be exactly identical in every respect to those found on the official registration documents.

15. Supporting Documents

i. Reporting entities are required to submit relevant supporting documents along with the STR. The reporting entities shall submit the relevant documents electronically followed by the signed hard copy.

ii. The supporting documents may include bank statements, details of depositors, copy of SWIFT message, copy of registration documents and details of director in case of suspicion related to company, etc.

16. Should a reporting entity continue a business relationship with a customer about whom a STR has been reported?

The AML/CFT Act does not prohibit reporting entities from continuing business relationships with customers about whom STRs has been reported or suspicion has been formed. However, reporting entities behavior toward the customer shall not amount to any tipping off.

17. Can the FID request further information on STRs submitted?

FID may, as part of its analysis process, request a reporting entity to provide further additional information on a suspicious transaction reported as per section 31(3) of the AML/CFT Act 2018).

18. Can attempted transactions also be reported as a Suspicious Transaction?

If a transaction has not been completed but is found suspicious by an employee of the reporting entity, the transaction can still be reported as suspicious even if minimal details of the customer has been obtained by the employee.

19. Protection for reporting entities and its employee making STRs

i. As per section 76 of the AML/CFT Act, “No confidentiality or secrecy provision in any other law shall prevent the reporting entity from fulfilling its obligations under this Act”.

ii. Reporting entity and its employees are provided protection under the section 79 of AML / CFT Act 2018.

iii. Firstly, a reporting entity and its employees are protected from any civil, criminal or disciplinary action taken against it for reporting a suspicious transaction in good faith.

iv. Secondly, AML/CFT Rules and Regulations 2022 prohibits the disclosure of information that will identify or likely to identify any person who has handled a transaction for which a suspicious transaction report (STR) has been raised or any person which has prepared or made a STR.

20. Tipping off and Disclosure of Information

i. A reporting entity and its employees or agents shall not disclose to any customer or a third party (section 92 of the AML/CFT Regulations 2022 and section 76-80 of AML/CFT Act):

(a) that it has reported or will be reporting a suspicious transaction to the FID;
(b) that the reporting entity has formed a suspicion on a particular customer's transaction; and
(c) any other information which may cause the person to conclude that a suspicion has been formed or that a report has been or may be made to the FID.

ii. A reporting entity, its employees or agents, must not disclose to the customer being reported or that it will be reporting (or has reported) his or her transaction or information to the FID as being suspicious.

iii. Disclosure of information on suspicious transactions is only allowed under the following circumstances:

(a) disclosure to an employee or agent of the reporting entity for the purpose of performance of that person's duties;
(b) disclosure to a lawyer for the purpose of obtaining legal advice on the matter; and
(c) disclosure as part of a court order.

21. Breach of Confidentiality

If any customer is being tipped off about the reporting of STRs by any Board of Director or employees of the reporting entity, it would consider as a violation under the Section 80 of AML/CFT Act. This is described as the offence of 'tipping off' and is an offence punishable with an official reprimand or a fine not exceeding Nu.10,000,000.00 or, suspension/revocation of the reporting entity's operating license.

22. Failures to report STRs

If a reporting entity fails to submit STRs when reasonable grounds exist to suspect that a transaction is related to money laundering or terrorist financing, such is considered as non-compliance to section 91 of AML/CFT Rules and Regulations 2022.

As per Section 243 of AML/CFT Rules and Regulations 2022, such non-compliances are liable to penalties equivalent to 100% of the STR not reported, subject to ceiling of Nu.10,000,000 /- or whichever is higher.

For further information, please contact the Financial Intelligence Department: Phone: +975-2-32111

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The following appendices contains a list of indictors related to customer behaviors and activities. This list is non-exhaustive and should be modified and supplemented as necessary by each reporting entities. The reporting entity should complement this list with their own suspicious indicators. It should be noted that the following indicators are not formulae and they do not always indicate presence of criminality. Conversely, the lack of indicators does not mean the absence of criminality. However, the presence of multiple indicators should cause increased scrutiny by reporting entities and such scrutiny may lead to the formation of suspicion.

APPENDIX I – GENERAL SUSPICIOUS INDICATORS

GENERAL INDICATORS

- Any behaviour unusual for the circumstances.
- Any activity unusual for the customer.
- Any activity unusual in itself.
- Any knowledge that leads the institution to believe that unlawful activity may be involved.
- Any unresolved and persistent feelings of doubt related to customers and their transactions and attempted transactions.

GENERAL BEHAVIOURAL/ CUTOMER INDICATORS

- Customer talks about or hints about involvement in criminal activities, even if in a humorous way.
- Customer does not want correspondence sent to home address.
- Customer appears to have accounts with several financial institutions for no apparent reason.
- Customer repeatedly uses an address but frequently changes the names involved.
- Customer uses addresses in close proximity of each other.
- Customer is accompanied and watched when visiting the financial institution.
- Customer shows unusual curiosity about internal systems, controls and policies.
- Customer has only vague knowledge of the amount of a deposit.
- Customer presents confusing or inconsistent details about the transaction.
- Customer over justifies or explains the transaction.
- Customer tries to convince financial institution staff to alter or omit reporting data.
- Customer is secretive and reluctant to meet in person.
- Customer is nervous, not in keeping with the transaction.
- Customer insists that a transaction be done quickly.
- Customer attempts to develop a close rapport with staff.
- Customer offers money, oversized commissions, gratuities or unusual favours for the provision of services.

- Customer has unusual knowledge of the law in relation to suspicious transaction reporting.
- Customer jokes about needing or not needing to launder funds.
- Customer has irregular work/travel patterns.
- Customer or group tries to persuade a bank employee not to file required reports or maintain required records.

GENERAL TRANSACTION INDICATORS

- Transaction is unusual for the customer, country, industry or any other reason.
- Transaction seems to be inconsistent with the customer's apparent financial standing or usual pattern of activities.
- Sudden unexplained increase in wealth.
- Transaction appears to be out of the ordinary course for industry practice or does not appear to be economically advantageous for the customer.
- Transaction uses account(s) that have been dormant.
- Transaction is unnecessarily complex for its stated purpose.
- Activity is inconsistent with what would be expected from declared business.
- Transaction involves non-profit or charitable organization for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity of the organization and the other parties in the transaction.

INDICATORS FOR BUSINESSES

- Unusually profitable business.
- Profitable business in a failing industry.
- Business receipts and incomes above industry norms.
- Cash intensive business.
- Use of high cost or inconvenient methods when lower cost or more convenient methods are available.
- Apparent lack of in-depth knowledge of his own business or industry
- Customer uses a personal account for business purposes.
- A retail business has dramatically different patterns of currency deposits from similar businesses in the same general location.
- Goods or services purchased by the business do not match the customer's stated line of business.

APPENDIX II – SUSPICIOUS INDICATORS FOR BANKS /LENDING/CREDIT FINANCIAL INSTITUTIONS

ACCOUNT OPENING

- Customer attempts to open an account(s) in what appears to be a fictitious name or in the name of other persons.
- Customer submits copies of identification documents while refusing to present the originals without any rational reasons.
- Customer provides identification documents, whichare suspected to be forged or false.
- Customer is reluctant or provides unclear or doubtful information during account opening process.
- Customer refuses to present his or her personal identification documents without any rational reasons.
- Customer insists on establishing his or her identity through means other than using personal identification documents.
- Attempts by a customer to open an account by mail-order or email.
- Transactions involving business accounts that are suspected of not being registered companies. Accounts bearing the names of corporations must have incorporation or company registration details.
- Financial institution finds discrepancies in the identification data (eg address, business details) or documents (e.g. passport, driver's license) of a customer after an account is opened.
- Customer attempts to open multiple accounts.
- Transactions involving accounts that are suspected of having been opened in fictitious names or in the names of other persons. Especially, cases where institutions, during contact with customers after their accounts have been opened, suspect frauds in their personal identification information (addresses, telephone numbers, etc.) provided when opening the accounts.
- Transactionsinvolving accounts bearing the names of corporations/companies/entities that are suspected of never having existed. Especially, cases where institutions, during contact with such corporations/companies/business entities after their accounts havebeen opened, suspect frauds in their identification information (addresses, telephone numbers, etc.) provided when opening the accounts.
- All identification documents presented appear new or have recent issue dates.
- Customer is unemployed.
- Customer conspicuously displays large amount of cash.

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CASH TRANSACTIONS

- Customer conducts a series of large deposits and withdrawals within a short period of time in cash or by cheque. The customer keeps making withdrawals until all funds that are deposited has been depleted.
- The stated occupation of the customer does not correspond to the level or type of transactions undertaken (e.g. a student/housewife customer makes a series of large cash deposits and withdrawals at different locations)
- Sudden increase in an account balance through large cash deposits.
- Customer deposits very dirty or moist currency notes.
- Customers who appear to be acting together, simultaneously using separate tellers to conduct large cash transactions or foreign exchange transactions.
- Customer conducts several transactions on the same day at the same branch but in conducting the transactions the customer deliberately uses different tellers.
- Customer consistently makes cash transactions that are below the reporting threshold amount prescribed in AML/CFT Rules and Regulations in an apparent attempt to avoid triggering the identification and reporting requirements.
- Customer presents uncounted funds for a transaction. On counting of the funds by the financial institution employee, the customer reduces the amount of funds to be transacted to avoid activating the reporting requirements.
- Company accounts that are dominated by cash transactions rather than other monetary instruments normally associated with commercial businesses such as cheques or credit cards.
- Branches that have a great deal of more cash transactions than usual. (Head Office statistics should detect abnormal cash transactions in branches)
- Customer makes cash transactions of consistently rounded-off large amounts
- Customer conducts a transaction for an amount that is unusual compared to amounts of past transactions.
- Customer makes irregular large loan repayments exceeding the required monthly/weekly repayment amount using cash or other negotiable instruments.
- Customer makes large cash payments which clears off his/her loan balance well before the end of the loan term.
- The size and frequency of currency deposits increases rapidly with no corresponding increase in non-currency deposits.

TRANSACTIONS THROUGH EXISTING ACCOUNTS

- Large deposits and withdrawals during a short period of time into an account immediately after being opened. The account is then closed or discontinued for any other transactions.
- Customer frequently conducts transactions at particular branches instead of a branch conveniently located to where he/she resides or works.
- Transactions where large deposits and withdrawals are made frequently, unless they are found rational by institutions in view of customers' occupations, business patterns and other factors.
- Transactions involving accounts that customers use for frequent remittances to a large number of people. Especially, cases where customers make large deposits into their accounts just before remittances, unless they are found rational by institutions in view of customers' occupations, business patterns and other factors.
- Customer frequently receives large deposits into his/her account at a branch distantly located from the branch at which the customer maintains his/her account.
- Funds are deposited into several accounts, consolidated into one and transferred abroad.
- Large deposits into a particular account before these funds are remitted abroad.
- An account receives frequent remittances from a large number of people followed by a large remittances or withdrawals from that accounts just after receiving the remittances.
- An inactive account suddenly experiences significant activity with large deposits and withdrawals.
- Customer gives conflicting information to different financial institution officials.
- Multiple deposits into an account by third parties.
- Lack of documentary evidence to support large transactions.
- Large value term deposits for a customer, however this is not supported by the customer's occupation or business activity.

CROSS BORDER TRANSACTIONS

- Transactions where customers make frequent large overseas remittances within short periods of time.
- Customer sends or receives large overseas remittances for economically unreasonable purposes.
- Information concerning the originator of a wire transfer is not provided. Transactions involving customers who provide information, which is suspected of being falsified or ambiguous information with regard to their overseas remittances. Especially, cases involving customers who provide information lacking rational reasons for remittance destinations, purposes of remittances, use of certain bank branches for remittances, or the like.
- Transactions where customers frequently purchases or encash large amounts of traveler's or remittance cheques (including those denominated in foreign currencies).

- Transactions involving customers or business entities who are based in jurisdictionswhich do not cooperate with international anti-money laundering efforts ("Non- cooperative countries and territories (NCCTs). For a list of NCCT, refer to the Financial Action Taskforce website on: www.fatf-gafi.org)
- Funds transfer activity occurs to or from a financial secrecy haven, or to or from a higher-risk geographic location without an apparent business reason or when the activity is inconsistent with the customer's business or history.
- Funds transfer activity occurs to or from a financial institution located in a higher risk jurisdiction distant from the customer's operations.
- Large, incoming funds transfers are received on behalf of a foreign client, with little or no explicit reason.
- Funds transfer activity is unexplained, repetitive, or shows unusual patterns.
- Payments or receipts with no apparent links to legitimate contracts, goods, or services are received.
- Funds transfers are sent or received from the same person to or from different accounts.

LOAN TRANSACTIONS

- Transactions where customers unexpectedly make repayments of overdue loan, early settlement of loan before maturity, or overpayments of other banking services (e.g. credit card), unless they are found rational by institutions in view of customers' occupations, business patterns and other factors.
- Request to borrow against assets held by the institution or a third party, where the origin of the assets is not known or the assets are inconsistent with the customer's standing.
- Request by a customer for an institution to provide or arrange finance where the source of the customer's financial contribution to the deal is unclear, particularly where property is involved.
- A customer who is reluctant or refuses to state a purpose of a loan or the source of repayment, or provides a questionable purpose and/ or source.
- Loans secured by pledged assets held by third parties unrelated to the borrower.
- Loan secured by deposits or other readily marketable assets, such as securities, particularly when owned by apparently unrelated third parties.
- Loans are made for, or are paid on behalf of, a third party with no reasonable explanation.
- Customer seeks loan without obvious reason.
- Customer repays a long term loan, such as a mortgage, within a relatively short time period.
- Source of down payment is inconsistent with borrower's background and income. •
- Down payment appears to be from an unrelated third party.
- Down payment using a series of money orders or bank drafts from different financial institutions.
- Customer seems unconcerned with terms of credit or costs associated with completion of a loan transaction.

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TRADE FINANCING INDICATORS

- Items shipped are inconsistent with the nature of the customer's business (e.g., a steel company that starts dealing in paper products, or an information technology company that starts dealing in pharmaceuticals).
- Customers ship items through high-risk jurisdictions, including transit through countries recognized as non-compliant with AML/CFT requirements.
- Customers involved in potentially high-risk activities, including activities that may be subject to export/import restrictions.
- Obvious over- or under-pricing of goods and services.
- Obvious misrepresentation of quantity or type of goods imported or exported.
- Transaction structure appears unnecessarily complex and designed to obscure the true nature of the transaction.
- Customer requests payment of proceeds to an unrelated third party.
- Shipment locations or description of goods not consistent with letter of credit.
- Documentation showing a higher or lower value or cost of merchandise than that which was declared to customs or paid by the importer.
- Significantly amended letters of credit without reasonable justification or changes to the beneficiary or location of payment.

SUSPICOUS PATTERNS INVOLVING MULTIPLE TRANSACTIONS

- Round trip transactions where funds are transferred to one destination, and then return in roughly the same amount from a different origin.
- Structured transactions that break transactions into smaller amounts to avoid reporting.
- Distributer/collector transactions where multiple accounts funnel into one, or one funnels into multiple without adequate explanation. This is an especially strong indicator when accounts may be controlled by single beneficial owner.

APPENDIX III- SUSPICIOUS INDICATORS FOR INSURANCE BUSINESSES AND AGENTS

- Applicant is reluctant to provide the necessary identification information and documentation or provides minimal information.
- Applicant provides conflicting information about his/her personal details and/or provides identification documents which you suspect to be fictitious.
- Applicant appears to have insurance policies with several other institutions.
- Applicant requests insurance policies in amounts, which is considered beyond the customer's apparent means.
- Customer requests an insurance product that has no apparent purpose and is reluctant to provide the reason for his/her investment.
- The applicant for an insurance policy requests to make a lump sum payment by a wire transfer or with foreign currency.
- Applicant attempts to use a third party cheque to purchase a policy.
- Applicant seeks an insurance policy with premiums that exceed the customer's apparent means.
- Applicant requests to make a lump sum payment to purchase the insurance policy, when this would normally: DURING THE TERM AND END OF THE INSURANCE CONTRACT
- Unusual instances of pre-payment of insurance premiums.
- Customer pays large amount of premiums in cash or cheques which does not correspond to the customer's background.
- Customer changes from paying his/her premiums fortnightly or monthly to annually or in full.
- The first (or the only) insurance premium is paid from a bank account outside of Bhutan.
- Customer requests during the term of the insurance contract, that the ultimate beneficiary be replaced with another person who has no apparent connection with the customer/policy holder.
- Customer cancels his/her policy early without a reasonable reason.
- A customer on just having signed on his/her policy, immediately cancels his/her policy, especially at a loss, and requests that the payout be made to a third party.
- Insurance policies with values that appear to be inconsistent with the client's insurance needs
- A transfer of the benefit of a product to an apparently unrelated third party
- Requests for a large purchase of a lump sum contract where the policyholder has usually made small, regular payments.
- The applicant for insurance business shows no concern for the performance of the policy but much interest in the early cancellation of the contract the applicant for insurance business wants to borrow the maximum cash value of a single premium policy, soon after paying for the policy
- A customer purchases products with termination features without concern for the product's investment performance.

- A customer purchases insurance products using a single, large premium payment, particularly when payment is made through unusual methods such as currency or currency equivalents.
- A customer uses multiple currency equivalents (e.g., cashier's cheques and money orders) from different banks and money services businesses to make insurance policy or annuity payments.
- Involvement of one or more third parties in paying the premiums or in any other matters involving the policy.
- Overpayment of a policy premium with a subsequent request to refund the surplus to a third party.
- Funds used to pay policy premiums or deposits originate from different sources.
- Customer cancels investment or insurance soon after purchase.
- Early redemption takes place in the absence of a reasonable explanation or in a significantly uneconomic manner.
- Customer accepts very unfavourable conditions unrelated to their health or age.
- Repeated and unexplained changes in beneficiary.
- Relationship between the policy holder and the beneficiary is not clearly established.

APPENDIX IV- SUSPICOUS INIDCATORS FOR SPECIFIC SECTORS

SECURITIES SECTOR

- Client shows unusual interest in internal controls and processes.
- Shareholder's accounts that suddenly experience large investments that are inconsistent with the normal investment practice of the client or their financial ability.
- Client attempts to purchase huge investments with cash.
- Client wishes to purchase a number of investments with money orders, traveller's cheques, cashier's cheques, bank drafts or other bank instruments, especially in amounts that are slightly less than the reporting threshold, where the transaction is inconsistent with the normal investment practice of the client or their financial ability.
- Client frequently makes large investments in stocks, bonds, investment trusts or other securities in cash or by cheque within a short time period, inconsistent with the normal practice of the client.
- Client seeks to designate a bank account opened under the name of a third person as payment destination.
- Client is suspected of using multiple brokers.
- Trades conducted by entities that you know have been named or sanctioned by regulators in the past for irregular or inappropriate trading activity.
- Client sells or purchase shares at economically unfavourable times without apparent concern or lack of commercial advantage.
- All principals of client are located outside of the country.
- Transactions made by your employees, or that you know are made by a relative of your employee, to benefit unknown parties.
- Transactions in which clients make settlements with cheques drawn by or remittances from, third parties.
- Proposed transactions are to be funded by international wire payments, particularly if from countries where there is no effective anti-money-laundering system.

  The Financial Action Task Force's Web site (http://www.fatf-gafi.org) has information about non-cooperative countries and territories in the fight against money laundering and terrorist financing (see "High-risk and non-cooperative jurisdictions" section)

MONEY/ CURRENCY CHANGERS

- Customer requests a transaction at a foreign exchange rate that exceeds the posted rate.
- Customer exchanges currency and requests the largest possible denomination bills in a foreign currency.
- Customer is reluctant to divulge the source of currency.
- Customer is unable to produce relevant documents to support transaction.
- Customer requests that a large amount of foreign currency be exchanged to another foreign currency.

- Customer instructs that funds are to be picked up by a third party on behalf of the payee.
- Customer knows little about address and contact details for payee, is reluctant to disclose this information, or requests a bearer instrument.
- Customer exchanges small denomination of bills for larger denomination

MONEY VALUE TRANSFER SERVICE (MVTS)

- False information during the identification procedure/lack of co-operation.
- Originator without account
- Originator information incomplete, dubious, or inaccurate
- Originator information appears to be altered or removed
- Transfers to/from jurisdiction that are known to have inadequate AML controls or that are known to be at high risk of crime or corruption
- Transfers to/from jurisdictions known as an offshore financial center (jurisdictions that provide commercial and corporate service to non-resident in the form of offshore companies and investment of offshore fun
- The use of numerous agent locations for no apparent reason to conduct transactions.
- Multiple customers conducting international funds transfers to the same overseas beneficiary.
- Multiple low-value international funds transfers, possibly indicating a large amount of funds broken down into smaller amounts.
- Several customers request transfers either on the same day or over a period of two to three days to the same recipient.
- Customer does not appear to know the recipient to whom they are sending the transfer.
- Customer conducts large transactions to/from countries known as narcotic source countries or as trans-shipment points for narcotics, or that are known for highly secretive banking and corporate law practices.
- Customer sends frequent wire transfers to foreign countries, but does not seem to have connection to such countries.
- Mismatch between the economic activity, country of origin, or person and the money remittances received;
- Periodic transfers made by several people to the same beneficiary or related persons;
- Transfers over a short period of time of low amounts that together represent a large sum of money;
- Transfers from one or more senders in different countries to a local beneficiary.
- Sudden inflow of funds in cash followed by sudden outflow through financial instruments such as drafts and cheques;
- Structuring of transactions and/or changing of MVTS provider for subsequent orders to keep a low profile.

OTHER TRANSACTIONS

- Transactions involving customers who refuse to explain reasons or submit information when requested to verify the intended beneficiary and clear the suspicion regarding whether or not the customer is acting on its own behalf. These transactions include those that are made by representatives of customers and are expected to benefit others than the customers.
- Transactions that are made by employees of institutions or their relatives to benefit parties that are unknown.
- Transactions involving customers who unusually emphasize the secrecy of the deals, and customers who attempt to ask, force or bribe staff of institutions not to report the deals to authorities.
- Unusually large number and variety of beneficiaries are receiving funds transfers from one company.
- Employee exhibits a lavish lifestyle that cannot be supported by his or her salary.
- Employee is reluctant to take a vacation/leave.
- Employee fails to conform to recognized policies, procedures, and processes.
- Employee overrides a hold placed on an account identified as suspicious so that transactions can occur in the account.