



Advisory

Financial Transactions Reporting Act

Reference: 1/2007

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Re: Customer Due Diligence of Existing Customers Accounts

The customer due diligence (CDD) process must be applied to all *new* and *existing customers* of a financial institution. This advisory focuses on CDD for existing customers of a financial institution.

What does CDD of an existing customer involve?

CDD of on an existing customer includes:

- reviewing the customer's records to determine what *identification information* is currently available and
- updating the customer's identification information where necessary to meet the requirements of the FTR Act.

When reviewing an existing customer's record, the financial institution must check that all the following information about the customer is available:

- i. name of the customer;
- ii. permanent residential or business address in Fiji;
- iii. date of birth;
- iv. the occupation, business or principal activity (including name of employer or nature of self-employment or business);
- v. specimen signature;
- vi. source of funds;
- vii. citizenship.

If any of the above detail is not available in the customer's record than this information must be obtained by the financial institution as part of the CDD process.

Once all identification information about an existing customer is obtained by the financial institution, this information must be verified using reliable, independently sourced and valid documents as outlined in Regulation 8(2).

The CDD process for an existing customer is considered complete when the financial institution has obtained for its records all the required identification information and has verified this.

How should CDD be applied to existing customers?

A financial institution must apply CDD to existing customers on the basis of the materiality and risk of the customers' accounts. Thus a risk assessment exercise may be undertaken of all existing customer accounts to identify high risk customer accounts.

Priority may than be placed on carrying out CDD on high risk customer accounts which are lacking in customer identification information. CDD may than be applied to medium to lower risk customer accounts once CDD of all high risk accounts have been completed.

When should CDD for existing customers be undertaken?

CDD of existing customers must be undertaken at appropriate times as determined by the financial institution and this should be clearly specified in the financial institution's internal AML policies and procedures.

Examples of appropriate times to undertake CDD of existing customers are:

- when a significant transaction takes place in a particular account;
- when there is a material change in the way the account is operated (changing from cheque account to an access account);
- when the customer applies for another product within the financial institution (a customer with an access account applies for a credit card or a loan; an insurance customer applies for another insurance policy with the same insurance company)

However for high risk customer accounts, CDD should be undertaken as quickly as possible if the account lacks sufficient or important customer information.

The financial institution's should define the appropriate timing for CDD of existing customers and this should be clearly documented in its internal AML policy and procedures so all employees are aware of this requirement.

Effect of CDD Information on Reporting of Suspicious, Cash and Electronic Fund Transfer Transactions

In the absence of relevant CDD, the quality of customer information held by a financial institution will also impact on its obligation to report cash transactions of \$10,000 or more (FTR Act s. 13.1); all electronic fund transfer transactions (FTR Act s13.2) and suspicious transactions.

Under the FTR Regulation 28.4, the FIU may provide flexibility on the mandatory reporting field in the transaction reporting forms. However, financial institutions are expected to eventually provide complete CDD and other information including information on existing customers when reporting on cash, suspicious and electronic fund transfer transactions.



**Razim Buksh
Director
Financial Intelligence Unit**