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Anti-Money Guidelines

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Guidelines for Verification of Customers Identities,2

The United Republic of Tanzania

Ministry of Finance

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**The United Republic of Tanzania
Financial Intelligence Unit**



Guidelines for the Verification of Customers' Identities

GUIDELINES NO: 1

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1.0 INTRODUCTION

- 1.1 Following the enactment of the Anti- Money Laundering Act, in 2006, which became effective on July 1st, 2007, the Minister for Finance, as empowered under the law, issued the Anti-Money Laundering Regulations, 2007 to facilitate its implementation.
- 1.2 The Anti-Money Laundering Act, 2006 establishes the Financial Intelligence Unit as the agency responsible for receiving, analyzing and disseminating information to assist in the detection, prevention and deterrence of money laundering in Tanzania.
- 1.3 Regulation 32 (1) (a) of the Anti-Money Laundering Regulations, 2007 mandates the Financial Intelligence Unit to issue Guidelines related to the verification of customers' identities.
- 1.4 The Financial Intelligence Unit has prepared these guidelines to assist reporting persons¹ with mechanisms of verifying customers' identities.
- 1.5 The Financial Intelligence Unit expects reporting persons' internal anti-money laundering and anti-terrorism financing policies to be adopted and approved by their boards of directors. The boards of directors should take ownership of their obligations in terms of the Anti-Money laundering Act, 2006, regulations, guidelines and their implementation.
- 1.6 The Anti-Money Laundering Act, 2006 and the implementing regulations require reporting persons to identify all customers with whom they do business using basic principles of money laundering detection, i.e. reporting persons must know with whom they are doing business; the paper trail of financial transactions going through their systems must be preserved and possible money laundering transactions must be brought to the attention of the Financial Intelligence Unit.
- 1.7 These Guidelines are issued pursuant to Section 6 (f) of the Anti-Money Laundering Act, 2006 and Regulation 32 (1) of the Anti-Money Laundering Regulations, 2007 and aim at assisting reporting persons and relevant supervisory bodies with practical application in client identification and verification.

¹ Reporting person has meaning ascribed to it by section 3 of the Anti-Money Laundering Act, 2006

- 1.8 Reporting persons' customer identification programmes should reflect the different types of customers (natural vs. entities) and the different levels of risk resulting from relationship with their customers'. Higher risk transactions and relationships will require greater scrutiny than lower risk transactions and accounts. Some factors to be applied to differentiate between high risk, medium risk and low risk customers may include;
- a) Product type,
 - b) Business activity,
 - c) Customer's attributes, e.g. whether the customer is on the United Nations' money laundering and terrorist list, duration of customer relationship with reporting persons,
 - d) Source of funds,
 - e) Jurisdiction of customer,
 - f) Transaction value, and
 - g) Type of entity.
- 1.9 Reporting persons must develop clear customer acceptance policies and procedures, including a description of the type of customer that is likely to pose a higher than normal risk to an institution and in preparing such policies, reporting persons should take into account all risk factors including factors such as the customer's;
- a) Background,
 - b) Country of origin – e.g. whether or not there are adequate AML/CFT regulations,
 - c) Public or high profile position,
 - d) Linked accounts,
 - e) Business activities-e.g. Whether or not the business makes sense,
 - f) Lack of transparency including ownership/complex business structures,
 - g) Significant cash business.
- 1.10 It is important that customer acceptance policies are not too restrictive to result in denial of access by the general public to financial services.

2.0 VERIFICATION OF NATURAL PERSONS' IDENTITIES

Reporting persons shall verify the information referred to in regulations 3 and 5 of the Anti-Money Laundering Regulations 2007 by doing the following, among others:-

- 2.1 Comparing full names with official documents such as passport, birth certificate, identity card, voter registration card, driving licence, business licence, affidavit/assurance from government official, attorney, magistrate, or any other document with such information obtained from any other credible independent source.
- 2.2 Confirming the date of birth and nationality from an official document like birth certificate, passport, identity card, voter registration card, social security records, or any other document with such information which is obtained from any other credible independent source;
- 2.3 In case a person is unable to produce an official identity document, reporting persons must be satisfied that the customer has an acceptable reason for being unable to produce an official identity document. The reason(s) provided must be noted in the records of the reporting person(s). Reporting persons may accept any other alternative valid and unexpired documents of an equivalent nature which may be produced as satisfactory evidence of customers' identity bearing
 - a) A recent photograph of that person,
 - b) Official letter or document issued by a government official or advocate adequately identifying that person
- 2.4 Confirming the permanent address using such things as utility bills, bank statement, a letter from a public authority or embassy or consular office, recent lease or rental agreement or any other document which bear such information and which is obtained from any credible independent source;
- 2.5 Contacting the customer by telephone, by letter or by e-mail to confirm the information supplied before and after the relationship has been established. Things like a disconnected phone, returned mail, or incorrect e-mail address should warrant further investigation;
- 2.6 Confirming the validity of the official documentation provided through certification by an authorised person (e.g. government official, notary public, embassy, etc.);
- 2.7 Verifying the Tax Identification Number by comparing the number with a document issued by the Tanzania Revenue Authority bearing such a number and name of the respective person.

- 2.8 Reporting persons should apply equally effective customer identification procedures for non-face-to-face customers as for those available for interview and must take reasonable steps to confirm the existence of the customer and verify the identity of the person involved and there must be specific and adequate arrangements to mitigate the higher risk by taking such measures as:
- a) Certification of documents presented (most often for non face to face situation faxed copies of documents are used),
 - b) Requisition of additional documents to complement those that are required for face to face customers,
 - c) Independent contact with customer by the reporting persons,
 - d) Third party introduction.

3.0 VERIFICATION OF INFORMATION CONCERNING ENTITIES' IDENTITIES (CORPORATES, PARTNERSHIPS, ASSOCIATIONS/CLUBS, SOLE PROPRIETORSHIPS AND TRUSTS)

Reporting persons shall verify the information referred to in regulations 7, 9, 10,12 and 14 of the Anti-Money Laundering Regulations 2007 by doing the following, among others;

- 3.1 For established corporate entities - reviewing a copy of the latest periodical reports and accounts (audited, if available);
- 3.2 Conducting an enquiry confirming submitted documents;
- 3.3 Communicating with BRELA and other registering authorities on the authenticity of registration certificates and communicating with Tanzania Investment Centre, if applicable, for verification of necessary documents;
- 3.4 Undertaking an entity search and/or other enquiries to ensure that the entity has not been, or is not in the process of being, dissolved, struck off, wound up or terminated;
- 3.5 Utilizing an independent information verification process, including accessing public and private databases;
- 3.6 Comparing the registered name, registration number and registered address with the most recent official Memorandum and Articles of Association/ establishment deeds or constitutional/governing documents and versions of the Certificate of Incorporation/registration bearing the stamp of the incorporating/registering authority;
- 3.7 Comparing the trade name and business address with information which can reasonably be expected to achieve such verification like visiting the entity, where practical;
- 3.8 Contacting the entity by telephone, mail or e-mail;
- 3.9 Comparing the Tax Identification Number with documents issued by Tanzania Revenue Authority bearing such number;
- 3.10 Reporting persons shall verify the particulars obtained in respect of a foreign entity by comparing the particulars with an official document issued by an authority for recording the incorporation/registration of entities in the country of incorporation/registration of the foreign entity, as evidence of incorporation/registration;

- 3.11 In addition to the above it will be useful to;
- a) Obtain prior bank references;
 - b) Gather information about the foreign entity to understand the nature of the foreign entities business to determine;
 - (i) The reputation of the foreign entity;
 - (ii) Whether the foreign entity has been subject to money laundering or terrorism financing investigation or regulatory action;
 - (iii) Assess the foreign entity's anti-money laundering and counter terrorist financing controls to determine whether they are effective;
- 3.12 Obtaining the residential address and contact particulars, like under natural persons, of
- a) the Directors;
 - b) each individual or entity holding 5% or more of the voting rights at a general meeting of the entity concerned; and
 - c) each individual who purports to be authorised to establish a business relationship or to enter into a transaction with an institution on behalf of the entity.
- 3.13 For corporations, particular attention should be paid to shareholders, signatories, or others who inject a significant proportion of the capital or financial support or otherwise exercise control. Where the owner is another corporate entity or trust, reasonable measures should be undertaken to look behind that company or entity to verify the identity of the principals in line with these guidelines.
- 3.14 For partnerships, the identity of each partner should be verified. It is important to verify identity of immediate family members that have ownership control; such verification shall be done like for natural persons.
- 3.15 For charities, clubs and societies, reasonable steps should be taken to identify and verify at least two signatories, in line with natural person identification, along with the entity itself. The principals who should be identified should be considered those persons exercising control or significant influence over the organisation's assets. This will include members of a governing body or committee, the President, any board member, the treasurer, and all signatories. Such identity verification shall be in line with natural person verification procedures.

- 3.16 Where Mutual/Friendly societies, Non-Governmental Organizations, Political parties, Cooperatives and societies are involved, the principals to be identified should be considered to be those persons exercising control or significant influence over the organisation's assets. This will include board members plus executives and account signatories. Such identity verification shall be in line with natural persons verification procedures.
- 3.17 In the case of a trust created/registered in the United Republic of Tanzania, the authorisation given by the Registration, Insolvency and Trustees Agency (RITA) in terms of the Trustees Incorporation Act to each trustee of the trust to act in that capacity should be provided;
- 3.18 In verifying the identity of a trust, the following are required;
- a) Trust deed or other founding documents,
 - b) Letter of authority from a competent trust creating/registering authority in a foreign jurisdiction,
 - c) Personal details of each trustee and beneficiary referred to by name in the trust deed or other founding document, the founder and the person(s) authorised to act.
- 3.19 The Tax Identification Number of the trust shall be compared with a document issued by Tanzania Revenue Authority bearing such a number;

4.0 VERIFICATION OF INFORMATION RELATING TO IDENTITIES OF OTHER PERSONS SUCH AS ORGANS OF STATE INCLUDING GOVERNMENT MINISTRIES AND/OR DEPARTMENTS, EMBASSIES, PARASTATALS

The Financial Intelligence Unit places an obligation on all reporting persons to verify the identity of all their customers, even if the client is an organ of state including a government department, such that;

- 4.1 Certain organs of state are incorporated as companies to conduct business; such organs' identities must be verified as companies;
- 4.2 Other organs should be identified as legal persons by identifying representatives or persons acting on behalf of an organ of state by obtaining and verifying their full names, dates of birth, identity numbers, and photographs, etc. Information concerning the contact particulars of such persons should be obtained and verification done in line with these guidelines.

5.0 THIRD PARTY/AGENT IDENTITIES VERIFICATION

- 5.1 If a client is acting on behalf of another person, the reporting person and institution needs to establish and verify the identity of that other person and the client's authority to establish the business relationship or conclude the transaction on behalf of that person. Reporting persons must verify the information obtained by comparing the particulars of the person in line with these guidelines i.e. under verification of information for natural persons or entities.
- 5.2 Authority of a third party acting on behalf of another person to establish a relationship can be confirmed using such documents as power of attorney, mandate resolution duly executed by authorised signatories or a court order authorising the third party to conduct business on behalf of another person.
- 5.3 Reporting persons need to take reasonable steps to verify the identity and reputation of any agent transacting on behalf of a customer. The agent, if a natural person, shall be identified like a natural person and if an entity shall be identified like entities as provided for in these guidelines.

6.0 ON GOING CUSTOMER DETAILS MAINTENANCE

- 6.1 Reporting persons must take reasonable steps, concerning verification of customer identities in respect to existing business relationship, to maintain the correctness of particulars that are susceptible to change.
- 6.2 Reporting persons should consider the following procedure for on going maintenance of customers' information;
 - a) Apply Know Your Customer (KYC) procedures to existing customers on the basis of materiality and risk and conduct due diligence reviews of such existing relationships as appropriate;
 - b) Undertake regular reviews of existing customer records; an appropriate time to do so may be when a transaction of significance takes place or when there is a material change in the way the account is operated;
 - c) If a reporting person becomes aware at anytime that it lacks sufficient information about an existing customer, it must take steps to obtain all relevant Know Your Customer information as quickly as possible.

7.0 FORWARDING COMMENTS

Institutions are encouraged to practice and record any comments, which arise in relation to these Guidelines, and forward them to the Financial Intelligence Unit so that amendments may be made appropriately where applicable.

8.0 EFFECTIVE DATE

These Guidelines become effective on 1st April, 2009


Herman M. Kessy
Commissioner
Financial Intelligence Unit