



Customer Due Diligence (CDD)

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CENTRALE BANK VAN ARUBA

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Contents presentation



- I. Money Laundering
- II. AML/CFT Risks
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I. The AML/CFT Risks



Money laundering = disguising illegal sources of money so that it looks like it came from legal sources.



I. The AML/CFT Risks (cont'd)



Stages of Money laundering

- Placement
- Layering
- Integration



I. The AML/CFT Risks (cont'd)



The Placement stage:

Cash obtained from illegal activities

Question: what will criminals do with it?

- Place it into the financial system
- Buy expensive goods
- Smuggle it out of the country



I. The AML/CFT Risks (cont'd)



The Layering stage:

The launderer does not want to be known as the owner:

The source of ownership is concealed by creating complex layers of financial transactions, resulting in...

No audit trail



I. The AML/CFT Risks (cont'd)



The Integration stage:

The "cleaned" money is integrated into the economy.

The launderer might choose to invest the funds into real estate, luxury assets (automobiles and jewelry), or business ventures.



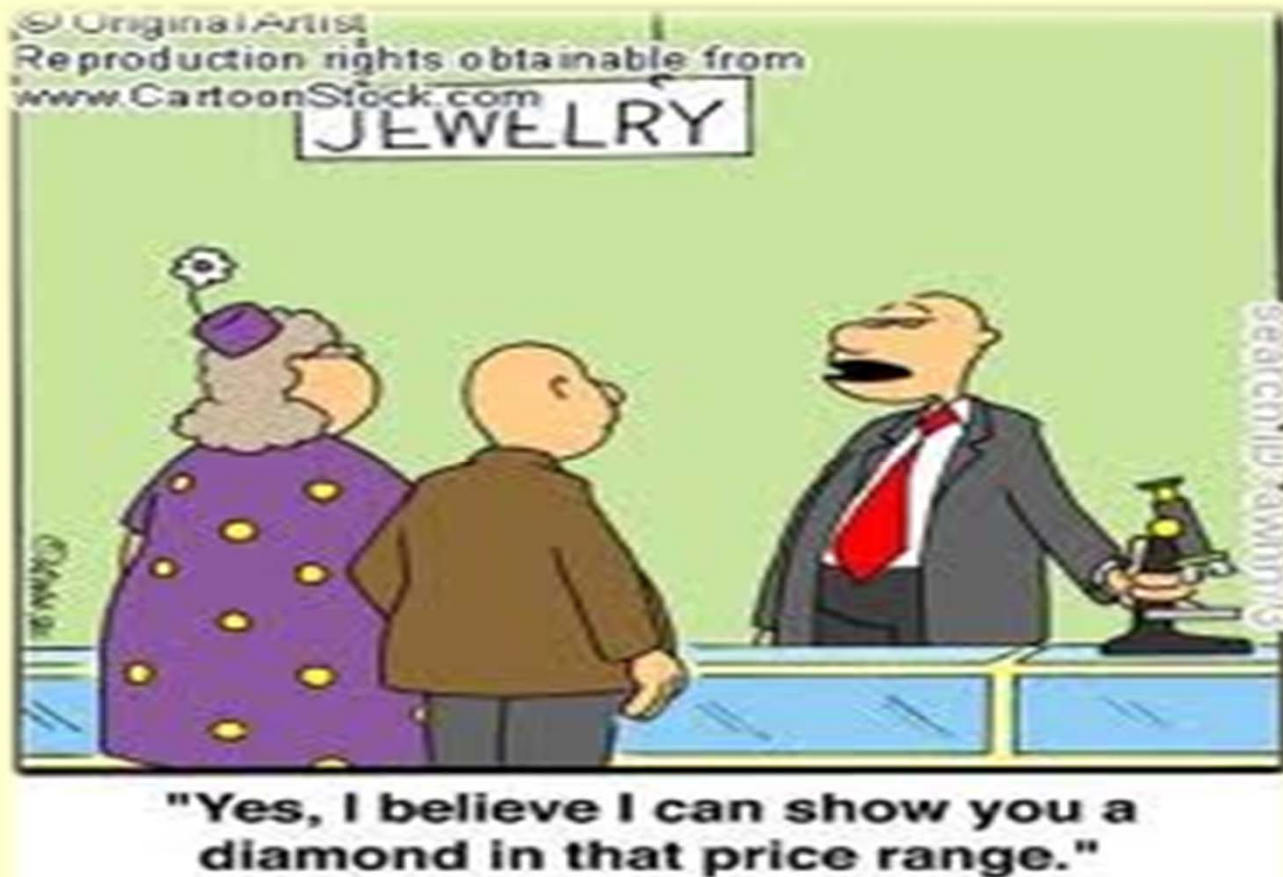
Where do you come in?



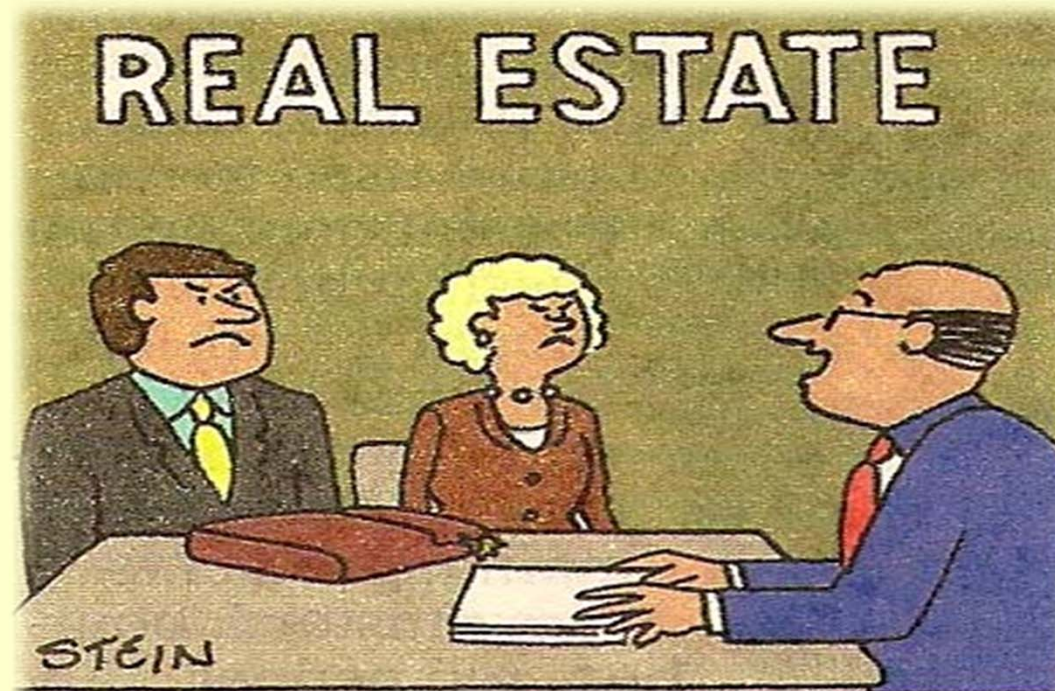
- Jewelers
- Car dealers
- Real estate brokers



Where do you come in?



Where do you come in?



"Ha, that's very funny, but seriously, what price range did you have in mind?"



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Basic defenses against the ML/TF risks



- CDD-measures
- Reporting



II. CDD



Customer Due Diligence



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II. CDD (cont'd)



- CDD plays a crucial role in achieving the objective of the AML/CFT state ordinance, to prevent and combat money laundering and terrorist financing.
- Sound CDD measures are vital because they:
 - help protect your business and the integrity of the sector in which it operates by reducing the likelihood of the service provider becoming a vehicle for, or victim of financial crime
 - assist law enforcement, by providing available information on customers or activities and transactions being investigated – following an unusual transaction report to the MOT



II. Fundamental questions



- Fundamental questions
- When?
- What?
- How?



II. CDD (cont'd)



The CDD process in 7 steps

1. Applicability of CDD requirements
2. Identification
3. Verification
4. UBO
5. PEP
6. Relationship information and risk assessment
7. Monitoring and review



II. The 7 steps of CDD



Step 1

When are the CDD measures required?

- **For all Service Providers:**
 - I). If a business relationship is established in or from Aruba.
 - II). If there are indications that the customer is involved in money laundering or terrorist financing.
 - III). If the service provider has doubts on the soundness or reliability of data obtained from the customer previously.
 - IV). If the risk of involvement of an existing customer in money laundering or terrorist financing gives reason to do so.



II. The 7 steps of CDD (cont'd)



- **For real estate sector also:**
Act as intermediary in the purchase and sale of registered objects,
- **For car dealers, jewelers and other HvD also:**
Cash transactions with a value of Afl. 25.000,- or more.



II. The 7 steps of CDD (cont'd)



Step 2

Identification

Collect relevant identification information on a customer:

- Natural person: the surname, given names, date and place of birth, and address.
- Legal person: the legal form, name under the Articles of Association, trade name, address, and, if the legal person is listed with the Chamber of Commerce, the registration number, and of the persons acting on behalf of the legal person the surname, given names, and date of birth;
- Record and retain the information collected.



II. The 7 steps of CDD (cont'd)



Step 3

Verification

To verify the customer's identity reliable documents, data or information from a reliable and independent source should be used, for example:

- Resident natural person: passport, driver's license or identity card.
- Non-resident natural person: passport.
- Domestic legal person: company registry extract.
- Foreign legal person: documents, data, or information that is reliable and internationally accepted or recognized by law in the state of origin of the customer as a valid means of identification.



II. The 7 steps of CDD (cont'd)



Step 4

Ultimate Beneficial Owner (UBO)

Is the customer a legal person???

Then the UBO must be identified and his identity must be verified.

UBO = a natural person:

- a. Who holds an interest of more than 25% of the capital interest or can exercise more than 25% of the voting rights in the shareholders meeting of a customer, or can in another way exercise actual control over such a customer;
- b. Who is beneficiary of 25% or more of the assets of a legal arrangement, including a foundation and a trust, or can exercise actual control over such a legal arrangement



II. The 7 steps of CDD (cont'd)



Step 5

Politically Exposed Person (PEP)

PEP = a person who holds or held a prominent public position, as well as direct family members and direct associates of such a person

Is a customer a PEP?: “Reasonable Measures”

- Check internet, reliable (inter)national PEP-lists or other reliable information sources.
- Senior management approval is required to enter into the business relationship or perform the transaction.
- Requiring source of wealth



II. The 7 steps of CDD (cont'd)



Step 6

Business relationship:

To assess:

- The purpose and intended nature of the business relationship.
- The source and destination of the funds or other assets involved in the business relationship



II. The 7 steps of CDD (cont'd)



All clients:

The service provider collects information from the customer:
What does the customer want, and why, and does this make sense?

Risk Profile:

The customer risk profile will enable a Service Provider to:

- Choose which CDD-measures should be applied (EDD, basic)
- Identify a pattern of expected business activity and transactions within each business relationship; and
- Identify unusual or higher risk activity and transactions that may indicate money laundering or terrorist financing activity.



II. The 7 steps of CDD (cont'd)



Step 7

Monitoring and review business relation

Ongoing attention to the risk profile of a customer and monitoring whether the transactions are consistent with the expected business activity and transactions. If this is not the case, updating of the customer risk profile may be required. Self-evidently, the Service Provider will consider whether the filing of an unusual transaction report to the MOT is required.





Own responsibility to protect your organization from being misused by criminals.





Thank you