

Model Guidelines for Banks' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures, and Related Regulations: FAQ for the General Public

Acknowledged by the Financial Supervisory Commission's Letter No. Jin-Guan-Yin-Fa-Zi No. 1100131536 dated February 8, 2021.

1. Terminology

Q1: What is a "one-time" cash transaction?

A1:

It refers to cash transactions made by customers with non-associated banks, including cash remittances, currency exchange, and bill payment transactions.

Q2: Starting January 1, 2015, when customers handle a bank transaction over NT\$500,000 (including the equivalent in foreign currency) in cash (cash remittances, currency exchanges, bill payment, and other one-time transaction) on behalf of their family members or companies, multiple related cash transactions for an amount more than NT\$500,000 (including the equivalent in foreign currency), or an offshore remittance for over NT\$30,000 (including the equivalent in foreign currency), if the transaction is conducted with a non-associated bank of the family member or company, what supporting documents are needed?

A2:

- (1) Personal account: The identification documents or passports of the principal and the agent, and proof of the agency.
- (2) Non-personal accounts: Registration certificate or registration document of a corporate entity or NPO customer (such as: the company's establishment or change registration form), Articles of Incorporation, business address, shareholder/investor registry, identity information of the beneficial owners (natural person shareholders/investors or other controllers who hold more than 25% shares or capital of the corporate entity), identification documents of agents, and proof of agency.
- (3) The aforementioned proof of agency refers to a power of attorney or a letter of authorization issued by the principal or trustor.

Q3: Continuing from Q2, when customers handle a bank transaction over NT\$500,000 (including the equivalent in foreign currency) in cash (cash remittances, currency exchanges, bill payment, and other one-time transaction) on behalf of their family members or companies, multiple related cash transactions for an amount more than NT\$500,000 (including the equivalent in foreign currency), if the transaction is conducted with an associated bank of the family member or company, what supporting documents are needed?

A3:

The identity certificate of the agent and the proof of agency. Foreign exchange transactions are subject to the relevant provisions of the central bank.

Q4: Why do banks sometimes still ask customers to produce their identification documents for a cash transaction (cash remittances, currency exchanges, bill payment, and other one-time transactions) not more than NT\$500,000 (including the equivalent in foreign currency).

A4:

In order to control the risk of one-time cash transactions being used for money laundering or financing terrorism, banks, when accepting such transactions, shall strengthen transaction monitoring and ask customers to produce their identification documents when necessary.

Q5: Why do banks sometimes ask customers to explain the source and destination of funds (such as a list of major suppliers, major customers, etc.) or provide supporting documents related to transactions?

A5:

In order to prevent the financial services provided by the bank from being used for money laundering or financing terrorism, the bank must confirm that the customer's transaction is reasonable and equivalent to the customer's identity information. Therefore, the bank will inquire the customer or ask the customer to provide relevant supporting documents for confirmation when necessary.

Q6: I own multiple bank accounts, and I often allocate funds to different accounts or make fund transfer between accounts, so will such acts be deemed money laundering?

A6:

The bank will check the nature of account transaction and customer identity,

income, the reasonableness of business scale or business nature, justification of the source of funds, and other relevant information in order to identify whether or not it is a suspicious transaction of money laundering or financing terrorism.

Q7: What is the consequence to the customer who does not cooperate with the bank's request providing relevant information or unwilling to explain the nature, purpose, or source of funds of the transaction?

A7:

For customers who do not comply with the relevant measures, the bank may refuse/suspend transactions or temporarily suspend or terminate business relationships (for example, cancellation of accounts or suspension of cards) with the existing customers in accordance with the law and contractual agreements.

Q8: Under what circumstances will the bank refuse to do business with customers, or refuse to establish business relationships, transactions, or even terminate business relationships?

A8:

According to the "Model Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism by the Banking Sector," banks should refuse to establish business relationships or transactions, or even temporarily suspend or terminate business relationships in any of the following situations:

- (1) A customer is suspected to use anonymous, fake name, figurehead, fictitious business or entity.
- (2) A customer refuses to provide relevant documentations required for the purpose of CDD except that a bank may verify the client's identity using reliable, independent source of information.
- (3) In the case that any person acts on behalf of a customer, it is difficult to verify that the person purporting to act on behalf of the customer is so authorized and the identity of that person.
- (4) Using counterfeit or altered identity documents.
- (5) Identification documents presented are hard copies, except for the business that permits the use of hard copies or soft copies of identification documents with other alternative measures under applicable regulations.
- (6) A customer provides suspicious or unclear documents, or fails to provide other supportive evidence, or provides documents that are unable to verify.
- (7) A customer delays the providing of required customer identification documents in an unusual manner.

- (8) The parties with whom a bank establishes business relationship are designated individuals or entities sanctioned under Counter-Terrorism Financing Act and terrorists or terrorist groups that are identified or investigated. This requirement, however, does not apply to any payment made in accordance with Subparagraphs 2 to 4, Paragraph 1, Article 6 of Counter-Terrorism Financing Act.
- (9) Other unusual scenarios occur when a bank establishes business relationship with or processes transactions for a customer and the customer fails to provide a reasonable explanation.
- (10) Customers who do not cooperate with reviews, refuse to provide information on substantial beneficiaries, those who exercise control over customers, or those who cannot adequately explain the nature and purpose of a transaction or the source of funds.
- (11) Other matters that are processed in accordance with the bank account-opening agreement or the relevant law and regulations.

Q9: In response to the new law and regulations on anti-money laundering and combating the financing of terrorism, when did banks start to implement them?

A9:

The newly amended Money Laundering Control Act will be implemented starting on June 28, 2017.

Q10: Who is the “beneficial owner” of a corporate entity or NPO?

A10:

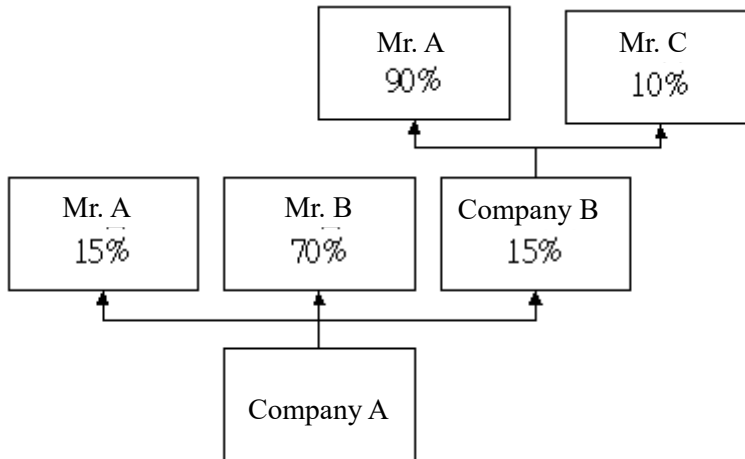
The so-called “beneficial owner” of a corporate entity or NPO refers to “a natural person with ownership or ultimate control” over the corporate entity or NPO. The bank should obtain the following information gradually in order to confirm the beneficial owner of the customer:

- (1) A natural person who holds more than 25% of the shares or capital of the corporate entity or NPO directly or indirectly.
- (2) If a natural-person controller is not identified according to statement (1), or when there is doubt whether or not the natural-person controller is a beneficial owner, banks should try to identify the natural persons who exercise control over the customer through other methods.
- (3) If a natural-person controller is not found according to statement (1) and (2), the bank shall identify the natural-person identity of the senior managers (such as board directors, general manager, or other persons with equivalent or similar positions).

Q11: How to calculate the 25% or more shareholding interest or capital contribution held in the corporate entity?

A11:

In addition to directly held shareholding interest or capital contribution in the corporate entity, it should include indirectly held shareholding interest or



capital contribution in the corporate entity. For example: The total shareholder ratio of Mr. A in Company A = Direct holdings (15%) + Indirect holdings (15% × 90% = 13.5%) = 28.5%

Q12: I am the responsible person of the company, so what documents do I have to prepare for opening a corporate bank account?

A12:

In addition to providing the company's registration change form and the identity certificate of the responsible person in accordance with the existing regulations, a shareholder's registry or proof of capital contribution, and the identification information (such as name, date of birth, nationality, etc.) of a natural-person controller with more than 25% capital contribution, authorized signatory, and senior manager, Articles of Incorporation, and business address should also be provided to facilitate the bank to confirm and verify the identity of customers and beneficial owner.

Q13: Continuing from Q10, if the company's investor is also a corporate entity, what documents do I have to prepare for opening a corporate bank account?

A13:

If the shareholder of the corporate account is a corporate shareholder, the shareholder's registry or proof of capital contribution of the corporate shareholder or a certificate approved by the bank shall still be provided until it

is sufficient to identify whether or not there is a natural person with ultimate ownership or control directly or indirectly holds more than 25% of the corporate shares or capital. If a natural person is identified with ultimate ownership or control who, directly or indirectly, holds more than 25% of the corporate shares or capital, their identity information (e.g. name, date of birth, nationality, and identity document number) should be provided, including any other relevant documents specified in the previous question.

Q14: Continuing from Q11, if the beneficial owner of the company is a foreign natural person, do I need to produce the identity certificate of the foreign natural person (such as a passport copy)?

A14:

The identifying information (e.g. name, date of birth, nationality, and identification document number) of a natural person identified with ultimate ownership or control and holds more than 25% of the corporate shares or capital should be provided.

Q15: Will the documents or information that the bank asks the customer to provide for confirming or verifying the customer's identity (e.g., identification document, passport copy, registration license or certificate of registration, Articles of Incorporation, shareholder's registry, list of major suppliers, list of major customers, supporting documents related to transactions, etc.) be used for other purposes? How will banks secure them?

A15:

The bank shall keep the secrets of the customer in confidence unless otherwise authorized by the customer. The bank shall establish appropriate policies and operating procedures for the confidentiality of the customer's information in order to protect the rights of the customer, except for in the following circumstances:

- (1) Banks shall declare or report to the MJIB in accordance with the Money Laundering Control Act or Counter-Terrorism Financing Act.
- (2) Regulations otherwise provided by the competent authorities.

Q16: In response to the new law and regulations on anti-money laundering and combating the financing of terrorism, what are the revised measures for confirming the identity of customers?

A16:

The revised measures for confirming the identity of customers are as follows:

Summary of regulations:

“ Money Laundering Control Act”: Regulations Governing Anti-Money Laundering of Financial Institutions

<u>Timing for confirming customer identity</u>	<u>Amended measures</u>	<u>Regulatory basis</u>
<u>1. When establishing a business relationship with a customer.</u>	<u>Confirmed counterparty: the principal, the agent, the beneficial owner, and senior managers</u>	<u>Subparagraph 2, 5, and 7, Article 3 of the “Money Laundering Control Act”</u>
<u>2. Handle any of the following one-time transactions-</u> <u>(1) Cash transactions over NT\$500,000 (including equivalent foreign currencies)</u> <u>(2) Multiple related cash transactions for an amount more than NT\$500,000 (including the equivalent in foreign currency).</u> <u>(3) Offshore remittances of NT\$30,000 (including the equivalent in foreign currency)</u>	<u>Confirmed counterparty: the principal, the agent, the beneficial owner, and senior managers</u>	<u>Subparagraph 2, 5, and 7, Article 3 of the “Money Laundering Control Act”</u>
<u>3. Found suspicious transactions of money laundering or financing of terrorism</u>	<u>Confirmed counterparty: the principal, the agent, the beneficial owner, and senior managers</u>	<u>Subparagraph 2, 5, and 7, Article 3 of the “Money Laundering Control Act”</u>
<u>4. When there are doubts in the authenticity or</u>	<u>Confirmed counterparty: the</u>	<u>Subparagraph 2, 5, and 7, Article 3</u>

<u>appropriateness of customer identification information obtained in the past</u>	<u>principal, the agent (if any), the beneficial owner, and senior managers</u>	<u>of the “Money Laundering Control Act”</u>
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Q17: When will the bank perform a continuous review of the existing customers?

A17:

The bank will consider the last review of customer identity information performed, the adequacy of the information obtained, then review the existing customers at an appropriate time and ask the customer to provide necessary information for verification. The aforementioned “appropriate time” includes:

- (1) When the customer opens a new account or establishes a new business relation.
- (2) Based on regular review times that are scheduled in accordance with the importance of the customer and the degree of risk.
- (3) When a bank knows a material change occurs in the customer’s identification and background information.

In order to ensure that customer transactions with the bank are in line with the customer risk level and the nature of business operations, the bank shall try to identify the source of customer funds if necessary.