



Cambodia Financial Intelligence Unit

Unofficial Translation

N° B12.022.009.S.K.N.V.

Directive
On
Correspondent Banking and Other Similar Relationship

Pursuant to the Law on Anti-Money Laundering and Combating the Financing of Terrorism promulgated by the Royal Kram No. NS/RKM/0620/021 dated 27 June 2020 the Cambodia Financial Intelligence Unit (CAFIU) issues Directive on Correspondent Banking and Other Similar Relationship.

1. Scope

This Directive shall apply to reporting entity referred to in Article 4 of the Law on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) when it involves in correspondent banking or other similar relationship.

2. Definition

Correspondent Banking shall mean the provision of banking services by one institution called correspondent institution to another institution called respondent institution.

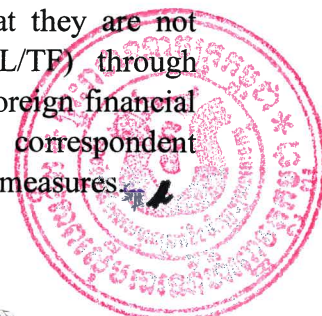
Similar Relationship shall mean the relationship undertaken for securities transactions or funds transfers, for the financial institution that is operating outside Cambodia, whether as principal or for its customers.

Shell Bank and Financial Institution shall mean a bank or financial institution officially recognized, incorporated, formed, established, registered or licensed in a country or jurisdiction where the bank or financial institution has no physical presence and which is unaffiliated with a financial group that is subject to effective consolidated supervision.

Payable through Account shall mean a correspondent account that is used directly by third parties to transact business on their own behalf.

3. Correspondent Banking

3.1. The reporting entities shall take the necessary measures to ensure that they are not exposed to the threat of Money Laundering or Terrorist Financing (ML/TF) through correspondent accounts they have with other domestic financial institutions or foreign financial institutions. The reporting entity shall establish policies and procedures for correspondent banking and other similar relationship including risk management and mitigation measures.



3.2. The reporting entity entering a correspondent relationship shall gather and assess at least the following information on the respondent institutions:

- a) board of director and management;
- b) full understanding of nature and purposes of business activities and products or services;
- c) countries or jurisdictions in which it operates;
- d) its reputation determined from publicly or any available sources of information;
- e) subjected legislation, regulation, and supervision including whether it has been subject to money laundering or terrorist financing investigation or regulatory or supervisory actions;
- f) AML/CFT measures and controls; and
- g) annual reports.

3.3. A reporting entity shall establish or continue a correspondent banking relationship only if senior management approves the relationship upon being satisfied:

- a) that the assessment of the information gathered demonstrates that the risk of ML/TF that can be associated with the relationship is low and can be managed or mitigated; and
- b) the AML/CFT responsibilities of both parties to the relationship are clearly understood and documented.

3.4. The reporting entity shall terminate, or not establish or continue the correspondent relationships or occasional transactions with shell banks and financial institutions.

3.5. The reporting entity shall satisfy itself that the respondent financial institutions do not permit their accounts to be used by shell banks and financial institution.

3.6. The reporting entity shall exercise Enhanced Customer Due Diligence (EDD) referred to in Point 4.7 of Directive on Customer Due Diligence Measures with respect to correspondent or respondent institutions which allow direct use of the correspondent account by their customers. The reporting entity shall implement Customer Due Diligence (CDD) referred to in Point 4.5 of Directive on Customer Due Diligence Measures for such customers as required for intermediaries introducing business. In addition, the reporting entity shall ensure that:

- a) the respondent financial institutions have conducted CDD and ongoing monitoring of its business for customers having direct access to the payable-through account and
- b) the respondent institutions can make available CDD information upon request by reporting entity or by CAFIU; *Sip*



3.7. The reporting entity shall pay special attention to new and existing correspondent banking and other similar relationship with financial institutions from countries or jurisdictions which have insufficiently implemented internationally accepted AML/CFT measures or which are under ML/TF investigations and not subject to appropriate AML/CFT regulation and supervision. EDD shall be applied in relation to transactions conducted through such correspondent banking and other similar relationship.

3.8. Reporting entity shall review existing correspondent banking and other similar relationship to meet requirements stated in this Directive.

4. Sanction

Any reporting entity which do not comply with this Directive shall be penalized as stated in Article 36 and Article 37 of the AML/CFT Law.

Up on receiving this directive, all reporting entities shall effectively implement this Directive from the date of the signature.

Phnom Penh, 11 January 2022

Cambodia Financial Intelligence Unit

Head

(Signed and Sealed)

SAY SAM ATH

Attention to:

- Office of the Council of Ministers
- National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Proliferation
- Cambodia Financial Intelligence Unit's Board of Directors
- Documentations-Archives

