

EASTERN CARIBBEAN CENTRAL BANK

ADMINISTRATIVE GUIDELINES NO. 1 OF 2002

ADMINISTRATIVE GUIDELINES

GOVERNING ESTABLISHMENT AND MAINTENANCE OF RELATIONSHIPS

BY A LICENSED FINANCIAL INSTITUTION WITH SHELL BANKS

Purpose: To set out guidelines to be observed by a licensed financial institution regarding existing and prospective relationships with shell banks.

1. A licensed financial institution should exercise great care when establishing relationships with offshore banks and foreign banks including requiring:

- a) sight of all incorporation records including signed licence or other instrument authorising conduct of banking business by the bank. Ensure that all copies are authenticated by a Notary Public.
- b) verifiable information regarding identity of the principals, source of funds, physical location and staffing of the bank's premises.
- c) verifiable information regarding affiliates of the bank.
- d) proof of years of operation.
- e) names of financial institutions with which the bank conducts business.
- f) any other information which may assist with authenticating legitimacy of the bank's operations.

2. A licensed financial institution is required to review all documents pertaining to offshore banks and foreign banks with which it already has a relationship. Requests should be made for those banks to provide all information stipulated in paragraph 1. Relationships with banks which fail or refuse to comply should be terminated forthwith.

3. A licensed financial institution should undertake a thorough review of previous transactions conducted with offshore banks and foreign banks to identify areas of concern. These should be highlighted and used as a basis for comparison when similar transactions are attempted in the future. Any concerns which are not satisfactorily addressed should be reason to terminate a relationship with a bank.
4. No licensed financial institution should establish or maintain any relationship with a foreign bank which does not have a physical presence in any country. Relationship includes establishment, maintenance, administration or management of any type of account.

Physical presence is established when a bank satisfies the following criteria:

- (a) It is located at a fixed address in a country in which it is authorised to conduct banking business.
- (b) It employs staff who operate full time from its fixed address.
- (c) It maintains operating records relating to its banking activities at its fixed address.
- (d) It is subject to inspection by the regulatory entity by which it is licensed or on whose recommendation it has been issued a licence.

General

The focus of these guidelines is to prevent a licensed financial institution from directly or indirectly establishing or maintaining relationships with shell banks. The procedures set out may also be utilised to prevent a licensed financial institution from being used as a conduit for persons engaged in money laundering or other criminal activities. It is important for all concerned to be mindful that there are individuals who specialise in finding more and more creative ways to circumvent legislation and other procedures which are established to eradicate money laundering and other related crimes. It is accordingly imperative for legislators and regulators to devise new and better measures to forestall their operations.

Effective date: 29 January 2001