



# **SUPPLEMENTARY INFORMATION**

## **Appendix FC- (v)**

### **Guidance Notes**

<b>Guidance Notes History</b>
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Change Date	New Version no.	Description of Changes
October 2005	01	Initial Launch
January 2006	02	Clarified language in paragraph 3.

## Appendix FC – (v): Guidance Notes

### Source of Funds

1. The following provides Guidance on the requirement contained in Paragraph FC-1.2.1 (l), that information on the source of funds must be obtained for payment of premium:
  
2. The information required by Paragraph FC-1.2.1 (l), on source of funds, might typically be obtained by licensees in the form of a declaration signed by the customer stating the source of funds used to pay the premium. Once the nature and level of business of the customer relationship has been established, information on the source of funds does not have to be documented for every subsequent receipt of funds, providing these later receipts fall within the previously identified parameters of normal expected customer activity.
  
3. Licensees should note, however, that for all significant or abnormal transactions, the source of funds for the transaction in question must also be *verified*; see Paragraph FC-2.2.5. Where licensees do not have automated transaction-monitoring systems, all transactions above BD 6,000 must be viewed as 'significant' (see Paragraph FC-2.2.3), and hence require verification if they are unusual or abnormal. Where automated systems are used, licensees have discretion in defining 'significant' in relation to what might reasonably be considered normal or expected behaviour on the part of a customer, based on their knowledge of the customer's circumstances (see Paragraphs FC-2.2.1 and FC-2.2.2).
  
4. BMA would expect verification to be undertaken by crosschecking information with official documents, showing the source of funds. Such documents might include copies of a contract of employment, copies of salary receipts or similar, appropriate official papers from a Ministry or lawyer (e.g. in the case of an inheritance), or a copy of a lease contract in respect of receipts by a landlord. In the case of a commercial company, the licensee should make reference to the type and scale of business, and the latest accounting information.
  
5. Where the source of funds cannot be adequately verified, licensees should consider the need to make a suspicious transaction report: see Sections 4.1 and 4.2.