



Da Afghanistan Bank

Know Your Customer (KYC) Regulations

August 5, 2021



Table of Chapters

Chapter 1: General Provisions

Chapter 2: Know Your Customer (KYC) Requirements



Abbreviations

AML-PC Law	Anti - Money Laundering and Proceeds of Crime Law
AML	Anti-Money laundering
CFT	Combating Financing of Terrorism
FATF	Financial Action Task Force
AGO	Attorney General Office
ACJC	Anti-Corruption Justice Center
CNJC	Counter Narcotics Justice Center
NDS	National Directorate of Security
PEP	Politically Exposed Person
FinTRACA	Financial Transactions and Reports Analysis Center of Afghanistan
BSD	Bank Supervision Department
NBFISD	Non-Banking Financial Institution Supervision Department
CDD	Customer Due Diligence
EDD	Enhance Due Diligence
KYC	Know Your Customer



Chapter 1: General Provisions	5
Article 1: Basis	5
Article 2: Objective.....	5
Article 3: Scope and Application	5
Article 4: Definitions	5
Chapter 2: Know Your Customer (KYC) Requirements	6
Article 5: KYC General Principles	6
Article 6: KYC General Requirements	6
Article 9: Identification and Verification of Beneficial Owner	7
Article 10: Politically Exposed Persons	7
Article 11: Enhanced Customer Due Diligence (EDD) and High-Risk Measures	8
Article 12: Simplified CDD ML and TF Risks.....	8
Article 13: Delayed Customer Identification Verification	9
Article 14: Additional requirements for Customer Information	9
Article 15: KYC Requirements for EMI transactions	10
Article 16: Review and Revision of Regulation	11
Article 17: Enforcement	11
Attachment No. 1: KYC Requirements.....	12
Attachment No. 2: High-Risk Situations Requiring Enhanced Customer Due Diligence	13



Chapter 1: General Provisions

Article 1: Basis

- (1) This Regulation is issued by Da Afghanistan bank pursuant to the article 12th of Anti-Money laundering and Proceeds of Crime Law.
- (2) This KYC Regulations will be implemented if in conflict with other KYC regulations.

Article 2: Objective

This Regulation is aimed to achieve the below objectives:

1. To outline and centralize Know-Your-Customer (KYC) rules that were previously specified across multiple DAB legal documents
2. To guide Banks, Non-bank financial institutions, MFIs, FXDs, and MSPs to identify their customers properly and when to apply customer due diligence and enhanced due diligence; and
3. To simplify and clarify KYC processes for all financial institutions
4. To specify the basis that Banks and MFIs comply with requirements of article 12 of Anti-Money Laundering and Proceeds of Crime Law; and
5. To ensure that the all financial institutions comply with FATF's recommendations 10,11, and 12 which indicates the need for customer identifications and CDD measures.

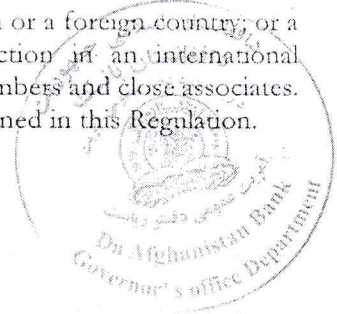
Article 3: Scope and Application

Afghanistan adopted money laundering and terrorist financing measures with enactment of Money Laundering and Proceeds of Law approved on 1/05/1393 and Counter Financing of Terrorist Law approved on 17/06/1393 1 which criminalized money laundering and terrorist financing in the country. This procedure shall apply to all the Banks and MFIs regulated by Da Afghanistan bank as well as those that are reportable to FinTRACA.

Article 4: Definitions

The terms and expressions used in this regulation shall have the same meanings assigned to it in the above listed laws and regulations as the case may be, unless otherwise defined in this regulation:

1. **Money Laundering:** shall mean the offence set forth in Article 4 of Anti Money Laundering and Proceeds of Crime law;
2. **Terrorist Financing:** the offense as defined in Article 4 of Combating Financing of Terrorism Law;
3. **Financial Institutions:** means any natural or legal person or entity - including banks, MFIs, FXDs, or MSPs - who conducts as a business one or more of the following activities or operations for or on behalf of a customer;
4. **Suspicious Transaction Report (STR):** shall mean as set forth in Article 18 of Anti Money Laundering and Proceeds of Crime law and article 19 of AML/CFT Responsibilities and Preventative Measures Regulation;
5. **Large Cash Transaction Report:** shall mean as set forth in Article 17 of Anti Money Laundering and Proceeds of Crime law and article 20 of AML/CFT Responsibilities and Preventative Measures Regulation.
6. **PEP (politically exposed person):** means any natural person who is or was entrusted with a prominent public function in the Islamic Republic of Afghanistan or a foreign country; or a person who is or has been entrusted with a prominent function in an international organization, or a key figure of political parties including family members and close associates.
7. **Customer Due Diligence** means Customer Due Diligence as defined in this Regulation.
8. **Person** includes natural and legal persons.



9. **Occasional Transaction** means any transaction that is initiated by a customer who is not a regular customer of the financial institution. In the case of depository institutions, all transactions initiated by customers who do not have a deposit account are to be considered occasional transaction.
10. **Beneficiary** for purposes of a trust means, the person or persons who are entitled to the benefit of any trust's arrangement. A beneficiary can be a natural or legal person or arrangement. All trusts (other than charitable or statutory permitted non-charitable trusts) are required to have ascertainable beneficiaries.
11. **Originator** means the account holder, or where there is no account, the person (natural or legal) that places the order with the bank or financial institution to perform a wire transfer.

Chapter 2: Know Your Customer (KYC) Requirements

Article 5: KYC General Principles

The KYC principles shall apply to all financial institutions: Banks, MSPs, FXDs, EMIs and PIs.

Article 6: KYC General Requirements

The following describes the requirements to be considered by financial institutions before opening accounts, establishing relationships and process transactions:

- (1) Financial institutions shall not open or maintain an anonymous account or an account in fictitious names;
- (2) Non-bank institutions must set up a registration system for the identification of their customer and establish the identity of customers when performing any transactions for them;

Article 7: Natural Person Customers KYC Requirements

- (1) The information requirements below are tiered based on the amount kept in the account and/or the transaction amount. At each level, the requirements are additive, i.e. the requirements of the previous tier must be fulfilled in addition to the new requirements

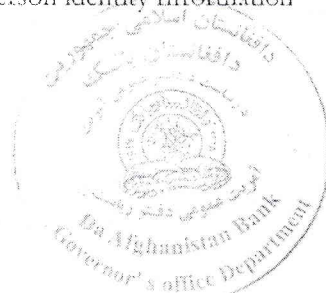
Min (AFN)	Max (AFN)	Requirements
0	250,000	Name, address, occupation, and contact number
250,001	500,000	ID card copy
500,001	1,000,000	Tazkeera/passport copy, source of fund, purpose of transaction
1,000,001	3,000,000	Supporting documents
3,000,000	--	Beneficial owner

- (2) The KYC requirements table for natural persons is summarized in Attachment No. 1 of this regulation.
- (3) Supporting documents for source of fund and purpose of transaction includes: employment ID, Bank statement, employment contract, bills and invoices, title deed, real estate documents, business license & AOA in case the income is from business, or any other document that supports source of fund or purpose of the transactions.

Article 8: Legal Person Customers KYC Requirements

- (1) The information requirements below are tiered based on the amount kept in the account and/or the transaction amount. At each level, the requirements are additive, i.e. the requirements of the previous tier must be fulfilled in addition to the new requirements

Min (AFN)	Max (AFN)	Requirements
0	250,000	Name, address, contact, authorized person identity information



250,001	500,000	Valid business license
500,001	1,000,000	Information on source of fund, purpose of transaction, authorized person ID copy
1,000,001	3,000,000	Transaction supporting documents
3,000,000	--	Articles of Association, Beneficial Owner

- (2) The KYC requirements table for legal persons is summarized in Attachment No. 1 of this regulation.
- (3) Supporting documents for source of fund and purpose of transaction includes: invoices, bills, bank statement, contract, title deed, real estate documents and any other document that support the source of fund or purpose of transaction.

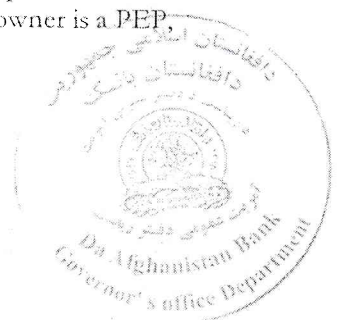
Article 9: Identification and Verification of Beneficial Owner

- (1) Bank, Non-bank financial institution (NBFI) must take reasonable measures to determine if a customer is acting on his/her own or on behalf of one or more beneficial owners. If a Banks and NBFI determines that the customer is acting on behalf of one or more beneficial owners, Banks and NBFI should take steps to verify the identity of the beneficial owner(s) by using relevant information or data obtained from a reliable source such that the Bank and NBFI is satisfied that it knows the identity of the beneficial owner(s). The information to be obtained on a beneficial owner should be consistent with the requirements outlined in Attachment No. 2 of this Regulation;
- (2) The below documents confirm the Beneficial owners:
 1. Tazkira/Passport
 2. Article of Association
 3. Employment card
- (3) For customers that are other legal entities or legal arrangements, Banks and NBFI should take adequate measures to understand the ownership and control structure of the customer, including the ultimate natural person who owns or controls it as described below:
 1. With respect to such legal entities, identification should be made of each natural person that:
 - a. Owns or controls directly or indirectly more than 10% of the legal entity;
 - b. Is responsible for the management of the legal entity; or
 - c. Exercise's control of the legal person through other means.
 2. With respect to legal arrangements, identification should be made of the settlor, trustee, protector, and beneficiary or of persons in similar positions.

Article 10: Politically Exposed Persons

Banks and NBFI shall establish appropriate risk management systems to determine whether a customer or beneficial owner is a politically exposed person (PEP) and if so, the following additional customer due diligence measures should be applied:

- (1) obtain approval from senior management before establishing or continuing a business relationship with such a person or beneficial owner;
- (2) for PEP, the required documents is employment ID card
- (3) take all reasonable measures to identify the source of wealth and funds of customers and beneficial owners identified as PEPs; and
 1. apply enhanced ongoing monitoring to the business relationship.
 2. Procedures for determining whether a customer or beneficial owner is a PEP, should include:



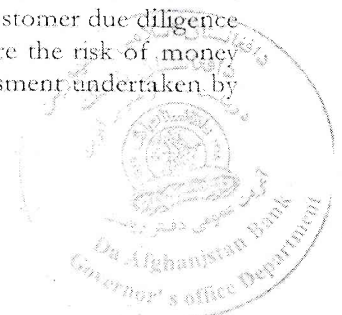
3. seeking relevant information from the customer or beneficial owner;
4. accessing and reviewing available information from any reliable source about the customer or beneficial owner;
5. accessing and reviewing commercial electronic databases of PEPs, if available; and
6. Accessing and reviewing the FINTRACA's non-confidential information if available on PEPs which should not be the sole source of information.

Article 11: Enhanced Customer Due Diligence (EDD) and High-Risk Measures

- (1) Banks and NBFI should examine, including by seeking additional information from the customer, the background and purpose of all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or lawful purpose. Such information to be obtained can include information on the nature or reason for the transaction.
- (2) Where the risks of money laundering or terrorism financing are high, Banks and NBFI shall conduct enhanced CDD measures, consistent with the risks identified. In particular, they should increase the degree and nature of monitoring of the business relationship and transactions and accounts, in order to determine whether those transactions or activities appear unusual or suspicious.
- (3) Enhanced CDD measures that should be applied for higher-risk business relationships include, but are not limited to the following:
 1. Obtaining additional information on the customer (e.g. occupation, volume of assets, available information on the customer), and updating more regularly the identification data of customer and beneficial owner;
 2. Obtaining additional information on the intended nature of the business relationship;
 3. Obtaining information on the source of funds or source of assets of the customer;
 4. Obtaining information on the reasons for intended or performed transactions;
 5. Obtaining the approval of senior management to commence or continue the business relationship; and
 6. Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.
- (4) Enhanced Due Diligence should be applied to higher risk customers at each stage of the CDD process and on an on-going basis.
- (5) Enhanced CDD procedures for business relationships with natural persons not physically present for the purpose of identification should include:
 1. Certification of documents in line with relevant Laws and Regulations;
 2. Requisition of additional documents and development of independent verification measures and/or contact with the customer.

Article 12: Simplified CDD ML and TF Risks

- (1) Banks and NBFI may apply simplified customer due diligence procedures upon under taking a documented risk assessment of the customer relationship;
- (2) Simplified CDD may be applied for transactions based on the analysis of the financial institution;
- (3) The general rule is that customers must be subject to the full range of customer due diligence measures as provided in this Regulation. In certain circumstances where the risk of money laundering or terrorist financing is lower, as determined by a risk assessment undertaken by



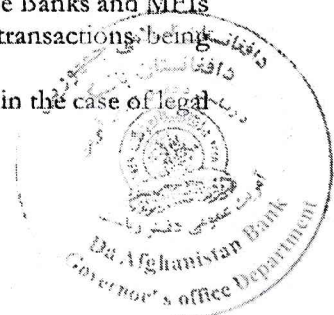
- the financial institution, where information on the identity of the customer and the beneficial owner of a customer is publicly available, or where adequate checks and controls exist elsewhere in national systems, simplified measures may be employed;
- (4) Banks and NBFIs shall not apply simplified CDD measures whenever there is a suspicion of money laundering or terrorism financing or when the customer has a business relationship with or in countries as mentioned in Attachment No. 2 of this regulation.
- (5) Where requested by DAB, Banks and NBFIs shall submit the underlying risk assessment and basis for the application of simplified customer due diligence and shall make the documents of the assessment processes and procedures related to risk assessment available to Da Afghanistan Bank:
1. The simplified CDD measures should be commensurate with the risk factors.
 2. Where the risks have been identified as low, possible simplified CDD measures could include, but are not limited to the following:
 - a. Reducing the frequency of customer identification updates; and
 - b. Reducing the degree of on-going monitoring and scrutinizing transactions.

Article 13: Delayed Customer Identification Verification

- (1) Banks may engage in the business relationship with the customer prior to the completion of the customer verification process outlined in this Regulation provided all of the following circumstances are met:
1. when the verification occurs as soon as reasonably practicable.
 2. when it is essential not to interrupt the normal conduct of business.
 3. when the ML and TF risks are effectively managed.
- (2) Banks shall adopt risk management procedures with respect to the conditions under which a customer may utilize the business relationship prior to verification;
- (3) These procedures should include a set of measures to manage the ML and TF risks and such measures could include:
1. limitation of the number, types and or number of transactions that can be performed;
 2. the monitoring of large or complex transactions being carried out outside the expected norms for that type of relationship; and
- (4) Banks should include in their risk management procedures concerning delayed customer verification a set of minimum requirements such as a limitation on the number, types or number of transactions that can be performed by the customer.

Article 14: Additional requirements for Customer Information

- (1) Banks and NBFIs must gather and maintain customer and beneficial owner(s) information throughout the course of the business relationship. Documents, data, or information collected under the CDD process should be kept up to date and relevant by undertaking reviews of existing records at appropriate times as determined by the Financial Institutions, for example when:
1. A significant transaction is to take place;
 2. There is a material change in the way the account is operated or transactions begin to deviate from the usual patterns;
 3. Information held on the customer is insufficient to enable the Banks and MFIs to understand the nature of the business relationship or transactions being conducted.
- (2) In addition to the requirements of Article 12 of the AML & PC Law, in the case of legal



persons, Banks, NBF must ensure:

1. that business and company registration and licensing documents are current and remain valid throughout the duration of the relationship.
 2. that they obtain updated financial statements from customers.
 3. that taxation information (copy of tax returns and certification) is obtained and updated on an annual basis.
 4. That all transactions above 1,000,000 AFN or its equivalent into other currencies conducted by customers are accompanied by required supporting documents; and
 5. All transactions including deposits, conducted by customers shall contain supporting documents showing source of fund, purpose of transaction and any other required supporting documents.
- (3) Banks, NBF and MFIs should apply the CDD requirements of this regulation to existing customers on the basis of materiality and risk.
- (4) The KYC/ account opening forms should be prepared by financial institution, and filled out by customer in any of national languages of Afghanistan unless the customer is a foreign citizen.
- (5) Banks, NBF and MFIs should review and update KYC and profile of their customers when there are changes in customer's profile, activity or transaction, business nature and management structure. When there are no changes in the above-mentioned areas the KYC and profile update of customers shall be done as following:
1. Once in a year for high-risk customers;
 2. Once in two years for medium risk customers; and
 3. Once in three years for low-risk customers.
- (6) Banks, NBF and MFIs should screen their customers against sanctions lists before opening accounts/establishing business relationships and processing their transactions. Banks, NBF and MFIs shall ensure that individual accounts are not used for commercial/business purpose. If such case is found, it shall be immediately reported to FinTRACA.
- (7) All financial institutions shall collect and keep customer identification information and evidence and shall revise and update on regular basis.

Article 15: KYC Requirements for EMI transactions

- (1) Electronic money institutions (EMIs) shall require to know the through identity of their customer, distributor, Super-agent, Agent, Merchant, Partners as per Attachment No. 2 of this regulation.
- (2) Transaction and E money balance limitation, EMI entities offering mobile money services are required to enforce the following transaction limits:

From Entity	To entity	Transaction Maximum	# Transactions per day
Business	Business	No limit	No limit
Business	Peer (Consumer)	No limit	No limit
Peer (Consumer)	Peer (Consumer)	AFN 50,000	20 Transactions
Peer (Consumer)	Business	No limit	20 Transactions
UN Agencies	Peer (Consumer)	AFN 250,000	1 Transaction
Government	Peer (Consumer)	AFN 500,000	1 Transaction
Peer to Cash		AFN 100,000	10 Transactions



Note: the consumer-to-consumer transaction is considered peer-to-peer (P2P) transaction. If the aggregate transaction is above the amounts specified in articles 7 & 8, then the KYC standards specified in those articles must be applied

- (3) DAB may amend these limits from time to time, at its sole discretion, by official circular, and not by further amendments to this regulation.
- (4) NGOs work as UN agencies in humanitarian cash-based assistance needs to be specified by UN organization and to be shared with DAB and related EMIs.
- (5) List of individuals who need humanitarian cash based financial assistance should be stamped and approved by UN organizations before sharing with EMIs for further processes.
- (6) Simple Customer Identifications (IDs) shall mean any of the following:
 1. Any government-issued document or identity card that is specific as to the holder thereof;
 2. Any UN organizations ID that proof the identity of the customer.
 3. Any device or practice, whether customary or otherwise, that specifically distinguishes or identifies an individual; or
 4. Otherwise consistent with relevant AML/CFT regulations;
 5. DAB may amend these limits from time to time, at its sole discretion, by official circular, and not by further amendments to this regulation;
 6. IDs may also include electricity bills and letters from village or district councils;
 7. Non-photo ID may be accepted as ID for women only
 8. Simplified customer due diligence is required for transaction amount is less than or equal to AFN 200,000
- (7) EMI has to apply proper due diligence for the parties involved in P2C (peer to cash) transaction.

Article 16: Review and Revision of Regulation

This regulation will be reviewed and revised/amended, if needed, at least annually or if and when deemed necessary. The supreme council of Da Afghanistan bank will approve the amended version of this Regulation.

Article 17: Enforcement

This regulation shall come into effect pursuant to its approval by DAB Supreme Council.



Attachment No. 1: KYC Requirements

Legal	Type	<250k	250k-500k	500k-1M	1M-3M	3M+	Name	Address	Occupation	Contact #	ID Copy	TZR/PP	Source	Purpose	Docs	withorize license	AoA	BO
Natural	MSP/EXO	<250k					X	X	X	X								
Natural	MSP/EXO	250k-500k					X	X	X	X	X							
Natural	MSP/EXO		500k-1M				X	X	X	X	X	X	X	X	X			
Natural	MSP/EXO			1M-3M			X	X	X	X	X	X	X	X	X			
Natural	MSP/EXO				3M+		X	X	X	X	X	X	X	X	X			X
Legal	MSP/EXO	<250k					X	X	X	X						X		
Legal	MSP/EXO	250k-500k					X	X	X	X	X			X	X	X		
Legal	MSP/EXO		500k-1M				X	X	X	X	X	X	X	X	X	X		
Legal	MSP/EXO			1M-3M			X	X	X	X	X	X	X	X	X	X		
Legal	MSP/EXO				3M+		X	X	X	X	X	X	X	X	X	X		X
USD Mbx Amount		3.175	6.250	12.500	17.500													



Attachment No. 2: High-Risk Situations Requiring Enhanced Customer Due Diligence

(1) When assessing the money laundering and terrorist financing risks relating to types of customers, countries or geographic areas and particular products, services, transactions or delivery channels, financial institutions can have regard to the following potentially higher risk situations that would require the application of enhanced customer due diligence:

1. Customer risk factors:

- a. The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between the financial institution and the customer).
- b. Non-resident customers.
- c. Legal persons or arrangements that manage the assets of third parties.
- d. Companies that have nominee shareholders or shares in bearer form.
- e. Activities that are cash-intensive or susceptible to money laundering or terrorism financing.
- f. The ownership structure of the company appears unusual or excessively complex with no visible economic or lawful purpose given the nature of the company's business.
- g. Business relationships and transactions conducted other than "face-to-face".
- h. Business relationships conducted in or with countries as identified in Section 11(b) below.
- i. Politically exposed persons ("PEP") or customers linked to a PEP.
- j. High-net worth customers, or customers whose source of income or assets is unclear.
- k. Businesses/activities identified by the FIU, Da Afghanistan Bank or the FATF as high risk for money laundering or financing of terrorism.

2. Country or geographic risk factors:

- a. Countries classified by credible sources, such as mutual evaluation reports or published follow-up reports, as not having adequate AML/CFT systems.
- b. Countries identified by Da Afghanistan Bank or the FIU as high risk.
- c. Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations.
- d. Countries classified by credible sources as having significant levels of corruption or other criminal activity.
- e. Countries or geographic areas classified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.

3. Products, services, transaction or delivery channel risk factors:

- a. Private Bank.
- b. Anonymous transactions (which may include cash).
- c. Accounts opened, business relationships or transactions conducted with customers that are not physically present for the purpose of identification.
- d. Payment received from unknown or unassociated third parties.
- e. Complex trade-financing products.



- (2) When assessing the money laundering and terrorist financing risks relating to types of customers, countries or geographic areas and particular products, services, transactions or delivery channels, banks and MFIs can have regard to the following potentially low risk situations that would require the application of simplified customer due diligence;
- (3) Customer risk factors
1. Banks and MFIs and Designated Non-Financial Businesses and Professions – where they are subject to requirements to combat money laundering and terrorism financing consistent with the FATF Recommendations, have effectively implemented those requirements, and are effectively supervised or monitored in accordance with the Recommendations to ensure compliance with those requirements.
 2. Companies listed on a stock exchange and subject to disclosure requirements (either by law, or stock exchange rules or other binding Instructions or Regulations), which define requirements to ensure disclosure of beneficial ownership.
 3. Public enterprises.
- (4) Product, service, transaction or delivery channel risk factors:
1. Financial products or services where there is a proven low risk of money laundering or terrorist financing which occurs in strictly limited and justified circumstances and it relates to a particular type of financial institution or activity or a financial activity is carried out by a natural or legal person on an occasional or very limited basis such that there is a low risk of money laundering and terrorist financing and that are provided to a low risk customer for financial inclusion purposes.
- (5) Country risk factors:
1. Countries classified by credible sources, such as mutual evaluation reports, as having effective AML/CFT systems.
 2. Countries classified by credible sources as having a low level of corruption or other criminal activity.

