

## **ANALYSIS OF COMPLIANCE RISK MANAGEMENT THROUGH CUSTOMER DUE DILIGENCE AT BANK SUMUT SYARIAH KCP STABAT**

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**Abstract:** *This study is entitled Analysis of Risk Management through Customer Due Diligence at Bank Sumut Syariah KCP Stabat to respond to how the issue was formulated on how to analyze compliance risk management through customer due diligence at Bank Sumut Syariah KCP Stabat. The research method used is qualitative research which produces descriptive data by observing the research object and then analyzing it. The findings of this research indicate that the Customer Due Diligence (CDD) implementation policies and processes of the PT Bank Sumut Syariah Stabat Branch Office include four stages: identification, verification, monitoring, and reporting. Although there are sometimes challenges in applying these principles due to a variety of circumstances, PT Bank Sumut Syariah Kcp Satabat has implemented Customer Due Diligence (or CDD) in a detailed manner in compliance with the fundamental rules that it owns. This study's research approach is qualitative, meaning that descriptive data will be obtained by first seeing and then analysing the research object.*

**Keywords:** *Customer Due Diligence (CDD) and risk management*

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### **1. INTRODUCTION**

As per the provisions of Law No. 10 of 1998, banks are commercial organisations that gather savings from the general public and disburse them to the public in the form of credit or other forms, with the aim of elevating the quality of life for a multitude of individuals. (Veithzal, Rivai, 2013). Bank financial institutions in their function as financial intermediaries specifically in the position of payment agents and intermediates between those with extra money and those in need of money, both of which are crucial to a nation's economic health. country. (Rykar GB Pakpahan, 2012). Islamic economics has its own perspective in looking at market structures in the economy. specifically in the position of payment agents and intermediates between those with extra money and those in need of money, both of which are crucial to a nation's economic health. country. (Harris Al Amin, et al. Market Structure from an Islamic View, Journal of Economics and Technology Management (EMT)).

The internal conditions of a nation affect its economic growth. One of the industries that is crucial to the attraction and distribution of money, or economic growth, is banking. By providing bank managers with an estimate of the real possible losses that may occur in the future, figuring out how much capital is required to cover different risks, and computing prospective or projected returns, risk management helps to improve shareholder value. Depending on Astana, yes. In Indonesia, there are two different kinds of commercial banks: Islamic and conventional. Susan Remy defines Sharia banking as follows: Banks that operate in line with Shariah rules are known as Indonesian Shariah banks. (Hotibul Umam, 2017). The state of the world economy today greatly influences the growth of the international financial system, enabling it to cross national boundaries. Money laundering, terrorist financing, etc. based on the information technology and financial systems of advanced countries. It was. A great opportunity has been created for such

criminal activities. Money laundering is an attempt by the owner of the money to destroy money obtained through illegal activities by depositing or storing it in a bank. Therefore, Islamic financial institutions advise that in order to have a basic understanding of Islamic law, everyone should have basic competencies related to understanding the Qur'an and Hasidic language. The Indonesian economy is highly resilient to crises, and high uncertainty continues to affect global financial markets. It therefore destroys all economic activity and causes a long-term recession. Therefore, risk management analysis is necessary when assessing future economic prospects. This is how Sharia uses predictable measures to fund efforts to mitigate and prevent the effects of a global economic downturn. (Suaida, The Financial Power of Sharia Against the Threat of Global Recession, Pedagogy). Furthermore, throughout the last 20 years, the Islamic financial services sector has grown steadily (Safiullah, 2021). This system evolved over time in response to the increasing demand for interest-free financial services (Salman and Nawaz, 2018). Growing consumer interest in Islamic banking is causing several commercial banks to provide novel Shariah banking products. Many non-Muslims are clients of Islamic banks, and Islamic banking is also quite popular in a number of non-Muslim nations. (DebtDrivea, Muhammad Arfan Harahap How do emergencies happen? The Reslaj, or Islamic financial system, makes decisions.

Despite the expectation that new restrictions on customer due diligence would be put into place to stop financial crimes in Indonesia, including money laundering and funding of terrorism, in reality, the OJK cracked down on 108 banking crimes from 2014 to 2014, including credit cases ( 55%). . 2016 . I'm alive. ), data falsification (21%), embezzlement (15%), money laundering (5%) and asset acquisition (4%) (Dinda Audrien, 2014). Banking violations also appear to have taken place at the Mandiri Imam Bonjol Bank branch. In particular, the Batam court ruled on a money laundering case related to the Mandiri Imam Bonjol Bank account in Batam province. Number 914/Pid.B. /2018/Pn. BTM. The above data is not black. That said, crimes remain unsolved for a number of reasons, including the lack of a comprehensive response from law enforcement. (Supriyanthi, 2008). Based on these data, we can draw the first conclusion. Customer monitoring does not prevent bank crimes. If banks become complacent and stop fighting banking crime in their systems, public trust in them may be lost. Weakening public confidence can lead to large-scale withdrawals from banks (RushMoney) and an increase in criminal activity in the banking sector, such as funding of terrorism and money laundering. The Financial Services Authority (FSA), which oversees banking regulation, has implemented risk management. This makes it easier to evaluate any losses that banks may experience that might have an influence on bank capital. An essential component of safeguarding bank clients' funds is bank capital. It's crucial to keep in mind that issues at one bank may quickly spread to other banks.

## **2. LITERATUREREVIEW**

### **A. RiskManagement**

Basic knowledge on risk management and the need of its implementation in banking is provided by risk management. Furthermore, it is essential that risk management methods be executed in accordance with protocols that align with optimal practices. Banks must quantify risk in compliance with regulatory laws while managing risk. The role of risk management is essential to building a strong, competitive and risk-resilient banking sector.

The evolution of Islamic banking has shown tremendous vitality and quick change in the last several decades. There are a number of obstacles that the Islamic financial system must overcome in order to do business. One financial system that fills the void is the Islamic financial

system between those who need money and those who have money to save through financial products and services that adhere to Islamic principles. The greatest substitute for social standing is anticipated to be the Islamic financial system. It is important to mention the interests of the Islamic Financial System, which should be interested in interests, as well as the principles of direct investment. (Suaida, Marlia, Shari'a Financial Powers Against Threat of Global Recession, 2023).

Banks must implement sufficient risk management and carry it out in a systematic way due to the quickly changing internal and external banking environments as well as the growing complexity of banking operations. Applying risk management in banks is crucial to building a sound and integrated banking sector, to ensure that banking activities are conducted in controlled risk corridors. In the end, a more robust banking sector will result from each bank implementing regulated risk management.

The first step in the risk management process, according to the Indonesian BANKIRS Association, is risk identification, which identifies the many kinds of risks that might arise in a bank. Next, risk assessment determines the danger's actual size. The quality of the current risk management is then evaluated by the bank. The Bank will enhance the quality of controls in the form of risk mitigation procedures if it is deemed essential. The Bank keeps an eye on its risk management initiatives and reports on them. IBI (2015). When doing a risk assessment, factors to take into account include:

1. Take a proactive rather than a reactive approach.
2. It encompasses all operational and functional tasks.
3. Compile and evaluate risk data from all information sources that are accessible.
4. Analyze the likelihood and consequences of risks.

In the banking context, risks are potentially expected or unexpected events that could have a negative impact on a bank's earnings and capital. These risks are unavoidable, but they can be monitored and controlled.

a. Financing risk

Funding risk is the risk arising from counterparties not fulfilling their obligations in the field of Shariah financing. Funding risks include:

b. Product risk

Risks associated with corporate financing

c. Market risk

Market risk is the possibility that changes (unfavourable changes) in market factors like interest rates and currency rates can result in losses for a bank's portfolio. There are four types of market hazards:

1. Risk of interest rates. The danger associated with changes in interest rates is known as interest rate risk. risk associated with exchange rates. Foreign currency risk is the effect of variations in exchange rates, which may cause banks to lose money.
2. Risk associated with prices. Price risk is the chance of suffering a loss as a result of changes in the cost of financial goods.
3. Risk associated with liquidity. The danger associated with a bank's incapacity to fulfil its commitments is known as liquidity risk. risk associated with operations

Operational risk is the possibility that a bank's business operations may be negatively impacted by flawed or ineffective internal procedures, mistakes made by people, malfunctioning

systems, or outside problems. Islamic banking is subject to the same kinds of financial risk concerns as other financial institutions, such as withdrawal, market, credit, and liquidity risks. In Indonesia, the most significant risks are those of bankruptcy and independence (Ismal, 2012). Among the main causes are: First off, Indonesian Sharia banks have to appeal to depositors since they compete with regular banks for business. Second, some Islamic bank depositors think that banks don't care about conventional depositors especially those who make sense. They anticipate that Islamic banks will provide a range of deposit options, thorough financial services, and competitive returns. Potential commercial concerns therefore surface. Conventional banks sometimes provide alluring rewards via a range of financial products that have little to do with real company operations. On the other hand, Islamic banks must earn profits through real business activities and at the same time raise their costs in accordance with Sharia (Islamic) principles. Lastly, the propensity for interest rates to increase puts Islamic banks in a risky position during economic or financial crises. This is so because logical savers anticipate Islamic banks to provide high profits. If Islamic banks don't live up to these standards, there might be serious hazards to their operations or liquidity. (Ross Nelly, Sugianto et al. Analysis of Risk Management in Islamic Banks: Review Literature). Financial security indicators of Islamic banks vary significantly. Commercial banks still need to prepare for risk management even if its bankers are well-versed in risk and how to manage it. There are two primary methods for detecting hazards in Islamic banks' risk management practices: financial statement analysis and research with bank managers. In risk management, benchmarking, credit scoring, credit analysis, risk assessment, and guarantees are the most often used techniques.

## **B. Customer Due Diligence**

Customer Due Diligence, The identification, verification, and monitoring processes a bank does to make sure the transactions it conducts align with the profile, traits, or transaction patterns of prospective customers or WIC a due diligence principle are together known as CDD. your clientele. CDD is a measure taken by bank stores to monitor WIC, including customer recognition and identification and reporting of potential customer transaction activity or suspicious transactions to PMATK. PBI no. According to 28/11/PBI/2009, Customer Due Diligence (CDD) is the process by which banks identify, validate, and keep an eye on transactions to make sure they fit the client profile. Customer Due Diligence (CDD) is one of the most important tools of the Anti-Money Laundering (APU) program. The CDD (Customer Due Diligence) system is introduced to protect the bank from various banking risks. (Khairi Ummati, 2017). Customer verification is carried out in the following cases:

1. Maintaining business relations with potential clients.
  2. Maintaining business relations with potential clients. The suspect information is provided by the customer, the power of attorney recipient and the assignee.
  3. Irregular financial transactions pertaining to funding of terrorism or money laundering. Customer Due Diligence towards existing customers, this is done if the following occurs:
  4. There is a significant increase in transaction value.
  5. There are significant changes in customer profiles.
- The customer information provided in the CIF is incomplete or not in accordance with the required information.

There are indications that accounts use fictitious names. In particular, the section

"Identification of customer principles" addresses customer identification in financial organisations. However, there are no specific regulations governing transaction identification. The only consideration in transaction identification is the bank's duty to notify any questionable transactions. While bank branches are obligated to report questionable transactions, the Anti-Money Laundering Act does not directly control transaction identification, financial institutions are not required to identify and verify customers.

Because trading is impossible. Error reporting in identification and verification (Tri Widiyono, 2006). The Bank Indonesia Law No. 1 on the execution of programs to fight money laundering and terrorist financing is referred to as CDD. Use began on November 28, PBI/2009. Commercial banks must put anti-money laundering and counterfinancing initiatives into place as a result of this PBI. CDDs are performed in all consumers who have white, but high risk, but banks are intended to promote real risks, which are connected to high risk customers. When implementing the "Know your customer" principle provided for in the first paragraph of paragraph 1, the Bank:

1. Create a customer enrollment policy.
2. Establish customer acceptance policies and procedures
3. Customer identification in financial institutions is specifically discussed. This can be seen in the principles of consumer awareness).

At the same time, the identification of transactions is not regulated in detail. The only consideration in transaction identification is the bank's duty to notify any questionable transactions. Laws against money laundering do not specifically control transaction detection, but in this case banks are required to report suspicious transactions. Therefore, financial service providers are not required to identify and verify customer transactions, as they may be unable to report if identification and verification do not occur. (Triwidion, 2006). Risk Based Approach (RBA)

The risk-based approach (RBA) classifies customers based on their propensity for money laundering or terrorist funding, hence facilitating the implementation of efficient CDD processes. Three risk categories low risk, medium risk, and high risk are used to categorise client risk with regard to possibilities for money laundering and terrorist funding. (Indonesian Bankers Association, 2015).

The practice of studying and/or tracking changes in the financial behaviours, whereabouts, and profiles of WIC and BO clients over an extended period of time or on a continual basis is known as general transaction monitoring. Due diligence from customers Banks must keep an eye on client profiles and transactions as part of the Action Programme against Money Laundering and the Financing of Terrorism (APU and PPT) implementation. Risk-based monitoring of client profiles and transactions have to be done on a frequent basis.

### **3. RESEARCH METHODS**

The search method uses ineligible studies to generate descriptive data through observation and analysis of research subjects. Four processes are included in this CDD: reporting, monitoring, identification, and verification. Research methods are techniques for learning about the topic being studied in order to investigate and discover the truth about law. Empirical research was the methodology used in this investigation. In order to discover the truth, empirical research combines primary and secondary data from fieldwork or direct observation.

#### **4. RESULTS AND DISCUSSION**

##### **A. Regulations Governing Customer Due Diligence (CDD) at Bank Sumut Syariah Kcp Stabat**

The Indonesian Banking Law or internal rules set by the operating bank (self-regulatory banks) must be followed while using CDD principles, and the concept of prudence or higher regulations must still be cited (Sergio Soecanto, 2019). CCP Banksumer recognizes the user's profile, and two principles of two principles are important in preventive programs to prevent prevention and preventive programs and money exchange. inside the banking industry. Conducting customer due diligence or customer follow-up evaluations on CDDs and/or potential customers, customers, WICs, and beneficial owners is one of the AUP's implementing rules and processes.

Aspects to be updated include a) profession/occupation, b) amount of income, c) account holder, d) normal trading activities, e) purpose of opening the account, f) identity documents including identity card, profile information and supporting documents .

##### **B. Analysis of Customer Due Diligence (CDD) system implementation to reduce customer risk at Bank Sumut Syariah Kcp Stabat**

"Know Your Customer" refers specifically to the principles banks use to verify a customer's identity and monitor customer transaction activity, including suspicious transaction reporting. It also serves to identify, mitigate and manage customer transactions. It helps prevent risks to the bank's assets and liabilities, lowers the likelihood that the bank will be the target or a method of financial crime, which protects the bank's stability and enhances the reputation and soundness of the banking system.

The implementation of the "Know Your Customer" principle is related to the goal of safeguarding the ongoing operations of the bank. This phase, which incorporates client knowledge, demonstrates caution without a doubt. These steps may be used as countermeasures and are helpful in avoiding the financial system from being exploited as a vehicle for illegal operations like money laundering (Adrian Suthedi, 2019). In order to stop banks from being exploited as platforms for money laundering and other similar activities, banks must implement the Customer Due Diligence Programme (CDT). If someone is known to have provided or used a false ID and/or provided incorrect information when applying for services or availing of banking services, this indicates dishonesty on the part of the potential customer. These measures may be taken to make it more difficult for supervisory or law enforcement authorities to investigate, identify or conduct investigations.

Regulatory provisions related to the know-your-customer principle. The rules by which these principles are applied are as follows:

- 1) Customer inspection actions (CDD) are carried out as follows:
  - a. Identify and verify your identity based on trusted documents, data or sources of personal information.
  - b. Take reasonable steps to identify multiple payees and verify their identity to ensure the financial institution knows who the payees are. For corporations and legal contracts, the control of a financial institution includes taking reasonable steps to establish the customer's ownership and control structure. Get information about the goals and objectives of the business relationship.

- c. Review business relationships on a regular basis and closely examine the transactions that are made within them to make sure that the financial institution's understanding of the customer, business operations, and risk profile including, if relevant, the source of funds is reflected in the transactions. This is something that financial institutions must comprehend.
- 2) 2) Financial institutions need to be able to ascertain the manner in which risk-sensitive measures are implemented in accordance with the nature of the client, business connection, or transaction. Any action must adhere to official government directives. Financial institutions must take more action in regards to high-risk groups. depth management. Countries may choose to permit financial institutions to use streamlined procedures in certain low-risk scenarios. During commercial transactions, financial institutions are required to confirm the identity of receivers and customers or to enforce compliance with specific clients. The strategy used by Bank Sumut Syariah KCP Stabat is risk-based. For clients with whom the bank has had commercial ties for a certain amount of time, a suitable risk assessment is conducted, taking into consideration the client's information and profile, as well as the client's needs for the bank's goods and services. It is the responsibility of banks to supervise in order to guarantee adherence to predefined risk thresholds. Bank Sumut Syariah Kcp Stabat verifies the prospective customer's identity in order to guarantee its correctness :
  - a. Have face-to-face meetings with potential clients at the beginning of the business relationship.
  - b. Conduct interviews with potential clients as required. Matching the prospective customer's profile with the personal identity card.
  - c. If there are concerns about the current identification card, ask potential consumers to provide multiple identity documents that have been granted by the authorised party.
  - d. Cross-checking the different pieces of information that potential clients have supplied to make sure it is consistent. Look for anything odd or questionable.

In addition, we perform risk management by establishing various policies within the organization to eliminate or reduce new risks as much as possible by functionalizing existing departments. Limiting the risks that your clients may take on is one approach to put risk management into practice. Credit risk, market risk, liquidity risk, operational risk, legal risk, reputational risk, strategic risk, and compliance risk are among the risk categories that BI defines.

### **C. Obstacles in Implementing Customer Due Diligence (CDD) in Mitigating Customer Risk at Bank Sumut Syariah Kcp Stabat**

Based on the explanation given by the Customer Service Representative, Mrs. Mida Khandayani, she explained that the factors hindering the implementation of CDD at Bank Sumut Syariah Kcp Stabat are due to internal and external factors. Internal factors considered include Bank Sumut Syariah Kcp Stabat employees and various systems, while external factors arise from users of Bank Sumut Syariah Kcp Stabat services or other factors. (Interview July 14, 2023) Based on Mida Khandayani's explanation, the author identified several barriers due to internal and external factors.

In addition, external factors that may hinder the implementation of CDD include the lack of awareness among potential customers regarding compliance with existing regulations. Prospective customers and other users of our services often provide false statements or information. It is common for clients to provide incorrect information, particularly about the source of their wealth, in order to avoid taxes. When a bank asks a prospect personal questions, such as the source of his wealth or income, the prospect feels like he is being interrogated for information, which invalidates the information the bank receives. In addition, it is common for potential customers to refuse to provide financial information on account opening forms due to concerns about the complicated process. Prospective customers often complicate the verification process by not completing the supporting documentation requested by the bank. Rapidly changing customer transaction patterns, such as income from land sales, complicate CDD implementation, especially monitoring procedures. This is because, as in this case, the inflow or outflow of customer funds is fast and a large amount is required. , which complicates the control procedure. completed. For such customer accounts, it is necessary to re-investigate where the money is coming from directly from the customer.

## **5. CONCLUSION**

- A. Information on customer profiles, ownership structures, company locations, transaction volume, and other elements that could suggest the degree of client risk are all included in the identification phase of the customer due diligence (or CDD) policy process. We use a variety of methods to confirm the information we get from prospective clients. Whether it's supporting documentation, in-person client visits, or phone conversations.
- B. The first step in CDD implementation is identification, especially customer and transaction identification. This is done by verifying the physical authenticity of the KTP and comparing its National Identification Number (NIK) with national and civil status identification data. Recent data and identity verification are correct by comparing the person's signature and a photo issued by an authorized agency with the document's expiration date and confirming the validity and accuracy of the document through an interview.

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