

Anti-Money Laundering – KYC Documentation

The importance of getting the basics right!*

Ensuring on-going compliance with the wide range of Anti-Money Laundering legislative and regulatory requirements continues to challenge institutions across the Financial Services Industry – both large and small.

The requirements of the EU Savings Tax Directive and the likely future disclosure requirements announced in the Finance Bill 2006 will undoubtedly add to this challenge.

How well placed is your Institution at collecting storing and retrieving what is required?



The documentation, collection, storage and retention of Know Your Customer (KYC) procedures are cornerstones of AML compliance and are aspects of an institution's internal controls to which the Financial Regulator pays particular attention. They are also increasingly an area of focus by third parties entering into or renewing their business relationships with a financial institution, particularly where agency agreements or administration services are involved.

Common areas of weakness include :

- Out of date, inconsistent and, or, overly complex **KYC procedures**
- Inefficient, decentralised and, or, unclear **document management systems**
- Inconsistent and, or, uncontrolled **document retention procedures**, and

- Failure to marry KYC procedures with international tax reporting obligations.

In our experience, the difficulties which many Compliance Managers and, or, Money Laundering Reporting Officers face when seeking to address this issue are;

- developing a high level overview of the key KYC compliance risks
- identifying and prioritising the actions required to mitigate and manage these key risks
- securing buy-in, at an executive team level, for resolving any issues and obtaining the required resources, and
- developing procedures to ensure compliance with both legal, regulatory and tax obligations.

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How confident are you that your institution would receive a positive report from the Financial Regulator if subjected to a themed KYC inspection?

High-level Benchmarking Review:

To assist you in this process we have developed a 'High-level KYC Benchmarking Review' based on the requirements for financial institutions operating in Ireland. This is an independent high level, limited-scope assessment aimed at identifying an institutions key KYC compliance risks and exposures. The resulting report provides senior management with a degree of comfort as to the adequacy of their existing KYC policies and procedures. It also identifies in a clear and concise manner the key KYC compliance gaps noted during the review, together with an outline of the priority actions required to address them.

The review is conducted by examining the 'Design Effectiveness' of an institution's KYC policies and procedures, including document management and retention systems. It also includes a 'walk-through' element aimed at validating the application of existing procedures and identifying areas for more detailed follow up, should it be necessary at a later date.

As part of this process we can also review the ability and effectiveness of an institution in meeting its tax reporting obligations, such as those required under the EU Savings Directive and the US Qualified Intermediary regime.

The key deliverable from this review is a concise, independent assessment of an institutions existing KYC Framework, including a high-level action plan aimed at helping institutions respond to and tackle key compliance gaps identified during the assessment. We also highlight procedures which come to our attention during the review as being insufficiently robust from a KYC compliance viewpoint and controls which we find to be inconsistently applied and which require remedial action.

The core benefit of this benchmarking review is that it provides senior management with a quick and concise independent snapshot of the institution's existing AML KYC programme and highlights key gaps against leading compliance practices. This can be particularly advantageous in advance of a regulatory inspection.

The scope of this review is tailored to each individual institution's circumstances and requirements and is typically of three to five days duration.

For further information on this service or to learn about the other AML services PwC's dedicated Irish Financial Services Regulatory Advisory Services team provides, please contact:

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