

COMPLETING A COMPLICATED KYC

THE ISSUES

HOW THEY WERE RESOLVED

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INTRODUCTION

Purpose

Focus

Problems

Suggestions

IDENTIFYING BENEFICIAL OWNERSHIP

Problems may occur where there is:

- A complicated structure
- The client is from a country with secrecy laws
- A holding company with limited information available

Suggestion

- Obtain a structure chart
- Audited Annual Report
- Some websites provide family trees E.g. Dun & Bradstreet etc
- Speak to legal/company secretary
- Request documents from firm and arrange to have them certified by a third party or obtain from reputable external lawyer or Audit firm

VERIFYING HIGH NET WORTH INDIVIDUALS & PEPS

Problem

- Too many channels to go through
- ID documents considered highly confidential
- Client may be unwilling to release
- Account manager reluctant to ask for further information so as not to jeopardise the relationship

Suggestion

- Government official websites
- Worldcheck and other PEP systems
- Forbes
- Reliable online articles
- Face to face meeting – Remember to document
- Experian check
- Obtain info from Company Secretary/PA

OBTAINING COMPANY INFORMATION

Problem

- No central company registry
- Limited information available in some jurisdictions

Suggestion

- Ask company directly
- High risk customer information should be verified by or obtained from independent sources
- Legal opinion from local lawyer
- Audited Reports and Accounts and a signatory list
- www.companieshouse.gov.uk/links/introduction.shtml#reg – *Link to company registries worldwide*
- *Google search – reliable sources*
- *Group firms in other jurisdictions*

LANGUAGE BARRIER

Problem

- Documentation may not be in English
- Staff at client firm may not speak English

Suggestion

- Request English version from company
- Online translation dictionaries
<http://dictionary.reference.com/translate/text.html>
- Keesing Verifier - <http://www.keesingfightfraud.com/en/>
- Member of staff
- External translator

POPULAR NAMES (PEPS)

Problem

There are problems with common names, which in a PEP system could lead to false positives flagged up

Suggestion

- Check biography in Annual Report and website to eliminate the false positives one by one
- Narrow search in PEP system and use part search option
- Always document the process

VERIFYING DIRECTOR'S ADDRESSES

Problem

- Change in UK law - Can no longer rely on UK Companies House for director's address
- Delay in waiting for documentation directly from client

Suggestion

- Experian
- Voters roll (although a single check may not normally be enough on its own to verify identity)
- Obtain from Company secretary or PA

OBTAINING INFORMATION FROM OVERSEAS EMPLOYEES/THIRD PARTIES

Problem

- Standards may be lower
- Unreliable & out of date
- Locating the right person to speak to/email
- Lack of understanding causes delays
- Time difference

Suggestion

- External legal opinion
- Independent official sources
- Training to reduce unnecessary delays

TECHNICAL DIFFICULTIES

Problem

- Firewalls may prevent you from downloading information from their certain websites
- Systems are down

Suggestion

- Call up company and ask for it to be emailed to you if unable to download
- Good relations with IT department

QUESTIONABLE DOCUMENTS

Problems

- Unreadable (unclear or not in English)
- Unreliable

Suggestion

- Obtain certified document
- Guidance from CIFAS, the Fraud Advisory Panel and the Serious Fraud Office
- Commercial software that verifies the authenticity of machine-readable passports e.g. Worldcheck

OTHER PROBLEMS

- Agency/principal – knowing who to face
- Newly formed companies – insufficient information
- Shell banks – Enhanced due diligence required
- Nominee companies - Beware of lawyers, accountants, company and trust formation agents that are also shareholders and signatories as they may be a front for the true owners

CONCLUSION

To avoid delays you can rely on.....

- Internet
- Industry contacts

Remember.....

- Be creative
- Problem solving mindset

Additional information

- See - *Identifying The Customer: Online assistance* on www.MLRO's.com