



# Know Your Customer (KYC) Policy

Document owner	Colyn Kemp
Document author	Neil Sheard
Document manager	Jo Moody
Approved by and when	
Date of document	15/10/2018
Version	V0_5
Document classification	Internal
Document distribution	Internal
Document retention period	Until date of next review
Location	iDerby
Review date of document	04/11/2023

If you require this document in large print, on audio tape, computer disc or in Braille please contact the document manager.

Date Issued	Version	Status	Reason for change
04/10/2018	0.1	Draft	Draft prepared – some detail required
05/10/2018	0.2	Draft	Edits after project team review/changes to FSA
08/10/2018	0.3	Draft	Feedback from Ray Mansell re Liquid Logic
15/10/2018	0.4	Draft	Feedback from Lynda Innocent re Generic requirements
15/10/2018	0.5	Draft	Edits after consultation from the Chair of the LGBTQ+ and DCC's Lead on Equality

Equality impact assessment record	
Date of assessment	
Summary of actions from EIA	

## **1. Background**

- 1.1 This policy and related processes is a requirement for all financial transactions where the Council is offering services covered by Anti-Money Laundering legislation.
- 1.2 With a clear Know Your Customer (KYC) policy in place the Council can issue prepaid cards/electronic bank accounts to provide financial support to our clients in the most efficient and controlled manner. The list of services this will support will include (but not be limited to):
  - > Appointeeship payments
  - > Direct Payments (Adults)
  - > Care leaver Payments
  - > Homeless Payments
- 1.3 Know Your Customer (KYC) policies and procedures are used by the financial services sector to define the checks required of clients to:
  - Prove the client's identity
  - Assist in identifying fraud
  - Providing additional assurance against money laundering by account holders
- 1.4 This policy is an extension to Derby City Council's Anti-Money Laundering Policy approved in November 2017.
- 1.5 As part of this policy and Derby City Council's Anti-Money Laundering Policy approved in November 2017 all contracted suppliers of banking services and pre-payment cards will be required to comply with the Money Laundering Regulations 2017, The Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (SI 2017 No. 692), the Serious Crime Act 2015 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007).

## **2. What is KYC verification?**

- 2.1 KYC is an approach to the verification of information provided by potential clients when they either apply for/are allocated a pre-paid card for Direct, Appointeeship or support payments. This approach allows the most stringent detailed verification processes to assure that the Council has fulfilled their duties under Anti Money Laundering (AML) regulations to check for fraud and prevent money laundering.
- 2.2 The Council need to evidence that a robust KYC policy is in place (as a requirement by suppliers of banking services on behalf of the Council) to meet Financial Conduct Authority (FCA) financial regulations.

2.3 KYC involves applying levels of checks to potential clients. In applying the KYC Policy the Council will continue to comply with the relevant legislation and regulations relating to Anti Money Laundering (AML) from 15 December 2007 and the changes to these laws in October 2012. These require that all clients provide:

(a) Proof of their National Insurance (NI) number and

(b) **Two** pieces of separate evidence to prove the customer's identity **AND** the customer's current address. *Evidence of identity can be in documentary or electronic form.*

### 3. KYC Policy and Process

3.1 The Council's KYC Policy provides an agreed methodology for validating clients' identities. It is assumed that each client account has the potential for transactions of EUR 15,000 or over.

3.2 Reduced identification (stated in 3.3) is in place for the Council as transactions by UK public authorities are viewed by the FCA as requiring simplified due diligence arrangements.

3.3 The processing Council officer is required to obtain the client's **National Insurance Number**, in addition to:

- > **One** document from **list A** which shows the client's identity
- > **One** document from **list B** which shows the client's address.

**List A** – Client's Identity (only one document listed below is required)

Either...

Birth/Adoption Certificate (Please be aware of the other options available if you prefer not to or don't have access to this option – as detailed below)

or

Current Driving Licence Photocard

or

Current and Valid Passport

or

Current Biometric Residence Permit

**List B – Client's Address (only one document)**

Either...

Council Tax Bill (within the last 12 months)

or

Utilities Bill (within the last 3 months)

or

Bank Statement (within the last 3 months)

or

Benefit Statement (within the last 3 months)

- 3.4 **Politically Exposed Persons (PEPs) & Sanctions Checks** are required under the Money Laundering Regulation 2017. Where prepaid cards are applied for/allocated, the supplier will check these clients against the HM Treasury PEPs and Sanctions List and if any individuals are sanctioned they will not be assigned a card. In the first instance, if someone is considered to have a PEP (Politically Exposed Persons) connection the financial services supplier will complete a risk assessment on the likelihood of that persons being at enhanced risk of being a victim of any bribery and corruption activity connected to the prepaid cards as a result of their association with the PEP (Counter Terrorism and Money Laundering related financial crime). This is not a credit or financial check and has no adverse effect on any records of the individual.
- 3.5 As part of any procurement/tender award, the contracted service provider will be responsible for completing these checks. Derby City Council will provide a point of contact with a nominated individual from the Derby City Council management team to receive any enquiries they may need to make in relations to PEPs and Sanctions checks.

#### **4. Recording and Monitoring**

- 4.1 This Policy will be reviewed after 5 calendar years from the date of approval.
- 4.2 All Council Officers dealing with KYC checks, payment cards, setting up electronic bank accounts and processing appointeeships will be required to attend and successfully complete the Council's Fraud training run by the Audit Team. This will be revisited every two calendar years by the applicable officers.

- 4.3 After verification, all evidence will be securely stored for five years and will be made available to our card/bank provider within 24 hours if requested as part of an FCA monitoring review.
- 4.4 Suspicious Activity Reports (SARs) must be reported online to the National Crime Agency (NCA) within 24 hours of identification. The official process for this is detailed in Appendix One

## **5. Technical Guidance**

- 5.1 Officers responsible for processing client applications and monitoring card accounts will be trained in the use of the system and the accompanying new procedures.
- 5.2 Detailed technical procedures will be available as guidance notes initially produced by the project team
- 5.3 Officers dealing with client applications and monitoring card accounts will be required to accept the KYC and Anti-Money Laundering policies online.

This Know Your Customer (KYC) Policy is approved by:

**S151 Officer:**

**Name**.....

**Signed** .....

**Date** .....

## **Appendix 1 – Suspicious Activity Reporting (SAR) Guidelines**



SAR Online  
Guide.pdf