DELTAFX
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KYC Agreement

(Version 2023)

Know your customer

When a business relationship is formed, in order to establish what might constitute normal activity later in the relationship, it is necessary for the company to ascertain the nature of the business a client expects to conduct.

Once an on-going business relationship has been established, any regular business undertaken for that customer can be assessed against the expected pattern of activity of the customer. Any unexplained activity can then be examined to determine whether there is a suspicion of money laundering or terrorist financing.

Information regarding a client's income, occupation, source of wealth, trading habits and the economic purpose of any transaction is typically gathered as part of the provision of advice. At the start of the relationship personal information is also obtained, such as, nationality, date of birth, and residential address. These pieces of information should also be considered in respect to the risk of financial crime (including AML and CTF). For high risk transactions, it might be appropriate to seek verification of the information the client has provided.

Risk-Based Approach

The level of due diligence required when considering anti-money laundering procedures within the firm, it should take a risk-based approach. This means the amount of resources spent in conducting due diligence in any one relationship that is subject risk should be in proportion to the magnitude of the risk that is posed by that relationship.

These can be broken down into the following areas:

Customer Risk

Different customer profiles have different levels of risks attached to them. A basic Know your Customer (KYC) check can establish the risk posed by a customer. For example, near-retired individuals making small, regular contributions to a savings account in line with their financial details poses less of a risk than middle-aged individuals making ad-hoc payments of ever-changing sizes into a savings account that does not fit into the profile of the customers' standing financial data. The intensity of the due diligence conducted on the latter would be higher than that carried out on the former as the potential threat of money laundering in the second case would be perceived as being greater. Corporate structures can be used as examples of customers that could carry a higher risk profile than the one just seen, as these can be used by criminals to introduce layers within transactions to hide the source of the funds, and like that, clients can be categorized into different risk bands.

Product Risk

This is the risk posed by the product or service itself. The product risk is driven by its functionality as a money laundering tool.

The Joint Money Laundering Steering Group has categorized the products with which Firms typically deal into three risk bands – reduced, intermediate and increased. Typically, pure protection contracts are categorized as reduced risk and investments in unit trusts as increased risk. Additionally, a factor that will contribute to the classification of the risk category is sales process associated with the product. If the transaction in the product takes place on an advisory basis as a result of a KYC, this will carry less risk than an execution only transaction, whereby you know significantly less about the customer.

Country Risk

The geographic location of the client or origin of the business activity has a risk associated with it, this stems from the fact that countries around the globe have different levels of risk attached to them.

A firm would determine the extent of their due diligence measure required initially and on an ongoing basis using the above four risk areas.

Source of Funds

When a transaction takes place, the source of funds, i.e. how the payment is to be made, from where and by who, must always be ascertained and recorded in the client file (this would usually be achieved through retaining a copy of the cheque or direct debit mandate).

Identification

The standard identification requirement for customers who are private individuals are generally governed by the circumstances relating to the customer and the product type that is being dealt in, i.e. the level of risk attributed to the product whether it is a reduced risk, intermediate risk or an increased risk product. Taking that into account for reduced risk and intermediate risk products the following pieces of information are required as a standard for identification purposes:
Full Name
Residential Address

Verification

Verification of the information obtained must be based on reliable and independent sources – which might either be documents produced by the customer, or electronically by the firm, or by a combination of both. Where business is conducted face-to-face, firms should see originals of any documents involved in the verification.

If documentary evidence of an individual's identity is to provide a high level of confidence, it will typically have been issued by a government department or agency, or by a court, because there is a greater likelihood that the authorities will have checked the existence and characteristics of the persons concerned. In cases where such documentary evidence of identity may not be available to an individual, other evidence of identity may give the firm reasonable confidence in the customer's identity, although the firm should weigh these against the risks involved.

If the identity is to be verified from documents, this should be based on:

Either a government issued document which incorporates:
The customer's full name, and
Their residential address

Photographic Government Issued Identity Documents:
Valid passport
National Identity card

Alternatively, this can be done by a non-photographic government issued document which incorporates the customer's full name, supported by a second document, which incorporates:
The customer's full name, and
Their residential address

Delta FX does not limit the time for the Client to submit their verification documents, however submitting them is an obligatory requirement for the Client to withdraw their funds.

Delta FX undertakes to review the submitted documents within 24 hours from the date of receiving them.