Spaced Learning Series

Customer Due Diligence (CDD)

In April 2022, the FCA released its review of the financial crime controls at six challenger banks. Whilst the review found evidence of good practice, in particular through the innovative use of technology, it also highlighted weaknesses which increased the financial crime risks both when onboarding customers and throughout the customer journey.

The issues highlighted by this review are not unique to challenger banks. So it is important that staff at all financial institutions understand their role in preventing and detecting financial crime.

#1

Know your customer

Customer due diligence is not just about collecting documents. It is also about **assessing customer risk** and understanding the nature and purpose of the intended relationship.

Higher-risk customers should be identified at onboarding and enhanced due diligence must be conducted to mitigate the risk.

#2

Ongoing monitoring

Due diligence and ongoing assessment of risk should be applied throughout the customer journey.

Customer activity and transactions should be viewed holistically, in the light of what is known about the customer, their financial arrangements and the nature and purpose of the account.

#3

Escalate concerns

If you identify a weakness in the firm's financial crime controls, you must escalate it immediately.

Remember, you also have a specific legal obligation to **report money laundering or terrorist financing suspicions** in accordance with your procedures. In addition, you must not tip off the suspect.

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Compliance is everyone's responsibility. If you have any queries regarding your firm's procedures, contact your Compliance team.