**Know Your Counterparty (KYC)and
Anti–Money Laundering (AML) Procedure**

*Sample Procedure*

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| **Instructions:**Below you can find a sample Know Your Counterparty (KYC) and Anti-Money Laundering (AML) procedure. If you decide to use it as a template for your own policy, fill it out with your own business information and be sure to align the procedure as much as possible with the organisation structure and processes of your own business.  |

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## 1. Scope and Objectives

In our Anti–Money Laundering (AML) and Know Your Counterparty (KYC) Policy, we recognise the importance of preventing money laundering and terrorism financing and we commit to high standards of business integrity. The purpose of this procedure is to provide a framework for the implementation of our AML Policy.

This procedure establishes the standards that executives, managers and employees (together, the “employees”) should observe to make sure that the business is able to prevent, mitigate, and manage risks of being associated with money laundering, terrorism financing and other criminal activities.

In particular, this procedure establishes:

* The roles, responsibilities and duties of relevant functions and departments;
* The operating procedures for managing the risk of money laundering and terrorism financing;
* The control system to ensure compliance with internal procedures and all regulatory obligations.

## 2. Definitions

*Beneficial Owner:* A beneficial owner in respect of a business means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.

*Counterparty:* The other party that participates in a financial transaction. It could be an individual, a business, a government, or another type of organisation.

*Money Laundering:* The illegal process of concealing the origins of money that is generated by criminal activity by passing it through a complex sequence of bank transfers or commercial transactions.

*Politically Exposed Person (PEP):* A person who holds a senior public or elected position and, for this reason, is perceived to be more likely to be exposed to the risk of money laundering and other crimes related to illegal transactions, such as corruption and bribery.

*Suspicious transaction:* A suspicious transaction is a transaction that is inconsistent with the client’s legitimate business or the client’s usual transaction history known from the monitoring of client activity.

*Terrorism Financing:* The provision of financial support to individual terrorists or non-state armed groups.

## 3. Responsibilities and Governance

* **[CEO / DIRECTOR]**
* **[AML OFFICER/COMPLIANCE OFFICER]**

**[NAME OF BUSINESS]** has designated an **[AML OFFICER/COMPLIANCE OFFICER]**, with full responsibility for implementing the AML and KYC policy. The **[AML OFFICER/COMPLIANCE OFFICER]** has a working knowledge of the anti–money laundering and counter terrorism laws and regulations of **[COUNTRY NAME]**, and is qualified by experience, knowledge and training.

The duties of the **[AML OFFICER/COMPLIANCE OFFICER]** include:

* Monitoring the business’s compliance with AML laws and regulations;
* Overseeing the correct implementation of this procedure;
* Communicating with and training employees on the AML policy and procedure;
* Ensuring that the business keeps and maintains all required AML and KYC records;
* Ensuring that Suspicious Activity Reports (SAR) are filed with **[NAME OF RELEVANT AGENCY]** when appropriate.

The **[AML OFFICER/COMPLIANCE OFFICER]** is vested with full responsibility and authority to enforce **[NAME OF BUSINESS]**’s AML/KYC system.

Other departments that can be involved in AML and KYC activities, and over which the **[AML OFFICER/COMPLIANCE OFFICER]** has authority, are **[NAME OF DEPARTMENTS, E.G. FINANCIAL DEPARTMENT, ACCOUNTING DEPARTMENT]**.

The **[AML OFFICER/COMPLIANCE OFFICER]** reports directly to the **[CEO / DIRECTOR]**, who is ultimately responsible for overseeing the correct implementation of the AML and KYC Policy and system.

## 4. Approach and Disclaimers

Wewill not do business with the following individuals or entities:

* Individuals included in any official list of sanctions;
* Individuals with indications of possible involvement in criminal activities, based on available information about them;
* Businesses for which the legitimacy of activity or sources of funds cannot be reasonably verified;
* Individuals refusing to provide the required information or documentation for KYC; or
* Entities whose shareholder/control structure cannot be determined.

We reserve the right to suspend any client’s operation which can be regarded as illegal or may be related to money laundering in the opinion of the **[AML OFFICER]**.

## 5. Procedure Steps

We undertake Know Your Counterparty (KYC) checks on each prospective customer and business partner before entering into a business relationship through:

* The identification and verification of the counterparty’s information;
* A due diligence process to determine the counterparty’s risks;
* A monitoring system to detect anomalous or suspicious behaviour.

The process of the implementation of KYC is described below.

***5.1 Counterparty Identification and Verification***

When a potential counterparty becomes a prospective client or a prospective business partner:

1. **[AML OFFICER/COMPLIANCE OFFICER]** will request that the counterparty completes the KYC form and provides supporting documentation, including:
	1. for individuals, a valid identity document;
	2. for businesses, at a minimum:
		1. certified articles of incorporation or any national equivalent;
		2. a government-issued business license;
		3. an identity document of a representative of the business.
2. **[AML OFFICER/COMPLIANCE OFFICER]** will identify and verify:
	1. For individuals, the counterparty identity on the basis of documents (which may be electronic) or information that the **[AML OFFICER/COMPLIANCE OFFICER]** has reasonable grounds to believe are reliable as confirmation of the identity of the counterparty;

For business entities, the business information and the identity of the business representative and beneficial owners (see step VII), on the basis of documents (which may be electronic) or information that the **[AML OFFICER/COMPLIANCE OFFICER]** has reasonable grounds to believe are reliable as confirmation of the identity of the counterparty;**[AML OFFICER/COMPLIANCE OFFICER]** will check to ensure that the counterparty (individual or entity) is not:

* 1. Present on the government-issued sanction lists issued by your country government, or engaging in transactions involving the transferring, paying, exporting, withdrawing, or otherwise dealing in the property, or interests in property, of any entity listed by **[NAME OF RELEVANT GOVERNMENT AGENCY]**.

Because economic sanctions and embargoes are updated frequently, the **[AML OFFICER/COMPLIANCE OFFICER]** will consult them on a regular basis and subscribe to receive any available updates when they occur.

* 1. Associated with media allegations or other negative press
1. The **[AML OFFICER/COMPLIANCE OFFICER]** will also check if the individual is a Politically Exposed Person (PEP) and, if so, apply heightened scrutiny, through deeper investigation and continuous monitoring.
2. If the **[AML OFFICER/COMPLIANCE OFFICER]** determines that the counterparty is featured in relevant sanction lists, the **[AML OFFICER/COMPLIANCE OFFICER]** will reject the individual or entity as a potential business partner and notify **[NAME OF RELEVANT GOVERNMENT AGENCY]** within 10 days. We will collaborate with the **[NAME OF RELEVANT GOVERNMENT AGENCY]** and facilitate access to relevant information, where requested.
3. If the **[AML OFFICER/COMPLIANCE OFFICER]** determines that the identification and verification process is successful, the **[AML OFFICER/COMPLIANCE OFFICER]** proceeds with the additional KYC steps described below.
	1. ***Counterparty due diligence to assess risk***
4. The **[AML OFFICER/COMPLIANCE OFFICER]** conducts risk-based due diligence to verify that the potential counterparty can be trusted as a potential business partner. To this end, the **[AML OFFICER/COMPLIANCE OFFICER]** collects the following information:
	1. The activities that the counterparty is or has been involved with.
	2. The location where the counterparty carries out the activities.
	3. The expected volume of transactions and payment methods.
	4. The counterparty’s customers and business relationships.
	5. The counterparty’s anti–money laundering policies and procedures.
5. Where the counterparty is a business, the **[AML OFFICER/COMPLIANCE OFFICER]** analyses the ownership structure to determine which entities or persons directly or indirectly own the business. In particular, the **[AML OFFICER/COMPLIANCE OFFICER]** identifies the ultimate beneficial owner(s).

***5.3 Monitoring***

1. The **[AML OFFICER/COMPLIANCE OFFICER]** monitors the activity of the counterparties to identify and prevent suspicious transactions.
2. If a suspicious transaction is identified, the **[AML OFFICER/COMPLIANCE OFFICER]** investigates the activity and, should the suspicion be confirmed, reports findings to **[NAME OF RELEVANT AGENCY]**.We will collaborate with the **[NAME OF RELEVANT AGENCY]** and facilitate access to relevant information, where requested.

**6. Record Keeping**

1. We maintain records of all data and documents obtained for the implementation of the AML system and KYC process for as long as the relationship endures with the counterparty and for at least five years after the relationship ends or for as long as is required by national legislation, whichever is longer.

**7. Training**

We train all employees to make sure they are aware of **[NAME OF BUSINESS]** AML policy and system. Training is provided to all senior staff and to employees working in **[NAME OF DEPARTMENT]**.

**8. Communication and Revision**

The AML Policy and Procedure are available **[INSERT LOCATION, E.G. WEBSITE OR OTHER]**.

The procedure shall be reviewed annually or earlier if there is change in legislation, international standards or business operations.

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