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ICA Advanced Certificate in Practical Customer Due Diligence (CDD) Syllabus

The below provides a detailed overview of the course syllabus. Please be aware that ICA may test any element of the course, including that delivered in the workshops.

Outcomes and success criteria of KYC

- Introduction
  - The importance of clear outcomes
  - Applicability
  - The three dimensions of KYC
- The KYC process
  - Inputs : customer information
  - Core customer due diligence
  - Risk based approach to CDD
- Identifying the customer
  - Establishing the capacity and understanding profile
- Establishing the acceptability of the relationship
  - Due diligence activities
  - Identifying risk factors
  - Risk factors and customer acceptance
  - Summary
- Creating a structured KYC file
  - Elements of the KYC file
  - Electronic records
  - Cohesiveness of the KYC file

Identification and Verification

- Introduction
  - Why is ID&V so important?
- Customer identification
  - Overview
  - Identification requirements in the wholesale environment
- Verification
  - Overview
  - Sources of verification
  - Independence and reliability
  - Validity
  - Summary
  - Certification
  - Information provided by the customer and questionnaires
  - Verification and risk factors
- ID&V in practice
  - Consolidating ID&V requirements – the ID&V Matrix
  - Commonly accepted sources of information
  - Company registrars
  - Regulators and Stock exchanges
  - Official company material
  - Specialized data vendors
  - Market Utilities

Understanding the customer

- Who is the customer
  - Why is understanding the customer so important
- Establishing the customer's identity
  - Private individuals
  - The customer's name(s)
  - The customer's address (registered, business) and domicile
  - The legal form of the customer
    - Limited companies
    - Partnerships
    - Trusts
    - Other legal forms
  - Entity Identifiers
  - The parent / group to which the customer belongs
- The nature of the customer's business
  - The customer's regulatory status
  - The customer's business activities
    - Industry risk
    - Industry classifications
  - The customer's geographical footprint
  - The customer's client base
  - The standing of the customer in its industry
  - Verification requirements
- Customer types
  - Financial institutions
  - Corporates
  - Government and public sector

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Understanding the relationship

- The role of the customer in the relationship
  - Principal - agent relationships
  - The role of intermediaries
  - Correspondent banking
  - Current accounts and currency clearing services
  - Brokerage services
  - Securities custody services
  - Risks and due diligence measures
    - Due diligence measures
    - Transaction monitoring
  - The cost of getting it wrong
- The role of the customer in complex financial transactions
  - Syndicated lending
  - Acquisition Finance, Leveraged Acquisitions
- The nature, purpose and context of the relationship
  - Establishing the purpose of the relationship
  - Risk Management
    - Consistency with nature of business
    - Ongoing monitoring
    - Suitability and Appropriateness
  - Understanding the context of the relationship
  - Length of the relationship
  - Identifying the account owner
    - The coverage model
    - Multinational clients
    - Cross-border activities
  - Identifying other relevant parties
  - Identifying Existing relationships
- Source of Funds & Source of Wealth
  - Definition and purpose
  - Scope of application
  - Identification requirements
  - Source of Funds
  - Source of Wealth
  - Verification requirements
  - Risk Assessment
  - Risk factors related to SoF/SoW
  - Consistency with nature of business
  - Politically Exposed Persons
  - Management of risk factors

Beneficial Ownership

- Overview
  - Regulatory obligations
  - Beneficial ownership definitions and thresholds
  - Exemptions for Simplified Due Diligence
  - Enhanced Due Diligence requirements
  - Why is beneficial ownership so important?
- Beneficial owners and legal forms
  - Companies
  - Partnerships
  - Trusts
  - Funds
  - Charities and Foundations
  - Other legal forms, partnerships, trusts
- Identifying beneficial owners
  - Unwrapping the beneficial ownership of legal persons
  - How far to go and where to stop: SDD entities
    - Free float of listed companies
  - Multiple private owners with no beneficial ownership
  - Aggregating ownership and identifying beneficial owners
  - Importance of aggregation
  - Multiple private owners with collective control
  - Family ownership
  - Meeting the beneficial ownership threshold
  - Intermediate owners
  - Legal forms and beneficial ownership drill-down
  - Risks associated with intermediate owners
  - Ownership charts
  - Benefits of ownership charts
  - Identification requirements for beneficial owners
  - Identification requirements for intermediate owners
- Verification requirements
  - Verifying the ownership structure
  - EU beneficial owners' repository project
  - Verifying the individual identity of beneficial owners
  - Challenges with verification of individual identities

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- Verifying the SDD status of intermediate owners when the drill-down stops
- Other technical considerations
  - Individuals with effective control
  - Beneficial ownership vs. parent company
  - Beneficial ownership for high risk subsidiaries
  - Preference shares and voting rights
- Risk management
  - Screening
  - Risk factors related to beneficial owners
  - Country risk
  - Business activities
  - Source of Wealth
  - Bearer shares
  - Nominee shareholders
  - Private investment vehicles / companies
  - Risks related to the ownership structure
  - Intermediate owners
  - Joint ventures and recently acquired companies
  - Overly complex ownership structures

Understanding the control structure of the entity

- Overview
  - Definitions
  - Exemptions for simplified due diligence
  - Enhanced due diligence requirements
  - Why is the control structure so important?
  - Controllers and beneficial owners
- Control structures and the identification of controllers – Called Legal forms, control structures and IDV of controllers
  - Companies
  - Individual controllers
  - Owners with effective control
  - Controllers with ownership
  - Multiple control points
  - Control by groups of persons
  - Funds
  - Other legal forms
  - Partnerships
  - Trusts
  - Public authorities
  - Charities and Foundations
  - Public authorities
  - Private equity funds
  - Private investment vehicles / companies
  - Sovereign Wealth Funds
  - Special Purpose Vehicles (SPVs)
  - Legal persons as controllers
  - Where to stop: SDD
  - Other relevant control or advisory bodies
  - Advisory boards
  - Shariah boards
  - ID&V requirements
  - Private person controllers
  - Legal person controllers
- Risk factors
  - Screening
  - Risk related to controllers
  - Nominee directors
  - Complex ownership structures

Customer screening

- Overview
  - Screening universe
  - Sanctions
  - Politically Exposed Persons
  - Adverse media
  - Internal watch lists
  - Scope of parties included in screening
  - Customer vs. Payments screening vs. Transactions monitoring
  - Why is screening so important?
- Sanctions and PEPs
  - The sanctions regime
  - Politically Exposed Persons
  - Reputation Risks
- Performing screening
  - Matching customer records
  - Screening vs. re-screening
  - The matching process
  - No hit returns
  - True vs. False positives
  - Matching optimization
  - Completeness of customer records
  - Rules tuning
  - Universe of media content
    - Key words
    - Length of history and relevance
    - Range of media and language
  - Discounting false positives
  - Managing true positive hits
  - Sanctions hits
  - Politically Exposed Persons
  - Adverse Media
    - Age

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- Reliability
- Relevance
- Materiality

- Internal watch lists
- Applying existing screening results
- Identifying CDD areas concerned by the results
- Immediate MLRO review
- Documenting the outcome of screening
- Consolidated screening report

Risk acceptance

- Overview
  - Risk assessment and acceptance
  - Mandatory measures vs. risk-based assessment
  - Prohibited relationships
  - Enhanced Due Diligence obligations (EDD)
  - Risk-based approach to CDD
- Risk Acceptance
  - AML risk factors
  - Risk factors and scale of severity
  - Product risk
  - Politically Exposed Persons (PEP)
  - Risk rating
  - Decision tree models
  - Cumulative models
  - Benefits and limitations
  - Risk weighted models
  - Iterative nature of the risk rating process
  - Risk analysis and referrals
  - Existing customers
  - Ongoing monitoring
  - Re-screening
  - Periodic renewals
  - Event-driven reviews
  - New products
- Risk mitigation and Ownership
  - Risk mitigation
  - Product limitations
  - Increased monitoring
  - Refusals and terminations
  - Risk ownership
  - Role of the relationship manager
  - Customer acceptance committees
  - Senior management ownership
  - Role of the MLRO
  - Documenting the risk ownership
- Future developments
  - The fourth Money Laundering directive
  - Customer regulatory classifications
  - MiFID
  - EMIR and Dodd Frank
  - FATCA

Enhanced Due Diligence

- Enhanced Due Diligence measures
  - Identification and Verification
  - Understanding the customer
  - Understanding the relationship
  - Beneficial owners and controllers
  - Screening
  - Risk acceptance