Unit 1 – Key Points

■ **What is Due Diligence & CDD?**

- Due diligence means doing common sense checks before you trust money or customers.
- FATF says every firm must identify and verify customers to stop dirty cash and terror funds.
- Example: A bank copies your passport and confirms your address before opening an account.

■ **CDD as Questions, Risk Meter & Business Gate**

- CDD is a list of questions, a risk score, and the final yes/no to onboard a client.
- EU rules demand deeper checks for high risk scores and lighter checks for low risk ones.
- Example: A cafe owner sails through quickly; a weapons trader needs senior level approval.

■ **Why CDD Matters to Firms**

- Good CDD is the base of every AML/CFT programme and protects reputation.
- It lets firms focus staff time on red flag customers instead of everyone equally.
- Example: Quick ID for a pensioner, but daily monitoring for a crypto exchange.

■ **Extra Rules CDD Supports**

- The same customer data feeds sanctions screening, tax reporting and conduct rules.
- Firms must screen every payment against OFAC or EU lists before release.
- Example: A wire to a Sudanese entity is blocked when the name hits the sanctions list.

■ **Key KYC Terms**

- CIP = the U.S. step that grabs basic ID; ID&V = any method that proves who someone is.
- KYC is the umbrella for all customer checking tasks across AML, tax and conduct laws.
- Example: During onboarding the system tags you as ‘retail’ under MiFID based on your quiz.

■ **Global Rule Books & Local Laws**

- FATF writes 40 Recommendations; each region turns them into its own laws.
- EU uses 4MLD 6MLD, the U.S. uses BSA and Patriot Act, Singapore follows CDSA & TSOFA.
- Example: A French bank branch in Dubai must follow both EU parent rules and UAE law.