

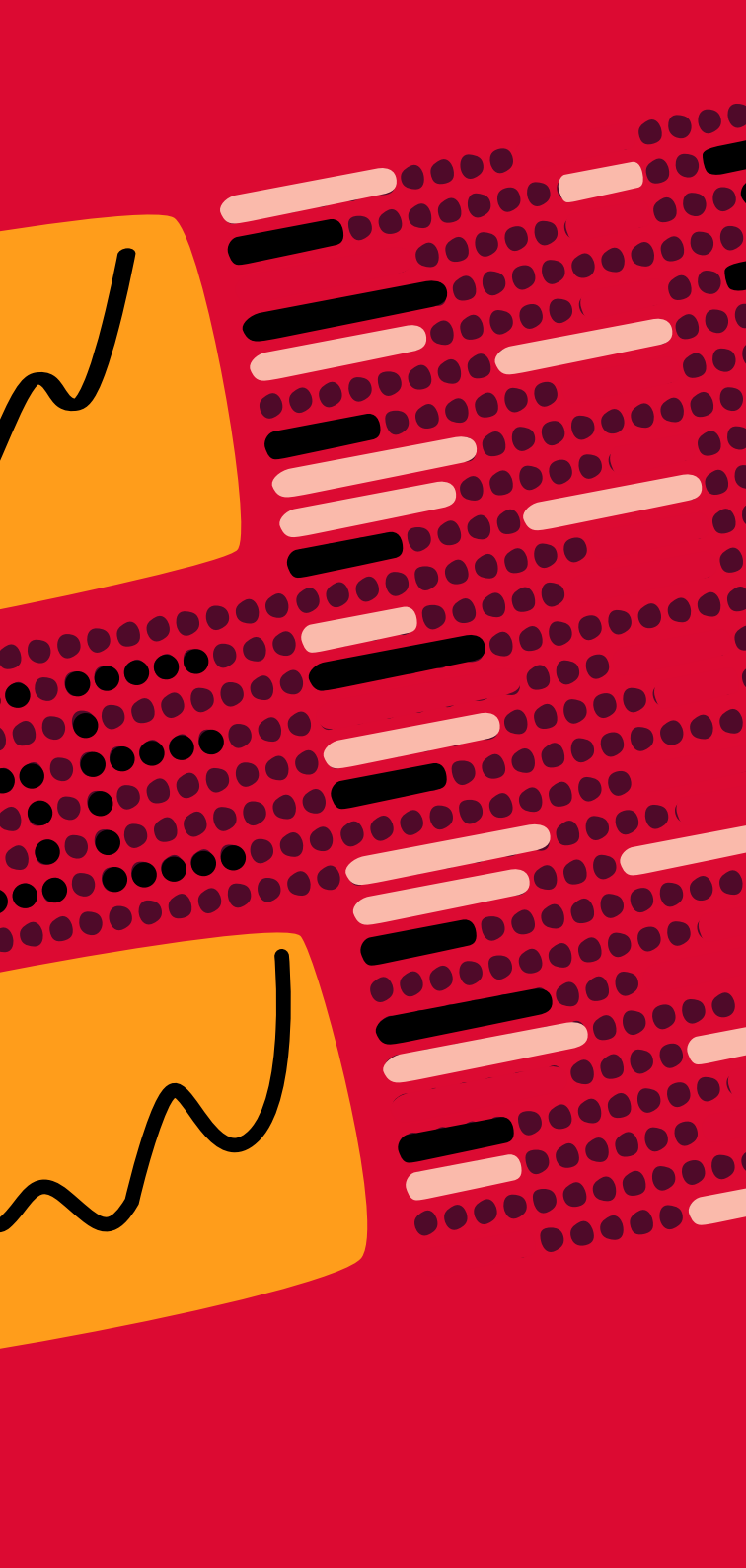
# Things I wish a bank had told me

*A guide to personal finances*



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# Foreword

This Booklet forms part of the Consumer Protection Policy that is underpinned by Conduct Risk Framework, Market Conduct Policy and the Bank of Tanzania (Financial Consumer Protection) Regulation, 2019.



# Introduction to banking

## Try to imagine a world without banks.

Banking is a vital industry and their services have become a necessity in our daily lives and in this advanced world. With economies developing at a fast rate, banks need to keep up with the rapid developments and needs of their communities.

Let's define for a moment, a bank. A bank is a financial institution that accepts deposits from the public and creates credit. Due to their importance in the financial stability and economic growth of a country, banks are highly regulated in most countries, including Tanzania.

Banking is also the main process which creates and controls the cash supply of the country. It provides liquidity needs for businesses as well as help families to invest for the future.

The banking sector in Tanzania is regulated by the Central Bank of Tanzania.

## Did you know?

Banking began with the first prototype banks of merchants of the ancient world, which made grain loans to farmers and traders who carried goods between cities. This system is known as a barter system.

This began around 2000 BC in Assyria and Babylonia. Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans and added two important innovations: they accepted deposits and changed money. Archaeology from this period in ancient China and India also shows evidence of money lending activity.

# How do banks work?

Trust is an essential component of the relationship between a bank and a customer. Customers trust in the security provided by the institution and the safety of keeping their money in a bank account rather than under the proverbial mattress at home. This has the added benefit of removing the temptation to spend cash that you are keeping in your home.

Another advantage of banks is the convenience attached to them.

We therefore trust our bank to keep our money safe. Similarly, our bank also needs to make money and it does that by lending money at higher rates than the cost of the money that they lend. This is referred to as a loan. Banks then use the money we deposit to make loans. In simple terms, we can say that the amount of interest that the banks collect on loans is greater than the amount of interest they pay to customers with savings accounts.

## Fun fact

**The origins of modern banking can be traced to medieval and early Renaissance Italy, to the rich cities in the centre and north like Florence, Lucca, Siena, Venice and Genoa. The Bardi and Peruzzi families dominated banking in 14th-century Florence, establishing branches in many other parts of Europe. One of the most famous Italian banks was the Medici Bank, set up by Giovanni di Bicci de' Medici in 1397. The earliest known state deposit bank, Banco di San Giorgio (Bank of St. George), was founded in 1407 at Genoa, Italy.**

## Types of banking

### Retail banking

Retail banking, also known as Consumer Banking, is the provision of services by a bank to Personal, Prestige and Premier customers. Banking services which are regarded as retail include provision of savings and transactional accounts, mortgages, personal loans, debit cards, vehicle asset finance and credit cards. Retail banking may also

refer to a division or department of a bank which deals with individual customers.

### Commercial banking

Commercial banking provides services such as accepting deposits, providing business loans, and offering basic investment products. Commercial banking in Tanzania often refers to a bank, or a division of a large bank, which specifically deals with deposits and loan services provided to corporations or large or middle-sized business - as opposed to individual members of the public or small businesses.

Small and Medium Enterprise banking also falls under the Commercial Banking umbrella, however, instead of lending money to large businesses, the commercial bank or department will lend money to smaller or medium sized businesses.

### Fun facts about banks:

- To open the vaults at the Bank of England, you need a key which is 3 feet long.
- Banks in the North of Italy give farmers secured loans. Their guarantee... cheese. Head of Credito Emiliano keeps parmesan cheese two to three years in a special storage unit until they ripen. If the cheese maker fails to repay the loan by the time of ripening of the cheese, the bank sells the cheese and reimburses their losses.
- The first institutions to take in the storage of money and valuables, were the temples. For example, the inhabitants of ancient Athens kept their savings in the temples of the Acropolis and the medieval Europeans often saved money in the monasteries.



# Introduction to loans

Loans refer to the borrowing of money from one party by another, to be returned over an agreed amount of time and with interest. You may apply for a loan for a variety of things, for example; a new car, for renovations, travelling, studying or even buying a house or a piece of land.

The amount requested will then be approved based on whether the bank thinks you will be able to pay back the amount. From then, the interest rate, the duration of the loan and additional terms and conditions of the loan are determined.

There are many different reasons a person may want or need to take a loan. It could be to start a business, buy a car or a house, for school fees, medical expenses, or even a vacation.

## How do I qualify for a loan?

- You need to be 18 years or older. You may also qualify for a loan if you are emancipated, married or if a legal guardian countersigns the application.
- You should also not be older than retirement age with the exception that the bank receives a document stating that you will remain in the work force beyond the age of 63 years old
- You should be employed for at least 9 months unless your employer has confirmed your position before then
- You should also be earning no less than the minimum amount required by the bank - post pension and tax deduction - which may change and can vary depending on the bank
- Qualifying for a loan will also depend on your salary and existing debts and record of past borrowing

## What are the requirements to apply for a loan?

- You will need to bring with you an original copy of a valid ID card or Passport
- A Valid proof of income – a pay slip referring to your name, employer, salary date, gross salary, deductions and net salary
- If you are a new customer, you will be required to provide bank statements from the past 6 months
- Proof of residential address
- A copy of your employment contract



- Spouse/ partner consent in the case of a joint loan
- Contact details
- Two referee details

## Types of loans

### Secured

A secured loan is a loan in which the borrower pledges some asset (e.g. a car or house) as collateral. Examples of secured loans are explained in more details below.

### Mortgages

A mortgage loan is a very common type of loan, used by many people to purchase residential property, for constructing a new house or purchasing of land. The bank will usually lend a percentage of the property or land value and the borrower will have to contribute the remaining amount. The lender, usually a financial institution, is given security – a lien on the title to the property – until the mortgage is paid off in full.

If the borrower defaults on the loan, meaning, they fail to pay back the loan as was agreed, the bank has the legal right to repossess the house and sell it in order to recover sums owed to the bank.

### Vehicle loans

Similarly, a loan taken out to buy a car may be secured by the car. The duration of the loan is much shorter – often corresponding to the useful life of the car. Just like a Mortgage Loan, the bank will usually lend a percentage of the property or land value and the borrower will have to contribute the remaining amount.

### Unsecured loans

Unsecured loans are monetary loans that are not secured against the borrower's assets. These may be available from financial institutions under many different products such as personal loans.

The interest rates for these may vary depending on the bank.

Interest rates on unsecured loans are nearly always higher than for secured loans because of the nature of the product. Don't



hesitate to get in touch with your bank to learn more about their unsecured lending options.

### **How are repayments calculated?**

The amount that the individual has to pay monthly is calculated based on the following:

- Salary and other fixed additional incomes
- Age - the younger you are the longer tenor you may qualify (applies to home loan)
- Existing financial commitments
- Other existing debts
- Records of past borrowing
- Loan amount
- Interest rate

### **Monthly payment formula**

The fixed monthly payment for a loan is the amount paid by the borrower every month that ensures that the loan is paid off in full with interest at the end of its term.

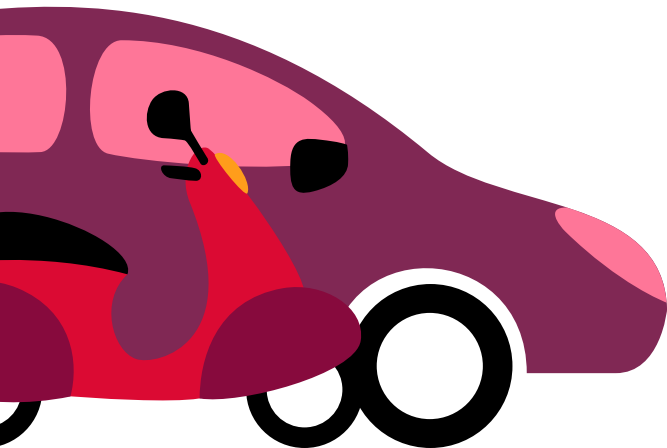
The monthly payment formula is based on the annuity formula.

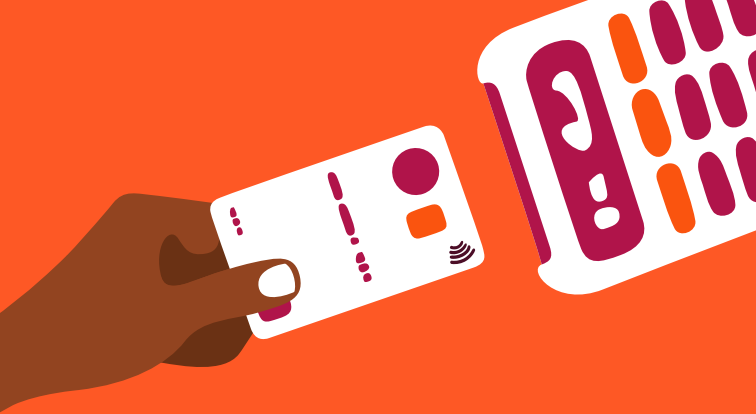
### **Can you opt for early repayment?**

A lot of people opt for paying back their loans as soon as possible, so it is an option – however, for certain loans in Tanzania, there are certain charges on early repayment so be sure to ask your bank what their policy is regarding loan early loan repayments.

### **What is defaulting and what happens when your loans are not being paid back on time?**

Often, things happen and circumstances occur that could lead to you not being able to pay back your loans on time. If this is the case, you should always contact your bank as soon as possible. In some cases, banks may be willing to re-negotiate terms and monthly payments.





## Cards

Cards - credit or debit cards - are available to anybody who has an account with their bank. These are used to easily withdraw money from ATMS instead of queuing up in branches as well as facilitating payments at Points of Sale (swiping your card at a cashier) or for e-commerce payments (online payments).

Choosing card payments over cash payments is becoming increasingly popular as it is much safer than carrying around cash and reduces cash-handling costs as well as fraud risks.

In a way, cards are also a better way to manage your budget. This is possible with the detailed e-statements drawn from the purchases made on the card for a full month.

Some banks also offer free SMS alerts, which lets you know every time a purchase is done with your card. Many cards are also accepted worldwide, which makes it the most convenient and efficient way to access money while travelling.

In Tanzania, only certain banks offer SMS alert services, so it is therefore important to do your own research before requesting for a debit or credit card with a bank.

## Types of cards

### Debit cards

Debit cards give quick and easy access to your account balance. It is a convenient and secure way to access and spend money that is available in your bank account.

## Credits cards

A credit card allows you to make purchases now and pay later wherever a VISA, Diners Club, Master Card, Maestro, AMEX or UPI sign is available. Unlike debit cards, credit cards are not linked to any liable bank account. It allows you to spend money against a flexible credit financing. It is a quick and convenient way to pay for goods and services and payments are then deducted on the payment due date.

There are different types of credit cards which determines the maximum credit amount you are allowed to use so don't hesitate to ask your bank about their offers.

## Credit card repayments and interest rates

Re-payments are flexible and can be set at your capability to pay within the minimum amount as defined by your bank i.e. 5%, 10%, 20%, 100%. Interest rates are also determined at the discretion of the bank.

## How do I apply for a debit or credit card?

For most banks, debit or credit cards are available for customers at their branches (subject to applicable fees).

The documents usually required to apply are the following:

- A completed application form (available at bank branches)
- Proof of Identification (valid ID or Passport)
- Income proof (for credit card application)





## Personal finances

Looking after my future

### What is budgeting?

Budgeting is the process of creating a plan to spend your money. This spending plan is called a budget. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do. If you don't have enough money to do everything you would like to do, then you can use this planning process to prioritize your spending and focus your money on the things that are most important to you.

### Why is budgeting so important ?

Since budgeting allows you to create a spending plan for your money, it ensures that you will always have enough money for the things you need and the things that are important to you. Following a budget or spending plan will also keep you out of debt or help you work your way out of debt if you are currently in debt.

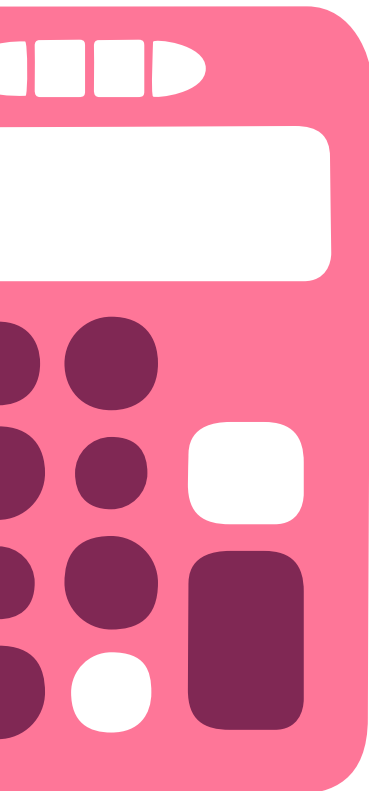
### How to budget and create a spending plan

To kick start your budget list, you will need to work out how much you will be spending on your:

- Rent
- Mortgages/ loans and other debts
- Household bills
- Daily expenses
- Transportation (bus, gas for car etc.)
- Other expenses such as insurance, car repairs, hospital bills
- Gifts for family and friends
- Leisure such as holidays, restaurants, sports, special occasions and events etc.

## Add up your total income

Your income means the total amount of money you make each month after adding your salary, wages, monthly benefits, overtime, pension and any other side money that you may be making.



If you're spending more than you have coming in, you need to work out where you can cut back.

This could be as easy as making your lunch at home or cancelling a gym membership you don't use.

You could also keep a spending diary and take notes of everything you buy within a month.

Or, if you do most of your spending with a bank card, look at last month's bank statement and work out where your money is going.

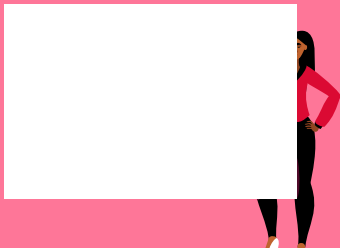
## Deduct the amount you spend or have allocated to spend on each item from your list

If there is money left after you've paid for everything, it means

you have a 'budget surplus'. It is wise to keep your extra money as savings.

If you are spending more than you earn it means that you have a 'budget deficit' and have to make an effort to find ways to cut back on your spending.

You could also go over your bank statement to identify where you may be overspending. If you are using a credit or debit card it will be easier to see where you can cut back.



### **The 70/30 rule on finances**

An effective way to save money is the 70/30 rule. This rule means saving or investing 30% of your income and using only 70% on your expenses.

Your monthly expenses should therefore be calculated using 70% of your income as reference.

If you find yourself climbing over your 70% limit, that might be a sign that you may need to start cutting back. However, in cases where 30% savings is too much, especially if you are paying off extra debt, settling for at least 20% savings per month should still make a difference.

As you become more financially independent, you may find that you want to eventually save more.

The best way to ensure that your savings actually make it to your savings account is by getting your bank to make a monthly standing order of your desired amount into your bank account. This is a simple process that should only take minutes to carry out. Get in touch with your bank to find out what their procedures are.

### **How can I save for special occasions such as weddings or a holiday?**

1. The first thing to do is to create a budget- this means creating a plan on how to spend your money. This will give you a clear guideline or direction on how much you will need to save monthly and how much time you will need to save the amount you require.
2. Get started – to make it easier to save, treat this the same way you would treat paying bills. This will help you to prioritise and commit to saving. Keep in mind that the earlier you start saving, the easier it becomes.
3. You also need to decide where you want to keep your money. Setting up a savings account may be the best way to go.
4. Watch your savings grow – check your balance regularly and find creative ways to motivate yourself into staying committed to the cause.

There are many ways to do this. Many parents opt to open a savings account with their banks as soon as their child is born and begin adding money to the account over the years. The child will not, however, be able to access this account without the signatory approval of their parents until they reach 18 years of age.

After that, they may decide they want to keep the account and continue adding to it once they have a salary - thus, beginning their own savings journey.

### **1. Teaching your child how to save money**

In school, we weren't really taught about the importance of saving and many of us find that as adults, we have to fend for ourselves.

However there are ways to empower the next generation, and that starts by teaching children the importance of saving from a young age.

### **2. Start with a piggy bank**

A piggy bank can be a great way to teach your child the importance of saving, while giving them an easy way to do it. Tell your kids that the goal is to fill up the piggy bank with notes and coins, until there is no room left. Tell them that the piggy bank is for saving money for the future and that the more they save, the more their money will grow.

### **3. Open up a bank account**

Once the piggy bank is full, take your child to the bank to open up a savings account for them. Have them count how much money will be deposited, so they can have a physical understanding of how much money they have. Show them the final number and reinforce the idea of interest.

It can provide a great source of motivation for your kids if they understand that their money will grow over time as long as they don't touch it.

### **4. Create a timeline**

As a child, the concept of money and time can be hard to grasp. Research has shown that the impact of a one hour financial lesson wears off after about five months. In order to make the message stick, money education should be timely and on-going.

If you know your child receives TSH 100,000 for their birthday each year, the moment to talk about



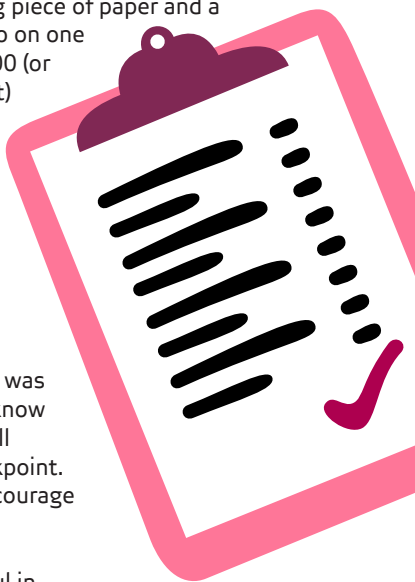
budgeting is right before receiving that Rupee note. One way to keep money lessons on-going is to create a timeline so that your child can visualize when they will reach their goal.

Let's say you give them TZS50,000 a week and they want to save up TZS1,000,000. If they saved one hundred percent of their allowance, they'd reach their goal in twenty weeks, or roughly five months.

Start by getting a long piece of paper and a marker. Have TZS zero on one side and TZS 1,000,000 (or whatever goal amount) on the other side. Create checkpoints on the paper for when they reach 25%, 50% and 75% of their goal.

Every time an amount is saved, draw a line illustrating how much was saved. Let your kids know that they will get small rewards at each checkpoint. Small rewards can encourage kids to keep going.

Visuals are also helpful in illustrating their savings goals and how their money is growing.



## 5. Lead by example

Children learn by example, so the best way to teach your child about saving money is to save money yourself. Have your own jar of money that you put funds in regularly. When you're out shopping, show your children how to discern between various prices and explain why buying one item makes better sense than another.



## Fraud

Bank fraud is the use of potentially illegal means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by fraudulently posing as a bank or other financial institution.

In many instances, bank fraud is a criminal offence. While the specific elements of particular banking fraud laws vary depending on jurisdictions, the term bank fraud applies to actions that employ a scheme or artifice, as opposed to bank robbery or theft.

For this reason, bank fraud is sometimes considered a white-collar crime.

Keeping your money safe – Learn more about the different types of fraud below and what you can do about it.

## Cheque fraud

Cheque Fraud takes place when a fraudster uses a stolen or counterfeit cheque to pay for goods and services. When the real cheque owner discovers that money has been stolen from his or her account, the victim can be obliged to repay the total sum – even if this happens several weeks later.

### **How to protect yourself against cheque fraud:**

- Don't accept cheques from anyone unless you know and trust them, especially when a high-value cheque

- Be aware that there's a risk that money credited to your account from a cheque could be reclaimed if the cheque turns out to be stolen or counterfeit
- Always consider other ways of accepting payment for high-value items
- Keep your cheque book in a safe place
- Report any missing cheques to your bank immediately
- Always check your bank statements thoroughly

## Card Fraud

Here are some of the most common scams and how you can avoid them.

### Lost and stolen card fraud

This occurs when a lost or stolen card is used by a fraudster posing as you. Most lost and stolen card fraud occurs before you report the loss.

#### To protect yourself from lost and stolen card fraud:

- Report any lost or stolen cards immediately by calling your bank the moment you realise that your card has been stolen
- Only carry the cards you need
- Avoid placing cards in your pockets, where they can easily fall out
- Make sure that your cards fit snugly inside your wallet or purse
- Take precautions to avoid your card being stolen. For example, don't leave your handbag unattended or carry your wallet in your back pocket

### Counterfeit card fraud or skimming

A counterfeit card can be a fake card or a valid one that's been altered or recoded. Most cases involve skimming, when the data on your card's magnetic strip is electronically copied on to another card without your knowledge. Skimming commonly occurs at retail outlets, particularly bars, restaurants and petrol stations, and at cash machines that have been illegally fitted with a skimming device. The stolen data is then used to create counterfeit cards. Most people are unaware that they've fallen victim to this fraud until their statements arrive. If you believe a cash machine has been tampered with, you should contact your bank as soon as possible.

#### To protect yourself:

- Don't let retail staff take your card away to process

payments. Ensure that you can see when they swipe your card and enter the amount at the Point-of-Sale (POS) terminal. Check if they have contactless payment so your card never leaves your hand

- Check cash machines for signs of tampering before you use them. If a cash machine looks suspicious, move to another one

### **Card-not-present fraud**

This is a very common type of fraud. It occurs when fraudsters steal your card details and use them to buy things over the Internet or by phone, fax or mail.

#### **To protect yourself from card-not-present fraud:**

- Avoid entering your card details on shared or public computers
- Always remember to log out of any websites where you've entered your card details
- Only enter your card details on secure sites (i.e. those whose web address begins with 'https' and have a padlock in the browser window)
- Keep a close eye on your statements and report any fraudulent transactions immediately

### **Identity theft on cards**

This occurs when a fraudster uses your personal information to open or access card accounts in your name. There are two types:

- Application fraud happens when stolen or fake identification documents are used to open an account in your name
- Account takeover occurs when fraudsters use your personal information to pose as you and convince your bank to make payments from your accounts, order new cards and so on

#### **To protect yourself from identity theft on cards:**

- Shred or burn bills, bank statements and other documents containing your personal details before disposing of them
- If you use social networking sites, display as little personal data on your page as possible
- Inform your bank immediately if you change your address

## **Online fraud**

Here are some of the most common types of online frauds and tips on how you can avoid them.

## Social engineering

Social engineering is the act of manipulating people into



doing what you want. In terms of online fraud, a fraudster will usually trick people into disclosing their passwords, log-in details or other confidential information.

### Protect yourself from social engineering by:

- Not disclosing confidential information over the phone unless you're absolutely sure of the caller's identity
- Never sending confidential information by email. It can easily be intercepted by a third party.
- Keeping your PIN confidential at all times. Your bank will never ask you to disclose your PIN

## Phishing

Phishing is a process used by fraudsters in an attempt to acquire your confidential information by sending out emails or other kinds of messages that direct you to bogus websites or phone lines. These emails or messages claim to be from a particular company, so they often look legitimate but these messages are actually sent by fraudsters, often at random. Any information you disclose on these bogus websites or phone lines is captured by the fraudsters. You can protect yourself by treating any unsolicited emails or calls that ask for confidential information with suspicion. If in doubt about the validity of a particular message, contact the company that supposedly sent you the message to make sure it's genuine.

## Trojans

A Trojan is a type of malware (malicious software) that is

installed on any Internet-enabled device (e.g. computer, smartphone) without your knowledge or consent. Typically, a fraudster will send you an email that tries to trick you into following a website link, downloading something or opening an attachment. If you take this action, the Trojan is installed. Trojans can be capable of recording your passwords and other personal details by capturing your keystrokes or taking screen shots of sites you visit. These details are then sent to a fraudster. Some Trojans actually allow a fraudster to shadow your computer sessions, seeing everything you do. The best way to protect yourself from Trojans is to install firewalls and internet security software on your computer and to keep these things up to date.

## Identity theft

While identity theft is not common in Tanzania, having your identity stolen can lead to serious financial consequences. Identity theft occurs when fraudsters use your personal information without your knowledge or consent to open bank accounts, apply for credit cards, loans, and documents such as passports and driving licences in your name. Identity theft can have a big impact on your personal life and finances. For example, you may have difficulty getting loans, credit cards or a mortgage until the problem is sorted out.

### Here are some ways you can protect yourself from identity theft:

#### Keep your personal information secure:

- Consider picking up valuable items such as debit cards, credit cards and cheque books directly rather than having them mailed
- If you move house, inform your bank as soon as possible so that they can amend your records in our system so that all correspondences and statements from us will be sent to your new address
- Learn more about protecting your identity online.

#### Keep your cards safe:

- Cancel any lost or stolen cards immediately by calling your bank as soon as you've noticed that they are missing.
- Protect your details when shopping in-store, online or by phone. Make sure other people can't hear or see your card details or personal information
- Never carry documents or plastic cards unnecessarily.

### Keep your documents safe:

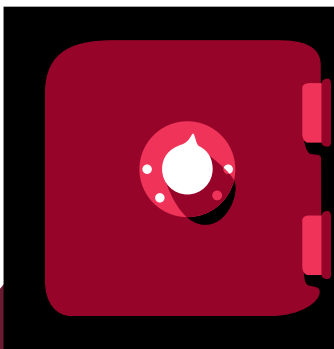
- Keep your personal identification documents such as passports or national identity card in a safe place. If any of your documents have been lost or stolen, contact the issuing organisation immediately
- Destroy unwanted documents, preferably by using a cross shredder or by burning the documents. Never throw away entire bills, receipts, credit or debit card slips, bank statements, or even unwanted post in your name
- Check your statements as soon as they arrive. If you spot any unfamiliar transactions, contact your bank immediately

### Keep your passwords and PINs safe:

- Never give personal or account details to anyone who contacts you unexpectedly. Be suspicious, even if they claim to be from your bank or the police. Be aware that your bank will never ask for your PIN or a whole security number or password
- Don't use the same password for more than one account and never use banking passwords for other websites. Using different passwords increases security and makes it less likely that someone could access all your accounts
- Never record or store your passwords or PINs in a manner that leaves them open to theft. For example, don't carry them in your purse or wallet
- Be suspicious of emails that ask for your personal details. If you receive a suspicious email that claims to be from your bank, do not click on it before verifying its legitimacy with your bank
- Protect the identities of loved ones who've passed away. Fraudsters sometimes use the identities of people who've died. You can reduce the chance of this happening by informing their bank and cancelling and destroying all their identity documents

If you suspect that you have been a victim of fraud on any of your accounts, contact your bank immediately.

Staying vigilant and following these best practices will ensure that the only one in control of your money, is you.



# What is AML and why is it important?

Anti-money laundering (AML) refers to a set of laws, regulations, and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income. For example, AML regulations require that banks and other financial institutions that issue credit or allow customers to open bank accounts follow rules to ensure they are not aiding in 'money-laundering'.

## Money what?

In a nutshell, Money laundering is the practice of moving large cash sums through legitimate channels in order to hide its source or to prevent knowledge of the money in question.

Money laundering is a common activity used by members of organized crime, such as drug dealers and mafioso.

If someone is making thousands of rupees in small change a week from their illegitimate business, and wishes to deposit that money in a bank, they cannot do so without drawing suspicion.

## Did you know?

**Money laundering is practically as old as organized crime. The term "laundering" alludes to the Mafia's 1920s practice of moving money through laundromats, which served as fronts for their criminal businesses. It also references the process of making "dirty" money "clean."**

One method of laundering money, would be to give it to an intermediary who is already taking in large amounts of cash. The intermediary can then deposit that money into their account, and write a check to the individual running the illegitimate business after taking a premium.

Thus, the individual draws no attention to himself, and can deposit his check into a bank account without



drawing suspicion.

AML compliance officers are often appointed to oversee anti-money laundering policies and ensure that banks and other financial institutions are following these laws put in place.

Anti-money-laundering laws and regulations target criminal activities including market manipulation, trade in illegal goods, corruption of public funds, and tax evasion, as well as the methods that are used to conceal these crimes and the money derived from them.

## Did you know?

The term “money laundering” is said to have evolved from the Prohibition era in the United States. Many methods were devised to disguise the origins of money generated by the sale of then-illegal alcoholic beverages. One such method was, interestingly, legal gambling via slot machines -- a way to efficiently transform giant volumes of coins into easily moveable currency.

## How can I help to prevent money-laundering?

In most countries, it is up to financial institutions to monitor their customers’ deposits and other transactions to ensure they aren’t part of a money-laundering scheme.

Because of this, deposits of more than SCR 50,000 into any bank account in Tanzania needs to be declared, i.e. the person depositing the money needs to tell the bank where they got it. Not because the bank is snooping, but because not doing so means that the bank which doesn’t comply, may be held liable of not actively reporting an act of possible money laundering; and this means huge fines, legal action and even the bank losing its licence – and nobody wants that!

Through advanced automated systems, some banks are able to detect suspicious activity on bank accounts; and if, after further investigation, it is revealed that the activity is illegal, the incident is reported to the Financial Investigation Unit (FIU) who then carry out their own investigation.

By the strictest definition of the term, anyone who assists a criminal in concealing the proceeds from his crimes is considered a money launderer. Everyday, innocent people are employed unwittingly for money laundering, and they may still be criminally liable in many countries despite their lack of awareness.

It is important therefore to always declare your source of funds to your bank (when applicable) and not hesitate to report any suspicious money transactions or related activity to the relevant authorities. You might even help to prevent a malicious act of Money Laundering.

## **What Is KYC and why do banks need to verify customer identity?**

KYC means Know Your Customer and sometimes Know Your Client. KYC or KYC check is the mandatory process of identifying and verifying the identity of the client when opening an account and periodically over time.

In other words, banks must make sure that their clients are genuinely who they claim to be. Banks may refuse to open an account or halt business relationship if the client fails to meet minimum KYC requirements.



## Why is the KYC process important?

KYC procedures defined by banks involve all the necessary actions to make sure their customers are real, as well as assess, and monitor risks. These processes help prevent and identify money laundering, terrorism financing, and other illegal corruption schemes.

KYC process includes ID card verification, document verification such as utility bills as proof of address, and, more recently, biometric verification.

Banks must comply with KYC regulations and anti-money laundering regulations to limit fraud and all KYC compliance responsibility rests with the banks.

If a bank fails to comply with KYC requirement, they can be faced with heavy penalties and reputational damage.

KYC is today, a significant element in the fight against financial crime and money laundering, and customer identification is the most critical aspect in this.

Keeping your bank informed of any changes to your mobile number and email address will allow them to get in touch with you or inform you of any new services on offer, any changes or any downtimes you may need to know about.



# The seven principles of achieving financial well-being

**1**

**Start saving money as early as possible**

**2**

**Make sure that you have a budget and that you prioritise financial planning and financial management**

**3**

**Start saving for your retirement (when you are too old to work) as early as possible**

**4**

**Look for specialist assistance from financial experts to help you develop goals and objectives for your financial future and a plan on how to get there**

**5**

**Decide how you're going to put away your money and make your money grow so that it can meet the goals you've set for your financial future**

**6**

**Make sure that you learn and keep learning everything you can about saving and investing money to make it grow**

**7**

**Make sure that you don't spend your pension fund or retirement money when you change jobs. If any investment money is paid out to you, don't touch it! Save it or invest it immediately!**



# Are you controlling your money?

Evaluate how well you're doing in controlling your money by answering these questions and noting areas for improvement.

Controlling your money questions	Your answer and areas for improvement
Do you know exactly where your money is going?	
Have you identified areas for improvement where you're overspending?	
Have you prioritised your payments?	
Do you have an allowance for daily or weekly spending?	

We all know the importance of managing our personal finances and we often use our financial knowledge when applying for loans, making budgets or investing.

A bad financial decision can no doubt affect our lives in major ways if we're not careful; and is why understanding basic finance and how banks operate is a necessity in today's world.

When I was in school, the concept of finance was limited to basic economics or math classes, but the majority of us never took classes in the mechanics of finance such as; how credit cards work as well as what the consequences of too much debt and repayments were.

Finance was more or less reinforced to only a few students who opted to take finance courses at Post-Secondary or University level.

I strongly believe, that just like how taking up football promotes teamwork and perseverance; how music encourages creativity; and how martial arts fosters self-discipline and endurance – financial education, inevitably, leads to healthy financial habits. Everyone should learn the value of money and savings at a young age. If you haven't – don't worry!

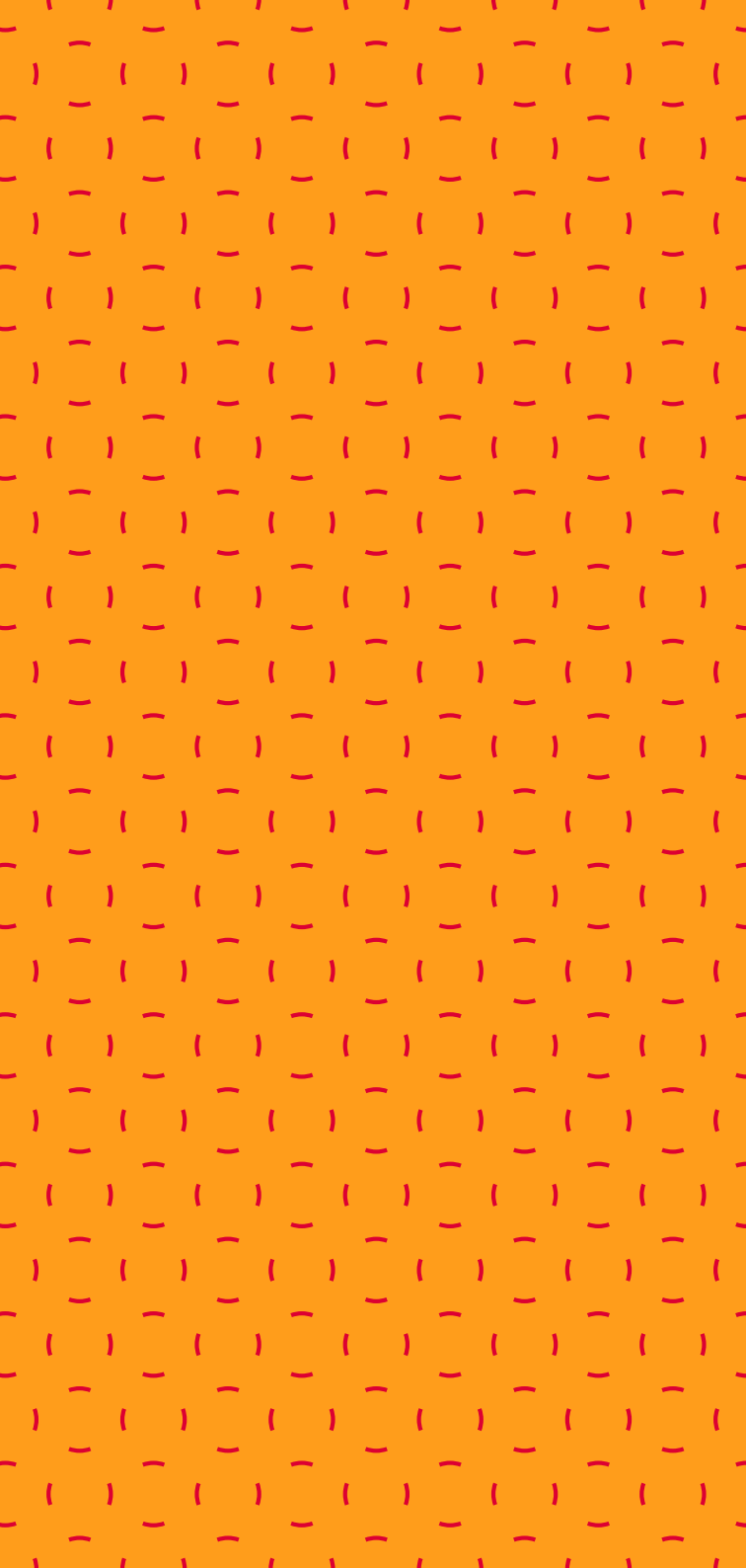
We've created this handy Financial Literacy Booklet for just this occasion. I believe it is never too late to start learning sound financial habits and passing-on the knowledge to you family, friends or children.

This booklet was written to introduce banking and managing personal finance in an informative and entertaining way; and any person of any age with limited or no prior knowledge of banking will benefit from Things I wish my bank had told me.

Though this book may not transform you into an investor or captain of industry, we do hope that it presented you with basic, yet important information to develop a healthy relationship with your bank, promote financial responsibility and help you make smart financial decisions going forward.

Yours faithfully,

**Abdi Mohamed**  
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