

KYC Approval Process for Merchants, Aggregators & Submerchants

Business Requirements Document
v 1.0

KYC Approval Process Digital Solution

General Overview

enza is looking for a technical solution that enables its customers (banks) to digitize and automate their KYC Approval Process for Merchants, Payment Facilitators/Aggregators and their Submerchants.

The solution has to provide the following high level requirements:

1. Two Factor Authentication
2. Configurable KYC Approval Process (steps, roles, users, permissions, actions)
3. Configurable data fields (including documents) for every step in the process
4. Document management
5. Integrations with external systems for eKYC and documents validations
6. Email Notification engine
7. Logging, Monitor and Audit trail

Use Case for the required solution:
Bank onboarding clients for its eCommerce business

1. Payment Facilitators (PF), & Direct Merchants Onboarding

The PFs & Direct Merchants onboarding should fulfill the below requirements:

- a. The merchant/PF can do self-onboarding by filling a form accessible through a public URL (text fields, dropdownlists, documents upload, data tables ..etc).
- b. Bank business operation team may also login to the system and onboard manually a merchant/PF.
- c. Once form is filled,
 - i. A profile should be created for the merchant/PF on the system.
 - ii. Merchant profile credentials to be shared with the merchant/PF by email (mandatory field while creating the profile).
- d. For a profile to be considered completed, required fields and documents should be added.
- e. If any of the data is missing, profile status should be tagged as "Incomplete" but editable.
- f. Upon profile creation, an email notification should be sent to the Bank Business team to follow up on the merchant/PF to complete their profile.
 - i. The profile status should be changed to completed and locked for editing by the merchant/PF.
 - ii. An email notification should be sent to the Bank Business team to start the KYC process.

The KYC Approval Process should fulfill the below requirements:

- a. The following *Roles* will be involved in the KYC approval process:
 - i. Payment Business Role (PB) = Point of Contact for PFs & DMs.
 - ii. Compliance Role (CP)
 - iii. Operational Risk Role (OR)
 - iv. Group Head Role (GH)
 - v. System Admin Role (SA)
- b. SA should be able to create Users and add roles. (All users should have login credentials and an email address to receive notifications)
- c. Each step in the process must follow the Maker/Checker model where one user makes the changes and another user needs to check/approve in order to move to the next step.

- d. The system should have an audit trail where all actions done by any user in the system are logged.
- e. There should be a “Comments” section for any role involved in the eKYC approval process to enter his/her input resulting from his review.
Comments section should be visible only to specific roles (configurable)
- f. The KYC approval process will be triggered by a notification that is sent to PB when the merchant profile created reaches the *completed* status.
- g. An email notification should be sent to the next step owner (ex: CP, OR).

Step 1: Payment Business: Validate Merchant/PF Profile

- a. PB will access the completed merchant/PF profile and will do the following checks:
 - i. View/Validate the info/documents submitted with the issuing authorities and mark them as either “Valid/Verified” or “Invalid”.
 - ii. There should be a way to detect whether the PB opened or downloaded a document before enabling him/her to mark it as “Valid/Verified” or “Invalid”.
 - iii. If during his/her review, the PB needs anything from the merchant/PF (ex: updated document or updated data ..etc.), he/she should be able to trigger an email notification to the Merchant/PF to complete the missing data.
 - iv. Only after all the documents are marked as “Valid/Verified”, the PB Checker may trigger the next step in the eKYC approval process.

Step 2: Compliance: Review Merchant/PF Profile

- a. CP will review the completed merchant/PF profile that was validated by the PB as follows:
 - i. Manually check the merchant against the “MATCH” platform. This is currently done manually by logging in into the platform, querying the merchant state, taking a screenshot of the result, putting it in a Word document and saving it as a proof. This proof has to be uploaded to the Merchant Profile.
API integration will be requested at a later stage.
 - ii. Manually check the merchant against the “VMSS” platform. This is currently done manually (Same as step “i”).
API integration will be requested at a later stage.

- iii. If the above two steps are successful, CP will manually generate an internal report, attach it to the merchant/PF profile and mark it as either "Accepted" or "Rejected".

Generating this report through API integration will be requested at a later stage.

- b. CP Maker & Checker will add their comments, if any, to the profile and either approve or reject it.
 - i. In case of rejection, this will trigger an email notification to the BP role or to the Merchant/PF directly with BP in CC depending on the rejection reasons (to be decided by CP).
 - ii. In case of approval, this will trigger the next step in the KYC approval process

Step 3: Operational Risk: Review Merchant/PF Profile

- h. OR will make a so-called "Merchant Risk Assessment" to give an overall risk rating (Low/Medium/High) to the merchant and attach it to the merchant profile.
 - i. The Merchant Risk Assessment will determine the overall risk rating for the merchant and the **Rolling Reserve % (RR)** (Both should be added on the merchant profile)
- i. OR Maker & Checker will add their comments, if any, to the profile and either approve or reject it.
 - i. In case of rejection, this will trigger an email notification to the CP or the BP role (decided by the OR) to act on the rejection reasons. So rejection here means that the OR needs further action or rework/recheck from CP or BP before moving to the next step.
 - ii. In case of approval, this will trigger the next and final step in the KYC approval process and an email notification will go to the GH role to start their review and make a final decision on the Merchant/PF.

Step 4: Group Head: FINAL Review Merchant/PF Profile

- j. GH will do a final review of the Merchant/PF profile and will check all what has been done by the PB, CP and OR.
- k. GH will take a final decision on approving or rejecting the Merchant/PF.
 - i. In case of rejection, this will trigger an email notification to all parties (PB, CP, OR) including the Merchant/PF.
 - ii. In case of approval, this will trigger an email notification to the Merchant/PF congratulating him/her for the approval

Step 5: Payment Business: Finalize the commercials with the Merchant/PF

- I. After finalizing the commercials with the Merchant/PF, the PB should:
 - i. Upload a scanned copy of the agreement signed by Merchant/PF.
 - ii. Update the Merchant/PF profile with the following data:
 1. MDR Rates per transaction
 - Local transactions rate (percentage + optional Value Cap)
 - cross-border transactions rate (percentage + optional Value Cap)
 2. Fixed fee per transaction
 - Local transactions fee
 - International transactions fee
 3. List of additional fixed fees if any
(each fee will have a frequency: Daily, Weekly, Monthly, Yearly)
 - iii. Trigger the “technical onboarding flow” in all the systems involved.

The Technical Onboarding Flow should fulfill the below requirements:

- i. Opening settlement bank accounts for the Merchant/PF in the bank’s core banking system through API
- ii. Creating Virtual Accounts as follows:
 - Collateral & Rolling Reserve Accounts
 - US Dollars (USD)
 - Nigerian Naira (NGN)
- iii. Creating Merchant/PF profile in the eCom Payment Gateway including the settlement details to accommodate the Rolling Reserve and the Collateral requirements.
(the eCom PG integration API specs will be provided by the vendor)
- iv. Sending an email to some email addresses with the Merchant/PF’s profile details.

2. Payment Facilitator's Sub-Merchants Onboarding

After the payment facilitator is approved and successfully onboarded on the platform, he needs to onboard all its sub-merchants for the bank to check and approve them.

The PF's Sub-Merchants onboarding should fulfill the below requirements:

- a. The PF should be able to login to its profile on the platform and manually create a child profile for each of its sub-merchants.
- b. The PF should be able to bulk onboard its sub-merchants through an API that the platform should expose.
(Bulk onboarding including documents upload through APIs may be postponed to phase 2 – We may start with bulk onboarding through template file import and ask the PF to login and upload the KYC documents manually for each of its sub-merchants)
- c. The KYC Approval process that was described earlier in this document for the Merchant/PF should be applied in the same way for each of the PF's sub-merchants. Even if the PF was approved by the bank, no sub-merchant will be allowed to transact through the eCom PG before successfully passing the bank KYC Approval process.