

From: Joe Bloggs, Relationship Manager
To: Irritated Tim (Standard Bank's customer)
Date: 27 July, 2022
Subject: **Customer Due Diligence**

Hi Mr Tim,

I hope all is well!

I am very pleased to hear that you have decided to opt for a MyMo Bank Account, and also very excited to welcome you to the Standard Bank family. As part of the account opening process, we are required by law to carry out due diligence on our customers. In this email, I will inform you about what customer due diligence entails, why it is important, what happens if it isn't carried out properly and the next steps to successfully open your bank account.

What is customer due diligence (CDD) and why is it important?

CDD processes are designed to help us understand who our customers are by gathering information on what they do and why they require our banking services.

Upon completion of CDD, we assign our customers a risk rating in accordance with the risk they present to the Standard Bank ("the Bank"). A risk rating helps the Bank in deciding how and when to apply the appropriate checks, treatment and controls that are commensurate to the level of risk. This methodology is also known as the "risk-based" approach, which allows the Bank to prioritise resources accordingly to areas that require more attention.

What does CDD entail?

CDD comprises the following steps:

1) Data collection – to obtain the following information from our customers:

- Customer profile
 - Full name, including any aliases
 - Residential address and mailing address
 - Contact numbers and email addresses
 - Place of birth
 - Date of birth
 - Gender
 - Marital status
 - Nationality
 - Race

- o Government-issued identification number
- o Government-issued tax identification number
- o Occupation
- o Specimen signature
- o Parental consent form (where the individual is a minor)
- Wealth profile
 - o Source of wealth
 - o **Source of funds**
 - o **Annual income**

- 2) **Independent verification of collection** – to verify the information collected from our customers to ensure accuracy by cross-checking them against documents issued by a government body
- 3) **Name screening** – the last step, in which an analyst performs a check via a name screening and/or an internal blacklist database to determine if a customer is known to be of heightened risk (for example, politically exposed persons).
- 4) **Decision outcome** – finally, our analysts then provide a recommendation to outline the customer's risk level to the Bank and propose certain controls after establishing a business relationship with the customer. Should the case be necessary, the analysts may decide to decline to establish business relations.

What happens if CDD isn't done properly?

If CDD isn't done properly, then the Bank is in clear breach of regulations (including guidelines issued by FATF) and could receive a hefty fine from the regulator or even risk cancellation of its banking licence, which would in turn adversely impact the Bank's reputation. It might even be operating above the required risk level and could be a threat to the wider financial system (for example, through finance terrorism or money laundering). All of this would adversely impact the Bank, which would in turn impact its valued customers. Therefore, it is vital for the Bank to carry out the required level of CDD.

Next steps?

You don't have to worry too much about these steps. All of our customers have to go through them. You will shortly be receiving an automated email requesting you to provide some personal information (most of these are listed under item 1). You will need to answer these questions accurately, truthfully and promptly so we can open your account as quickly as possible. We can't wait to bring you on board!

Please let me know if you have any questions about the above. Otherwise, I look forward to welcoming you to the Standard Bank family.

Kind regards,

Joe Bloggs
Relationship Manager
Standard Bank