

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

Module 1

Unit 1: 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
 - Identifying factors and customer acceptance
 - Summary
- Creating a Structured KYC file
 - Elements of the KYC file
 - Electronic records
 - Cohesiveness of the KYC file

Unit 2: 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

Unit 3: 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

Unit 4: 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

Module 2

Unit 5: 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
 - 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

Unit 6: 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

Unit 7: 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
 - 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

Unit 8: 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 measures
 - Identification and Verification
 - Understanding the customer
 - Understanding the relationship
 - Beneficial owners and controllers
 - Screening
 - Risk acceptance