



Know Your Customer (KYC) Policy

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Approved by and when	Finance and Procurement Cabinet Member Meeting 9 June 2021
Date of document	21 May 2021
Version	V3 Final
Document classification	Internal
Document distribution	Internal
Document retention period	Until date of next review
Location	iDerby
Review date of document	20 May 2023

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Date Issued	Version	Status	Reason for change
04/10/2018	0.1	Draft	Draft prepared – some detail required
05/10/2018	0.2	Draft	Edits after project team review/changes to FSA
08/10/2018	0.3	Draft	Feedback from Ray Mansell re Liquidlogic
15/10/2018	0.4	Draft	Feedback from Lynda Innocent re Generic requirements
15/10/2018	0.5	Draft	Edits after consultation from the Chair of the LGBTQ+ and DCC's Lead on Equality
13/12/2018	1.0	Final	Version approved by S151 Officer and at Finance and Procurement Cabinet Member Meeting
17/01/2018	1.1	Amended	<p>After feedback from the Compliance Team at allpay Limited, the following amendments were made to the document:</p> <ul style="list-style-type: none"> Page 1: Review date of document changed from 04/11/23 to 04/11/2020 Page 3, paragraph 1.2: the following words deleted, 's/electronic bank' and 'support will.' Page 3, paragraph 2.1: hyphen removed from 'pre-paid'.



			<ul style="list-style-type: none"> Page 4, paragraph 2.3: the following words deleted, 'Know Your Customer Policy'. And 2017 added to Anti Money Laundering (AML). Page 5, paragraph 3.4: 's' added to Regulation. Page 6, paragraph 4.1 '5 calendar years' to changed to '2 calendar years' Page 6, paragraph 4.2: the following words deleted 'electronic bank' Page 6, paragraph 4.3: the followings words were added, 'after the end of the relationship' Page 6, paragraph 4.4: the following words were added 'and to our prepaid card issuer'.
	2.0	Final Approved	Amendments approved by S151 Officer and at Finance and Procurement Cabinet Member Meeting.
19/03/2019	2.2	Final Approved	Detail of official documents with a verifiable National Insurance Number (in section 3.3)
26/06/2019	2.3	Final Approved	Additional information for PrePaid cards for Children in Care and Leaving Care (section 3.6).
05/05/2021	3.0	Draft	<p>Following an internal review by those involved in the DCC process and externally by allpay Ltd, the following amendments were made to the document:</p> <ul style="list-style-type: none"> Paragraph 1.2: Payments to "children who are looked after" added to scope Paragraph 3.3: Use of documents clarified. Benefits letter added to list of acceptable documents Page 6, List A: Bus Pass added to the list of acceptable documents Page 6, List B: Driving Licence added to the list of acceptable documents Paragraph 3.3: Link to government list of acceptable documents added Paragraph 3.3: The following words were added: "Where Derby City Council holds verified copies of any of these documents previously obtained for identification purposes, they can be re-used for the KYC check." Paragraph 3.6.1: Use of an Application Registration Card (ARC) and Home Office documents added Paragraph 3.6.2: Exemption added for adults unable to produce the standard documents Wording amended throughout for consistency of "prepaid" and "customer" Review date reset for 2023



21/05/2021	3.0	Final Approved	Amendments approved by S151 Officer and at Finance and Procurement Cabinet Member Meeting.
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Equality impact assessment record	
Date of assessment	30/10/2018
Summary of actions from EIA	No further action required

1. Background

- 1.1 This policy and related processes is a requirement for all financial transactions where the Council is offering services covered by Anti-Money Laundering legislation.
- 1.2 With a clear Know Your Customer (KYC) policy in place, the Council can issue prepaid card accounts to provide financial support to our customers in the most efficient and controlled manner. The list of services this policy supports includes (but is not limited to):
 - > Appointeeship payments
 - > Direct Payments (Adults)
 - > Care Leaver payments and payments for children who are looked after
 - > Homeless payments
- 1.3 Know Your Customer (KYC) policies and procedures are used by the financial services sector to define the checks required of customers to:
 - Prove the customer's identity
 - Assist in identifying fraud
 - Provide additional assurance against money laundering by account holders
- 1.4 This policy is an extension to Derby City Council's Anti-Money Laundering Policy approved in November 2017.
- 1.5 As part of this policy and Derby City Council's Anti-Money Laundering Policy approved in November 2017, all contracted suppliers of banking services and prepaid cards will be required to comply with the Money Laundering Regulations 2017, The Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (SI 2017 No. 692), the Serious Crime Act 2015 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007).

2. What is KYC verification?

- 2.1 KYC is an approach to the verification of information provided by potential customers when they either apply for/are allocated a prepaid card for Direct, Appointeeship or support payments. This approach allows the most stringent detailed verification processes to assure that the Council has fulfilled their duties under Anti Money Laundering (AML) regulations to check for fraud and to prevent money laundering.

2.2 The Council needs to evidence that a robust KYC policy is in place (as a requirement by suppliers of banking services on behalf of the Council) to meet Financial Conduct Authority (FCA) financial regulations.

2.3 KYC involves applying levels of checks to potential customers. In applying the KYC Policy, the Council will continue to comply with the relevant legislation and regulations relating to Anti Money Laundering (AML) 2017. These require that all customers provide:

(a) Proof of their National Insurance (NI) number and

(b) **Two** pieces of separate evidence to prove the customer's identity **AND** the customer's current address. *Evidence of identity can be in documentary or electronic form.*

3. KYC Policy and Process

3.1 The Council's KYC Policy provides an agreed methodology for validating customers' identities. It is assumed that each customer account has the potential for transactions of EUR 15,000 or over.

3.2 Reduced identification (stated in 3.3) is in place for the Council as transactions by UK public authorities are viewed by the FCA as requiring simplified due diligence arrangements.

3.3 The processing Council officer is required to obtain the customer's **National Insurance Number**, in addition to:

> **One** document from **list A** which shows the customer's name.

> **One** document from **list B** which shows the customer's address.

A customer may not use one form of identification for both name and address. For example, if they provide a driving licence as proof of name, they must provide another form of identification for their address, such as a utility bill.

National Insurance Number (list of official documents that can be used):

National Insurance Card

National Insurance Number Letter (e.g. BF57)

Payslip

P60

P45

Any original benefits letter or statement

List A – Customer's name (only one document listed below is required):

Birth/Adoption Certificate (Please be aware of the other options available if you prefer not to or don't have access to this option – as detailed below)

Current Full Driving Licence Photocard

Current and Valid Passport

Current Biometric Residence Permit

Current Bus Pass

List B – Customer's Address (only one document listed below is required)

Council Tax Bill (within the last 12 months)

Utilities Bill (within the last 3 months)

Bank Statement (within the last 3 months)

Benefit Statement (within the last 3 months)

Current Full Driving Licence Photocard (if not used as proof of name)

The full list of acceptable documents is available on [www.gov.uk](https://www.gov.uk/government/publications/proof-of-identity-checklist/proof-of-identity-checklist/):
<https://www.gov.uk/government/publications/proof-of-identity-checklist/proof-of-identity-checklist/>

Where Derby City Council holds verified copies of any of these documents previously obtained for identification purposes, they can be re-used for the KYC check.

3.4 Politically Exposed Persons (PEPs) & Sanctions Checks are required under the Money Laundering Regulations 2017. Where prepaid cards are applied



for/allocated, the supplier will check these customers against the HM Treasury PEPs and Sanctions List and if any individuals are sanctioned they will not be assigned a card. In the first instance, if someone is considered to have a PEP (Politically Exposed Persons) connection the financial services supplier will complete a risk assessment on the likelihood of that person being at enhanced risk of being a victim of any bribery and corruption activity connected to the prepaid cards as a result of their association with the PEP (Counter Terrorism and Money Laundering related financial crime). This is not a credit or financial check and has no adverse effect on any records of the individual.

- 3.5 As part of any procurement/tender award, the contracted service provider will be responsible for completing these checks. Derby City Council will provide a point of contact with a nominated individual from the Derby City Council management team to receive any enquiries they may need to make in relations to PEPs and Sanctions checks.

3.6 Exemptions

3.6.1. Children in Care aged 16 or 17 years old or Care Leavers who are/were either...

- Unaccompanied migrant children
- Unaccompanied asylum-seeking children

...and have been allocated a social worker or personal advisor who is an employee of Derby City Council (DCC).

The DCC social worker or personal advisor will provide a letter with a photograph of the Child in Care/Care Leaver, their accepted name, date of birth and the address of the person who is applying for the prepaid card. This will be supported by an Application Registration Card (ARC) as a substitute for the National Insurance Number (if available), and by copies of any paperwork that the Home Office may have provided to the young person before dispersing them to Derby.

Reason for the exemption

Unaccompanied migrant children and former unaccompanied migrant children who are care leavers or children in care will not, in most circumstances, be able to provide documentation to prove their identity, and will not have been issued with a National Insurance Number

3.6.2 Adults applying for a prepaid card who have been allocated a social worker but who are unable to produce any of the documents included in either List A or List B or both

The DCC social worker will provide a letter with a photograph of the adult known to social services, confirming their name, date of birth and their address.

Reason for the exemption

Some adults who rely on social services to help them live as independently as possible may not be able to provide sufficient documentary evidence of their identity and/or their address. This should not disadvantage them when it comes to managing their money.

4. Recording and Monitoring

- 4.1 This Policy will be reviewed after 2 calendar years from the date of approval.
- 4.2 All Council Officers dealing with KYC checks, payment cards, setting up accounts and processing appointeeships will be required to attend and successfully complete the Council's Fraud training run by the Audit Team. This will be revisited every two calendar years by the applicable officers.
- 4.3 After verification, all evidence will be securely stored for five years after the end of the relationship and will be made available to our card/bank provider within 24 hours if requested as part of an FCA monitoring review.
- 4.4 Suspicious Activity Reports (SARs) must be reported online to the National Crime Agency (NCA) within 24 hours of identification and to our prepaid card issuer. The official process for this is detailed in Appendix One

5. Technical Guidance

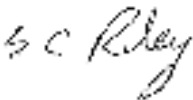
- 5.1 Officers responsible for processing customer applications and monitoring card accounts will be trained in the use of the system and the accompanying new procedures.
- 5.2 Detailed technical procedures will be available as guidance notes initially produced by the project team
- 5.3 Officers dealing with customer applications and monitoring card accounts will be required to accept the KYC and Anti-Money Laundering policies online.

6. Approval

This Know Your Customer (KYC) Policy is approved by:

S151 Officer:

Name.....Simon Riley.....

Signed  **.....**

Date19 May 2021.....



Appendix 1 – Suspicious Activity Reporting (SAR) Guidelines



SAR Online
Guide.pdf