

FAQ in KYC Interviews

1. What is KYC ?

Ans: Know Your Customer or Client. it is a process of identifying & verifying the client's details.

2. Why KYC is required ?

Ans: to prevent the money laundering or terrorist financing or fraud related issues.

3. What is Money Laundering ?

Ans: it is a process of converting illicit money (black money) into legitimate money (white money)

4. What are the stages in money laundering ?

Ans: 3 stages.

Placement

Layering

Integration

5. What is terrorist financing ?

Ans: providing finance to the terrorist people or terrorist organizations called terrorist financing. It can be legitimate (white) or illicit (black) money.

6. What is AML ?

Ans: Anti-Money Laundering. It is a process of preventing the Money laundering.

7. What is CTF ?

Ans: Counter Terrorist Financing. It is a process of preventing the Terrorist financing activities.

8. What are the various process steps under AML ?

Ans:

A. KYC (Know Your Customer)

- On-boarding
- Periodic Reviews
- Trigger Events

B. Transaction Monitoring

C. Suspicious Activity Reporting.

9. What are the main key parties in KYC teams?

Ans:

Maker (Analyst / Senior Analyst)

Checker (QC – 4 eye)
SME (Subject Matter expert)
QA (Quality Assurance – 6 eye)
Compliance
Business Unit / FO (Front Office)
RM (Relationship Manager)

10. What is Onboarding?

Ans: Onboarding is the process of opening an account with our Bank for the first time.

11. What is periodic review ?

Ans: Once onboarding is completed; Periodical review will be started based on the client's risk rating. (need to review the all KYC docs once again for the existing clients)

- Low risk clients (3 years once)
- Medium risk clients (2 years once)
- High risk clients (annually)

*tenure depends on bank to bank.

12. What are the process steps under KYC ?

Ans: KYC = IDD + CDD + EDD

13. What is IDD ?

Ans: Initial Due Diligence - It is also called the Gap analysis. Analyzing the initial documents available in public source and identify the Gaps to complete the KYC checks.

14. What is CDD ?

Ans: Customer Due Diligence. It is a process of identifying and verifying the client details and assessing the risks of the client.

It includes:

- Documents analysis
- Screenings
- Risk rating of the client.

15. What is EDD ?

Ans: Enhanced Due Diligence. This step only required if client risk rating turns as High. (we required to collect some information or additional docs from the client.

16. What are the additional docs or information required for EDD ?

Ans:

- Ownership threshold is 10% or more.
- Source of funds of the client.
- Source of wealth of UBOs

- ID & Address copies of UBOs
- Compliance Approvals on KYC checks

17. What are the various Client types?

Ans:

- Banks
- Corporates
- NBFIs (Non-Banking Financial Institutions)
- Funds (Hedge Fund & Mutual Funds)
- Trusts
- SPVs
- State owned entities
- Foundations... etc.,

18. What are the main (common) requirements to be obtained from client?

- Full legal name
- Registered address
- Business address
- Registered number and date
- Nature of business.
- Completed ownership
- List of directors & controllers.
- Financial data (Revenue and assets)
- Tax related information... etc.,

19. Who are the common connected parties to the client ?

- Directors
- Controllers
- Shareholders
- Auditors
- Authorized signatories.

20. Who are the controllers ?

Ans: Chairman, CEO – Chief Executive Officer, CFO- Chief Financial Officer, COO - Chief Operating Officer...etc.,

21. What is Fund (Mutual Fund / Hedge Fund) ?

Ans: Please check in Google for general definitions (no standard definitions).

22. Who are the main connected parties to the fund ?

Ans:

- Feeder funds (if it is master-feeder structure)

- Directors
- Administrators
- Asset Managers
- Advisors
- Legal Advisors & Auditors... etc.,

23. What are the main documents for the funds?

Ans:

- Prospectus
- Offering memorandum
- Investment Management Agreement
- Memorandum & Articles of Association
- Fund representation & AML letter

24. What is Bank and various documents for Bank ?

Ans: Bank is a Financial Institution.

- Banking License
- Regulation proof
- Wolfsberg Questionnaire
- Bankers almanac.

25. What is Correspondent banking ?

Ans: A bank is providing products / services to another bank customer is called correspondent banking.

26. What is NBFI and what comes under it ?

Ans: Asset Managers, Insurance Companies, Brokers and dealers & Wealth Management services.

27. What are the connected parties to the Trust ?

Ans: Trustor, Settler or Grantor, Trustees, Beneficiaries, Directors, Auditors, Administrator...etc.,

28. What are the main required documents for the Trust ?

Ans: Trust Deed; Trust Agreement, Regulation proof (if regulated)...etc.,

29. What is State owned or Government owned entity ?

Ans: Any entity which is more than 50% owned by any government it is called SOE.

30. What are the Primary sources?

Ans:

- Registry Extracts
- Regulation Proofs
- Stock Exchange Websites

- Annual Reports
- Client Documents...etc.,

31. What are the secondary sources ?

Ans:

- Bloomberg
- Thompson Reuters
- Avox Data
- Bankers almanac
- Mint Global
- Client Websites.

32. What are the Screening tools and uses ?

Ans:

- World Check – **PEPs Identification**; Regulatory and imprisonment news.
- Lexis Diligence / RDC – Negative News & Adverse Media.

33. What are main discounting factors in Screenings hits ?

Ans:

- Name Mismatch
- DOB / Age Mismatch
- Country Mismatch
- Biography Mismatch
- Gender Mismatch...etc.,

34. List of few sanction countries ?

Ans: (It may change, try searching in Google)

Iran

Syria

Venezuela

Cuba

North Korea

Turkey

35. What is FCCR and why it is required ?

FCCR is the risk calculator for the client and it is required to know the client risk rating while on-boarding or periodic review stage.

36. What is the required ownership threshold for various risk clients ?

Ans:

Low & Medium – 25% or more.

High – 10% or more.

37. What are the key risk indicators (or risk deciding factors) ?

Ans:

- Country risk
- Nature of business of the client
- Ownership type
- Products & Services provided by bank
- Negative News, sanction news & PEPs ... etc.,

38. What are the various ownership types ?

Ans:

- Public ownership (listed)
- Partnership
- Family Ownership
- Trust / Foundation... etc.,

39. What is IBO & UBO ?

Ans:

- IBO is the Intermediate Beneficial Owner
- UBO is the Ultimate Beneficial Owner.

For Eg., Infosys BPM Limited is wholly owned by Infosys Limited, which is wholly owned by Mr. Narayana Murthy.

Here, Infosys Limited is IBO and Narayana Murthy is UBO

Note: UBO should be an individual or Government (It can't be an entity).

40. What are the Various client risk types ?

Ans: Low, Medium & High.

41. Who is PEP ?

Political Exposed Person (various banks have different definition for PEPs), please check the general definition for PEP in Google.

42. Source of Funds ?

Ans: Source of the funds is that how the client is running the business (working capital) (day to day activities)

43. Source of Wealth ?

Ans: Source is wealth is the initial capital to start a business.

44. List of few tax forms in International KYC ?

Ans:

- US incorporated client : Form W-9
- Non-US clients : Form W8-BEN-E or W8-IMY
- CRS form (All locations)

45. List out few Products and services provided to the client ?

Ans:

- Custody
- Foreign Exchange
- Correspondent Banking
- Trade Finance
- Debt Securities
- Bonds
- Stocks... etc.,

46. List of few High-risk industries ?

Ans:

- Money Service Businesses
- Pharma Industries
- Mining and Petroleum
- Real Estate
- Gold and Precious metals...etc.,

47. List of few regulators ?

Ans:

USA : Securities & Exchange Commission ; National Futures Association ; & Federal Bank.

Hong Kong : Securities & Futures Commission; Insurance Authority; & Monetary Authority.

UK: Financial Conduct Authority.

Singapore : Monetary Authority of Singapore.

48. List some common KYC documents?

Ans:

- Registry Extracts
- Regulation Proofs
- Listing Proof
- LEI Proof
- Annual Reports
- Prospectus (Funds)
- Trust Deed (Trust)
- MOA & AOA
- Passport copies of connected parties
- Tax forms
- Ownership Charts... etc.,

49. Who are the Authorized Signatories ?

Ans: There are the people, who can sign the Bank related documents on behalf of clients (there are might be directors also). Generally, this info can be found in Board resolutions.

50. Please Explain full KYC process ?

Ans : Pick any of case for an example Infosys, start with document analysis and end with risk rating.

- IDD:
 - Step 1: Gap Analysis.
 - Step 2: Client outreach
- CDD
 - Step 1: Full document Analysis
 - Step 2: Screenings
 - World Check
 - Lexis Diligence
 - FCCR (Risk Rating)
- EDD (if client risk rated as High only).

Note: These are very common FAQ in various Interview's.