The best practice when it comes to 'know your customer' KYC

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Abiding by a host of regulatory requirements is an additional responsibility for businesses, many of which already face immense pressure to increase margins in tough economic times and improve customer satisfaction in competitive environments. Complying with the Know your Customer (KYC) principle within the Financial Intelligence Centre Act, 2001 (FICA) means that organisations are required to vet the identities of their customers/clients before or during the time they do business. This is required to ensure that clients are not involved in criminal and unscrupulous activities, which could significantly affect all that are associated with them.

However, the good thing about compliance is that acquiescent organisations are healthier and are far safer against the risks of penalties, reputational damage and financial loss.

Casting aside regulatory pressures, there are several motivations for businesses to property vet their customers, according to Rudi Kruger, General Manager of Data Services at LexisNexis South Africa. “I would say protecting against fraud, money laundering and other criminal activities is motivation enough for companies to value the importance of KYC guidelines. And second to this motivation would be regulatory compliance,” he said.

The universally accepted best practices in KYC due diligence include the following steps:

- Establish your customer’s identity and verify their documentation.
- Next is to understand the nature of the customer’s activities.
- Then, screen against warning lists or blacklists and perform risk assessment and investigations into the customer’s financial transactions.

While these steps appear tedious, a lot of valuable information can come of it so it is definitely worth the effort. And for businesses looking to streamline the process and achieve faster, more accurate results, online solutions are the answer.

Of value in assisting with KYC analysis and delivering peace of mind is Lexis® Diligence, a web-based solution that helps users save time and money by performing enhanced due diligence checks on customers, individuals, clients, partners and suppliers.

Designed to serve as an online enhanced due diligence researching tool, LexisDiligence has the ability to uncover third-party violations before transactions are complete by providing access to over 40 years of archived comprehensive adverse news, sanctions and extensive warning lists, PEPs, director and shareholder listings, biographical references and directories, and comprehensive legal source material. Furthermore, it has the ability to monitor and assess potential security threats abroad by checking comprehensive country information and on the ground media reports. All results from these checks are delivered in simplified reports.

“LexisDiligence is designed to be easy to work with and has the ability to save organisations both time and money,” said Kruger. “Whether it be verifying the identity of clients globally, or screening them against international sanctions, Lexis Diligence helps to protect your business from risks while assisting with compliance.”

For more information, visit https://www.lexisnexis.co.za/lexisdiligence.

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