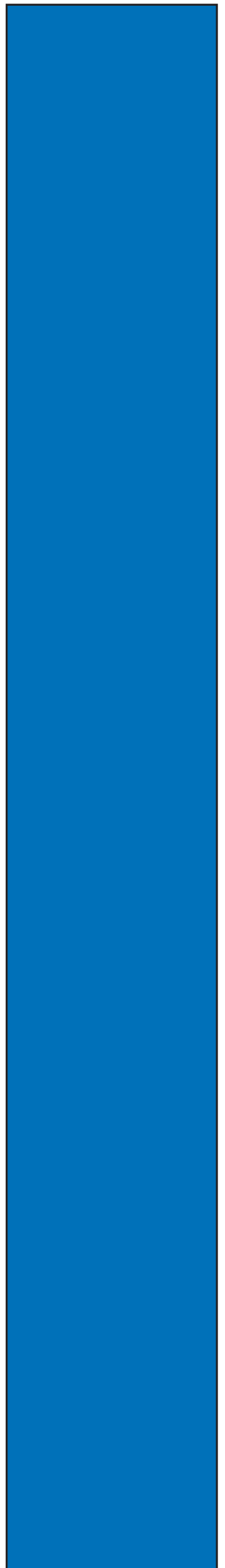


**Know Your
Customer -
why do banks ask?**



Banks must know their customers

According to Finnish law, banks are required to comply with the customer due diligence standards, which means that banks must identify and know their customers. Besides personal details of the customer, the bank must have sufficient information on the customer's activities, financial position, banking practices, and purpose for which the services are used. In practice, banks must verify their customers' identity from an official identity document and find out what kind of services the customer needs. Moreover, the law requires banks to ask where incoming money comes from and what the money is going to be used for.

To find out the source of incoming money the bank may ask the customer for not only a written statement but also documents evidencing business operations, registration or any other proof (eg deed of sale or letter of reference from another bank) that may help the bank to verify the source of funds and the purpose for which the funds are used.

Any information or documentation given to the bank is treated in confidence in compliance with the Finnish guidelines on banking secrecy

Acceptable proof of identity

Before establishing a banking relationship, the bank must verify the potential customer's identity from a reliable source.

Personal customers

The following documents are considered reliable proof of identity for banking purposes in Finland, providing the documents are in force and issued by Finnish authorities:

- 1) Passport
- 2) Identity card (also temporary)
- 3) Driving licence
- 4) Photo-bearing identity card issued by the Social Insurance Institution of Finland
- 5) Alien's passport
- 6) Diplomatic passport
- 7) Refugee's travel document

Valid passport is the only foreign-issued document accepted as reliable proof of identity.

National identity documents used in the EU and EEA as travel documents may also be accepted as proof of identity at banks, if their authenticity can be verified, but even citizens of the EU and EEA countries may be asked for further documents to support identification.

For instance, if it is not possible to verify either the safety features or the validity of a travel document acceptable in the Schengen area, the bank may ask the customer to present a passport.

The bank must be able to reliably identify the customer from the identity document provided. Driving licences issued outside Finland are not accepted as evidence of identity at Finnish banks.

Corporate customers

The bank must identify its corporate customers by means of documents issued by a reliable and impartial source, eg an extract from the trade register. Moreover, the bank must be given information on the company's business, turnover, corporate structure and shareholders. To supplement this information, the bank is entitled to ask for financial statements, articles of association and any other documents considered necessary by it.

If the corporate customer is not Finnish, the bank may ask the customer to provide an extract from the company register of the country concerned, the company's articles of association, financial statements or a letter of reference issued by a correspondent bank of the Finnish bank. The documents required may vary case by case depending on the corporate structure and the country of registration.

When it provides means of strong authentication for use in electronic communication, the bank complies with the provisions of the relevant special statute regarding documents eligible for verification of the customer's identity.

Politically exposed persons

Finnish legislation also requires banks to know whether the customer is a *politically exposed person* or a *family member* of such person or a *close business partner* of such person.

Politically exposed person is a person that works or has in the past twelve months worked for another state as

- head of state, minister, member of parliament, member of the highest court, member of the highest policymaking body auditing state finances, member of central bank board, ambassador or chargé d'affaires, general officer, executive of a fully state-owned company

Family members of a politically exposed person comprise:

- spouse, children and their spouses, parents

Yet Finnish politicians working in Finland are not considered politically exposed persons for this purpose

Information on funds involved in transactions

The bank is required to have sufficient information on the customer's banking practices and the purpose for which the banking services are used. This information is recorded in an outline drawn up by the bank together with the customer both before the services are agreed on and during the customer relationship. In this setting, the bank may ask the customer for information on income or any other circumstance that may help the bank to outline the customer's need for services. If in any event a transaction to be completed deviates from the customer's day-to-day banking or way of using the services, the bank is required to inquire about the purpose of the transaction and the source of the funds involved in the transaction. The bank may also need to see agreements or other documentation relating to such transaction.

Payer information

Disclosure of payer information has been governed also in Finland by an EU Regulation since 2008. The decree requires banks to make sure that all incoming and outgoing payments are accompanied by the payer information set out in the decree. This means that the bank is also required to check the identity of persons making cash payments at the bank. As a result, persons making cash payments at the bank need to be prepared to prove their identity when making the payment. If the payer information is incomplete, the bank is not allowed to credit the payment to the beneficiary,

Rejecting a transaction

The bank is required to ask for such information as is needed by it to become convinced of the customer's identity and nature of transactions. The extent of the information needed, including documents or other evidence of the source of funds, is determined by the bank according to Finnish law. If it does not get the information needed to support the establishment of a customer relationship or execution of a transaction, the bank must reject the transaction.

Additional information

Additional information on customer identification in banks and official documents related to the identification requirement is available through the following sources:

www.pankkiturvallisuus.fi

www.fkl.fi

www.rahanpesu.fi



FK|Finanssialan Keskusliitto
FC|Finansbranschens Centralförbund
Federation of Finnish Financial Services