STANDARD OPERATING PROCEDURE

KYC Customer Verification SOP

Document no.	SOP-BNK-003
Revision	1.0
Owner	Compliance Officer
Effective date	September 15, 2026
Review cycle	Every 12 months

1. Purpose

To verify who a customer is, screen for known risk indicators, assign an appropriate risk rating, and keep that information current, following the bank's compliance program and applicable law.

2. Scope

Applies to identity verification and ongoing due diligence for personal and business customers. Completing the account application and funding is covered in the separate account opening SOP.

Definitions

Customer risk rating	A classification, such as low, medium or high, that reflects how closely a customer's activity and profile should be monitored.
Enhanced due diligence	Additional verification and monitoring steps applied to higher-risk customers or relationships.
Beneficial owner	An individual who ultimately owns or controls a business customer, as defined by the bank's policy.
Refresh	Updating a customer's identity and risk information on a scheduled or triggered basis.

3. Responsibilities

Personal Banker	Collects identifying documents from the customer and submits them for verification.
Compliance Officer	Authenticates documents, screens customers, assigns risk ratings and manages the refresh schedule.
Branch Manager	Approves or declines customer verification and reviews escalations.
Operations Officer	Records verification decisions and monitors account activity for red flags.

RACI matrix

Activity	Personal Banker	Compliance Officer	Branch Manager	Operations Officer
Collect and authenticate documents	R	A	I	-
Screen against watchlists	-	R/A	I	-
Assign customer risk rating	-	R/A	C	-

Activity	Personal Banker	Compliance Officer	Branch Manager	Operations Officer
Approve or decline verification	I	R	A	-
Monitor activity and refresh records	-	R/A	I	R

R = Responsible, A = Accountable, C = Consulted, I = Informed

4. Materials and PPE

Materials, tools and systems

- Government-issued identification
- Core banking customer information system
- Watchlist and sanctions screening tool
- Beneficial ownership certification form
- Customer risk rating worksheet
- Case management tool for escalations

5. Procedure

Step	Task	Owner	Done
5.1	**Collect identifying documents** The personal banker collects a current, government-issued photo identification and, for a business customer, formation documents and a beneficial ownership certification.	Personal Banker	☐
5.2	**Authenticate the identity document** The personal banker examines the identification for security features, confirms it is unexpired, and compares the photo and details to the person and information presented. **Checkpoint:** The document is genuine, unexpired, and the photo clearly matches the customer before proceeding.	Personal Banker	☐
5.3	**Screen against sanctions and watchlists** The compliance officer screens the customer's name and any beneficial owners against sanctions lists and other required watchlists using the screening tool. **Warning:** Do not proceed with the relationship if the screening tool returns a potential true match until compliance leadership reviews and clears it.	Compliance Officer	☐
5.4	**Verify beneficial ownership** For business customers, the compliance officer reviews the beneficial ownership certification, identifies each individual who meets the bank's ownership or control threshold, and verifies their identity.	Compliance Officer	☐
5.5	**Assign the customer risk rating** The compliance officer assigns a risk rating using the risk rating worksheet, considering the customer type, expected activity, geography and any watchlist results. **Checkpoint:** The assigned risk rating and its supporting factors are documented in the customer file.	Compliance Officer	☐

Step	Task	Owner	Done
5.6	**Apply enhanced due diligence where required** For customers rated higher risk, the compliance officer gathers additional information, such as expected transaction patterns and source of funds, following the bank's enhanced due diligence procedure.	Compliance Officer	☐
5.7	**Approve or decline verification** The branch manager reviews the compliance officer's findings and approves the customer for onboarding, requests more information, or declines the relationship.	Branch Manager	☐
5.8	**Record the verification decision** The operations officer records the verification decision, the documents reviewed and the risk rating in the customer information system for audit purposes.	Operations Officer	☐
5.9	**Set the review and refresh schedule** The compliance officer sets a review and refresh date for the customer file based on the assigned risk rating, with higher-risk customers reviewed more frequently.	Compliance Officer	☐
5.10	**Monitor account activity for red flags** The operations officer reviews account activity reports for patterns inconsistent with the customer's stated profile, such as unexpected transaction types or volumes, and escalates any concern to compliance. **Warning:** Activity that does not match the customer's stated purpose is a red flag and must be escalated, not dismissed.	Operations Officer	☐
5.11	**Conduct the periodic refresh** When a customer's review date arrives, the compliance officer re-verifies identifying information, re-screens against watchlists, and updates the risk rating as needed. **Checkpoint:** No customer passes its scheduled refresh date without a documented review.	Compliance Officer	☐
5.12	**Escalate unresolved concerns** The compliance officer escalates any unresolved identity, screening or activity concern to compliance leadership for a decision on the relationship, following the bank's compliance program.	Compliance Officer	☐

6. Quality checks

- Every identity document is authenticated and matched to the customer before onboarding.
- No customer is onboarded with an unresolved watchlist match.
- Every customer file shows a documented risk rating and its supporting factors.
- Refreshes are completed on or before each customer's scheduled review date.

7. Records

- Copy or log of identity documents reviewed
- Watchlist screening results
- Risk rating worksheet and decision
- Refresh and escalation history

8. KPIs

- Percentage of customer files with an on-time refresh
- Average time to clear a flagged screening result

- Number of accounts escalated for activity red flags
- Percentage of higher-risk customers with completed enhanced due diligence

9. Common mistakes

- Accepting an expired or clearly altered identity document.
- Skipping beneficial ownership verification for a business customer.
- Letting a customer's refresh date pass without a documented review.
- Dismissing unusual activity instead of escalating it to compliance.

10. Revision history

Revision	Date	Description	Reviewed by
1.0	September 15, 2026	Initial release	Ilia Pirozhenko

Approval

Prepared by	Approved by	Date

This is a template. Adapt it to your organization, equipment and local regulations before use.

Scan for the latest version

Opens this template online, where you can download it again in Word, PDF, Excel or CSV — free, no sign-up.

Or add it to Perfect Wiki so your team can find it and ask questions about it in Microsoft Teams, Slack, kChat or Mattermost.