STANDARD OPERATING PROCEDURE

# KYC Customer Verification SOP

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| **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

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|---|---|
| **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

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|---|---|
| **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**<br>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**<br>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.<br>**Checkpoint:** The document is genuine, unexpired, and the photo clearly matches the customer before proceeding. | Personal Banker | ☐ |
| 5.3 | **Screen against sanctions and watchlists**<br>The compliance officer screens the customer's name and any beneficial owners against sanctions lists and other required watchlists using the screening tool.<br>**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**<br>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**<br>The compliance officer assigns a risk rating using the risk rating worksheet, considering the customer type, expected activity, geography and any watchlist results.<br>**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**<br>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**<br>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**<br>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**<br>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**<br>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.<br>**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**<br>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.<br>**Checkpoint:** No customer passes its scheduled refresh date without a documented review. | Compliance Officer | ☐ |
| 5.12 | **Escalate unresolved concerns**<br>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 |
|---|---|---|
| | | |

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