

FSC Newsletter

Guidance Notes On "Know Your Customer"

Licensees are no doubt aware of the "Know Your Customer" Regulations in the Conduct of Business Regulations which state:-

"A licensee shall seek from customers it advises or for whom it exercises discretion any information about their circumstances and investment objectives which might reasonably be relevant in enabling it to fulfil its responsibilities to them".

It will become obvious that the intention of this regulation is not just to determine the *bona fide* of the client but also the details (when appropriate) of his standing and ability in the participation of the product being sought.

From the inspections carried out by the team processing applications for a licence, it has become obvious that operators have, in recent years, become more aware of the importance of the "Know Your Customer" principle. There are still a number of operators, however, who do not carry out a formal fact-finder about their client.

It is imperative that adequate documentation exists on file to demonstrate that the licensee has obtained as much information about the client as to enable him to give the best advice or offer the product most suited to the client's requests.

For this purpose, the Commission has drawn up a guideline of the questions that would be expected to be asked of new clients or existing clients wishing to undertake new types of business with the licensees.

The attached questionnaire is by no means, a "standard approved format" which all licensees should adopt. Licensees should be aware that some products on the market may require further information to be sought. Licensees should also determine the threshold above which the fact finder should be completed and should draft fact-finders to suit their own business.

It is not the Commission's function to vet or approve individual fact-finders but to ensure that licensees observe "Best Market Practice". Licensees should therefore ensure that enquiry forms be put into place for new clients as it will be a matter which the inspection teams would expect to see in their annual visit to licensees in keeping with the recommendations of the best market practice guidance notes.

The attached outline is broken up into three parts and guidance on their expected completion is included in the last page. Licensees will also note that the client should sign the fact-finder and a copy made available to him at his request. The signature should carry with it a declaration by the client either stating his agreement with the contents of the finder or stating that he did not wish to complete the questionnaire. File copies in either event should be maintained by the licensee, who should keep in mind the need to review information contained in the fact finder from time to time.

Licensees will be aware of the apprehension felt by clients in completing forms and revealing details of income and expenditure etc. The client should be made aware of the purpose of the fact finder, after all it is for his benefit but should not be required to complete extremely long and complicated forms for simple transactions/products.

Part 1 - All Clients

<i>GENERAL</i>	<i>SELF</i>	<i>SPOUSE</i>
Names		
Surname		
Forename(s)		
Residential Addresses		
Postal Address		
Phone Numbers		
Home		
Work		
Date of Birth		
Residence (Tax Purposes)		
Domicile of Origin		
Of Choice		
Employment		
Passport Details		
Number		
Place of Issue		
Children		
Names		
Ages		
Advisers		
Solicitors		
Accountants		
Brokers		
Others		

Part 2 - Investment Business

- A- All Clients

<i>Income</i>	<i>SELF</i>	<i>SPOUSE</i>
Salary		
Pensions		
Investment		
Trust		
Other		
Expenditure		
Excess Income over expenditure		
Assets		
Property		
Location		
Type		
Value		
Date of last valuation		
Mortgage		
<i>Is the property mortgaged</i>		
<i>Value of mortgage and term</i>		
<i>Amount outstanding</i>		
<i>Mortgage protection ?</i>		
Investments		
Government Stocks/Bonds		
Equities		
Unit Investment Trusts		
Others		
<i>Life Policies</i>	<i>SELF</i>	<i>SPOUSE</i>
Life Insured		

Company
 Sum Assured
 Type of policy
 Date Effected
 Annual Premium
 Date of last premium

<i>Banks Accounts</i>	<i>SELF</i>	<i>WIFE</i>	<i>JOINT</i>
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Current
 Deposit
 Currencies

- **B - Portfolio Management**

Investment size
 Amount
 Duration of Investment
 Additional Sums
 Size
 Frequency
 Purpose of investment
 Capital Growth
 Accumulation of Income ?
 Equity Investment/Fixed Interest ?
 Mainly Equity Investment ?
 No Preference ?
 Income
 Level of income required?
 Can income be accumulated and re-invested ?
 Can it be supplemented by capital withdrawal ?
 Balance
 Risk Temperament
 Very Low (Cash and bank deposits)
 Low (Bank Deposits, Bonds, Government Stocks)
 Average (Mixed Bank Deposits/Bonds/Equities)
 High (Equities)
 Very High (Futures & Options Commodities)
 Real Estate/Property based investments.
 Preferences/Objections
 Currency
 Country
 Sectors(e.g. Mining, engineering, retail trade etc)
 Specialities (Art, antiques, jewellery, gemstones etc)
 Other factors affecting investment policies

- **C - Life Products**

Medical History
 State of health
 Past illnesses
 Dates
 Type of illness
 Current Illnesses
 Smoker ?
 If yes, no of packets per day
 Type of Product
 Insurance Against Death
 Reason

Provision for Dependents
 To provide capital
 Duration
 Expected Return
 Sum Insured
 To provide Income
 Expected income on death
 Income Payable over how many years ?
 % Indexed
 Waiver of premium
 Loan Protection
 Type of loan
 Loan Balance
 Duration of loan
 Repayment method
 Regular capital/interest
 Regular interest/ad hoc capital
 interest only
 Waiver of premium
 Disability Cover for self and/or dependents
 To provide income on disability
 Expected income (self/spouse)
 Expected retirement ages
 Escalating benefit (% Indexed)
 Waiver of premium
 To provide medical expenses
 Income During Hospitalisation
 Private medical care
 Dental care
 Optical care
 Dread Disease Protection

Part III - Controlled Activities

- **D- Company
Formation/Management**

Intended Activities of the Company
 Property ownership
 Value
 Location
 Valuation Date
 Re-invoicing
 Consultancy/servicing
 Yacht/Shipping
 Type of Vessel
 Displacement
 Port of registration
 Nominee/Trustee
 Investment Holding
 Investment Adviser/Manager
 Custodian
 Other
 Company
 Proposed name (s)
 Proposed share capital
 Authorised

Paid up

Location

Gibraltar

Exempt

Qualifying Company

1992 Company

Resident

Other Jurisdiction

Country

Type

Trading Activities

Outline of business

Countries in which it is intended to carry on business in

Countries with which it is intended to carry on business with.

Services to be provided

Directorships

Licensee's own

Beneficial owners

Other

Names & Addresses

References

Shareholders

Licensee's own

Declaration of trust/nominee agreement

Blank Transfer form

Beneficial owners

Others

Powers of attorney

Purpose

To whom

Beneficial owners

Fiscal Rep/Lawyer

Other

Restrictions

Power to open and operate bank accounts

Time limits

Secretarial services

Registered Office

Accountancy/Book-keeping

Bank Accounts

Signatories

Copies of bank statements to licensee

- **E - Trust Work**

Type of Deed Required

Discretionary

Fixed

Life Interest

Accumulation and Maintenance

Protector

Name

Address

Appointed By ?

Beneficiaries

Names

Addresses

- Dates of Birth
- Ultimate beneficiaries in case all the above cease to exist or die?
- Trustees
 - Licensee
 - Other
- Power to appoint/remove
 - Settlor
 - Existing Trustees
 - Other
- Letter of wishes
- Banker
 - Name & Address
- Investment advisers
 - Name & Address
- Accounts
 - Dates and periods to be produced
 - Auditors ?
 - Names and address

NOTES ON COMPLETION

A fact finder should be completed as follows ;

- PART I : By all clients
- PART II: A Clients wishing to undertake investment transactions (including life products)
- PART II:B Investment clients wishing discretionay management of their investments
- PART II:C Life product clients
- PART III:D Clients wishing to set up companies or taking over management of an existing company
- PARTIII:E Clients wishing to execute a trust.

Declaration by the client :

I have answered the questions above to the best of my knowledge and I am satisfied that I have obtained appropriate information and explanations about the product in which I wish to participate.

..... Signed

..... Date

OR

I have not answered all the questions above in the knowledge that this will not enable the licensee to form a complete picture of my situation and the product may not meet my requirements. I have, nonetheless, obtained all the necessary information and explanations about the product that I wish to participate in.

..... Signed

..... Date

