



Lignum Vitae - "Tree of life"

The Risk & Regulatory Forum (TRRF)

Why should my bank care who I am?

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I think it is timely to pause to consider recent changes impacting the delivery of financial services and the nature of the relationship between the customer and their financial institution of choice.

You may have noticed that your recent visits to your financial institution were dramatically different from your experience five to 10 years ago which may have prompted you to ask “Why should my bank care who I am and what I do?”; “Why should they care about my financial affairs if I am only seeking to open an account?”.

The simple answer to your questions is that legislative changes and changes in international best practices have mandated that the relationship between the bank and the customer become more intimate than ever before. Banks are expected to have complete knowledge of the customer and fully understand their financial activities in much the same way that a doctor is required to understand the full medical history of his patients.

Financial institutions are mandated by law to implement sound know your customer (KYC) practices to mitigate the risk of money laundering and terrorist financing. This includes obtaining adequate information to establish the identity of a prospective customer, verifying and keeping this information up-to-date to reflect current circumstances.

Financial institutions have had to quickly revamp their operational systems and train their staff at significant cost, in order to satisfy the enhanced requirements. However, the banking public has been relatively slower in making the adjustment and there has been some resistance to the new measures, resulting in a breakdown in bank-customer relationship in some instances. Customers commonly object to being asked to provide copies of picture IDs especially in cases where they have had a relationship with the bank for many years; being asked probing questions about their financial affairs, akin to a loan interview, when they are only seeking to open an account; or being questioned about the source of funds being deposited into the bank.

Apart from being required by law, implementation of these measures is in the best interest of financial institution and the banking public alike. Financial institutions seek to protect their reputation and prevent their systems from being exploited for money laundering and terrorist financing and at the same time the customer is protected from fraud and identity theft.



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A more intimate knowledge of the customer also enables the financial institution to better identify customer needs and to provide customer services that are tailored to those needs.

Financial institutions must adopt sound KYC practices. For these to be effective the banking public must accept them. We should seek to achieve a greater sense of awareness of these issues in order to gain broad-based acceptance. However, we cannot accept what is, while holding on to what was. The public must recognize that the banking experience, much like post 9-11 air travel, will never be the same. The fundamentals of the financial service industry have not changed. It is built on reputation, reliability and customer service. The difference is that the overall bank-customer relationship is stronger with a greater exchange of information!

The above article was published in Dominica's New Chronicle newspaper and in the Business Monday section of the Barbados Advocate. The opinions expressed in this article are those of the author and does not purport to the opinion of any organization or group to which he/she may be associated. Gordon Julien is the Senior Manager, Compliance at Scotiabank, Caribbean East. For comments on this article he may be contacted at gordon.julien@scotiabank.com