

# The Impact of AML Requirements on Customers of Obligated Institutions

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In recent years, due to the growing regulatory requirements in the **AML (Anti-Money Laundering)** area, customers have been increasingly expressing their dissatisfaction with the need to conduct lengthy and burdensome **KYC (Know Your Customer)** processes, which obligated institutions are required to perform. Not only are the requirements related to obtaining additional documents and information as part of the KYC process growing, but so are the issues of obtaining **declarations** and **information** on the **sources of assets and funds**, as well as inquiries in connection with payments made. And this should not really surprise anyone, because the fight against crime and money laundering is becoming increasingly difficult and criminals are increasingly aware and educated in the matter of avoiding detection, but for the average customer these issues are simply incomprehensible. Especially since in the light of changing regulations and regulatory requirements, the information obtained at a given time during the year turns out to be insufficient.

The burden of AML processes for clients in Poland has been steadily growing since the entry into force of **the Act of 1 March 2018 on Counteracting Money Laundering and Terrorist Financing (AML Act)**, which is an implementation of the requirements of the **5th AML Directive**. Since then, from the perspective of clients, the institutions require more and more information and expect to receive an increasing number of necessary documents. The AML Act and its subsequent amendments impose a number of obligations also on the clients themselves, as if at least the issues of determining and reporting their beneficiaries to the UBO (Ultimate Beneficial Owner) Register.

According to regulatory requirements, each obligated institution must implement financial security measures towards its clients with whom they have a business relationship. One of such measures is the beneficial owner process. Experience shows that it is this process that clients consider the most burdensome and time-consuming. **The main burdens indicated by clients in this process are:**

- **paid and limited access to registers** – obligated institutions transfer the obligation to provide documentation to clients,
- **the need to translate documents** required in the UBO process, clients must order documents for translation, which is associated with additional costs,
- **different approaches based on different regulatory requirements** in the context of determining UBO. Individual countries have different regulations in this area. This often causes interpretation difficulties in the case when the client is part of large capital groups, where parent companies are located in other countries. Fortunately, this problem should soon disappear because of the implementation of the new **AML package**,
- **difficulties in providing documents** from companies within the ownership and control,
- **structure**, often entities do not have access to many documents required in the UBO process and obtaining them takes a very long time or their acquisition is not possible due to access denial
- **documents required in the process may become out of date** due to the lengthy process of determining UBO, which gives rise to the need to provide documentation again, which is associated with additional costs,
- **in the event of changes in the ownership and control structure**, clients must provide documents each time, this is especially burdensome if the changes are quite frequent and potentially have an impact on the indication of UBO.

Due to the complexity of the UBO process, clients often do not understand why additional documentation is required or why a given obligated institution has indicated UBO. AML processes often change in response to the need to adapt to new regulatory requirements, making it very difficult for clients to keep up with their knowledge of new requirements and regulations. An approach that was sufficient some time ago turns out to be insufficient after some time and clients are asked to submit new documents or declarations.

Clients often in the UBO aspect indicate the obligation to report UBO data to the UBO register, access to which is currently widely available. It is therefore hardly surprising that in some cases, especially when the UBO is a minor, they have major problems with **disclosing data in the UBO register**.

Obligated institutions have quite a challenge during **designing AML processes**. Because on the one hand they know that the requirements and obligations are getting higher and more documentation and information is being asked from clients in connection with the implementation of KYC processes, on the other hand they know that they have to think about the positive experience of the client, so that opening an account does not turn into questioning and interrogation, where the client has every right to feel downright harassed. Recently, such voices have been observed, as part of the cyclical NPS surveys.

Unfortunately, the perspectives are not optimistic. The implementation of the new AML package will not change this reality. Quite the opposite. Obligated institutions will have to **obtain more and more information**, e.g. regarding UBO, all data of beneficial owners will be obligatory. This means that clients will have to provide even more information. Of course, there will also be a possibility of exchanging information between obligated institutions, but this does not change the fact that **the burden of providing a lot of information will rest on the client anyway**. Unfortunately, this means that in the current and near future reality, there is little indication that the situation of clients will improve in this aspect. The only thing that obligated institutions can do is support building knowledge and awareness among clients of what these obligations result from and try to provide them with access to information on changing regulations.



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