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Understanding KYC: Its Importance and Key Components

Prepared by : Olive Monies Compliance Team

WHAT IS KYC



Know your customer is a mandatory regulatory process to verify customer identity and assess risk.

it is a legally required process of identifying, verifying, and understanding customers to assess and manage financial crime risks.



KYC Regulatory Objectives

- ❖ Prevent money laundering, terrorism financing, **fraud**, and financial crime.
- ❖ Ensure accurate customer identification and verification.
- ❖ Promote financial system stability and compliance.
- ❖ Support risk-based supervision and reporting obligations.



Core Components of KYC

- Customer Identification Program (CIP) – Verify ID using reliable documents.
- Customer Due Diligence (CDD) – Understand customer profile and risk.
- Enhanced Due Diligence (EDD) – For PEPs, high-risk customers, unusual activity.
- Ongoing Monitoring – Continuous review of transactions and behaviour.

KYC Requirements (UK vs Nigeria)

- **Acceptable IDs:** Passport, National ID, Driver's Licence – Used to verify customer identity.
- **Proof of Address:** Utility bill, Bank statement, Tenancy agreement – Confirms customer's residential address.

Additional Nigeria Requirements

- BVN – Validates identity across the Nigerian banking system.
- NIN – Confirms national identity for all residents.
- SCUML Certificate (Businesses) – Verifies legitimacy of businesses in regulated sectors.

Additional UK Requirements

- Source of Funds – Ensures money is from legal, transparent sources.
- Occupation – Confirms customer profile and income consistency.
- Risk Scoring – Assesses customer risk level for AML/CTF monitoring.

Why KYC Matters

KYC is essential because it helps us confirm customer identity, assess risk, and keep our platform safe. These functions directly support the key reasons below:



- Compliance with Regulations (FCA, CBN, GDPR etc): KYC ensures we operate within legal and regulatory requirements at all times.
- Avoids Regulatory Penalties: Proper KYC protects the institution from fines, licence issues, and supervisory sanctions.
- Supports Safe and Secure Cross-Border Remittances: Strong KYC helps us detect unusual behaviour and prevent our platform from being used for ML/TF.
- Strengthens Customer Trust & Institutional Reputation: When customers know we take compliance seriously, they feel safer using our services.
- Enhances AML/CTF Controls: Accurate customer information improves monitoring and strengthens our overall risk-management framework.
- Prevents Fraud and Identity Theft: KYC helps identify impersonation, document forgery, and suspicious onboarding activities early.

Supports Operational Efficiency.

With accurate verified data, onboarding becomes smoother and decisions are made faster.

Conclusion & Key Takeaways

KYC is critical for compliance, preventing financial crimes and protecting our institution's reputation.

- ✓ Following KYC procedures ensures regulatory adherence under FCA, CBN, NDIC, and SCUML etc guidelines.
- ✓ Accurate customer verification reduces fraud risk and promotes safe cross-border transactions.
- ✓ Consistent KYC practices build trust with customers and regulators.

Remember: Due diligence is not optional—it's a responsibility.

Closing Note:

Strong KYC practices safeguard our business, our customers, and the financial system.





Thank You