



Anti-Money Laundering: the Dynamic Process of Customer Due Diligence

The two current cornerstones of the fight against money laundering and terrorist financing are the Customer Due Diligence (know your customer) procedure and the risk based approach principle. Customer Due Diligence indicates the complex and dynamic processes that obliged parties must undertake to identify and verify their customers. Customer due diligence - summarised by the acronym CDD - is regulated on the basis of an assessment of the risk associated with customers. "The risk of money laundering is not the same in every case (...) there are some circumstances where enhanced measures are appropriate and others where simplified due diligence measures are appropriate." CDD, as described in the AML Directive, is differentiated into different types, i.e. it can be simplified, in cases of lower risk (e.g. when the customer is a listed company), or enhanced (e.g. when there are politically exposed persons - PEPs or when the customer has business relationships in high risk countries).

The activities of the Customer Due Diligence: a) identification and verification of the customer and of the executor, if any; b) identification and verification of the beneficial owner, if any; c) acquisition of information on the purpose and nature of the ongoing relationship or of the professional service; d) constant monitoring of the relationship with the customer; must be carried out using every tool available, always remembering that the obligation of due diligence must be related to the philosophy of the "risk based approach".

The CDD process makes it possible to determine the extent, focus and depth of the content of the due diligence activities, producing different outputs depending on the case, which originate in the acquisition of customer identification data, but continue through a continuous and constant consideration of the assessment of the activities carried out by the customer, up to the possible detection of suspicious transactions (continuous monitoring).

The CDD activity involves a dynamic process, not a single action, but a process composed of various activities aimed at getting to know the customer and entrusting him with a related risk, entailing a greater burden for the obliged parties, who must necessarily move towards a proceduralisation of the prevention function.

The Customer Due Diligence is not only a legal obligation, it is a practice that should be included in a widespread "cultural" context of fight and fight against crime, Know Your Customer means to know deeply its customers in order to identify and better manage the risks of money laundering and terrorism financing.