



**FMSB**  
FINANCIAL MARKETS STANDARDS BOARD

# Standard for Client Onboarding Documentation and Processes

TRANSPARENCY DRAFT

# Introduction

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## The Financial Markets Standards Board

The Financial Markets Standards Board (FMSB) was established in 2015 in response to the Fair and Effective Markets Review (FEMR) in the UK with an original mandate to issue clear and practical guidance designed to improve conduct and raise standards in the wholesale fixed income, currencies and commodities (FICC) markets. FMSB is building a body of Standards and Statements of Good Practice (SoGPs) over time, prioritising those areas where FMSB member firms (Member Firms) consider there is a lack of clarity in the standards of behaviour expected of market participants, or a lack of understanding of the issues relevant to a product or transaction type, or evidence of poor conduct.

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## Applicability of FMSB Standards

Each FMSB Member Firm is expected to confirm annually that it is committed to conduct its market activities (its 'Activities') in a manner consistent with the Core Principles contained in FMSB Standards, and to have internal policies, procedures and controls reasonably designed to give effect to those Core Principles where they are applicable to its Activities, in a manner that is commensurate with the nature of its Activities in the relevant entity or jurisdiction. That confirmation is expected to apply to all FMSB Standards issued in final form in the calendar year prior to the year in which the confirmation is made.

The details of FMSB Member Firms are available at [fmsb.com](https://www.fmsb.com).

Standards are published on FMSB's website and non-member firms and their affiliates are encouraged to consider them. In this way, Standards are also made available to users of wholesale financial markets (e.g. corporates, investors and other end-users) so that they may be made aware of their existence and FMSB's expectation of market conduct.

FMSB will, as part of its normal course of business, periodically review the applicability of its published Standards to ensure they are relevant and up to date for market conditions.

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## Relationship with law and regulation

FMSB Standards and SoGPs do not impose legal or regulatory obligations on Member Firms, nor do they take the place of regulation. In the event of any inconsistency, applicable law, rules and regulation will prevail. In developing Standards and SoGPs, certain regulators may have commented on their drafting, alongside Member Firms and other bodies, such that the Standards and SoGPs, once finalised and published, are intended to represent an authoritative statement of global good practices and processes. However, they are not normally endorsed by regulators. Where they are endorsed by a regulator, this will be made clear on the face of the Standard or SoGP in question.

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## Relationship with other codes

Other Codes already exist in relation to certain FICC markets, such as the LBMA Precious Metals Code, while others are in the process of being produced. There will be some overlap between FMSB's work and such other bodies and FMSB will seek to ensure it adopts a consistent approach in cases of overlap wherever possible, and will seek to avoid issuing a Standard or SoGP where the subject matter is already covered adequately by existing regulation or a Code issued by another body. It may draw attention to Member Firms of an existing code and request that Member Firms consider its applicability and act in a manner consistent with it, where appropriate.

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# I. Explanation

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## 1. Purpose of Client Onboarding

- 1.1** When choosing whether to begin or continue a relationship with a client, financial services providers consider the potential benefits and risks. Such risks include the legal and reputational consequences of handling the proceeds of crime (money laundering), financing future crimes (e.g. terrorism financing), breaching sanctions, or being assessed as failing to have adequate procedures in place to prevent such actions by a relevant regulator.

However, before a firm can assess these risks, the firm must build a profile of the client or potential client. The fundamental processes of obtaining and verifying information about a legal entity, natural person, or both, share many similarities between firms. Yet, onboarding firms' requirements for clients still differ enough between firms to make the process slow, costly and inefficient, with past efforts to standardise the documentation requirements making limited inroads.

Firms may have differing interpretations of legislation, regulations, and guidelines applicable. Firms may also have different processes for analysing and reviewing information gathered about a client, and tolerances for whom they ultimately wish or do not wish to take on as a client.

In *Charting the Future of Post Trade (April 2022)*, the Post Trade Task Force<sup>1</sup> proposed recommendations to remedy these procedural inefficiencies. As a first stage, documentation requirements would need to be standardised, to allow for the second recommendation, digitisation, to commence. FMSB's Member firms agreed to the Post Trade Task Force's request to take forward the standardisation to pave the way for operationalisation across the industry.

## 2. Current Inefficiencies

- 2.1** The UK regulatory requirements and guidance for KYC ("Know Your Client") rarely specify the precise data points to be populated or parameters for evidence which firms may accept to conduct satisfactory due diligence. As a result, firms throughout the industry have adopted similar but varying requirements for different categories of client. Currently, buy-side clients and counterparties often must produce multiple documents, repeatedly, to different financial service providers in order to conduct business. This has contributed to the process to onboard new clients and review existing clients being slow, costly and inefficient.
- 2.2** The current situation presents challenges for clients, particularly new clients. It can take multiple months to set up client accounts, during which time, the prospective client is unable to transact with the proposed service provider and is potentially missing out on business opportunities.
- 2.3** Service providers have trialled solutions including provision of a complete outsourced KYC function and data and document repositories for commonly required documents. However, many of these solutions have simply reflected onboarding firms' individual requirements

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<sup>1</sup> An industry working group established in June 2020 by the Bank of England's Post-Trade Technology Market Practitioner Panel with the aim of catalysing reform in post-trade.

rather than seeking to harmonise them, and have not been able to demonstrate the provenance of the documentation stored to the satisfaction of onboarding firms.

- 2.4** In the future, government-endorsed digital identity for businesses and legal persons could significantly improve the availability and credibility of client data by providing a definitive “golden source” for certain data points and/or an immutable chain of transmission.
- 2.5** Meanwhile, no previous industry solutions based on traditional evidence and document forms have received enough adoption to resolve the problem. However, initial surveys by the Post-Trade Task Force have indicated sufficient commonality between the documentation asks by onboarding firms for an industry-led initiative to be feasible. This Standard represents the consensus output of the continuation of that work.

### 3. Purpose of this Standard

- 3.1** This Standard takes forward the standardisation recommendation from the Post Trade Task Force:

*“Establish standardised document requirements and data definitions and agreed mapping of data to KYC regulatory requirements for all client types. Standards need to be issued on the precise form of documents that would be acceptable”*

In writing this Standard, Member Firms have considered both the authoritativeness and availability of sources and evidence types, to streamline the client experience while ensuring the integrity of the KYC process. It was evident that Member Firms wished to retain a degree of flexibility to address other regulations which might be applicable to an onboarding firm, and to continue to be able to apply their own risk assessments to clients and apply the level of due diligence deemed appropriate. Certain data points, while not explicitly required by the legislation but commonly requested to assist in screening purposes, are therefore also included.

While setting a baseline for UK regulation-driven documentation requirements in Annex 1, firms may seek to populate additional data points and request additional evidence from clients in certain circumstances outlined in Core Principle 6. Firms may also elect not to require certain data points or evidence if not deemed necessary, for example, where Simplified Due Diligence is elected.

In keeping with improving the client experience, Member Firms have also considered other data commonly gathered at or around the point of onboarding.

Therefore, this Standard also:

- Provides an idealised workflow for the population and verification of data points;
- Formalises principles of credibility and sourcing and creates a framework for benchmarking;
- Is modular in design;
- Suggests key operational data to be collected at the point of onboarding; and
- Is granular to enable integration with future work (e.g. expanding jurisdictional scope and/or digitisation)

This Standard applies to documentation requirements only. A decision to start a relationship with or retain a client, or not, based upon the data points obtained and verified, remains at the discretion of the onboarding firm.

## 4. Interactions with Existing Regulations and Guidelines

- 4.1** Member Firms must ensure they continue to meet applicable laws, regulations, and guidance for KYC and AML (“Anti-Money Laundering”), including the Joint Money Laundering Steering Group Guidance and the UK Money Laundering Regulations and associated regimes (together, the “UK Requirements”).

This Standard is intended to provide practical guidance for firms onboarding new clients or reviewing existing clients in a manner that is compatible with, and works within the framework of, the UK Requirements.

This Standard should be read in accordance with any laws, regulations and guidance in relation to data protection and retention to which Member Firms may also be subject. Nothing in the Standards is intended to prevent Member Firms from continuing to take a risk based approach in complying with the UK Requirements.

## 5. Scope and applicability

- 5.1** This Standard applies to all firms which, in the course of onboarding new clients or reviewing existing client relationships, are required to meet the UK Requirements.

- 5.2** The baseline requirements in Annex 1 of the Standard are divided into:

- Those applicable to all clients;
- Those based on a client’s corporate and ownership structure; and
- Those applicable only to specific industry types.

The Standard does not consider additional requirements where a Firm considers a client and/or its connected parties should be subject to Enhanced Due Diligence (“EDD”); Firms should consider whether Add-On requirements should apply.

This version of the Standard contains only industry-specific guidance for financial institutions, funds and sub-funds. Clients operating in other industries, or where EDD or other Add-Ons apply, may be required to produce additional documentation or evidence beyond that specified in Annex 1.

			Client and/or Connected Person Attributes								
			Client Legal Form		Ownership			Client Industry			Client/Connected Person Jurisdiction
			Incorporated	Unincorporated (incl. Trusts)	Listed	Private	Other**	Financial Institutions	Funds	Other	All
Regulations applicable to Onboarding Firm	UK	SDD	Annex 1: "All" Module	Exception: Add-Ons	Annex 1: "Public" Module	Annex 1: "Private" Module	Exception: Add-Ons	Annex 1: "Financial Institutions" Module	Annex 1: "Funds" Module	Exception: Add-Ons (For industries that are typically not regulated, Add-Ons are unlikely to apply)	Annex 1: any and all applicable Modules
		CDD									
		EDD** *	Exception: Add-Ons								
	Other*	Any	Exception: Add-Ons								

Exception: falls within CP6. Firms may apply discretionary Add-Ons

\* Only requirements additional to the UK Requirements

\*\* e.g. government-owned, charities

\*\*\* Only requirements additional to the SDD and CDD requirements

Example 1:

- The client is a listed bank incorporated in Germany. A Firm whose headquarters are in France seeks to onboard the client through its UK subsidiary. The Onboarding Firm determines that there are no attributes which would require it to apply EDD.
- The client may be required to provide any of the Recommended or Alternative Non-Public Evidence under the All + Public and Financial Institutions Modules in Annex 1, if no adequate public information exists. The client may also be required to provide evidence to meet any discretionary Add-Ons that the Onboarding Firm deems necessary to satisfy applicable French anti-money laundering legislation and guidance.

Example 2:

- The client is a privately-owned airline incorporated in a country which would ordinarily cause the Firm to apply EDD. A Firm whose headquarters are in the UK seeks to onboard the client through its UK parent operating company.
- The client may be required to provide any of the Recommended or Alternative Non-Public Evidence under the All + Private Modules in Annex 1. The client may also be required to provide evidence to meet any discretionary Add-Ons that the Onboarding Firm deems necessary to satisfy any additional applicable UK Requirements for:
  - A regulated airline, as no Module exists; and
  - EDD requirements stemming from the client's country of incorporation.
- Additionally, in the course of due diligence, one or more of the Key Controllers or UBOs present factors which the Onboarding Firm deems necessary to be subject to EDD.
- The client may subsequently be required to provide evidence to meet any discretionary Add-Ons that the Onboarding Firm deems necessary to satisfy any additional applicable UK Requirements for EDD requirements for the Key Controllers and/or UBOs.

Example 3:

- A Firm whose headquarters are in the UK seeks to onboard a client through its US subsidiary and no UK KYC requirements are triggered. The application of this FMSB Standard is voluntary.

## 6. Glossary

Term	Definition
<b>UK Requirements</b>	Any and all laws, regulations, and guidance for KYC and AML applicable in the UK, including the Joint Money Laundering Steering Group Guidance and the UK Money Laundering Regulations and associated regimes.
<b>JMLSG Guidance</b>	[Confirm with JMLSG]
<b>Onboarding Firm</b>	The firm subject to the UK Requirements.
<b>Client</b>	The legal person seeking to engage in business with the Onboarding Firm which has triggered the UK Requirements*.
<b>Module</b>	Data Points and Evidence contained in Annex 1 that are applicable only where a client or its connected parties has specific attributes or in certain situations.
<b>Exceptions</b>	Circumstances described in Core Principle 6, which permit the Onboarding Firm to seek additional data points or evidence outside that listed in Annex 1.
<b>Add-On</b>	Data points and evidence not contained in this Standard that an Onboarding Firm deems necessary to populate and verify to meet the UK Requirements or any other applicable legal or regulatory requirements, in accordance with the Exceptions in Core Principle 6.
<b>Customer Due Diligence ("CDD")</b>	As defined in the JMLSG Guidance. [Confirm reference]
<b>Simplified Due Diligence ("SDD")</b>	As defined in the JMLSG Guidance.
<b>Enhanced Due Diligence ("EDD")</b>	As defined in the JMLSG Guidance.
<b>Data Points, Golden Source, (Recommended / Alternative) Evidence, Additional Requirements, Timeliness</b>	As defined in Annex 1.

Where not capitalised, terms take their generic meaning.

\* Where capitalised, Client refers to the specific legal entity being onboarded in the application of the Standard; where used generically, it includes other group or affiliated entities or their employees who may operate on behalf of the Client, or refers to a general principle or process.



## II. Core Principles and commentary

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This Standard sets out 9 Core Principles relevant to onboarding new clients or reviewing existing client relationships, together with supporting commentary. The Data Points and evidence required for a review of an existing client are generally expected to be more limited than for onboarding a new client, in particular in relation to data points which are static in nature.

### 1. Onboarding Evidence Lists

#### **Core Principle 1:**

Where the UK Requirements apply to onboarding or reviewing a Client, Firms shall select the Data Points they deem necessary to be populated and evidenced to meet these requirements from the Onboarding Evidence Lists in Annex 1.

**Commentary** The Data Points listed in Annex 1a – 1d represent the entirety of those identified by FMSB Member firms that may be required to be populated and evidenced when applying standard Customer Due Diligence (“CDD”) or Simplified Due Diligence (“SDD”) when onboarding or reviewing a client.

Firms are not obligated to select all Data Points listed, but should not select additional data points, unless Add-Ons or Exceptions apply under Core Principle 6, or where the population of the Data Point is independent of the client (for example, adverse news monitoring).

Firms may rename, delineate, or concatenate any Data Points for wholly internal purposes.

### 2. Sourcing of Evidence

#### **Core Principle 2:**

Where reasonably possible, evidence to populate and/or verify the Data Points selected to the satisfaction of the Firm for the purposes of onboarding or reviewing should be obtained independently of the client.

**Commentary** To minimise obligations on the client, Firms should seek to obtain information to populate and support the Data Points selected under Core Principle 2 from sources other than the client. Firms should consider Core Principle 7 when considering the sufficiency of such independent evidence.

The country-specific guidance highlights Golden Source evidence for specific Data Points, and if and where such Evidence is ordinarily publicly available. Where no country-specific guidance exists, Annex 1 provides an indicative guide.

Firms are not obligated to obtain the evidence type or from the source listed under the Golden Source to be satisfied that a Data Point has been evidenced. Firms should, however, consider the general principles in Annex 3 to guide such decision and may consider documenting reasons for deviation.

Where publicly available information conflicts, Firms may consider that they are not

sufficiently satisfied and may therefore seek clarification from the client.

In considering what is reasonably possible, Onboarding Firms should consider the public availability of evidence, or otherwise, the time, resourcing and costs to access the information before contacting a client.

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### 3. Recommended Evidence

#### **Core Principle 3:**

If requesting Data Points and/or their supporting evidence from a client or its agents, Onboarding Firms should prioritise, in order, the Recommended and Alternative Evidence where listed in Annex 1.

**Commentary** In accordance with the assessment in Core Principle 7, the Recommended and Alternative Evidence represent the most credible of the commonly available documents that clients should be able to provide upon request and that should enable Onboarding Firms to achieve the highest level of certainty in a Data Point's veracity that, in combination with the Onboarding Firm's own due diligence, is practically possible.

While certification or additional supporting documents could be used to enhance verification for some Data Points, it is considered that these are not required for CDD and SDD, although should any evidence be received which causes the Onboarding Firm to determine that EDD is required, additional documents or verification may be requested as an Add-On.

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## 4. Accepted Evidence for Data Points

### Core Principle 4:

Onboarding Firms should accept from the client or its agents any Recommended or Alternative Evidence listed in the Onboarding Evidence List in Annexes 1 to prove or corroborate the Data Points selected for the purposes of onboarding or reviewing, provided such Evidence meets the Additional Requirements and conditions of Timeliness.

**Commentary** Notwithstanding the acceptance of any Recommended or Alternative Evidence, where the Golden Source for a Data Point is usually public but unavailable, or where clients are unable to provide the Recommended and/or Alternative Evidence, Onboarding Firms should consider requesting an explanation from the client, and may consider the non-availability of such Evidence to indicate that EDD should be applied to this or other Data Points. Firms should consider documenting these reasons.

In limited circumstances as highlighted in Annex 1, Firms may request additional verification from a Trusted Market Participant as defined in Annex 3b, in order to satisfy themselves of a document's faithfulness and veracity.

This Core Principle does not impact firms' systems, policies and processes to authenticate the source of any communication, or ensure that any sender has the necessary authority to provide such information on behalf of the Client.

### Core Principle 5:

If a client is unable to provide Evidence that meets the parameters in the Onboarding Evidence Lists, firms may accept other evidence that satisfies their internal compliance requirements.

**Commentary** Firms retain the discretion to accept any other evidence to populate and verify a Data Point, where the Golden Source, Recommended, and Alternative Evidence are exhausted. Firms should consider Core Principle 7 when making the decision as to the sufficiency of any other evidence.

## 5. Add-Ons and Exceptions

### Core Principle 6:

Firms may request evidence from clients to support additional data points or additional evidence to support the Data Points in the Onboarding Evidence Lists to meet other regulatory requirements to which the Onboarding Firm may be subject, including in the following circumstances:

- a) The country of incorporation and/or operation of the Onboarding Firm, and/or the parent company(ies) thereof;
- b) Where the Client entity or any of its affiliated entities or connected persons present factors that necessitate the use of Enhanced Due Diligence as deemed by the Onboarding Firm, including necessary screening to satisfy the firm under the risk-based approach; or
- c) Where the Client engages in a business which necessitates compliance with sectoral requirements and where no Module exists.

**Commentary** Onboarding Firms may be required to comply with other legislation or regulation in addition to those of the UK. UK legislation or regulation may also require additional due diligence, depending on the attributes of a Client, for example, its industry type or legal structure. Core Principle 6 permits Onboarding Firms to seek additional evidence from clients to meet these requirements, as well as where the Onboarding Firm assesses the risk of certain attributes of the Client to require additional due diligence, in accordance with the UK's risk-based approach to KYC.

## 6. Sufficiency of Evidence

### Core Principle 7:

In evaluating the sufficiency of evidence, Onboarding Firms should consider the evidence obtained and the method of obtaining against:

- a) The maximum level of verification that is practically possible for a given data point, considering the credibility of the party that creates and/or is the definitive source for a data point and transparency around the data point's creation;
- b) The General Principles for sourcing of evidence in Annex 3a;
- c) The credibility of sources in the chain from data point creation to receipt by the Onboarding Firm, as listed in Annex 3b including any due diligence applied by such intermediate sources;
- d) The Evidence Type, as listed in Annex 3c;
- e) The firm's own knowledge and capacity to conduct further due diligence on the veracity of the evidence; and
- f) The firm's assessment of the risk profile of the onboarded Client or Client subject to review.

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**Commentary** Firms may elect to accept evidence that is below the maximum level of verification in certain circumstances, and should consider whether and how this decision is documented.

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## 7. Interaction with Clients

### Core Principle 8:

Firms should clearly articulate all parameters of any evidence requested from clients. Requests to clients should minimise the number of touch points.

Onboarding Firms should, as far as legally and operationally possible, maintain evidence obtained from clients, and analyse any information retained by the firm or other entities within its group prior to requesting from clients.

**Commentary** Annex 5: Sample Communication provides a suggested message to clients that Firms may consider using at the start of the onboarding or review process.

Some of the evidence requested from clients may need to be sequential, in particular, in relation to connected parties.

Core Principle 8 does not apply to contact with clients in the course of transactions or ordinary relationship management.

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## 8. Link to Operational Data

### Core Principle 9:

Firms should maintain policies and processes to coordinate the collection of key operational data, including Legal Entity Identifiers and Standard Settlement Instructions for anticipated trading accounts at the point of onboarding new clients.

**Commentary** While not directly related to KYC, Annex 1 comprises key operational data identified by Member Firms as being required prior to trading, either to comply with other regulatory or reporting requirements, or to enable them to efficiently transact with the client in the course of business. In accordance with Core Principle 8, firms should collect any items deemed relevant from Annex 1e, together with any other information expected to be required for the business relationship, at the point of Onboarding.

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