



**FMSB**  
FINANCIAL MARKETS STANDARDS BOARD

# Standard for Client Onboarding Documentation and Processes

FINAL

# 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. Client Onboarding

- 1.1** When choosing whether to begin or continue a relationship with a client, financial services providers must build a profile of the client or potential client. The onboarding process is designed to both provide firms with the necessary data to do business and to assess 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.
- 1.2** The fundamental processes of obtaining and verifying information about a legal entity, natural person, or both, share many similarities between firms. However, onboarding firms' policies and procedural customer due diligence (CDD) requirements for clients show differences in practice.
- 1.3** In the UK, the applicable financial crime prevention regulatory regimes require firms to operate a flexible, proportionate and effective risk-based approach (RBA). The RBA enables firms to implement a contextual approach towards client and potential clients, taking into account that firm's risk assessments and its scale and activities. Firms may, as part of taking a RBA, have differing interpretations of applicable legislation, regulations, and guidelines. 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.

## 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. While this is due to the UK's adoption of the RBA, it has also resulted in firms throughout the industry applying similar but varying requirements even where they are requesting the same data point or document. Currently, buy-side clients and counterparties often must produce multiple documents, repeatedly, to different financial service providers in order to conduct business.
- 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** In *Charting the Future of Post Trade (April 2022)*<sup>1</sup>, the Post Trade Task Force's Client Onboarding Working Group analysed the data and documentation requirements of its members for certain client types and scenarios, and concluded there were sufficient commonalities to explore remedies to these procedural inefficiencies. As a first stage, documentation requirements would benefit from standardisation, where feasible. This would allow for the second recommendation, digitisation, to commence. This represents

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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.

an opportunity to make the process to onboard new clients and review existing clients faster, cheaper, and more efficient for both client and onboarding firm.

- 2.4** Such standardisation could further pave the way for more appropriate digital solutions to be developed. Service providers have trialled solutions based on traditional evidence and document forms, 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 rather than seeking any standardisation, and have not been able to demonstrate the provenance of the documentation stored to the satisfaction of onboarding firms. As such, they have not received enough adoption to resolve the problem.
- 2.5** Standardisation could also, in the future, inform government-endorsed digital identity for businesses and non-natural legal persons which 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.
- 2.6** FMSB's Member firms agreed to the Post Trade Task Force's request to take forward the standardisation recommendation to pave the way for operationalisation across the industry. This Standard represents their 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. It seeks to:

- Establish Core Principles around the interaction between firms and clients in the context of onboarding;
- Agree mapping of data points to regulatory requirements; and
- Establish a baseline of standardised documentary requirements and data definitions to support the fulfilment of CDD measures.

In achieving the latter two objectives, the Working Group has focused on appropriately regulated and/or lower risk client types, and scenarios determined to be lower risk for money laundering and terrorist financing. For client types and scenarios that fall outside the above definitions, as well as in other circumstances as outlined in Core Principle 6, it is recognised that onboarding firms may need to expand the data points to be populated and evidenced, and/or require additional documentation and evidence types to fulfil their regulatory obligations. 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 writing this Standard, Member Firms have considered the risk-based approach of the UK regulatory regime, and both the authoritativeness and availability of sources and evidence types, to streamline the client onboarding experience while ensuring the integrity of the CDD 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 UK Requirements but commonly requested to assist in screening purposes, are therefore also included.

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

Therefore, this Standard also:

- Provides a 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** This Standard is intended to provide more granular documentary guidance for the practical implementation of the UK Requirements.

**4.2** All Firms must ensure they continue to comply with applicable laws and regulations (including as amended from time to time), including the UK Money Laundering Regulations (MLRs). Firms can refer to the Joint Money Laundering Steering Group Guidance (JMLSG Guidance) on how to comply with the MLRs. Member Firms should, and other Firms may, comply with this FMSB Standard. However, use of this Standard alone is not a way of following the JMLSG Guidance, nor meeting a Firm's obligations under the MLRs.

Nothing in the Standards is intended to prevent Firms from continuing to take the RBA in complying with the UK Requirements.

**4.3** This Standard should be read in accordance with any laws, regulations and guidance in relation to data protection and retention to which Firms may also be subject.

## 5. Scope and applicability

**5.1** This Standard applies to all Member Firms and any other Firms who elect to use this Standard, which in the course of onboarding new clients or reviewing existing client relationships, are required to meet the UK MLRs.

**5.2** The 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 Annex is sufficient for baseline CDD only and does not consider additional requirements e.g. where a Firm considers a client and/or its connected parties should be subject to Enhanced Customer Due Diligence (EDD). Firms should continue to apply the RBA when following this Standard and consider which Add-On requirements should apply under Core Principle 6.

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.

- 5.3** To promote ongoing consistency of this Standard with the UK MLRs and related guidance (such as the JMLSG Guidance) should they, or their statutory interpretation, evolve from time to time, the FMSB Client Onboarding Working Group will conduct periodic reviews, in accordance with the Working Group's Terms of Reference, to identify any changes which may have relevance for the Standard.

Firms should consider whether discretionary Add-Ons apply in accordance with CP6 throughout the CDD process. This table lists common circumstances in which Add-Ons may be expected to apply.

Client and/or Connected Person Attributes												
		Client Legal Form		Ownership			Client Industry			Client/ Connected Person Jurisdiction		
		Incorporated	Unincorporated (incl. Trusts)	Listed	Private	Other <sup>1</sup>	Financial Institutions	Funds	Other	All		
Regulations applicable to Onboarding Firm	UK	SDD	Annex 1: "All" Module	Add-Ons may apply	Annex 1: "Public" Module	Annex 1: "Private" Module	Add-Ons may apply	Annex 1: "Financial Institutions" Module	Annex 1: "Funds" Module	Add-Ons may apply  (For industries that are typically not regulated, Add-Ons are unlikely to apply)	Annex 1: any and all applicable Modules	
		CDD										
			EDD <sup>2</sup>	Add-Ons may apply								
	Other <sup>3</sup>		Any	Add-Ons may apply								

<sup>1</sup> e.g. government-owned, charities, where available form of evidence may differ

<sup>2</sup> Only requirements additional to the SDD and CDD requirements

<sup>3</sup> Only requirements additional to the UK 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 Firm determines that Add-Ons are required to determine the Client's risk weighting, but then determines that there are no attributes which would require it to conduct further enquiry.
- The Client may be required to provide any of the evidence the Firm requests as an Add-On to determine risk weighting, and 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:

- A Firm whose headquarters are in the UK seeks to onboard a client through its UK parent operating company. The Client is a privately-owned airline incorporated in a country which would ordinarily cause the Firm to apply EDD.
- The Client may be required to provide any of the Recommended or Alternative Non-Public Evidence under the All and 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;
  - EDD requirements stemming from the Client's country of incorporation; and
  - Any other due diligence the Firm determines is necessary under the RBA.
- 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. Member Firms' application of this FMSB Standard is voluntary.



## 6. Glossary

Term	Definition
<b>UK Requirements</b>	Any and all laws, regulations, and guidance for CDD and AML applicable in the UK, including the UK Money Laundering Regulations and associated regimes and the Joint Money Laundering Steering Group Guidance.
<b>MLRs</b>	The UK Money Laundering Regulations and associated regimes.
<b>JMLSG Guidance</b>	As published from time to time by the Joint Money Laundering Steering Group (JMLSG) and approved by HM Treasury.
<b>Onboarding Firm / 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*. Where context permits, it includes other group or affiliated entities and/or their employees who may operate on behalf of the Client.
<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>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 Core Principle 6.
<b>Customer Due Diligence (“CDD”)</b>	As defined Money Laundering Regulations (MLR) s3(1).
<b>Simplified Due Diligence (“SDD”)</b>	As defined in MLR s37.
<b>Enhanced Due Diligence (“EDD”)</b>	As defined in MLR s3(1).
<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.

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### 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** Subject to Core Principle 6, the Data Points listed in Annex 1a – 1d represent the entirety of those identified by Member Firms that may be required to be populated and evidenced when applying baseline CDD when onboarding or reviewing a Client.

In line with the RBA, Firms are not obligated to select all Data Points listed, and Firms may define additional data points as Add-ons as outlined in Core Principle 6. Firms may also define additional data points where their population is not obtained from the Client (for example, using public sources for adverse news monitoring).

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

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### 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 from sources other than the Client.

**Commentary** This Core Principle seeks to minimise obligations on 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 for selected jurisdictions. Where no country-specific guidance exists, Annex 1 provides an indicative generic 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.

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Where publicly available information is unclear or conflicts, Firms may consider that they are not sufficiently satisfied and may therefore seek clarification from the Client.

In determining what is reasonably possible, Onboarding Firms should consider whether the evidence is publicly available, and the time, resourcing and costs to access the information. For example, Data Point C0. ORGANISATION CHART in Annex 1c recognises that while over 10% shareholdings are usually publicly disclosable by the shareholder, it would be highly impractical to expect Firms to piece together a company ownership structure without guidance from the Client.

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### 3. Recommended Evidence

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

If requesting Data Points and/or their supporting evidence from a Client, 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.

Certification or additional supporting documents could be used to enhance verification for some Data Points. Should any evidence be received which causes the Onboarding Firm to determine that an Add-On under CP 6 should apply, additional documents or verification may be requested.

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### 4. Accepted Evidence for Data Points

#### **Core Principle 4:**

Onboarding Firms may request from the Client 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, together with any Additional Requirements and/or 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 additional due diligence should be applied to this or other Data Points. Firms should document these reasons.

Where highlighted under "Additional Requirements" in Annex 1, Firms may request additional verification from Trusted Market Infrastructure Providers and other sources as defined in Annex 3b, in order to satisfy themselves of a

document's faithfulness and veracity. Firms may request additional verification where the Firm's RBA deems it to be required under Core Principle 6.

Firms may also request that Evidence meets conditions of "Timeliness", up to and including that populated in Annex 1. More recent Evidence may also be requested where the Firm's RBA deems that this is required under Core Principle 6.

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

### **Core Principle 6:**

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

- a) For the purposes of establishing the risk profile of the Client;
- b) The country of incorporation and/or operation of the Onboarding Firm, and/or the parent company(ies) thereof;
- c) 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 RBA;
- d) Where the Client engages in a business which necessitates compliance with sectoral requirements and where no Module exists; or
- e) Where the Firm collects additional data points or evidence as part of further enquiry under its RBA under the MLRs.

**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 recognises the obligation on 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.

**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.

## 7. Interaction with Clients

### Core Principle 8:

Firms should clearly articulate all parameters of any evidence requested from a Client. Requests to a Client 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 a Client.

**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 a Client may need to be sequential, in particular, in relation to connected parties.

Core Principle 8 does not apply to contact with a Client 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 CDD, Annex 1e comprises of 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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## 9. Regular Review

### **Core Principle 10:**

Firms should maintain policies and processes to track and identify changes, both actual and proposed, to the UK MLRs and related guidance (such as the JMLSG Guidance) and their statutory interpretation.

**Commentary** This Core Principle, when read together with 5.3 of the Explanation, promotes alignment of the Standard with the MLRs and any relevant guidance and their statutory interpretation.