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Know your customer (KYC)

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In short: Know your customer (KYC), or customer due diligence (CDD), means the checks a bank, payment provider, accountant or formation agent must do on a client: who they are, who the beneficial owners are, what the business does and where the money comes from. It is required by anti-money-laundering law based on FATF Recommendation 10.

For a company, KYC usually covers: the certificate of incorporation and constitution; the register of directors and shareholders; identity documents and proof of address for directors and beneficial owners; a description of the business, expected transactions and countries involved; and the source of funds and wealth. The checks are risk-based: higher-risk clients, such as politically exposed persons, complex structures or high-risk countries, face **enhanced due diligence**.

KYC is not a one-off: providers must keep information up to date and monitor transactions. Incomplete or inconsistent KYC is the most common reason a new company's bank account application is delayed or refused.

See also

- Beneficial owner
- Politically exposed person (PEP)
- Source of funds and source of wealth

Frequently asked questions

Why does my bank ask for the same documents again?

Banks must refresh customer information periodically and when something changes, such as a new shareholder or unusual transactions.

What is the difference between KYC and AML?

AML (anti-money laundering) is the overall legal framework; KYC or customer due diligence is one of the obligations within it.

References

1. The FATF Recommendations . Financial Action Task Force. Accessed November 2026.
2. Directive (EU) 2015/849 on the prevention of the use of the financial system for money laundering . EUR-Lex. Accessed November 2026.
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