Annex 1

REPORT OF MYSTERY SHOPPING PROGRAMME FOR ACCOUNT OPENING PROCESS OF SMALL AND MEDIUM-SIZED ENTERPRISES CUSTOMERS

Hong Kong Monetary Authority

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I. EXECUTIVE SUMMARY

1. The Hong Kong Monetary Authority (HKMA) engaged a service provider in late 2017 to carry out a mystery shopping programme (MSP) in respect of the customer interface aspects of the account opening processes of authorized institutions (AIs) for small and medium-sized enterprises (SMEs). This report sets out the observations of the exercise and reiterates some of the HKMA's guidance having regard to these observations.

2. The field work was performed by the service provider from 22 March to 28 June 2018. During this period, 500 samples[1] of branch visits were conducted by the mystery shoppers ("shoppers[2]") on 20 AIs with retail banking business ("the AIs"). In addition to branch visits, telephone enquiries (64 samples) and online enquiries (43 samples) were made by the shoppers to the 20 AIs for making appointment of account opening, which were only used for checking the responsiveness, accessibility and user friendliness of these channels without asking the AIs any account opening questions as the branch visits did. Analysis of the field work results was carried out thereafter.

3. The exercise focused on AIs' customer interface aspect in respect of the account opening process for SME customers, through deploying mystery shoppers posing as prospective customers to conduct account opening enquiries with the AIs' bank staff (please refer to "Part II – Programme Introduction" of this report for more details). Key observations of the exercise were summarised as follows:

   - Many of the shoppers perceived their overall customer experience with the AIs during the account opening enquiry process to be excellent or good. Many bank staff of the branch visit samples were perceived by the shoppers as having excellent or good attitude, and being able to articulate information clearly throughout the process or most of the time.

   - Many of the shoppers were able to make account opening enquiries at bank branches (with an average waiting time of around 1.5 minutes) without the need for an appointment. However, further improvement was needed with respect to responsiveness and customer experience of AIs'

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[1] "Sample" in this report refers to each instance where a "shopper" acts as a potential customer to gather information about the account opening process of an AI.

[2] "Shopper" in this report refers to a person engaged by the service provider to act as a prospective customer of the AI in question.

hotline as well as the user-friendliness of their online channels, for facilitating prospective customers or applicants to make appointment request for account opening or related enquiries. Improvement was also needed in respect to the reasonableness of the timeframe within which the account opening meeting could be held after the shoppers had raised such requests.

- The MSP revealed that improvement was needed regarding the relevance and reasonableness of the documents required or accepted by bank staff. In particular, (1) among the branch visit samples relating to SMEs incorporated in Hong Kong, many bank staff indicated to the shoppers that electronic copy of Certificate of Incorporation issued via the Companies Registry's e-Registry would not be accepted; (2) a few bank staff of the visit samples advised shoppers during the enquiry process that their applications for bank account opening might not be successful as their companies did not have referral letters from the AIs' current customers; and (3) in the branch visit samples relating to companies without stamped tenancy agreements, some bank staff did not accept addresses of the shoppers which were without stamped tenancy agreements.

- A few bank staff proactively suggested shoppers to purchase wealth management, investment or insurance products so as to open their bank accounts. When being asked by the shoppers, many bank staff mentioned that buying wealth management, investment or insurance products or having large amount of initial deposits would not make the account opening easier, whereas some bank staff mentioned that it might or would improve the chance of opening bank accounts.

- Regarding the review mechanisms for unsuccessful account opening applications, some bank staff in the responded samples could provide shoppers details of the review mechanisms upon the shoppers' enquiry, while other bank staff, as perceived by the shoppers, were not familiar with or aware of their AIs' review mechanisms.

- The MSP has test checked the account opening enquiry process of SMEs of particular background or industry segment which have expressed concerns. It was found that:

    (i) in some isolated branch visit samples where shoppers posed as start-up companies, the shoppers were told by the bank staff during the enquiry process that their applications for bank account opening might not be successful because their companies did not have at least 1 to 2 years of business operation in Hong Kong;

(ii) among the branch visit samples where shoppers posed as non-local companies, (a) some bank staff told the shoppers that all beneficial owners and directors were required to be present at the account opening meeting, (b) some shoppers were told by bank staff that all copies of documents provided by non-local companies were required to be certified by Hong Kong certifiers, and (c) some shoppers of the branch visit samples relating to non-local companies were told by bank staff that their application for account opening might not be successful as they did not have Certificate of Incorporation or Business Registration certificate issued in Hong Kong; and

(iii) in another two isolated cases, shoppers posing as SMEs of a particular industry were told by the bank staff during the enquiry process that their applications for bank account opening might not be successful due to the industry segment of their companies.

4. Based on the observations identified from the MSP exercise, we have the following recommendations:

(i) AIs should review and enhance the responsiveness and customer experience of their hotline as well as the user-friendliness of their online channels, for customers to make enquiries or appointments on account opening. In particular, the section for making appointment on account opening on AIs' websites should be designed in such a way that is more easily located by and accessible to customers. Similarly, AIs' relevant hotlines should be designed in such a way that customers could more easily reach the AIs to make appointment on account opening or related enquiries. AIs should also devise proper measures and allocate sufficient staff resources to ensure that the account opening meeting can be held within a reasonable timeframe after the potential applicants have raised such requests.

(ii) AIs should inform customers of their review mechanisms during the application process and upon rejection of applications to improve their transparency. AIs are also required to enhance staff training to ensure that their staff have a clear understanding of the AIs' review mechanisms and can properly explain the same to the applicants or potential applicants for account opening.

(iii) AIs should also review and ensure that their internal policies for handling account opening enquiries and processing are in line with the HKMA's relevant requirements, and provide suitable training and guidance to frontline staff to enhance their understanding of the

relevant requirements. In particular, the HKMA would like to highlight that:

- AIs should ensure that the customer due diligence measures and the information and documents required for account opening are reasonable, relevant and pragmatic with respect to the customers' background and circumstances. Bank staff should also be able to properly explain to customers the rationale for the requirement upon request and endeavour to assist customers in taking steps or providing alternatives that can help opening bank accounts;

- AIs must not make purchase of wealth management, investment or insurance products or having a large amount of initial deposits a condition for opening a business bank account, or link these activities with the chance of success or processing time of opening of bank accounts.

- AIs should adopt a risk-based approach to customer due diligence processes which should be able to differentiate the risks of individual customers within a particular segment or grouping through the application of a range of factors, including country risk, business risk, product/service risk and delivery/distribution channel risk. In particular, the risk profiles of individual customers within an entire segment of customers will not display homogeneous characteristics in every aspect, and therefore AIs should not assume customers in the whole segment all present the same or unacceptable risks.

- AIs should make reasonable requests to their customers that are proportionate or relevant to their risk assessment, and avoid practices that are disproportionate to the likely risk level of the customers, including, among others:

  - requiring two or more, or even all, of the directors or beneficial owners to be present at the time of account opening unless there are good, risk-based reasons for doing so;

  - mandating that all documents of an overseas corporate are certified by a certifier in Hong Kong;

  - expecting a Hong Kong Business Registration Certificate or Certificate of Incorporation issued in Hong Kong for all applicants, or evidence of a Hong Kong office for all overseas corporates irrespective of business model; or

- requiring a start-up company to provide the same degree of detail on its track record, business plan and revenue projections as a long-established company.

• AIs should recognise that some commonly used original identification documents (e.g. Certificate of Incorporation issued by the Hong Kong Companies Registry) can be in electronic form. Instead of simply not accepting the print copies of these original documents which are in electronic form, AIs should take appropriate measures to ensure the reliability of the electronic documents. For example, when accepting a print copy of an electronic Certificate of Incorporation, an AI can corroborate with other identification document or information (e.g. record of company registries) to ensure the reliability of the print copy, or the corroboration would not be required where the AI itself has downloaded the document (as opposed to having received a print copy of it) from the Hong Kong Companies Registry's website.

II. PROGRAMME INTRODUCTION

OBJECTIVES

5. The MSP was intended to complement the HKMA's supervisory activities by serving as an additional supervisory tool in assessing the effectiveness of the measures adopted by AIs to improve customer interfacing in account opening process for SMEs, as well as whether AIs follow the relevant HKMA's guidance and requirements incorporated in the relevant circulars such as the HKMA's circular dated 8 September 2016 on "De-risking and Financial Inclusion".

METHODOLOGY

6. Mystery shoppers acting as potential SME customers were deployed by the service provider to conduct visits to the branches of the AIs, make telephone enquiries to the AIs' hotlines and make online enquiries via the AIs' websites. The shoppers were instructed to pretend as the owners, directors or authorised persons of the SMEs with prescribed company profiles.

7. The shoppers were instructed to express interest in opening business bank accounts to the AIs' staff and enquire about such account opening process without involving any submission of documents, actual application for or actual opening of bank accounts. Each shopper was required to record their experience in each branch he/she visited, each telephone enquiry and online enquiry he/she made by completing a questionnaire jointly designed by the service provider and the HKMA. Audio-recording was also performed by the shoppers for telephone enquiries and branch visits.

8. During the mystery shopping exercise, the service provider carried out quality control tests and checked all questionnaires completed by the shoppers against the relevant audio-recordings to ensure the completeness and accuracy of the results.

COVERAGE

9. The field work was carried out from 22 March to 28 June 2018. Analysis of the field work results was carried out thereafter.

10. Twenty AIs active in retail banking business were selected for the exercise. The shoppers conducted 500 branch visits to these AIs. Except for some

samples[3], shoppers in many of the branch visit samples could successfully go through the whole list of applicable prescribed questions with the bank staff during their enquiry processes. Shoppers also conducted 64 samples of telephone enquiries and 43 online enquiries for making appointment of account opening, which were only used for evaluating the responsiveness, accessibility and user friendliness of these channels for making appointment without asking the AIs any account opening questions as the branch visits did.

[3] In these branch visit samples, the shoppers could only ask part of the prescribed questions with their best efforts. It was because during the enquiry process, the bank staff indicated to these shoppers that their applications for account opening might not be successful as they could not meet certain conditions (please refer to "Part III - Major Observations" of this report for more details). As such, the bases of the percentages vary in different observations of this report.

III. MAJOR OBSERVATIONS

OVERALL EXPERIENCE

11. Many (63%) of the shoppers in the branch visit samples perceived their overall customer experience with the AIs during the account opening enquiry process to be "excellent" or "good", with 31% rated as "average". Shoppers in many of the branch visit samples perceived the bank staff as having excellent or good service attitude (73%) and being able to articulate information clearly throughout the process or most of the time (79%).

ACCESSIBILITY OF ENQUIRY CHANNELS

12. According to the HKMA's circular dated 8 September 2016 on "De-risking and Financial Inclusion", AIs should have appropriate arrangements in place to facilitate customers' initiation of the account opening process.

13. The MSP showed that many of the shoppers (85% of 438 responded samples) were able to make account opening enquiries at bank branches (with an average waiting time of around 1.5 minutes) without the need for an appointment. However, further improvement was needed with respect to the responsiveness and customer experience of their hotline as well as the user-friendliness of their online channels, for facilitating prospective customers or applicants to make appointment request for account opening or related enquiries. Improvement was also needed with respect to the reasonableness of the timeframe within which the account opening meeting could be held after the shoppers had raised such requests at branches. Specific observations were as follows:

- *Branch* – As observed in the MSP, shoppers in many (85% of 438 responded samples) of the branch visit samples were able to make an enquiry on account opening without the need for an appointment, with an average waiting time of around 1.5 minutes. When the shoppers requested for an earliest available date for the account opening meeting, staff in 43% of the 260 responded samples provided the appointment dates that were within one week from the dates the shoppers had raised the requests, 61% were within two weeks, while staff in 16% of the responded samples provided the appointment dates that were longer than 30 working days from the dates the shoppers had raised the requests.

- *Hotline* – The MSP revealed that out of the 64 samples of telephone enquiries made via AIs' hotlines, 91% (58 cases) could successfully get

in touch with bank staff and the other 9% (6 cases) did not have any bank staff answered the calls. Amongst those 58 cases having successfully made enquiries via AIs' hotline, 16% was advised by the bank hotline staff that no appointment was needed and shoppers could directly go to bank branches to make account opening application, and 42% were advised that appointment or request for account opening applications could be made by using other channels, e.g. at branches or via AIs' websites. For the others, shoppers could not make appointment via AIs' hotlines for account opening due to different reasons: (i) 17% was told that the AIs would call back the shoppers but the shoppers did not receive call from the AIs in 3 working days[4]; (ii) 12% was asked to provide more information about the shoppers' companies before appointment could be made; and (iii) 13% was told that their account opening applications might not be successful due to certain reasons (such as the shoppers' companies were not incorporated in Hong Kong or did not have operation in Hong Kong, the shoppers' companies were of a particular industry, too many appointments have been made and new appointment would have to wait for a few months).

- *Online* – Among the 43 online enquiry samples, 84% (36 samples) of the shoppers found it easy to locate the section for making appointment on the AIs' websites, while 16% (7 samples) of the shoppers indicated that the section for making account opening appointment could not be easily located on the AIs' websites but they were able to contact bank staff to seek assistance.

DOCUMENTATION REQUESTS AND EXPLANATIONS

Referral / Reference letters and stamped tenancy agreements

14. As a general principle, AIs should ensure the transparency of their account opening process. In particular, the information and documentation requirements should be clearly set out and easily accessible to new and existing customers. AIs' customer due diligence processes and documentation requirements should be relevant and pragmatic with respect to the customers' background and circumstances. AIs should also explain to customers the rationale for the information requested and endeavour to assist customers in taking steps or providing alternatives that can help satisfy the customer due diligence processes.

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[4] For the purpose of the MSP, the shoppers have monitored their cases relating to hotline channel for 3 working days after the requests for account opening appointment were made.

15. While this was not intended to conclude the reasonableness in respect of AIs requiring shoppers to provide bank reference letter in individual cases, it was observed that bank staff in around 9% of the 422 responded samples asked the shoppers for bank reference letter, with many (74%) of them who requested these documents did not explain the reasons to the shoppers.

16. Bank staff in 5 (1%) out of the 500 branch visit samples advised shoppers during the enquiry process that their applications for bank account opening might not be successful as their companies did not have referral letters from the AIs' current customers.

17. Bank staff in 52% of the 177 branch visit samples relating to companies without stamped tenancy agreements[5] for their business addresses accepted the addresses provided by the shoppers. However, 13% of them did not accept addresses of the shoppers which were without stamped tenancy agreements.

Source of wealth/funds

18. AIs should adopt a risk-based approach for customer due diligence processes and apply appropriate measures that are commensurate with the different background, circumstances and risk levels of customers. In particular, AIs are generally not expected to establish source of wealth for each and every customer. For most customers, certain information obtained to enable AIs to understand the purpose and intended nature of the business relationship (required unless it is obvious), such as business nature of corporate customers, should be sufficient for AIs to have a basic understanding of the customer's profile and accordingly be able to monitor that the account balance, and value and volume transactions, are in line with their expected wealth and customer profile.

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[5] During the period of the MSP fieldwork which was conducted in Q2 2018, although address verification was still a requirement in the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT Guideline) issued by the HKMA, a related circular on "Frequently Asked Questions on Customer Due Diligence" issued in May 2017 clarified that the HKMA did not require the business address to be in Hong Kong and AIs should not accept only one form of address proof, such as a stamped tenancy agreement, to verify the business address, but should adopt other possible arrangements or options depending on the circumstances of each case. In October 2017, the HKMA further issued a circular on "Guideline on AML/CFT – Address Verification Requirement" mentioning that the requirement of address verification would be removed and AIs might choose to adopt such change as soon as practical. Subsequently, the revised AML/CFT Guideline issued in October 2018 removed the requirement of address verification.

19. Mindful that this was not intended to conclude the reasonableness in respect of collecting information about customers' source of wealth/funds in individual cases, the MSP result did show that bank staff in a large proportion (81%) of the 421 responded samples did not require shoppers to provide documents that supported the source of wealth/funds.

Electronic documents

20. According to paragraph 4.3.16 of the HKMA's "Guideline on Anti-Money Laundering and Counter-Financing of Terrorism" (AML/CFT Guideline) revised in October 2018, there are a number of occasions where an original identification document cannot be produced by the customers (e.g. the original document is in electronic form) and in such an occasion, the AI should take appropriate measures[6] to ensure the reliability of identification documents obtained.

21. However, bank staff in around 51% of the 259 branch visit samples relating to SMEs incorporated in Hong Kong indicated to shoppers that electronic copy of Certificate of Incorporation issued via the Companies Registry's e-Registry would not be accepted, instead of taking appropriate measures to ensure the reliability of the electronic documents.

CRITERIA FOR OPENING ACCOUNTS

Company size/business scale

22. Eligibility for opening accounts should not be based on company customers' profitability or unreasonably high benchmarks such as expected or actual sales turnover.

23. The MSP revealed that the AIs, in general, were in line with the above HKMA's expectation, and did not include company size and/or business scale (e.g. sales turnover) as the requirements for opening bank account. Specifically:

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[6] The "Frequently Asked Questions in relation to AML/CFT" ("AML/CFT FAQs") issued by the Hong Kong Association of Banks (HKAB) in October 2018 provided some non-exhaustive examples, such as, in accepting a print copy of an electronic Certificate of Incorporation (where the original Certificate of Incorporation issued by the Hong Kong Companies Registry is in electronic form), an AI can corroborate with other identification document or information (e.g. record of company registries) to ensure the reliability of the print copy, or the corroboration will not be required where the AI itself has downloaded the document (as opposed to having received a print copy of it) from the Hong Kong Companies Registry website.

- almost all responded bank staff (99%) indicated that company with only one director was accepted for opening bank account;

- almost all responded bank staff (99%) responded that their AIs did not have any minimum requirement on size of company or the number of employees; and

- many of the responded bank staff (92%) responded that their AIs did not have any minimum requirement on sales turnover / asset size of a company for opening bank account. 1% of the responded bank staff mentioned that sales turnover / asset size would be one of the factors for consideration in account opening. The remaining responded bank staff mentioned that further checking was required or provided ambiguous answers to shoppers.

Office Address

24. The principal place of business[7] (or formerly termed as "business address") means the location where a legal person primarily operates or the place of a corporation's main activities. Corporate customer may operate in various locations depending on their business nature. If the location or type of premises is not in line with the AI's understanding of the customer's business nature or customer profile, the AI should seek to understand the rationale for why that address is being provided.

25. In some isolated cases out of the 500 branch visit samples, a few bank staff (3 samples) advised shoppers during the enquiry process that their applications for bank account opening might not be successful because the shoppers provided home address, company secretary office, or virtual office as their business addresses. However, the bank staff did not seek to understand the rationale as to why that address was being provided by the shoppers.

Wealth Management / Investment / Insurance Products and Deposit Amounts

26. AIs must not make the purchase of wealth management, investment or insurance products or having a large amount of initial deposits a condition for opening a business bank account, or link these activities with the chance of successful opening of bank accounts.

27. As observed in the MSP, bank staff of a few branch visit samples (3% of the 423 responded samples) had proactively suggested shoppers to purchase

[7] Formerly termed as "business address" in the previous HKMA's guidelines and Frequently Asked Questions documents related to Anti-Money Laundering and Counter-Financing of Terrorism.

wealth management, investment or insurance products during the account opening enquiry process.

28. When shoppers asked if buying wealth management, investment or insurance products or having large amount of initial deposit could improve the chance of account opening with the AI, 69% of the 445 responded bank staff stated that it would not make the opening of bank accounts easier. Nonetheless, bank staff in around 14% of the samples responded that it might or would increase the chance of successfully opening the accounts.

29. When shoppers asked whether the account opening process could be expedited if the shoppers placed a substantially higher initial deposit, 83% of the 435 responded bank staff stated that it would not expedite the account opening process. However, in around 3% of the samples, when being asked by the shoppers, the bank staff claimed that placing a higher initial deposit amount would expedite the account opening process.

REVIEW MECHANISMS

30. According to the HKMA's circular on "De-risking and Financial Inclusion" dated 8 September 2016, AIs should introduce review mechanisms for unsuccessful account opening applications.

31. However, it was observed that many bank staff were not familiar with or aware of their AIs' review mechanisms on unsuccessful account opening applications. Specifically, when the shoppers asked the bank staff of the review mechanisms, bank staff in 21% of the 418 responded samples were not aware of or did not know about the review mechanisms; bank staff in 61% of the responded samples provided ambiguous or irrelevant answers, and only 10% of the bank staff in the responded samples could provide details of the review mechanisms.

SMES OF PARTICULAR BUSINESS OR BACKGROUND

32. In the past, a number of SMEs of particular business or background, such as start-up companies, companies incorporated outside Hong Kong (i.e. non-local companies) and companies of particular industry segments, have expressed concerns regarding opening bank accounts with AIs in Hong Kong. With respect to this, certain hypothetical company profiles with nature or background similar to the aforementioned types were formulated and used in the MSP exercise to test check the account opening enquiry process with the 20 AIs selected for the MSP.

Start-up companies

33. As a general principle, the requests made or documents required by AIs for opening bank accounts for customers should be reasonable. In particular, AIs should avoid requiring a start-up company to provide the same degree of detail on its track record, business plan and revenue projections as a long-established company. AIs' customer due diligence processes should be relevant and pragmatic with respect to the customers' background and circumstances.

34. In 3 isolated cases (1%) out of the 207 branch visit samples relating to companies not exceeding 3 years of business operation, bank staff advised shoppers during the enquiry process that their applications for bank account opening might not be successful because their companies did not have at least 1 – 2 years of operations in Hong Kong

Companies incorporated outside Hong Kong (i.e. non-local companies)

35. AIs should not base on a single or narrow range of factors (such as country of incorporation of a company, or whether there is operation in Hong Kong or operational office in Hong Kong [8]) to assess a customer's eligibility for opening the bank account. AIs should also make reasonable requests to their customers that are proportionate or relevant to their risk assessment. Applications for account opening should not be rejected merely because the customer is incorporated or established offshore, or because the beneficial owners or directors of a corporate customer are non-residents. Moreover, according to the HKMA's circular on "De-risk and Financial Inclusion" dated 8 September 2016, AIs should avoid practices that are disproportionate to the likely risk level of the customers including, among others:

- requiring all directors and beneficial owners of an overseas corporate to be present at account opening [9]

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[8] There are no relevant HKMA's requirements mandating that business customers should have operation in Hong Kong or operational office in Hong Kong. Instead, according to the HKMA's AML/CFT Guideline section 4.6.1, an AI should understand the purpose and intended nature of the business relationship. In case the AI needs to obtain information in this regard, the information obtained should be commensurate with the risk profile of the customer and the nature of the business relationship. In addition, where a customer is not a natural person, the AI should understand the nature of the customer's business.

[9] The AML/CFT FAQs issued by HKAB in October 2018 also clarified that, the presence of two or more, or all directors or beneficial owners at the time of account opening is not required by the HKMA. The basic requirement is for an AI to identify and verify the identity of the person who acts on behalf of the company, as well as obtaining the written authority to verify that the person has the authorisation of the company to establish a business relationship with the AI.

- mandating that all documents [10] of an overseas corporate are certified by a certifier in Hong Kong [11]

- expecting a Hong Kong Business Registration Certificate [12] or Certificate of Incorporation issued in Hong Kong for all applicants, or evidence of a Hong Kong office for all overseas corporates irrespective of business model

36. Bank staff in 80% (among which, 48% were with 2 or more directors/beneficial owners, and the remaining 32% were with only 1 director/beneficial owner) of the 176 responded branch visit samples relating to non-local companies (with foreign directors), which requested for making appointment of account opening meeting, mentioned that all beneficial owners and directors were required to attend the account opening meeting.

37. Among the 240 branch visit samples relating to non-local companies, some bank staff advised shoppers during the enquiry process that their applications for bank account opening might not be successful due to the following reasons:

- their companies did not have a Certificate of Incorporation issued in Hong Kong or a Business Registration Certificate issued in Hong Kong (82 samples or 34%)

- their country of incorporation (3 samples)

- the nationality of director/beneficial owner of the shopper's company (1 sample)

- overseas companies, companies did not have an operational office in Hong Kong or have no real operation in Hong Kong (3 samples)

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[10] The AML/CFT FAQs issued by HKAB in October 2018 also clarified that, in general, only the identification document used for the purpose of identity verification will be subject to certification. There is no need or expectation to require certification of all other documents provided by the customer; or to require certification at all if the AI is able to check the documents against public sources.

[11] The AML/CFT FAQs issued by HKAB in October 2018 provided a list of non-exhaustive examples of appropriate persons to certify verification of identification documents. Further, there is no requirement from the HKMA that a certifier must be located in Hong Kong.

[12] The AML/CFT FAQs issued by HKAB in October 2018 also clarified that, a record of business registration may not be applicable to every customer. And, the HKMA's Guideline on AML and CFT revised in October 2018 has provided other examples of sources for verifying the identity of a customer that is a legal person.

38. In around 38% of the 158 responded samples relating to non-local companies, the shoppers were told by bank staff that all copies of the documents were required to be certified by a certifier in Hong Kong

Companies of particular background

39. As mentioned in the HKMA's circular on "De-risking and Financial Inclusion" dated 8 September 2016, AIs should adopt a risk-based approach to customer due diligence processes which should be able to differentiate the risks of individual customers within a particular segment or grouping through the application of a range of factors, including country risk, business risk, product/service risk and delivery/distribution channel risk[13]. In line with such principle, AIs' assessment for opening or not opening a bank account for a customer should not be simply based on a single or narrow range of factors, such as, that the customer is from a particular industry segment.

40. The MSP revealed that in 2 isolated cases (around 5%) out of the 41 branch visit samples relating to companies of a particular industry segment, the shoppers were told by the bank staff during the enquiry process that their applications for bank account opening might not be successful due to the industry segment of their companies.

[13] The risk profiles of individual customers within an entire segment of customers will not all display homogeneous characteristics in every aspect, and therefore AIs should not assume customers in the whole segment all present the same or unacceptable risks.