

THE SIGNIFICANCE OF THE KYC PROCEDURE FROM THE PERSPECTIVE OF BANKING INSTITUTIONS IN POLAND AND THE PERCEPTION OF THIS POLICY FROM THE CLIENTS' PERSPECTIVE – BASED ON AN EMPIRICAL STUDY

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ABSTRACT

The purpose of the article. Globalization in the world of finance leads to international flow of financial resources, but it is also a source of economic crimes and abuses. This has become the reason and necessity for establishing regulations on money laundering, terrorism financing, and tax evasion. To implement these procedures, financial institutions have adopted the Know Your Customer (KYC) policy. This policy is based on understanding the client, their structure, business principles, sources of funds, and assets. Banks are required to understand their clients in a way that ensures they are not involved in transactions considered prohibited and inconsistent with current policies.

On one hand, banks are obligated to report this information; failure to comply may result in financial penalties or exclusion from international cooperation. On the other hand, banks must obtain the required data from the client. Clients are not always aware of the regulations in force. Additionally, the necessity of reporting required data is often perceived as burdensome from their perspective and affects their use of banking products. Therefore, it is crucial to consider how clients should be informed about reporting rules and how this process can be made less burdensome from the consumer's perspective while remaining effective in obtaining comprehensive information for the bank.

Methodology. To find answers to the research questions, a quantitative study using a questionnaire survey was employed, which in the second stage was expanded to include a qualitative study – an Individual In-depth Interview (IDI).

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The primary aim of the conducted research was to investigate whether KYC procedures are understandable to entrepreneurs as bank clients. The study aimed to determine whether the regulations within the KYC policy are perceived as a barrier to cooperation with banks and the use of banking services by business owners or managers. The focus was on banks operating in Poland. To verify the primary aim, specific objectives were also defined: elements of the KYC policy that particularly hinder the conduct of transactions; elements of the guidelines within the analyzed policy that serve as a barrier to using banking services; factors that hinder establishing a relationship with the bank; clients' expectations towards banking sector entities regarding the application of the KYC policy.

At the stage of formulating recommendations and suggestions, a generalizing-synthesizing method (deduction, reduction, induction) was applied. The inductive method helped analyze the significance of the KYC procedure from the perspective of banking institutions, starting from specific to general phenomena. On the other hand, using the deductive method, an attempt was made to analyze the problem starting from the effects of implementing the KYC policy on conducting settlements and using banking services by business entities that are bank clients. Based on the obtained research results and a critical analysis of the literature, it was possible to apply reduction, thereby verifying the previously formulated hypotheses.

Results of the research. The study confirmed that bank clients do not always understand the verification process related to anti-money laundering and counter-terrorism financing measures. It also highlighted that the requirement for detailed reporting complicates financial settlements for organizations and their use of banking products. By verifying correlations between variables, the study demonstrated a significant relationship between organizational complexity and more frequent verification by banks. It was also proven that entities operating in the market for over ten years more frequently encounter difficulties in reporting information to banking institutions compared to those operating for shorter periods.

Keywords: bank, KYC, AML, banking sector.

JEL Class: G2.

INTRODUCTION

Banks, as institutions, are obligated to maintain security, which is as crucial a goal as achieving profit. This stems from regulations that define the principles of operation for these institutions. The operations of organizations in the banking sector, according to Iwanowicz-Drozdowska and Jaworski (2023: 155), are associated with the concept of legality, which means that these institutions must operate in compliance with the law and the recommendations of supervisory authorities.

Therefore, the security of its users and entities operating within the banking system becomes a significant issue in the contemporary banking system. Consequently, at the European Union level, actions and directives are being implemented to protect the functioning of the sector. The purpose of this article is to highlight the importance of the Know Your Customer (KYC) procedure in the

context of guidelines at the banking institution level and to understand these principles from the clients' perspective.

The hypotheses posed in this study are as follows:

– (H1) Bank clients (business entities¹) do not understand the verification process related to anti-money laundering and counter-terrorism financing principles.

– (H2) The necessity of detailed reporting of information about the organization hinders entities from conducting financial settlements and using banking products.

– (H3) A complex organizational structure results in a more frequent need for entity verification by the bank.

– (H4) Entities operating in the market for more than ten years identify difficulties in reporting information to the bank more frequently than entities that have been operating for a shorter period.

The necessity of applying procedures imposes on banks the obligation to implement them and conduct the client verification process. At the same time, the KYC process becomes burdensome for clients in the context of their cooperation with the bank.

1. THE SIGNIFICANCE AND PURPOSE OF THE KYC POLICY

The globalization of financial markets has been largely driven by the increasing mobility of capital between countries (Sasaki et al., 2006: 32). This has changed the way entities in the banking sector operate worldwide. Globalization has contributed to the development of these institutions (Hassan, 1998: 19), but it has also introduced numerous risks. The increasing number of transactions associated with fraud has made anti-money laundering and combating the financing of terrorism a primary focus in protecting financial institutions. As a result of the economic crisis of 2007–2008, trust in the entire banking sector was significantly eroded, prompting banks to also actively engage in corporate social responsibility (Cornett et al., 2014: 14).

Financial and economic crime takes various forms, such as money laundering, corruption, terrorism financing, insider trading, or non-compliance with sanctions. Therefore, the KYC (European Central Bank, 2021), policy specifies the requirements and methods of control to ensure compliance with regulations related to knowing clients and business partners. It also aims to mitigate the risks of financial, economic, tax, or environmental crimes, as well as social norm violations by bank clients and business partners.

¹ This group of bank clients will be subjected to further analysis.

The KYC procedure (know your customer) is defined as the process related to getting to know the client of a financial institution. As noted by Ostern and Riedel (2020: 156), the Know Your Customer (KYC) policy is described as the process of determining whether a client is eligible for a given transaction. Obligated to apply it in light of the regulations are, among others, banks, accounting offices, insurance companies and intermediaries, payment service providers, investment funds, and postal operators. The essence of the process is to gather information and ensure that the institution's operations with the client will be lawful, and that the client will not use the bank's products for money laundering, terrorism financing, violating national and international sanctions, or other financial abuses. The KYC process also benefits clients by reducing the risk of their inadvertent involvement in crimes, such as unintentionally violating international sanctions.

According to the requirements, the bank identifies and assesses the risk related to money laundering and terrorism financing. The institution is obligated to consider risk factors concerning: clients, countries or geographic areas, products, services, transactions, or delivery channels. The requirements of the adopted KYC policy in banking institutions relate to national, international laws and industry standards. Therefore, the KYC policy reflects the requirements and recommendations accepted by the appropriate authorities in a given country, the European Union, the UN, or the USA concerning the prevention of financial and economic crimes – money laundering along with predicate offenses, terrorism financing, sanctions violations, export control violations, and arms financing.

The discussed policy related to knowing clients, their areas of activity, structure, and business relationships refers to requirements in the following areas:

- prevention of financial and economic crimes and risk management (Financial Economic Crime) in the following risk areas: anti-money laundering (AML) and all predicate offenses, counteracting terrorist financing (CTF), sanctions related to high-risk countries (Ultra High Risk Countries), export controls, and non-financing of arms;
- prevention of tax evasion through the use of banks in foreign jurisdictions, including from the perspective of US regulations;
- customer tax integrity;
- prevention of engagement in prohibited activities under the Effort Sharing Regulation (ESR).

The above guidelines apply to a range of institutions, including those providing services related to innovative investment products (Deng et al., 2009: 18). It should be emphasized that European legislators have updated anti-money laundering (AML) regulations, amending the existing legal framework to specifically address the money laundering risks associated with issuing cryptocurrencies. The guidelines related to the Know Your Customer (KYC) process also apply to companies based in the EU that seek to raise funds through

cryptocurrency issuance. These companies must ensure due diligence on their customers by implementing appropriate processes (Haffke, 2019: 18). Consequently, many researchers are seeking improvements and solutions to facilitate the identification of customer information to verify their eligibility to conduct cryptocurrency purchase and sale transactions. Sinha and Kaul (2018: 1207) proposed a KYC system in which blockchain is used as a general database where customer data is encrypted using public and private key cryptography, a scheme similar to Bitcoin.

However, it is crucial for these institutions to comply with the EU data protection guidelines, especially if personal data is to be stored temporarily. In particular, since May 25, 2018, the General Data Protection Regulation (GDPR) has been in effect, regulating the processing of data by individuals, companies, or organizations (European Union, 2016; European Commission, 2018). Therefore, even if regulatory aspects are not the main focus of information systems researchers designing blockchain-based KYC systems, they must consider the regulations, as these significantly impact the design of their systems. Designing a compliant approach requires gathering deep knowledge of the regulations that the processes must adhere to (Lohmann, 2013: 61).

2. GUIDELINES FOR BANKS

The KYC policy reflects the requirements and recommendations approved by the relevant state authorities, the European Union, the United Nations, and the United States. These guidelines pertain to combating financial and economic crimes. The changing conditions of business operations significantly impact the development of economic fraud. The globalization of the world economy, the free movement of capital and people, and the unprecedented development of information technologies particularly facilitate the growth of economic crime. According to the Uniform Framework for Preventing and Combating Fraud and Corruption adopted in 2006 by the leaders of seven international institutions namely, the African Development Bank, the Asian Development Bank, the EBRD, the EIB Group (European Investment Bank), the Inter-American Development Bank Group, the International Monetary Fund, and the World Bank Group, financial fraud is defined as any act or omission, including the provision of false information, which knowingly or recklessly misleads or attempts to mislead a party to obtain a financial or other benefit or to avoid an obligation (International Financial Institutions Anti-Corruption Task Force, 2006).

In the era of globalization, the need for mutual assistance among member states in the field of taxation is becoming increasingly important. This necessity arises from the increased mobility of taxpayers, the number of cross-border transactions, and the internationalization of financial instruments. These

challenges affect the functioning of tax systems and lead to double taxation, which in turn results in fraud and tax evasion (Directive 2011/16/EU).

The Common Reporting Standard (CRS) is also implemented by the Tax Information Exchange Act with other countries. CSR (Corporate Social Responsibility) refers to regulations developed at the request of the G20² and approved by the OECD (Organization for Economic Co-operation and Development) Council. It is a global standard for the exchange of information on financial accounts, requiring financial institutions to report accounts directly or indirectly owned by foreign tax residents to their local tax authorities. The tax authorities are then expected to exchange information on such accounts. The goal of CSR (Schmidpeter, 2013: 17) is to enable tax institutions to obtain information about financial assets held by non-resident taxpayers and to prevent tax avoidance through the use of tax havens (Rojszczak, 2018: 63). This occurs when taxpayers use foreign accounts to avoid paying taxes and other public liabilities in their country of residence.

The aforementioned aspect is also regulated in the Agreement between the Government of the Republic of Poland and the Government of the United States of America to improve international tax compliance and to implement the Foreign Account Tax Compliance Act (FATCA). This agreement aims to enhance tax compliance for individuals reported to the U.S. tax authorities, specifically American persons who invest and earn income through non-U.S. financial institutions. These guidelines require foreign financial institutions to provide information about accounts held by American persons. If these requirements are not met, the U.S. may consider the institution non-compliant and impose a punitive tax.

In addition to tax offenses, combating money laundering (AML – anti-money laundering) is crucial in banking activities. The AML area is designed to prevent the flow of illegal funds through the financial system. The money laundering process begins with placing money into accounts, where the flow of funds is directed to foreign banks (Gee, 2014: 27), in a seemingly legal manner that does not attract the attention of domestic government authorities. The challenge posed by AML to financial institutions by compliance authorities includes (Usman et al., 2023: 16): the responsibility to verify "Know Your Customer" (KYC) standards, monitor financial activities, take action on accounts deemed suspicious, and generate suspicious activity reports that can be submitted to law enforcement and regulatory agencies. The fight against money laundering is mandatory for every country due to its potential consequences, such as loss of government control over

² It is a group of 20 countries: Saudi Arabia, Argentina, Australia, Brazil, China, France, India, Indonesia, Japan, Canada, South Korea, Mexico, Germany, South Africa, Russia, the United States, Turkey, the United Kingdom, Italy, and the European Union.

economic policy, increased risk of banking system collapse, and issues for small and medium-sized enterprises (Qureshi, 2017: 302).

The AML Act (Regulation 2018/1673 of October 23, 2018) specifies successive stages of proceedings concerning the relationship between a business entity and a bank. Article 34 of the aforementioned Act points to financial security measures, which include:

- customer identification and verification of their identity;
- ongoing monitoring of business relationships with the customer, including;
- ensuring that documents, data, or information regarding business relationships are regularly updated.

Meanwhile, Article 35 specifies cases in which obligated institutions apply financial security measures:

- establishing business relationships;
- suspecting money laundering or terrorist financing;
- doubts about the accuracy or completeness of the client's identification data obtained so far.

Article 41 of the Act describes what happens if a bank cannot apply financial security measures, in which case the entity does not establish business relationships, conduct transactions through a bank account, or terminates business relationships.

The KYC procedure also relies on compliance with guidelines related to EU Regulation 2018/842 (ESR Regulation – Efford Sharing Regulation) – Official Journal of the European Union L 156. Its aim is to align provisions concerning the common effort to reduce emissions by 2030 with the updated EU-wide reduction target in a consistent and cost-effective manner. Sectors covered by the ESR Regulation should reduce emissions by 40% by 2030 compared to 2005 levels. Awareness among business entities regarding reporting related to ESR policy guidelines is increasing. In leading organizations, voluntary reporting contributes to building trust and credibility as part of reputation-building processes (Owen et al., 2001: 22).

Most banks worldwide have implemented account monitoring mechanisms to protect against financial fraud, money laundering, and terrorist financing. The importance of KYC is growing in the face of rapidly increasing data volumes and greater diversity of risk sources (Banks, 2017: 37). However, it is worth noting that not all entities adhere to guidelines (Ting-Hsuan Chen, 2019: 121). The \$180 million fine imposed by the New York State Department of Financial Services (DFS) on Taiwan's Mega Bank in 2016 underscores the importance of KYC policy (Peng et al., 2011: 38).

3. KYC PROCEDURE IN BANKS – THE METHOD OF CONDUCTING AND VERIFYING CORPORATE ENTITIES

The bank is required under the above provisions to verify the Customer to determine if the relationship with them is acceptable. Application of the requirements is necessary:

- before establishing a relationship with the customer and before executing any transactions;
- before conducting occasional transactions of an equivalent value of 15,000 EUR or more, regardless of whether the transaction is conducted as a single operation or multiple operations that appear to be linked;
 - when conducting occasional transactions on behalf of a "random" customer that involve a transfer of funds exceeding the equivalent of 1,000 EUR;
 - if there is suspicion of money laundering, terrorist financing, tax evasion, or transactions involving sanctioned entities, regardless of exemption limits or thresholds;
 - if there is an increased risk of money laundering or terrorist financing, taking into account the country where the customer is based or registered;
 - if there are doubts about the accuracy or completeness of the customer's identification data obtained so far.

The significant part of the above verification relies on advanced programs and systems that monitor customer transaction flows. Most banks already use basic AML systems, but improvements are necessary to comply with current regulations (Guevara et al., 2020: 6). However, crucial in the entire verification process are the bank branch and employees who have direct contact with the customer. They are able to assess the risk level first and provide information on suspicious customer transactions (Butaru et al., 2016: 231). Figure 1 illustrates the stages of verification of business entities by the Bank.

A legal entity always operates through natural persons, so individuals representing the Client in relation to the bank must be identified and their identity and authority to act verified. In the KYC procedure, an important point is the identification of the source of funds and wealth. The aim of these actions is for the Bank to establish that the Client's funds used in business activities do not originate from criminal activities and are consistent with the organization's business purpose.

The risk associated with a client depends particularly on its type and factors related to:

- legal form of the entity;
- ownership structure, capital structure, corporate governance structure/organizational structure;
- entities subject to sanctions (including sanctioned countries);
- related parties.

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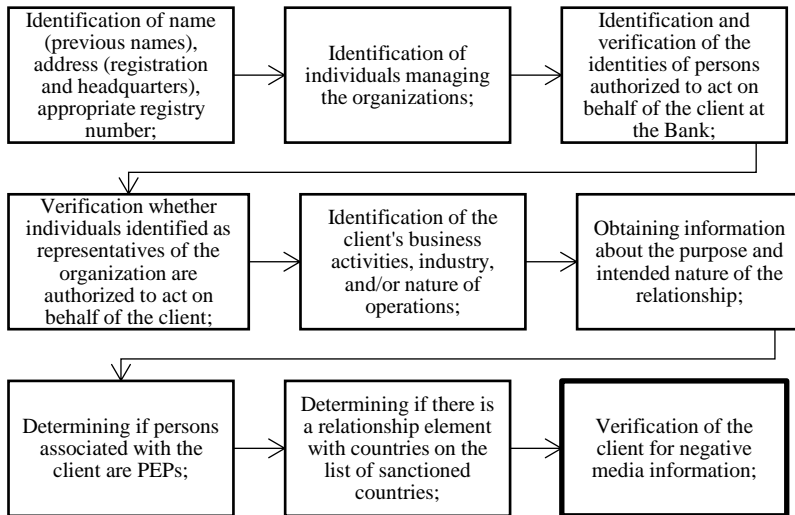


Figure 1. Stages of verification of business entities by the Bank³

Source: own compilation based on: Borrajo et al. (2018: 82); Camino et al. (2017: 109).

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- legal form of the entity;
- ownership structure, capital structure, corporate governance structure/organizational structure;
- entities subject to sanctions (including sanctioned countries);
- related parties.

Additionally, the assessment of a bank client's risk takes into account risks associated with the jurisdiction where the client, as a legal entity, and related parties are domiciled or registered, jurisdictions related to the client's activities, and citizenship of representatives. In situations where the client is a resident or registered in a high-risk country, the institution must apply enhanced security measures (as depicted in Figure 2). High-risk jurisdictions are those countries that have deficiencies in their anti-money laundering or counter-terrorism financing systems (*Doing business in high risk countries*, 2015).

³ PEP – Politically Exposed Persons.

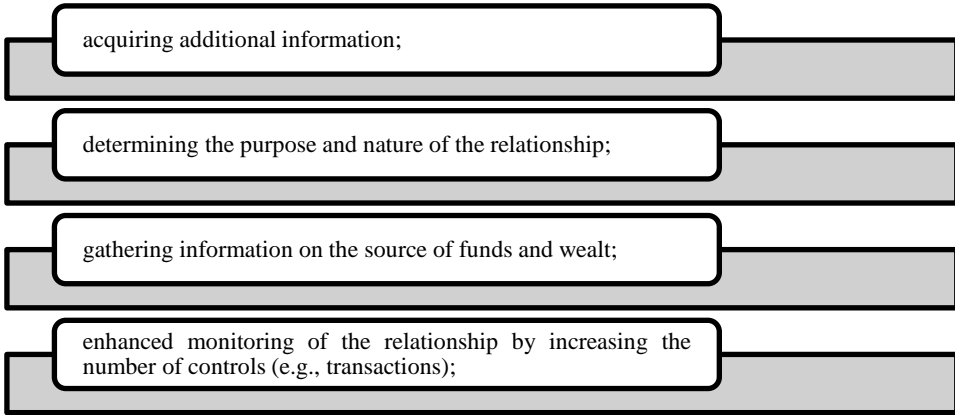


Figure 2. Security measures taken against clients from high-risk countries.

Source: own elaboration.

Countries at high risk are understood as those subject to sanctions or embargoes by the European Union, United Nations, or the United States, identified by the EU as third countries characterized by elevated environmental and social risks. They are identified as financing or supporting terrorist activities, having significant levels of corruption or other criminal activities, including tax evasion.

What is also crucial in client verification is determining industry risk. In many institutions, high-risk industries include those illustrated in the figure below.

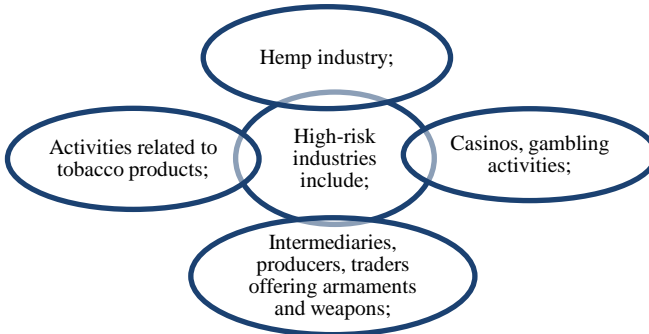


Figure 3. Examples of high-risk industries

Source: own elaboration.

Therefore, based on the above guidelines, it is crucial for financial institutions to conduct transaction screening. The control mechanism aims to assess transactional data before their execution (Chen, 2020: 171). It also ensures compliance with anti-money laundering regulations, counter-terrorism financing measures, sanctions compliance, environmental and social norms violations.

Significant risks also arise in trade finance transactions, understood as strategies and solutions used to facilitate international trade (Patel, 2021: 121), encompassing both domestic and international trade transactions. For these products, the institution checks:

- the beneficiary;
- the carrier in terms of their name and nationality;
- means of transport (ships and aircraft);
- insurance parties;
- agents and inspection companies;
- and other parties specified in transaction documents.

These actions are taken to mitigate the risk associated with handling transactions that may violate embargoes or support the financing of prohibited transactions. The specificity of these products requires thorough control and monitoring of transaction processes.

4. METHODOLOGY

To obtain answers to the research questions, a self-conducted study was carried out. In the first step, a quantitative study was conducted, followed by a qualitative study (in-depth interviews) in the second step.

The study aimed to help find answers to the following sub-questions:

- How do business entities react in the initial stages of cooperation with a bank when they are required to provide detailed information about the organization's structure?
- How do enterprises comply with reporting information about their representatives (management units, owners)?
- How do bank clients perceive the necessity of reporting information about their transactions (in relation to their volume)?
- How do entrepreneurs react to the need to provide additional information about their transactions with third-country partners?
- How do business entities respond to the requirement to provide information about their suppliers and customers?

The quantitative study was conducted on a group of 116 enterprises operating in Europe (in countries such as Germany, the Czech Republic, Poland, and Italy). The survey was conducted between March and April 2024. The selection of respondents was random. The quantitative study was divided into two parts.

The first part concerned the experiences of clients, who are business entities, in cooperating with banks in light of the KYC procedure. The second part related to clients' opinions on the principles and methods of monitoring and analyzing their transactions and relationships, as well as using banking products concerning the KYC policy. The questionnaire used for the study consisted of 18 questions, which addressed clients' experiences and opinions regarding cooperation with banks concerning the discussed procedure. Single-choice and multiple-choice questions, as well as matrix questions, were used.

In-depth interviews were conducted with eight entities classified as small and medium-sized enterprises according to the European Commission's recommendations 2003/361. The sampling was purposeful. Participants were selected based on the difficulties encountered in cooperating with the bank and the length of time they had been in business.

The purpose of the qualitative study conducted in the form of IDIs was to obtain data and deepen the information obtained in the quantitative study. During the individual and direct conversation with the respondent, the focus was on their opinions and views, as well as personal experiences. This aimed to understand the attitudes and impressions that guide the actions of the interview participants. The primary objective of the in-depth interview was to obtain information about what particularly hinders the use of banking services in light of the KYC procedure. Therefore, the respondents were asked the following questions: How does your company perceive the necessity of reporting information about the owners/managers of the organization? What specifically hinders you in performing payment transactions in light of the KYC procedure guidelines? How do you view the requirement to report the source of funds and assets? How does your entity experience difficulties in conducting settlements, payments, and using banking products in your bank concerning the KYC policy?

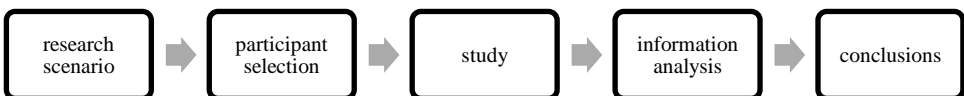


Figure 4. Stages of the Qualitative Study (IDI)

Source: own elaboration.

For the qualitative study, a research scenario was first prepared, followed by the selection of participants for the interview. In the next stage, the study was conducted, and the information obtained during the interviews with business entities was transcribed and analyzed. In the final stage, conclusions were formulated.

5. KYC PROCEDURE FROM THE PERSPECTIVE OF BANK CLIENTS – EMPIRICAL STUDY RESULTS

The study involved entities engaged in business activities or registered in the countries such as Poland, Czech Republic, Slovakia, and Italy. Each of the surveyed organizations utilized services from commercial banks (at least one bank).

Quantitative research conducted shows that 84% of respondents find the KYC policy guidelines enforced by banks unclear from the client's perspective. Additionally, the research indicates that the verification procedure at the bank delays the account opening or transaction process (74%). Figure 5 illustrates the time required to use a product for the first time at a particular institution, such as the account opening time.

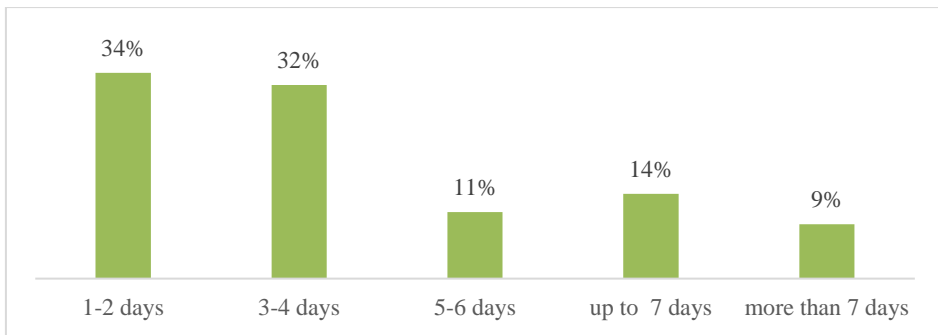


Figure 5. Time to initiate the first relationship with the bank

Source: own elaboration.

Almost 57% of respondents indicated that the time elapsed from expressing interest in using a product to actually using it ranged from 3 to 7 days. Representatives of the surveyed entities emphasized that they were asked by the bank to provide detailed ownership structure, submit representative documents, report the source of funds and assets, and declare tax-related aspects.

90% of the surveyed entities reported that after establishing a relationship with the bank, they were regularly asked (every 12 months) to provide information about the organization, as shown in Figure 6. Some respondents noted receiving requests for additional documents and information more frequently than once a year. These were primarily organizations involved in transactions and relationships with counterparts from the countries such as Nigeria, Morocco, Taiwan, Mozambique, and the Philippines.

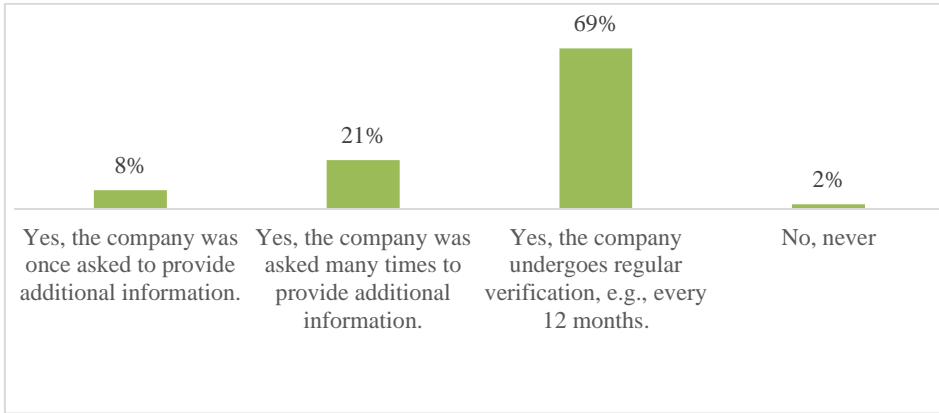


Figure 6. Frequency of reporting information by clients upon request from the bank
 Source: own elaboration.

69% of respondents indicated that they were asked by the bank to provide additional information regarding conducted transactions. For over half of them, this is very burdensome when settling with suppliers or recipients from non-European countries. Surveyed entities declare that this often results in deteriorating relations with counterparts, especially when building new business relationships. Respondents' attitudes towards these guidelines are illustrated in Figure 7.

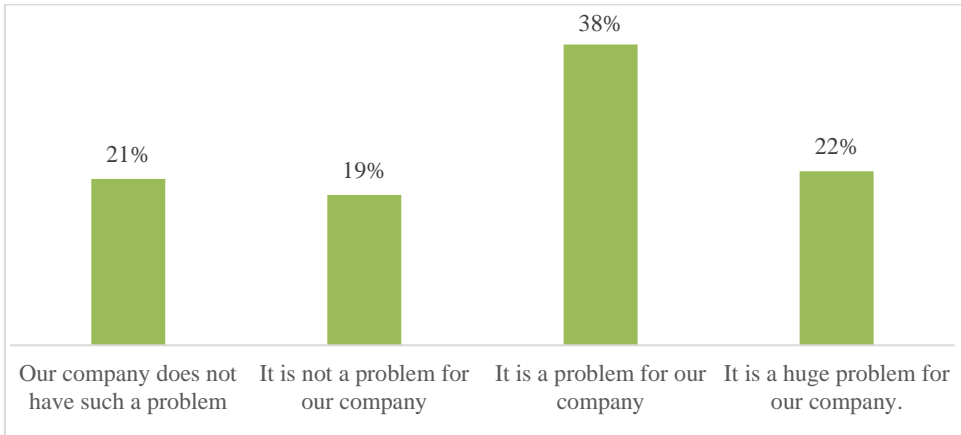


Figure 7. Perception of the necessity to report information about counterparties and relationships with them by respondents

Source: own elaboration.

The survey results show that entrepreneurs do not understand the rationale behind the necessity of reporting information about transactions conducted within their organization – concerning their volume, type, and the origin of the counterparty. The majority of respondents unequivocally state that bank guidelines significantly delay the process of opening an account, obtaining financing, and complicate financial transactions with counterparties (especially those outside of Europe).

After verifying the correlation between the length of business operation, its operational area, the type of services provided, the number of banking institutions the entity collaborates with, Pearson's correlation showed the following dependencies (Table 1).

Table 1. Correlations between enterprise characteristics and the time of starting cooperation with the bank, as well as the frequency of reporting information about the enterprise

Features	The time of starting cooperation with the bank for the first time	The frequency of reporting information about the enterprise
Length of business operation	0,4	0,4
Type of activity: services/production	0,3	0,3
Ownership structure	0,7	0,6
Business activity area	0,6	0,7
Number of banking institutions the company collaborates with	0,2	0,3
Type of banking products used by the company	0,1	0,6

Source: own elaboration.

Significant correlation appears between the time of account establishment and the ownership structure of the organization and its operational area. Enterprises with a simple ownership structure, where representatives are residents of the same country, report that verification proceeds more quickly in their case. Additionally, entities operating in countries like Italy or Czechia indicate that their verification process when establishing the first relationship with a bank was faster compared to Poland and Slovakia (verified for companies with similar ownership structures).

In the in-depth study, respondents accurately pointed out a lack of understanding for the applied procedures in such a formalized manner, as shown in Table 2.

Table 2. Respondents' statements regarding a lack of understanding for KYC guidelines

Respondent	
Respondent 1	"I don't understand the necessity for such detailed verification of bank customers. Banks have access to all information about their clients, so they should rely on that and ask for details only in exceptionally serious situations".
Respondent 2	"We are an organization operating on a large scale. We collaborate with partners in nearly 70 countries. Providing information about the transaction party and its motive is burdensome and creates more tasks and responsibilities for our company. It is a very time-consuming process".
Respondent 3	"Our entity has been operating since 1990. In the past, managing bank accounts and making transfers were not burdened with additional procedures and requirements. From our organization's perspective, implementing additional guidelines for customers is incomprehensible and burdensome".

Source: own elaboration.

Three of the entities queried understood the rationale for applying guidelines in banks; their statements are quoted in Table 3.

Table 3. Respondents' statements regarding understanding of KYC policy

Respondent	
Respondent 4	„We understand the necessity for banks to report information about their clients, and as a company, we try to fulfill this obligation".
Respondent 5	"We have been operating for 2 years, so we understand that all institutions need to get to know us, and we comprehend the numerous questions directed at us by the bank".
Respondent 6	"As a start-up beginning operations, we need to adhere to all guidelines and report information about our activities to entities other than banks as well".

Source: own elaboration.

Entities that have been operating on the market for less than two years feel the need to report information about their activities. They perceive themselves as new market participants, and institutions have a need to gather all relevant information about them. As young organizations, they adapt to established procedures and understand them better than entities with longer operational histories.

Table 4. Respondents' statements regarding barriers encountered in collaboration with the bank

Respondent	
Respondent 1	"In connection with the KYC procedure, due to the invalidity of one of our company's representative's identity documents, we were unable to make transfers for several days. This significantly hindered our operations".
Respondent 2	"We had a situation where the bank did not open a letter of credit with a partner in Morocco, citing their business profile as prohibited activity. This was a bizarre situation for us because this entity was manufacturing machinery for our company. Upon receiving information from the bank, we learned that our partner, according to their business type, was also engaged in weapons production. It is worth noting that this entity did not produce weapons but only safes for storing weapons".
Respondent 3	"We have a very complex ownership structure. Our parent company is located in India, which means we are always asked about various aspects related to the company's operations".
Respondent 4	"We were asked about our partner from an Arab country after we made several payments for purchased goods. After six transactions, the bank inquired about our business relationship with this entity, and we had to provide information on the matter. From our perspective, this was troublesome and time-consuming".

Source: own elaboration.

One of the questions asked during the in-depth interviews also inquired about situations where KYC guidelines affected the course of their transactions, setting up a bank product, or using its functionality. Respondents' statements on this matter are shown in Table 4.

Based on the in-depth interviews, it can be observed in which areas respondents most frequently encountered barriers in cooperation with the bank, stemming from KYC procedure guidelines. The supplementary study allowed for gaining insights into the perceptions and experiences of bank clients.

Banks should communicate their rules and procedures based on which they operate in relationships with clients. Clients should be informed about the necessity of reporting information and the frequency of providing such information. Public trust institutions must adhere to guidelines, but in ensuring transaction security monitoring, they should employ methods and solutions that allow for customer monitoring without causing difficulties for their consumers. Solutions could include: advanced technologies, sharing customer information with other banks or institutions from which the client has previously benefited. Such an approach could streamline the process and not diminish the comfort of business entities cooperating with banks.

CONCLUSION

Banks operating within the European financial system must respond to legal guidelines and norms established by the European Union authorities on one hand, and strive to communicate clearly with their clients on the other. Failure to comply with guidelines can result in legal and financial sanctions, while an excess of complex procedures (as perceived by clients, as confirmed by research) impacts client satisfaction levels and their loyalty to the institution.

Based on an analysis conducted using literature, laws, and regulations, the document illustrates the guidelines that banking entities in EU member states must adhere to. This analysis also allowed for the depiction of the customer verification process (Figure 1). Currently, there is not much research on the significance of the KYC procedure in the functioning of business entities. Some researchers focus on the implementation of this procedure in the blockchain world (Nadine Kathrin Ostern, Johannes Riedel). On the other hand, other authors (Guevara, J., Garcia-Bedoya, O., & Granados, O.; Haffke, L., Fromberger, M., Zimmermann, P.) predominantly focus on the Anti-money Laundering (AML) procedure in the context of financial risk.

Quantitative research and in-depth interviews verified the hypotheses outlined in the introduction. The study confirmed that bank clients do not always understand the verification process related to anti-money laundering and counter-terrorism financing measures. It also highlighted that the requirement for detailed reporting complicates financial settlements for organizations and their use of banking products. By verifying correlations between variables, the study demonstrated a significant relationship between organizational complexity and more frequent verification by banks. It was also proven that entities operating in the market for over ten years more frequently encounter difficulties in reporting information to banking institutions compared to those operating for shorter periods.

Therefore, banks face the challenge of improving the way they gather information from clients. Advanced technologies facilitating information flow between institutions within the financial system can be a supportive solution to this process.

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ZNACZENIE PROCEDURY KYC Z PERSPEKTYWY INSTYTUCJI BANKOWYCH NA PRZYKŁADZIE POLSKI ORAZ POSTRZEGANIE TEJ POLITYKI Z PERSPEKTYWY KLIENTÓW – NA PODSTAWIE BADANIA EMPIRYCZNEGO

Cel artykułu. Globalizacja w świecie finansów prowadzi do międzynarodowego przepływu zasobów finansowych, ale jest także źródłem przestępstw gospodarczych i nadużyć. Stało się to powodem i koniecznością wprowadzenia regulacji dotyczących prania pieniędzy, finansowania terroryzmu oraz unikania opodatkowania. Wdrożenie tych procedur wymusiło przyjęcie przez instytucje finansowe polityki "Poznaj swojego klienta" (KYC). Polityka ta opiera się na zrozumieniu klienta,

jego struktury, zasad działalności, źródeł pochodzenia majątku oraz aktywów. Banki są zobowiązane do zapewnienia, że ich klienci nie uczestniczą w transakcjach uznanych za zabronione i niezgodne z obowiązującymi politykami.

Z jednej strony banki są zobowiązane do raportowania tych informacji; nieprzestrzeganie może skutkować karą finansową lub wykluczeniem z międzynarodowej współpracy. Z drugiej strony banki muszą pozyskać wymagane dane od klienta. Klienci nie zawsze są świadomi obowiązujących regulacji. Dodatkowo, konieczność raportowania wymaganych danych często jest postrzegana jako uciążliwa z perspektywy konsumenta i wpływa na jego korzystanie z produktów bankowych. Dlatego kluczowe jest rozważenie, w jaki sposób klienci powinni być informowani o zasadach raportowania oraz jak ten proces można uczynić mniej uciążliwym z perspektywy konsumenta, jednocześnie pozostając skutecznym w pozyskiwaniu kompleksowych informacji.

Metodologia. Aby znaleźć odpowiedzi na pytania badawcze, zastosowano badanie ilościowe z wykorzystaniem ankiety, która w drugim etapie została rozszerzona o badanie jakościowe – Indywidualne Wywiady Głębokie (IDI).

Celem przeprowadzonych badań było przede wszystkim zbadanie czy procedura KYC jest zrozumiała dla przedsiębiorców jako klientów bankowych. Badanie miało na celu ustalenie, czy regulacje w ramach polityki KYC są postrzegane jako bariera we współpracy z bankami oraz w korzystaniu z usług bankowych przez właścicieli organizacji czy menedżerów. Skupiono się na bankach działających w Polsce.

Aby zweryfikować główny cel, zdefiniowano również szczegółowe cele: elementy polityki KYC, które szczególnie utrudniają prowadzenie transakcji; elementy wytycznych w analizowanej polityce, które stanowią barierę dla korzystania z usług bankowych; czynniki utrudniające nawiązanie relacji z bankiem; oczekiwania klientów wobec podmiotów sektora bankowego dotyczące stosowania polityki KYC.

Na etapie formułowania rekomendacji i sugestii zastosowano metodę generalizująco-syntezy (dedukcja, redukcja, indukcja). Metoda indukcyjna pomogła przeanalizować znaczenie procedury KYC z perspektywy instytucji bankowych, rozpoczynając od konkretnych zjawisk do ogólnych. Z kolei, wykorzystując metodę dedukcyjną, podjęto próbę analizy problemu, rozpoczynając od skutków wdrażania polityki KYC na prowadzenie rozliczeń i korzystanie z usług bankowych przez podmioty gospodarcze będące klientami banku. Na podstawie uzyskanych wyników badań oraz krytycznej analizy literatury możliwe było zastosowanie redukcji, weryfikując tym samym wcześniej sformułowane hipotezy.

Wyniki badań. Badanie potwierdziło, że klienci banków nie zawsze rozumieją proces weryfikacji związany z przeciwdziałaniem praniu pieniędzy i finansowaniu terroryzmu. Podkreślono również, że wymóg szczegółowego raportowania komplikuje rozliczenia finansowe dla organizacji oraz ich korzystanie z produktów bankowych. Poprzez weryfikację zależności między zmiennymi, badanie wykazało istotny związek między złożonością organizacji a częstotliwością weryfikacji klienta przez banki. Udowodniono również, że podmioty działające na rynku przez ponad dziesięć lat częściej napotykały trudności w raportowaniu informacji do instytucji bankowych w porównaniu do tych działających krócej.

Słowa kluczowe: bank, KYC, AML, sektor bankowy.

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