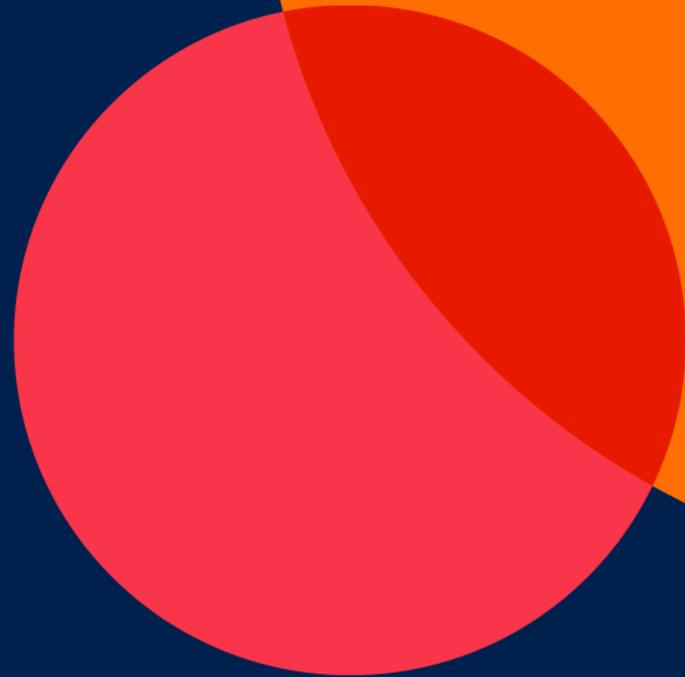




Alicia Bank

**BANKING
CHALLENGES FOR
CHARITIES &
POTENTIAL
RESPONSES**

**Gareth Anderson
Head Of Business Management**



Agenda

- **Why do you and your charity clients often struggle with high street banks?**
- **What are the challenges charities often face when accessing current accounts?**
- **How can you as a charity or accountant respond to these challenges?**

Uncharted territory – or perhaps not?

Dust off playbooks from
the 90's – or even the
70's & 80's?



**For us bankers, it's
been quite a couple
of years...**



Covid had a huge effect on SME lending...

220 £bn

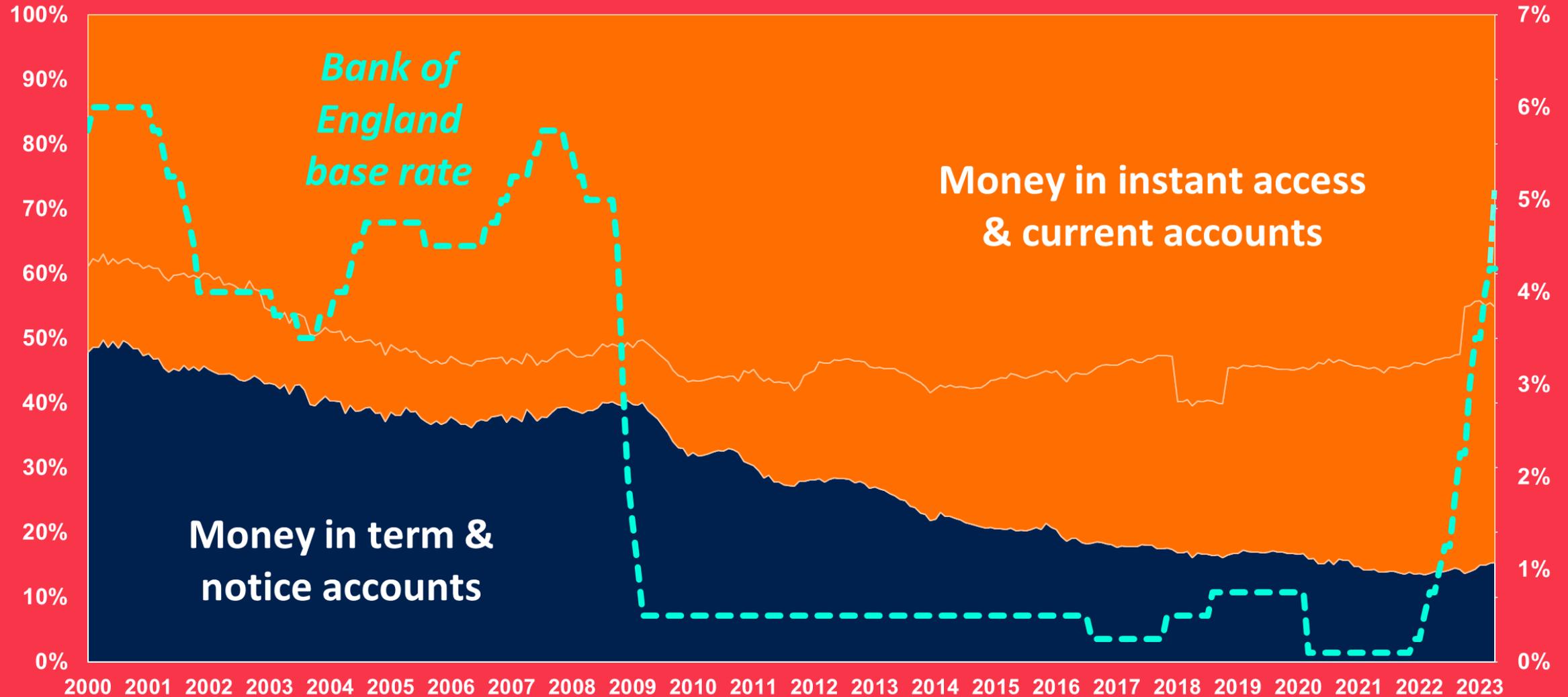


10+ years of SME lending volumes in 1 year

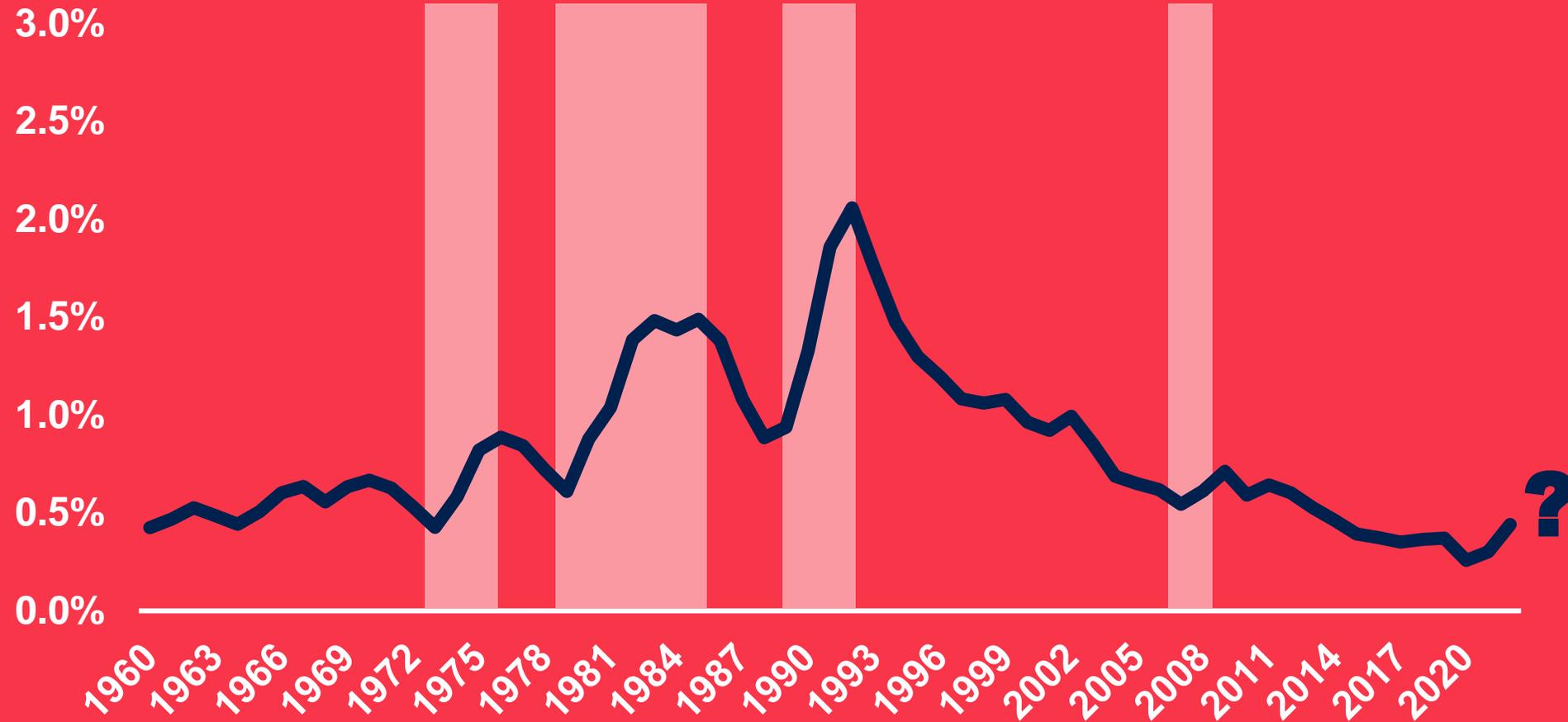
1 in 3 SMEs became highly indebted

Major operational impact from collecting guaranteed loans

Generational shift back to savings just beginning?

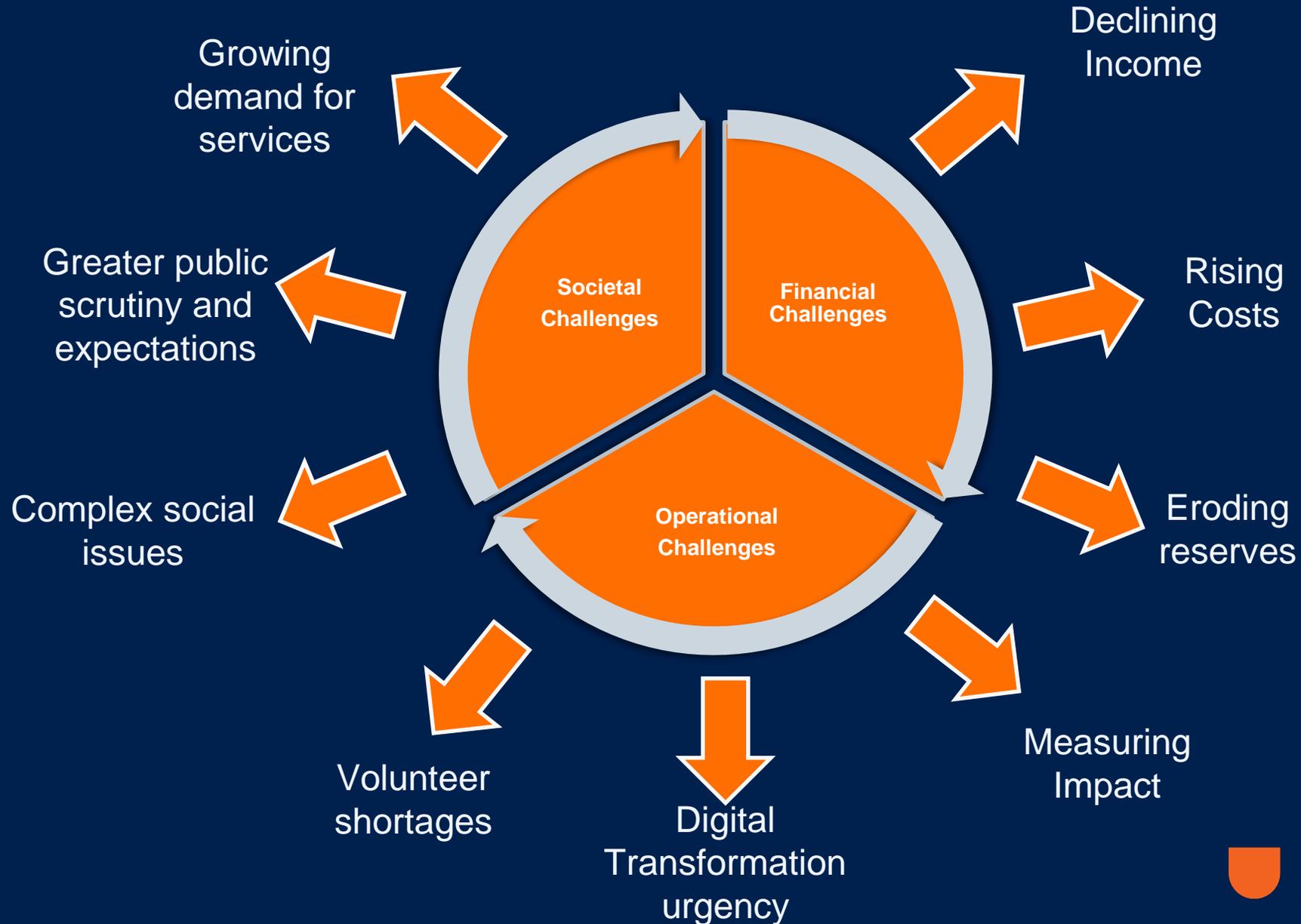


Company insolvencies very hard to call



Sources: (Liquidations as a % of Co's); The Insolvency Service; Companies House; National Archives; Alica analysis

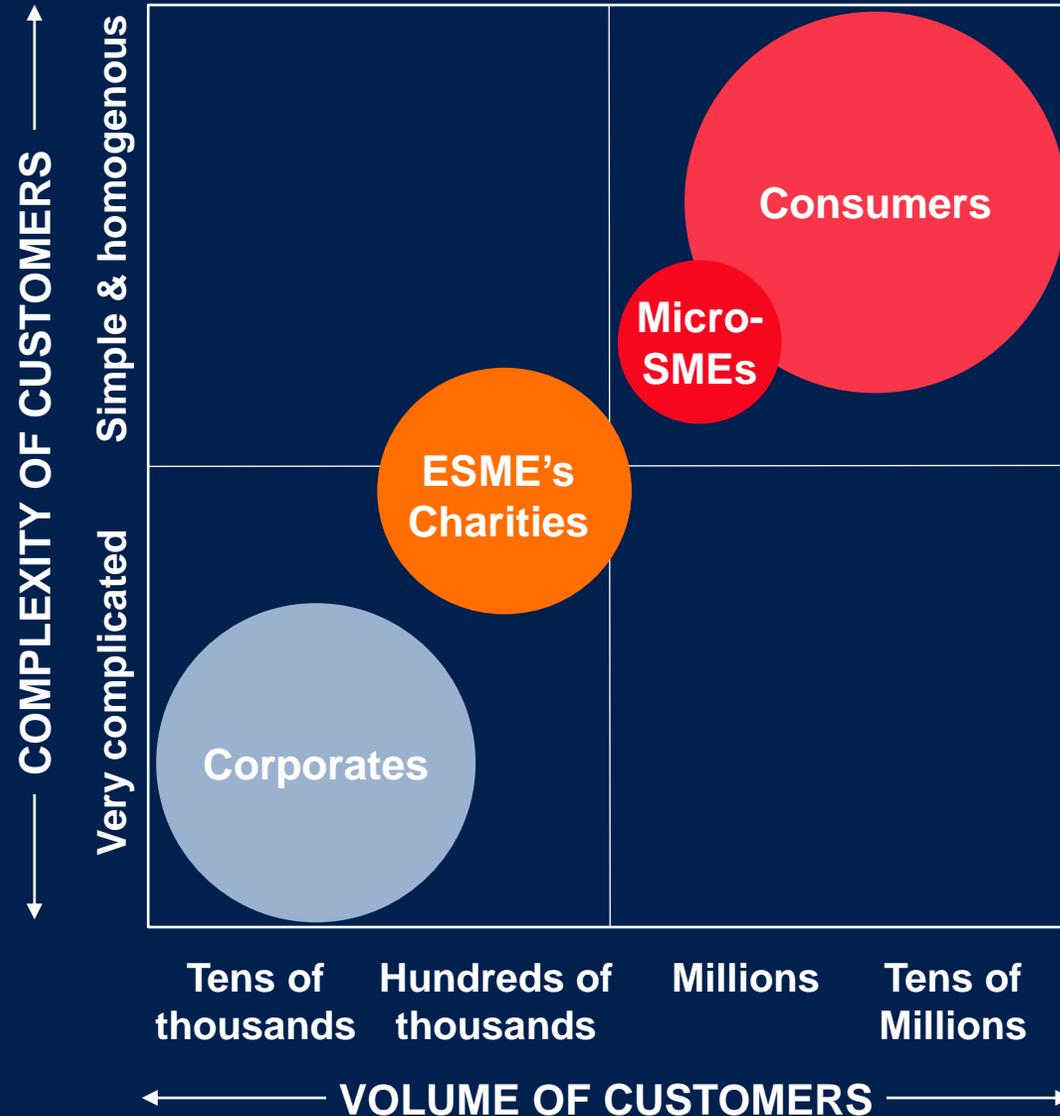
Impact On Charities



**What have business banks
been up to in this time?**



A structural reason big banks struggle



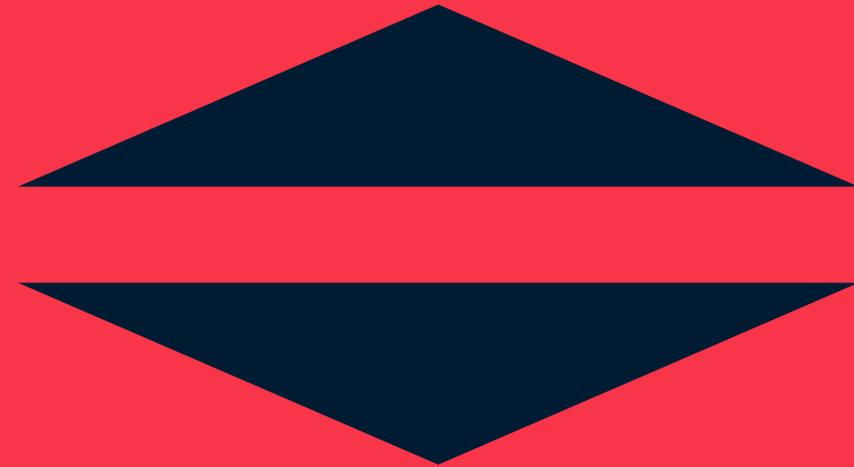
For universal banks
complexity > value

Structural = problem
isn't going away

..& regulation matters – enter ‘ringfencing’

£6.5m
t/o

The corporate treatment:
RMs, FX, ABL, etc



“Your call is
important to us..”

What's up with current accounts?

The theory

The reality

Then this happens..

New customers

You carry out customer due diligence (CDD) on new customers - i.e. KYC/AML

Risk flags (e.g. overseas owners, risky sectors) lead to enhanced due diligence (EDD)

CDD & EDD probably did get done - but it was paper-based and in branches

Did the paperwork make it into safe storage? Can you find it if it did?

Current customers

You do regular CDD reviews

Same owners? Same directors? Same sector?

If not, EDD may be required

More likely you dropped the ball here - harder to monitor

Even if you didn't, it was paper-based etc - can you evidence it?



What if you have to re-onboard every SME customer - at once?

Then what if the SMEs ignore your requests for information?

..& charities?

**Through a KYC lens,
many charities ring
alarm bells - particularly
those working overseas**

**Charities are a perfect
microcosm - many just
considered too small
for the effort or risk**

**..& banks no longer
encourage staff
'common sense'**

A man dressed as a Viking, wearing a horned helmet and having face paint, is shouting with his mouth wide open. He is holding a large, round shield in his raised right hand. The background is a blurred crowd of people.

**After all, we don't have many charities for
peaceful, wealthy, uncorrupt Sweden..**

Banking Challenges For Charities



Banks not prepared to provide bank accounts to Charities



Freezing of bank Accounts



No Longer offering accounts with appropriate controls such as dual authorisation



High transactional charges with little transparency



Withdrawing Of Relationship Managers and personal contact



Months taken to action mandate requests

What due diligence do Banks do?

Before a banking relationship is established



The 'Know your' principles
Identify & Verify



Who are the beneficial owners
and controlling parties



Source Of funds and source Of wealth



Trading & operating locations



PEPs, Sanctions & Adverse media screening

Ongoing monitoring



A trigger event

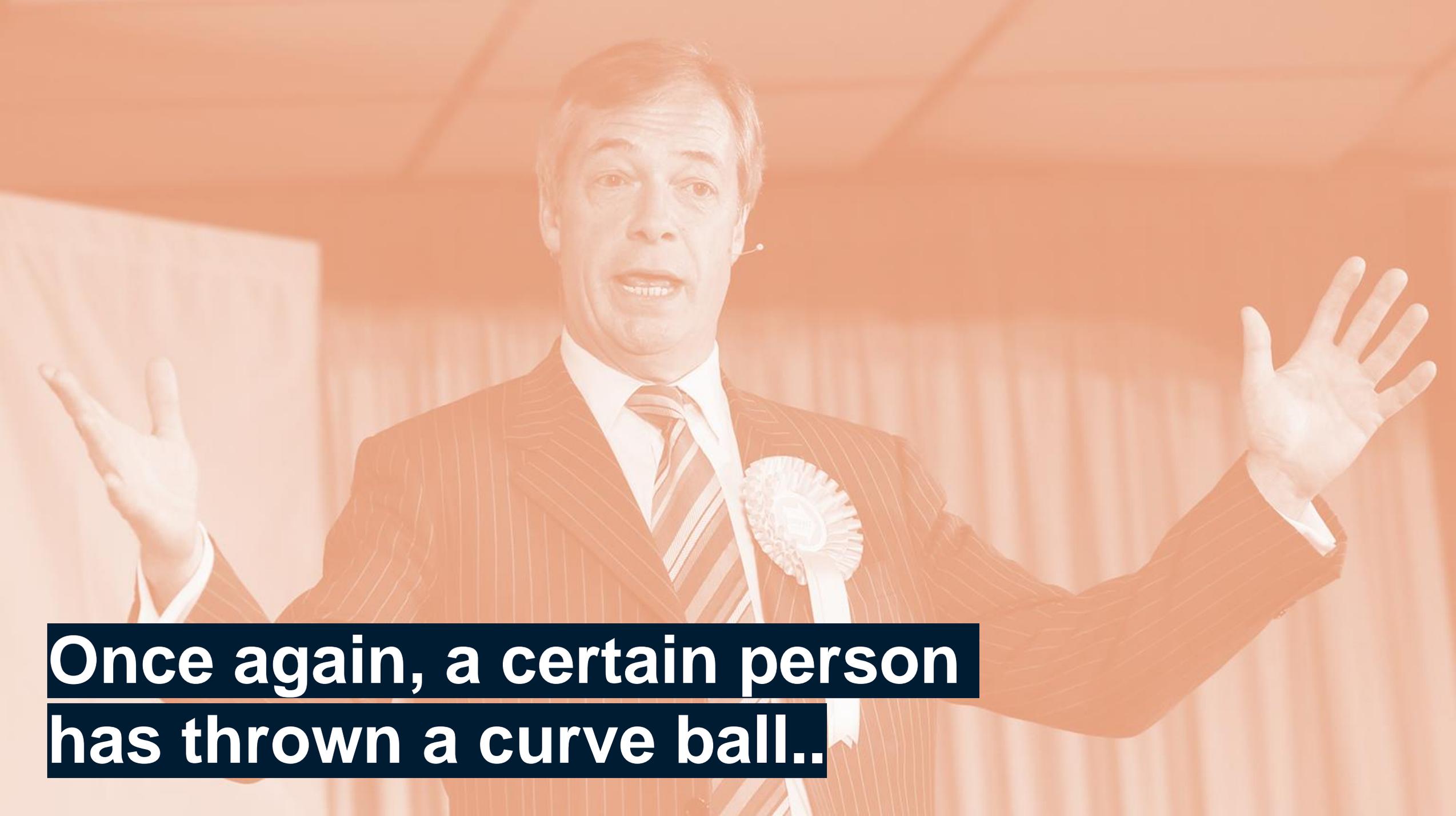
- Change in trustees/ownership
- Adverse media checks through daily screening
- Suspicious transactional activity
- Opening of a new account/product with the bank



Periodic Review

- Standard Risk- Trigger Event or every 5 years
- Medium Risk- Trigger event or every 3 years
- High Risk- Trigger event or **annual review**

Charities are
classified as High
risk



**Once again, a certain person
has thrown a curve ball..**

Does this mean things will change?

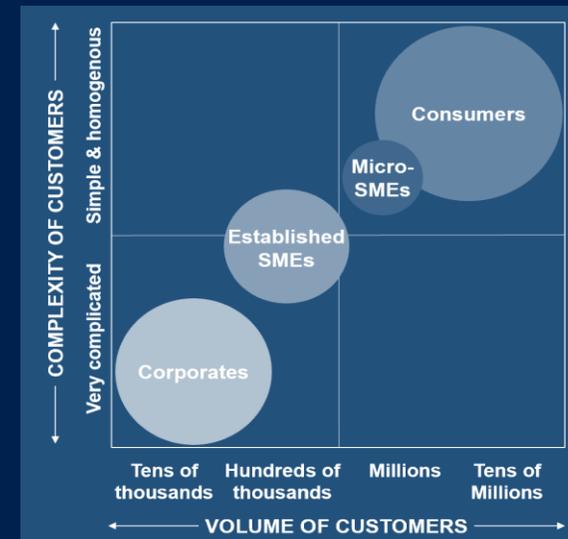
Right now? Probably.

Banks will be sensitive to the reputational backlash from account closures.

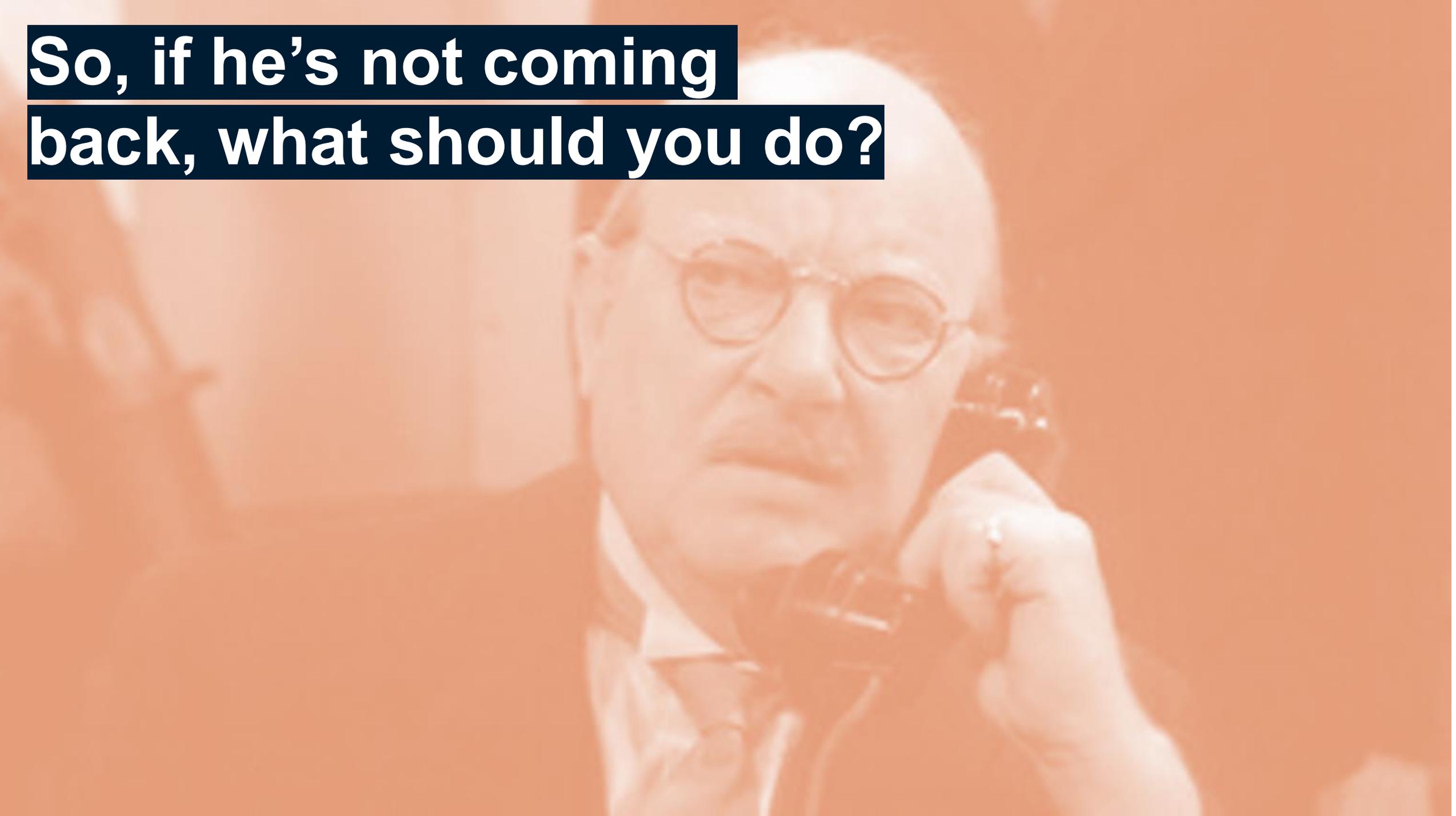


In the future? Probably not.

Remember it's a structural issue. The underlying problem isn't going away.



**So, if he's not coming
back, what should you do?**



Playbook for engaging with the bank

Increasing regulation is putting a greater strain on banks to truly understand and monitor their clients:

- Ownership Structure
- Their nature of business
- Source of funds
- Ongoing transactions

But that doesn't ignore the fact that a disconnect still exists between a banks requirements and a charities ability to satisfy them.



1

Maintain proactive and constructive dialogue with your bank

2

Ensure signatories for each account are correct and kept up to date

3

Keep a KYC pack ready and up to date

4

Don't assume all banks are the same

5

Keep banking under review and run regular benchmarking exercises

Accountants Partnerships

Dedicated Partnerships Manager

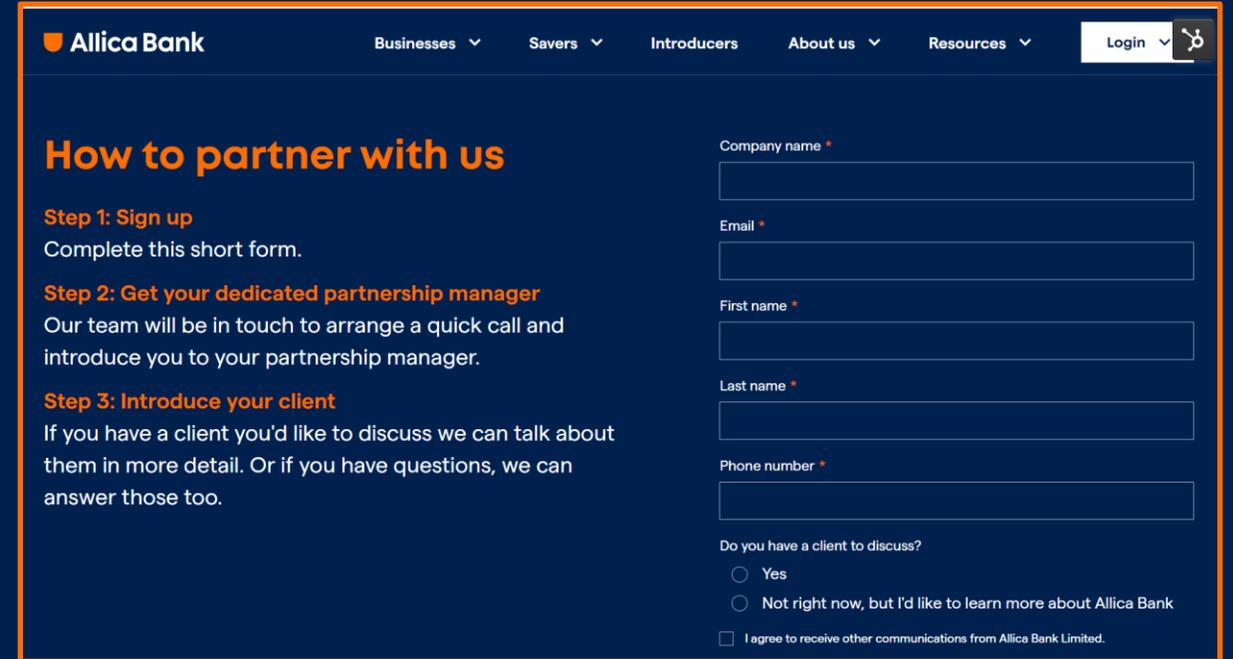
Your **dedicated** point of contact will work with you and your firm to understand the challenges you face and what's important to you and your clients.

Helping you add value to your clients

Your partnership manager will support you when discussing business backing and guide you through the process of recommending Allica. Ensuring your clients have a **simple and straightforward experience** when setting up their account.

Solutions that meet your clients needs

Our market leading AER* gives your clients the **savings they deserve**. If your client needs to borrow money, our average turnaround for decisions are measured in days. *Accurate as of February 2024. Subject to change.



The screenshot shows the Allica Bank website's 'How to partner with us' page. The page has a dark blue header with the Allica Bank logo and navigation links: 'Businesses', 'Savers', 'Introducers', 'About us', and 'Resources'. A 'Login' button is in the top right corner. The main content area is titled 'How to partner with us' and contains three steps:

- Step 1: Sign up**
Complete this short form.
- Step 2: Get your dedicated partnership manager**
Our team will be in touch to arrange a quick call and introduce you to your partnership manager.
- Step 3: Introduce your client**
If you have a client you'd like to discuss we can talk about them in more detail. Or if you have questions, we can answer those too.

On the right side of the page, there is a form with the following fields:

- Company name *
- Email *
- First name *
- Last name *
- Phone number *

Below the form, there are two radio button options for 'Do you have a client to discuss?':

- Yes
- Not right now, but I'd like to learn more about Allica Bank

At the bottom of the form, there is a checkbox: I agree to receive other communications from Allica Bank Limited.

Visit: www.allica.bank/learn-more

Business Current Account Eligibility

- Estimated annual turnover/incoming resources > £500k
- OR at least 5 employees
- AND been trading > 1 year



Questions?