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Non-profit associations

YOUR PATH TO A SUCCESSFUL
BANK ACCOUNT OPENING

Interview with Jerry Grbic, CEO and Camille Seillès, Secretary General, The Luxembourg Bankers' Association (ABBL)



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Why this guide?

Jerry Grbic: **Non-profit associations (asbl – association sans but lucratif) play a vital role in Luxembourg’s society.** They contribute significantly to various sectors, including social services, education, culture, environmental protection, sport and advocacy for vulnerable populations. Given Luxembourg’s international and multicultural environment, non-profit associations also help foster social cohesion by supporting integration, community development, and charitable initiatives. Additionally, many organisations work closely with the government and European institutions based in Luxembourg, further amplifying their impact.

Camille Seillès: **Banks provide essential banking services that enable non-profit associations to manage their finances efficiently, including dedicated accounts, payment solutions, and financial planning tools.** Yet, establishing a relationship with a bank—particularly when opening an account for a legal person—can be sometimes a challenging process.

In response to concerns raised by policymakers and other stakeholders, the ABBL and its members have undertaken several initiatives focused on training, aligning supply with demand, and enhancing education. The present guide is part of this broader effort. **Our aim is to make the opening of a bank account and access to banking services as simple and transparent as possible.**

Who is it aimed at?

Jerry Grbic: This guide is aimed at any **non-profit associations in Luxembourg, large or small**, irrespective of their activities and purpose.

What will you find in this guide?

Camille Seillès: This guide is divided into two parts. The first part **offers general insights on how to establish and maintain a strong relationship with your banker**, from opening a bank account for a non-profit association to managing it over time. It also highlights the constraints and obligations bankers must adhere to. The second part outlines the **information and documents bankers typically request to their clients**, providing a clear overview of what to expect.

How did you go about drawing up this guide?

Camille Seillès: The document you are about to read represents a shared vision of Luxembourg's leading banking institutions committed to supporting non-profit associations. It outlines the **minimum identification and verification standards for opening and managing a bank account for a non-profit association**, offering a clear and consistent framework.

With this guide in hand, will non-profit associations be well equipped to meet identification and verification requirements?

Camille Seillès: This guide sets out a **minimum standard** developed by experts in the financial sector. **The CSSF was also consulted** during the drafting process. While every effort has been made to ensure the information's accuracy, this document is not intended to replace professional advice.

Jerry Grbic: We trust that understanding the legal and regulatory requirements and obligations our members face, and taking them into account, **will enable every non-profit association to approach their relationship with their banker with greater confidence and ease.**

SPECIFIC GUIDES FOR TARGETED NEEDS.

The ABBL also publishes specific guides for other entities:

- commercial businesses.
- co-ownership syndicates.
- trusts and private patrimonial foundations.
- investment funds.

They are published progressively and are available on the website www.abbl.lu

Some key points to consider for a successful banking relationship

Why do banks want to know so much about you?

Know Your Customer (KYC) requirements are the foundation of any banking relationship, ensuring that the bank understands who you are and can serve you adequately. These requirements also help the bank meet its regulatory obligations.

By gaining a clear understanding of your specific needs, objectives, and challenges, **the bank can provide customized solutions that best support your endeavors**. This knowledge builds a relationship of trust, forming the cornerstone of a strong and enduring partnership.

Banks play a crucial role as gatekeepers of the financial system and are therefore required to verify the identity of their customers. Their information requests are driven by anti-money laundering and counter-terrorism financing (AML/CFT) regulations, which obligate banks to ensure the legitimacy of the funds used to establish your organisation. These checks also help the bank assess the potential risks of the business relationship and determine its alignment with their commercial policies.

By understanding the importance of these requirements, you can speed up the account opening process and lay the foundation for a strong, collaborative partnership with your bank from the very beginning.

THE ONBOARDING QUESTIONNAIRE

As part of the KYC process, your bank will require you to complete an onboarding questionnaire tailored to the proposed business relationship. This questionnaire helps the bank evaluate the risks associated with your project before deciding whether to establish a business relationship.

The questionnaire will cover various aspects, including the identification of the organisation as well of its manager(s) and/or any representatives involved in the business relationship.

Additionally, the bank will verify the identity of the beneficial owner(s)— which refers to the individual(s) who ultimately control(s) your association or is legally authorized to bind the association.

Your bank will also request detailed information about the organisation's future activities, the intended purpose and nature of the business relationship, the source of the association's funds or assets, or even those of the beneficial owner(s), depending on applicable circumstances.

These information requests stem from anti-money laundering and anti-terrorist financing rules, which foresee that your bank ensures the legitimacy of the funds allocated to your non-profit association. The prospective business relationship and to evaluate this relationship in accordance with the bank's commercial policy.

Are banks obliged to open an account for a legal person?

In Luxembourg, banks are under no legal obligation to open a bank account for a legal person. They may therefore choose whether to establish a relationship with your organisation.

However, they are legally required to implement a **customer acceptance policy**. This means banks must follow specific rules when deciding who they can accept as clients. These policies are designed not only to ensure compliance with legal requirements but also to guarantee security, prevent fraud, and protect both the customer and the bank.

As part of their operations, all professionals must evaluate potential risks associated with their activities. **These risk factors may include**, but are not limited to:

- the association’s purpose and type of activities,
- particular links with certain countries and the location of the association’s members,
- the origin of funds,
- the involvement of politically exposed persons (‘PEPs’).

RISK POLICIES: CRITERIA SPECIFIC TO EACH ESTABLISHMENT

The outcome of this risk assessment can vary between institutions, depending on their individual risk policies. Based on the assessment, a bank may choose not to enter into a business relationship or may request additional information to mitigate specific risks.

Additionally, changes of circumstances during an established banking relationship could lead to a reassessment by the bank.

It is important to note that each bank may maintain its own list of high-risk countries, which could extend beyond those officially recognized as high-risk under binding legal standards.

Who is the beneficial owner and why is it crucial to identify him?

Banks are required to identify the beneficial owner of any legal entity, except for listed companies under specific circumstances.

The beneficial owner is always a natural person.

If a beneficial owner cannot be identified, the bank cannot establish a business relationship. For existing relationships, if the ultimate beneficial owner cannot be determined, transactions should not be carried out, and the business relationship should be terminated.

Legal entities registered in the Luxembourg Trade Register are obligated to declare their beneficial owner(s) to the Register of Beneficial Owners.

Registration of information on beneficial owners and any modifications of this information must be reported within one month from the moment the entity became aware, or can be reasonably expected to be aware, of the relevant occurrence.

WHAT IS A BENEFICIAL OWNER IN THE CASE OF A NON-PROFIT ORGANISATION?

- › Any natural person with voting right to 25% or more in the association shall be identified as beneficial owner of the association.
- › If no natural person meets the aforementioned criterion, the following persons authorized to bind the association in accordance with its constitutional documents shall be identified as beneficial owner:
 - *for large non-profit associations within the meaning of the law of 7 August 2023 on non-profit associations and foundations, the members of the Board of Directors of the association shall be identified as beneficial owner;*
 - *for other non-profit associations, unless provided otherwise, at least the chairperson and/or the treasurer of the association shall be identified as beneficial owner.*
- › Proof of appointment, e.g. a copy of relevant resolutions, shall be provided to the bank in the absence of registration with the trade register.

Why is it important to provide your bank with accurate, up-to-date information?

Providing accurate and up-to-date information is a key part of your banker's customer due diligence and ongoing due diligence obligations. It ensures **compliance with regulatory requirements** and enables financial institutions to **assess customer risk profiles effectively** and apply appropriate due diligence measures.

The provision of up-to-date and accurate information is hence **essential for a smooth and efficient account opening process**. Indeed, when all necessary information is correctly submitted, this allows a quicker verification and approval, hence reducing delays.

You are also responsible for **informing your bank of any changes in circumstances**, such as a change of address or activity, as these updates may impact your classification as a client and therefore impose additional obligations on your banker.

Note: To streamline the process, your bank may at regular intervals in time request a written confirmation (via a "confirmation letter") to verify that key information about the association remains accurate and up to date.

5 Best Practices for a Successful Banking Relationship

01

Promptly provide all the information and documents your bank deems necessary to process your account application. Only a clear, complete and well-documented application, especially your association's activities, mission and future income projections, will be processed promptly.

02

Ensure that the association's legal form aligns with its contemplated activities. If case of doubt, consult with a legal advisor is recommended. A mismatch between the legal form and the planned activities can lead to delays in processing your account opening request or even result in a negative decision.

03

Promptly notify your bank of any significant changes in circumstances and submit your annual accounts to the Trade and Companies Register on time, as failing to meet this obligation can negatively affect your banking relationship.

04

Changes with respect to authorized signatories and delegations of powers should be notified without delay. This helps ensure that only legitimate representatives are dealing with the bank on behalf of the association and that transaction requests are processed in due time.

05

Bear in mind that each bank has its own risk assessment framework and has discretion in determining the supporting documents required from its clients.

Basic KYC checklist for non-profit organisations

The requirements listed below are a minimum prerequisite for opening a bank account for non-profit associations.

Additional information or supporting documents may be requested depending on applicable circumstances and your risk profile.



01 — Identification of the association

Why does your bank need this information?

This basic information enables the bank to identify your association correctly.

What information will you be asked to provide?

1. Full legal name and, if relevant, trading name.
2. Legal form.
3. Country and date of incorporation.
4. Registered office address.
5. Trade register number (if existing).
6. Contact information
(e.g. telephone, mail and e-mail address, website if available).

What supporting documents will you be asked to provide?

- ✓ Articles of association or equivalent constitutional document.
- ✓ Recent and up-to-date extract from the trade register (*if existing*).



02 — Association Profile

Why does your bank need this information?

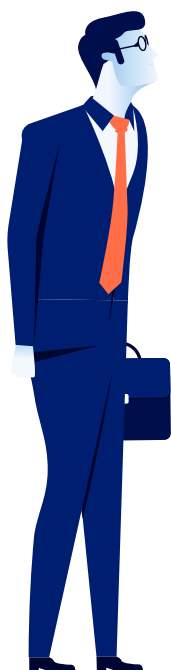
This information enables the bank to understand the association's activities and purpose.

What information will you be asked to provide?

1. Mission and objectives of the association.
2. Countries and sectors of activity.
3. Names and country of establishment of the principal donators and beneficiaries of the association.
4. Expected types of transactions with the bank.

What supporting documents will you be asked to provide?

- ✓ Latest financial statements or failing this, budget or balance sheet.



03 — Origin of funds

Why does your bank need this information?

This information enables the bank to understand the association's funding sources.

What information will you be asked to provide?

1. Sources of funding (*e.g., donations, grants, membership fees*).
2. Geographical and economic origin.

What supporting documents will you be asked to provide?

- ✓ Documentation on source of funds may be required, subject to risk factors.



04 —

Governance and Management

Why does your bank need this information?

This information enables the bank to understand who can legally bind the association.

What information will you be asked to provide?

1. Directors and senior managers' name, date of birth, legal address of residence.
2. Authorized signatories' name, date and place of birth, legal address of residence and nationality.

What supporting documents will you be asked to provide?

- ✓ Governance structure.
- ✓ Valid ID of each person that is an authorized signatory and any other person who can act on behalf of the company towards the bank.
- ✓ List of authorized signatories.
- ✓ Additional documents may be required depending on the risk profile.

05 — Beneficial Ownership

Why does your bank need this information?

This information enables the bank to understand who ultimately controls the association.

What supporting documents will you be asked to provide?

- ✓ Extract from the register of beneficial owners (if applicable).
- ✓ Ultimate Beneficial Owner declaration form ('UBO form'), dated and signed by the representative(s) of the association.
Nb. The bank usually provides its clients with a model form to facilitate the collection of the required information.
- ✓ Verification of the identity of each beneficial owner.
- ✓ Depending on the risk factor, proof of residence may be required.



06 —

FATCA and CRS information

What does it mean?

The automatic exchange of information for tax purposes requires financial institutions to determine the nationality and tax residence of accountholders and their controlling persons.

What supporting documents will you be asked to provide?

- ✓ A self-certification form regarding the association's status under FATCA and CRS.
- ✓ The tax identification number (*TIN*) of the association (*if available*).
- ✓ For passive entities, the TIN of each controlling person (*UBO*) (*if available*).
- ✓ If required, relevant U.S. forms (*W9 or W8-BEN*).

About the ABL

The ABL's mission is to promote the sustainable development of regulated, innovative and responsible banking. The ABL is the largest and oldest professional association in the financial sector. It represents the banking sector in the broadest sense, i.e. the majority of banks established in Luxembourg, as well as regulated financial intermediaries and others in the sector including law firms, consultancies, auditors, market infrastructures, electronic money and payment institutions.

The ABL provides its members with the information, resources and services they need to operate in a dynamic financial market and an increasingly complex regulatory environment. It is an open platform for discussing key industry issues and defining common positions across the sector. www.abl.lu



Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung