




CDD vs EDD – Know the Difference

In the world of compliance and financial integrity, not all due diligence is created equal.

Understanding the difference between Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) is essential for managing risk and ensuring compliance with global regulatory standards.

 CDD = Basic identity checks for standard customers

 EDD = Deeper scrutiny for high-risk clients (e.g., PEPs, offshore entities, high-volume transactions)

Please refer to the visual guide below that outlines the key differences between CDD and EDD:

CDD vs EDD

Feature	Customer Due Diligence	Enhanced Due Diligence
Definition	Basic identity verification for all customers	In-dephh investigation for high-risk customers
Purpose	To identify and verify customers identity	To assess potential for money laundering, terrorism financing, etc.
When Applied	Applied to all standard-risk customers	Required for high-risk customers (e.g , PEPs, offshore entities)
Level of Risk	Low to moderate risk	High risk
Information Collected	Name, address, DOB, ID documents	CDD into + source of funds/wealth, purpose of relationship, background
Monitoring Required	Basic ongoing monitoring	Continuous and more frequent monitoring
Examples of Use Cases	Opening a personal bank account	Foreign politically exposed person (PEP) opening corporate account
Regulatory Basis	FATF Recommendation 10	FATF Recommendation 10 (EDD clause)
Documentat- ion Requirem-	Standard KYC forms, government ID	Additional documents: proof of income, tax declarations, etc.
Reporting Obligation	Suspicious Activity Report (SAR) if risk escalates	Higher chance of SAR due to higher scrutiny

🔒 Remember: Compliance isn't just about ticking boxes — it's your first line of defense against financial crime.

Whether onboarding new customers or assessing existing ones, applying the right due diligence process can protect your institution and reputation.

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