



INTEGER WEALTH GLOBAL

What is KYC due diligence.?

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Know Your Customer (KYC) is the essential requirement for regulated businesses and financial institutions to verify a customer's identity when onboarding or opening an account for example. Customer Due Diligence (CDD) entails conducting background checks along with identifying a business' UBO (Ultimate Beneficial Owner).

With the amount of money laundered each year ranging between \$1.6 – \$4 trillion, the need for KYC due diligence is major. In order to comply with anti-money laundering regulations, it is important to complete these checks to standard. KYC due diligence is crucial in order to provide the necessary information and insight into the potential risks that you could be exposed to through your client.

A strong KYC process should include the following:

- **Customer identification:** Verify new customers' identities before entering into a business relationship. A good KYC programme outlines a reliable CDD (Customer Due Diligence) procedure for all customers, which should also be thorough when dealing with ultimate beneficial owners.
- **Risk management:** Businesses should have internal processes that pick up on risks and provide a course of action should they occur.
- **Ongoing monitoring:** Clients should continue to be monitored to stay on top of their risk appetite. It is important to be able to pick up on transactions that signal fraudulent activity and therefore ongoing monitoring is crucial with keeping an eye on changing behaviours.
- **Ongoing KYC monitoring**
Know Your Customer should not just stop after the onboarding process is complete, it remains vital to understand your customer's risk status throughout the client lifecycle and due diligence requirements. With levels of fraud and money laundering continuing to rise, along with the increased scrutiny from regulators, understanding your customers' changing risk status should be high on the agenda and accelerated in the same way that digital onboarding has been.

There are many variables that are subject to change in a customer's risk profile throughout their lifecycle, including company structures, beneficial ownerships, directorships, and financial stability. For organisations to stay ahead, ongoing KYC monitoring of client risk status will be critical.

Despite the frequency and volume of changing risk profiles, many firms are still relying on outdated manual systems to manage the monitoring of their clients. This may result in human error, bulk remediation projects further down the line, and excess time taken on already limited compliance resources.

There is also the potential for increased risk exposure which opens up to the potential for reputational damage.

Businesses working with manual systems are at a disadvantage when handling their ongoing monitoring process, given the scale of the task. As compliance teams are tasked to do more with less, the use of technology frees up resources for other business-critical work, streamlining the workflow, reducing inefficiencies and tipping the balance back to profitability.



Benefits of an automated KYC process

Automating your monitoring processes will enable you to dramatically streamline and enhance KYC compliance on an ongoing basis. Daily screening, ongoing monitoring and improvements in transaction monitoring mean that firms can execute 'continuous KYC' based on trigger events and safeguard their business whilst achieving compliance with the regulators.

Where manual systems restrict flexibility, automation provides the ability to choose the frequency of verification as it automatically and seamlessly screens against all relevant sources and provides real-time updates. This enables a higher number of real-time verifications throughout the year, rather than an annual screening which may leave your business exposed. By combining the highest quality of data with our leading coverage of PEPs, Sanctions and Adverse Media, you can remain compliant with Anti Money Laundering regulation.

Other benefits include:

- **Better customer and staff experience:** Businesses can reduce compliance touch points with the customer during onboarding and beyond, with dynamic KYC enabling processes to be a lot more efficient and simple for all parties involved.
- **Accurate risk assessment:** Better data capture and quality supports a faster and more accurate risk management. Firms are clustering and consolidating research through advanced machine learning and reducing false positives with intelligent segmentation. In this way, they are building more robust risk profiles and helping to discover customers' true profiles, including ultimate beneficial ownership.
- **Improved customer satisfaction:** KYC can be repetitive and often lead to higher abandonment rates with customers losing patience. With automation the process is sped up and continued KYC ensures customers are protected beyond the point of onboarding.

Some firms are reimagining the approach and methodologies driving risk rating assessments, using the new data to expand risk rating categories and enhance granularity in customer segmentation, products and services. Others are pursuing 'dynamic risk assessment' methodologies, where the customer risk rating is constantly monitored rather than within set periodic review cycles.

In today's technology focused world, you can't afford to leave anything to chance. Accelerating the digital automation for your client monitoring will not only improve your compliance with relevant regulations, but it will also deliver outstanding efficiencies in your processes.