

THE HOLISTIC APPROACH TO
**KNOWING
YOUR
CUSTOMER**

PROTECTING YOUR FIRM AND
ENSURING A BETTER
CUSTOMER EXPERIENCE
THROUGH CONVERGING
FINANCIAL CRIME CONTROLS



A man with a beard and mustache, wearing a dark suit, white shirt, and patterned tie. He has his arms crossed and is looking slightly to the left of the camera with a serious expression. The background is a solid blue color.

FIRMS SHOULD HAVE A **SHARED** UNDERSTANDING OF FINANCIAL CRIME RISK, OVERSEEN IN A CONSOLIDATED STRUCTURE

Financial crime is committed using a wide variety of interconnected tactics, tools and methodologies to defraud and attack both unprepared businesses and vulnerable customers.

New technology has given criminals the ability to employ cybercrime tactics, steal identities, commit fraud and launder the proceeds of crime through complex schemes, all whilst being inadvertently protected by online anonymity and internal confusion.

STEVE ELLIOT
MANAGING DIRECTOR
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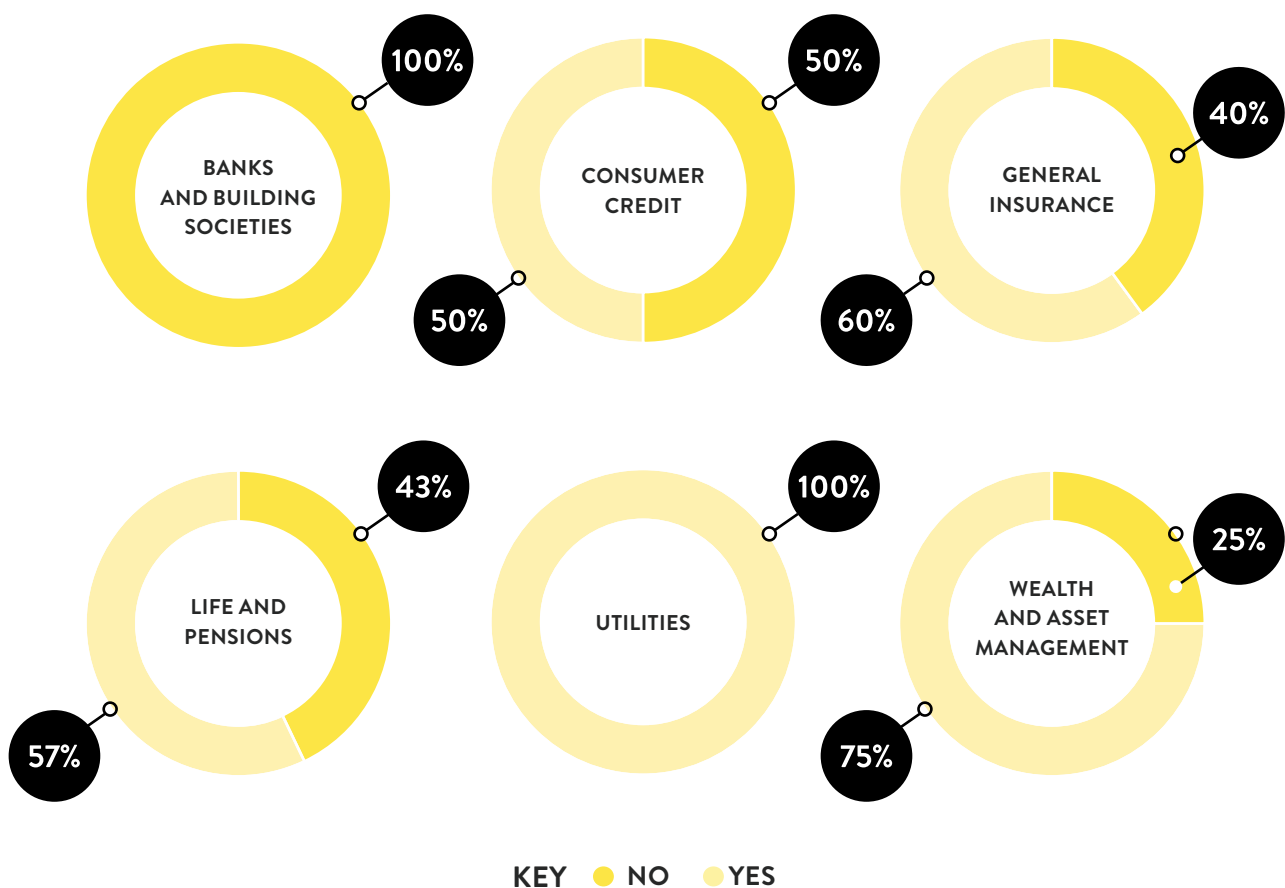
A CRIMINAL CAN USE A WIDE RANGE OF TACTICS TO COMMIT MULTIPLE FINANCIAL CRIME OFFENCES

ARE FIRMS PREPARED TO RESPOND IN KIND WITH A HOLISTIC APPROACH TO DEFENCE?

The first and most important question that should be asked when onboarding a customer is “do we really know who they are?” Financial criminals operate under veils of anonymity and confusion, always looking for weaknesses to exploit within firms’ controls. Businesses must ensure that their defences are not only robust and compliant with regulation, but also balanced against the customers’ needs. Today’s customers expect a frictionless, secure experience throughout their interactions with your company, from their very first step through the door.

The dangers facing firms could be minimised substantially if every element of their financial crime response was considered integral to a whole. Our recent research paper, *Fraud - How to Manage this Increasingly Complex Threat*, highlighted the segregated nature of fraud and financial crime controls in firms across the UK. Some firms were even found to silo fraud controls into different teams with varying operational focuses (e.g. onboarding, applications, underwriting, surrenders and claims), with less communication between these separate teams than is needed.

DOES YOUR FIRM HAVE A CONSOLIDATED REGISTER OF ALL FINANCIAL CRIME CONTROLS (INCLUDING ALL TYPES OF FRAUD)?



Based on research published in Fraud - How to Manage this Increasingly Complex Threat, Huntswood, 2018

Running segregated, disconnected control activities has serious implications for both firms and customers, sometimes resulting in risks not being identified and a less effective control model overall. Such an ineffective approach to screening and continually refreshing the view of your customers will likely result in a slow and frustrating experience. Ultimately, firms cannot simply be tackling financial crime from an internal perspective, they should be employing customer-centric solutions.

Firms should be moving towards operating models that provide control efficiencies overseen in a consolidated structure. Whilst this doesn't necessarily mean individuals should all work in the same team, they should all have a shared understanding of, and responsibility for, the customers accessing their financial services. This holistic approach should be underpinned by clear, standardised risk assessment methodologies which ensure the assessment activity considers specific typologies, emerging threats and process risks.

Financial crime may not have changed drastically, but technology has given criminals new platforms to commit offences with greater speed and access. This creates a greater financial crime risk for firms. In a time of disruption, in which face-to-face transactions are less common, businesses will need to own a holistic approach to financial crime built from a good blend of technology, collaboration and expertise.



THE INTERCONNECTION OF FINANCIAL CRIME CONTROLS

FRAUD PREVENTION

The fraud prevention function within a firm aims to prevent financial loss to a company which may result from the various types of fraud. Their goal is to identify and remove opportunities for fraudsters to steal assets.

ANTI-MONEY LAUNDERING

AML teams scrutinise customers to detect and report suspicious activity that could indicate the laundering of the proceeds of crime. This involves understanding risk factors such as geography, products, transactions and channels.

THE COMMON THREAD

Fraud is a predicate crime, the proceeds of which can then be laundered through the financial system, in some cases (where information is not sufficiently shared between teams) even through the same institution from which the proceeds were stolen. Adopting a more holistic approach to knowing your customer (KYC), with improved communication across separate financial crime teams, will not only reduce loss and reduce compliance costs, but also provide customers with better experiences and outcomes.

THE BENEFITS OF CONVERGING CONTROLS

Some firms may find that segregated controls are more appropriate for their business models, but there are many benefits to combining the intelligence of fraud and AML teams.

1

BETTER CUSTOMER EXPERIENCE

If they are not disrupted by requests for information at every stage of their journey, today's migratory customers will be less likely to switch to a competing service

2

CENTRALISED INTELLIGENCE

Customer risk data could be more effectively managed if it was shared between teams, creating a single customer view within the institution

3

BETTER PROTECTION

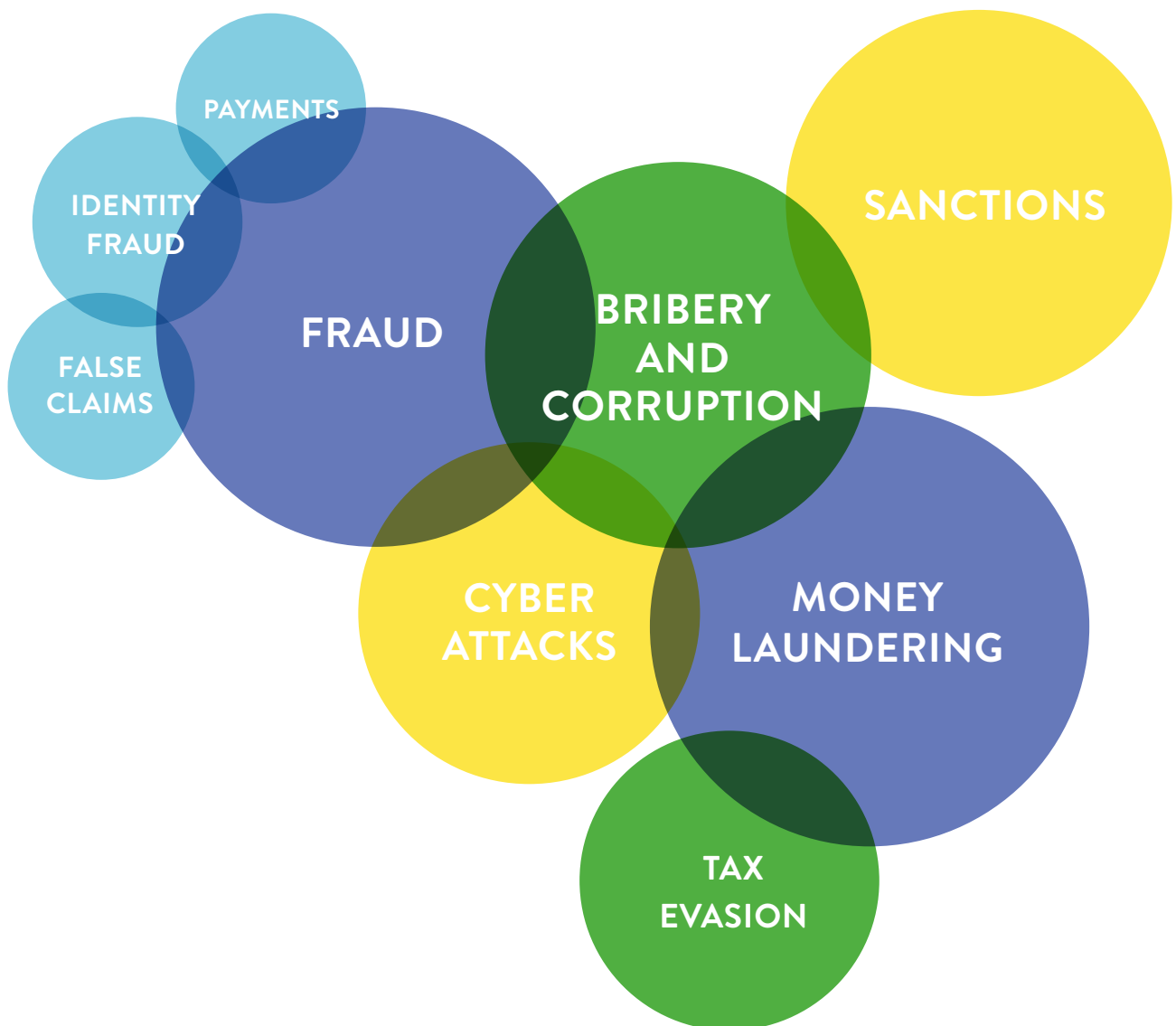
Firms with a shared understanding of controls can leave fewer weak points open for criminals to exploit

4

REDUCING OVERALL COSTS

By unifying disparate teams, firms can significantly reduce the costs associated with determining risk, onboarding customers and continually monitoring them

THE FINANCIAL CRIME THREAT IS A TANGLED WEB



THE KEY TO DEFENDING AGAINST
ALL OF THESE COMPLEX THREATS IS
KNOWING YOUR CUSTOMER
AT EVERY STAGE OF THEIR JOURNEY

MAKING KYC SIMPLE

Truly knowing your customer can prove challenging, particularly for larger firms with various and dispersed business units.

Firms face real challenges in their efforts to ensure they **know who their customers are** (and continue to do so) in an environment where risks, technology, regulations and customer expectations are in continuous flux.

Customers expect better and faster service from firms and regulators expect controls to be risk sensitive (increasingly holding senior management to account when gaps emerge). New entrants to the market are challenging the established order by utilising technology and improved processes to deliver step changes in operational activity.

Firms that have recognised and addressed the challenge are finding they are able to provide customers with dynamic risk ratings and so are equipped to ensure that KYC standards remain relevant to the risk at all times. They can also ensure that data gathering requires only infrequent customer disruption and enables fast decision making for their customers.

The real challenge for firms lies in achieving compliance while also ensuring that KYC checks do not negatively impact customer experience. A truly excellent KYC programme will be risk sensitive, with checks performed in a controlled and holistic manner to reduce unnecessary delay and cost.



COMMON BARRIERS TO EFFECTIVE KYC

1.

RISK CLASSIFICATION

Today, many firms continue to experience uncertainty about how customers, whether they are individuals or organisations, should be risk rated; especially if they do not have adequate and clear information. Firms that use unstructured data are the most likely to be uncertain of both the KYC data that will need to be collected and uncertain of the risk level posed by a customer or their activity.

2.

USE OF EXTERNAL DATA SOURCES

Firms should not rely solely on external data for their KYC controls. A wide range of commercial providers give firms access to data that may be used to check the identity and highlight the risks posed by a customer. However, this data needs to be 'cleansed' and enriched with a firm's own understanding of the customer before it truly becomes usable.

3.

INTERNAL BARRIERS

KYC checking is often performed by different teams at different points within the customer journey. For example, onboarding teams complete checks to enable customers to open accounts, separate payment teams check KYC prior to transacting and fraud teams might later check prior to approving changes to standing data. Some firms have not integrated these separate KYC checks into a whole, and so are missing out on the opportunity to make more operationally efficient checks.

4.

THE WRONG BLEND OF HUMAN AND MACHINE

Finding the right balance of technology and human resources is difficult for many firms. Some find themselves operating inefficiently, with higher compliance risks, as a result of a low take-up of automation tools. Others rely too much on technology and risk generating a high number of false-positive or false-negative alerts that later take human resources and time to review.

5.

RELIANCE ON OLD TECHNOLOGY AND LEGACY SYSTEMS

Firms risk becoming less competitive and seeing increased compliance cost if their checking and screening processes are completed using legacy systems. The temptation, especially for firms with budget constraints, is to continue with existing providers, continuing to use solutions that become less effective (and ultimately more expensive) over time. Sometimes, a leap of faith into new systems, technologies and providers is necessary to remain competitive.

A portrait of Linglin Song, a woman with long dark hair, wearing a dark blazer over a yellow and black striped shirt. The background is a solid yellow color. A large white circle is overlaid on the right side of the image, containing the main text.

**A CONTINUOUSLY
REFRESHED AND HOLISTIC
CUSTOMER SCREENING
PROGRAMME CAN
SIGNIFICANTLY
MITIGATE
FINANCIAL CRIME RISK**

LINGLIN SONG
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BREAKING DOWN BARRIERS: OPPORTUNITIES AVAILABLE FOR FIRMS

Far too frequently, firms design their KYC solutions around compliance and data security priorities without giving sufficient weight to the significant customer service and operational efficiency results that are attainable. One cause of this that we have found is the continually evolving nature of financial crime controls. Additionally, we have discovered that firms' compliance teams commonly design financial crime controls without sufficiently communicating with operational teams.

Firms can simplify their operating models and ease operational processes by designing a KYC model that reflects both business and customer requirements.

SOME OF THE OPPORTUNITIES AVAILABLE TO FIRMS GETTING IT RIGHT INCLUDE:

1.

FASTER, BETTER QUALITY PROCESSING

Consolidated operational processes are often optimised processes, or on their way to improvement. KYC checks can be completed faster and with less points of contact. This means customers are onboarded smoothly, their processing requests are completed faster and their transactions are approved with less disruption.

2.

A REDUCTION OF PRESSURE ON HUMAN RESOURCES

There are elements of the KYC process that are repetitive and require multiple decisions to be made quickly. However, automation can result in significant cost and time savings while reducing human error. Robots and AI programs can work 24/7 to speed up the KYC decision making process.

3.

IMPROVED TECHNOLOGY

A holistic approach to KYC controls, in which fraud prevention and AML teams share knowledge, can enable firms to maximise machine intelligence, allowing the completion of multiple types of checks, in less time. Instead of using different solutions to complete KYC checks at different points, single solution technology can be utilised to perform checks, assess risk, verify or validate identity, and more.

4.

SHARING KNOWLEDGE

Increasingly, firms are developing Financial Crime Intelligence Teams to ensure that the risks associated with specific customers are identified and managed. Combined intelligence teams are also in a better position to be proactive in identifying all emerging threats (e.g. changes to risk profiles). In turn, this ensures that firms' products meet customer needs, vulnerable customers are identified, and low risk customers are 'fast tracked' through a simplified structure.

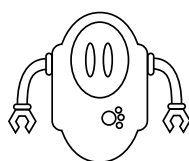
HUNTSWOOD CAN SUPPORT YOUR KYC PROGRAMME AND IMPROVE CUSTOMER EXPERIENCE

OUR FOUR STEP APPROACH:



MEASURE

Our financial crime experts meet with you to discuss your specific challenges and needs. We then analyse and benchmark the effectiveness of your existing KYC processes against these needs, your peers and current regulation.



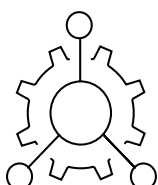
INNOVATE

Together with your firm, we develop an appropriate solution to meet your goals - including any technology requirements - and run an initial 'proof of concept' test to ensure it will deliver the outcomes you expect.



ENHANCE

Our team of experts work with you to integrate and embed the financial crime solution within your firm through tuning, training, governance and regulatory and technological support.



DELIVER

Huntswood will continue to operate the new KYC solution and support your firm for as long as you need us. The holistic solution we embed, coupled with ongoing and personal collaboration, will help you deliver better outcomes for your firm and its clients.

A HOLISTIC SOLUTION

Huntswood can offer both end-to-end and bespoke solutions to fill the gaps in your financial crime controls. Our solution is designed with customer experience, operational efficiency and compliance at its core. We offer real-time KYC solutions that are flexible and tailored to your needs.

Knowing your customers in real-time can significantly assist you with complying with AML regulations and sanctions. It is important to note, however, that regulatory risk does not stop at onboarding. Ongoing monitoring is needed to mitigate risk going forward. The Huntswood holistic solution has this concept at its core.

We want to make sure your firm succeeds, meets regulatory obligations and gives your customers the best experiences and outcomes possible - all whilst effectively mitigating business risk in a cost-effective way.

Huntswood has a successful track record in supporting the delivery of assured KYC processes, combining financial crime advisory, managed client services and robotic process automation. Our ability to fine-tune the right solution for you blending automation and human resources will ultimately help your firm deliver exceptional customer experience. Contact us for a commitment-free demonstration.

THE BENEFITS OF A HUNTWOOD MANAGED HOLISTIC DEFENCE TO FINANCIAL CRIME INCLUDE:

**FASTER
PROCESSING**

**COMPETITIVE
ADVANTAGE**

**IMPROVED
CUSTOMER
EXPERIENCE**

**RESOURCES
AND
AUTOMATION**

**LOWER
COSTS**

**EMBEDDING
REGULATORY
ASSURANCE**

**IMPROVED
QUALITY**

**FLEXIBLE
AND
SCALABLE**

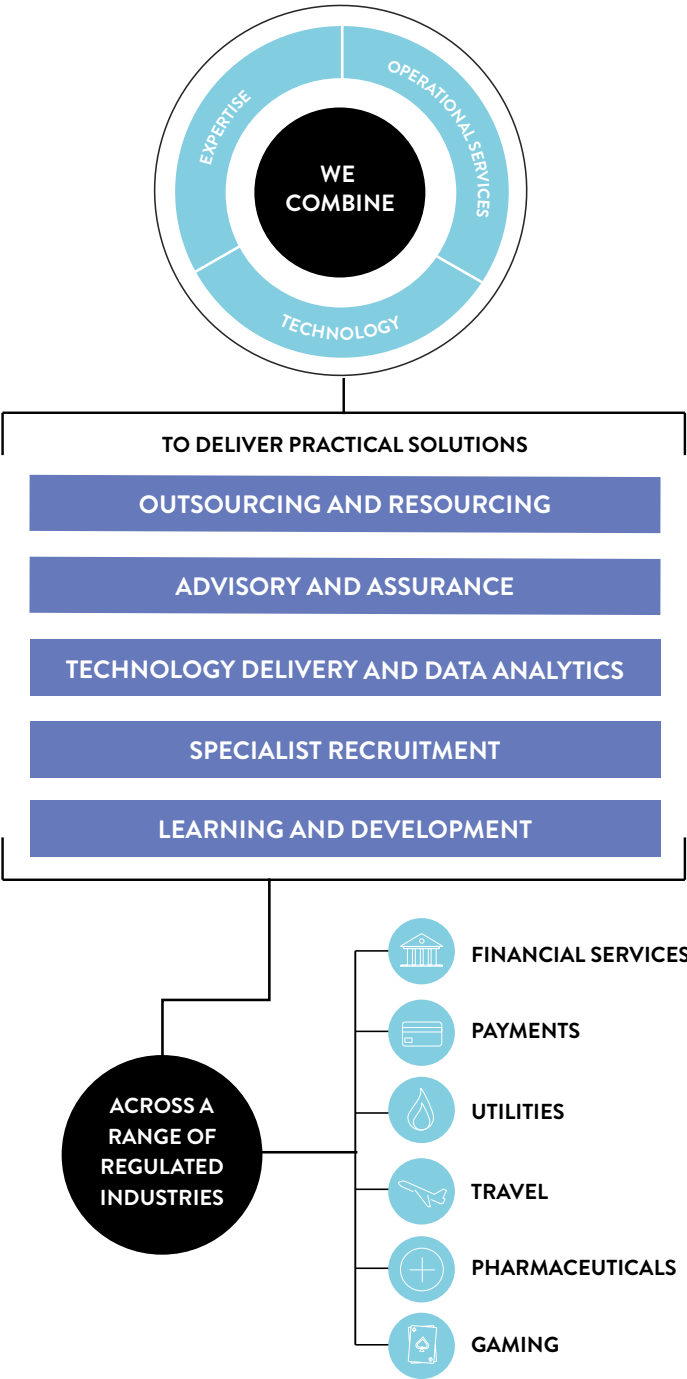
ABOUT HUNTSWOOD

HUNTSWOOD’S AIM IS TO DRIVE BETTER OUTCOMES - FOR OUR CLIENTS AND THEIR CUSTOMERS.

We achieve this by combining expertise, technology and operational services to deliver practical solutions that help regulated firms deliver high quality services in a cost efficient way, while effectively mitigating business risk:

- Outsourcing and resourcing
- Advisory and assurance
- Technology delivery and data analytics
- Specialist recruitment
- Learning and development

We support clients across a range of regulated industries: financial services, payments, utilities, travel, pharmaceuticals and gaming.



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