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AML in 2020
KYC utilities

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what is a
KYC utility?

Nick **Ford, Encompass**

Successful compliance and risk management programmes within financial institutions depend on effective Know Your Customer (KYC) processes, yet most have found these processes to be onerous, both in terms of time and cost.

This challenge is further complicated by an ever-changing and progressively stringent regulatory landscape.

As a result, consortiums of banks, governments and vendors have explored the possibility of reducing costs and improving customer service through the establishment of industry-wide KYC processors or uilities, with the aim of standardising KYC processes.

If designed and executed properly, the potential benefits of a shared infrastructure are clear – not least when it comes to raising KYC compliance standards across the financial industry as a whole. However, there are challenges, such as costs.

objectives of a shared KYC utility

A utility should provide benefits to all of its stakeholders - from the participating banks and their customers to regulatory authorities.

For banks, the desired outcome of the utility is to streamline KYC and customer onboarding, reduce costs and enhance KYC standards and auditability. Customers should benefit from a smoother customer onboarding journey and experience, as a result.

From the perspective of regulators, the primary objective of a successful utility should be to raise confidence that banks are working to the highest KYC standards, allowing them to combat financial crime, money laundering and terrorist financing.

what does success look like?

Through previous attempts to launch a KYC utility, we have learned of the challenges and just how important it is to recognise that, despite all the participants operating under the same legislative and compliance regulations, one size will never fit all.

Participants' interpretations and, importantly, risk appetite will vary greatly. To succeed, there must be a deep level of understanding of the needs of each participant in terms of existing processes, methodologies and, crucially, requirements.

This varying needs and requirements place extra demand on the utility operator to select and deploy highly configurable best-of-breed technology, data and processes in the early stages. There also has to be a degree of flexibility and adaptability, as initial requirements often evolve. An agile approach and design thinking are essential to ensure the utility truly delivers value and has an impact.

A utility simply won't work if its infrastructure is not future-proof, especially when it comes to advancements in regulation, technology or user experience expectations.

about **Nick Ford**
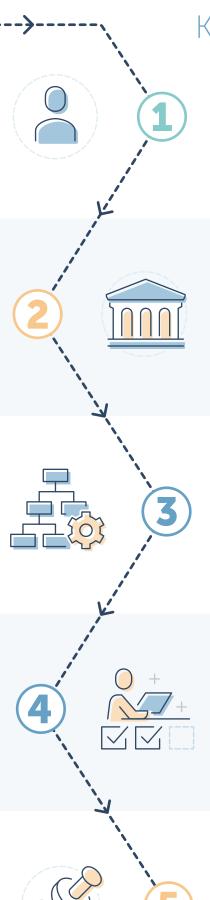### Vice President Distribution & Alliances | Encompass

As Vice President for Distribution & Alliances at Encompass, Nick is responsible for leading the overall strategy and revenue growth from partners and distributors globally.

Nick joined Encompass at the end of 2017, bringing a wealth of business development and sales experience within the financial sector. Nick has a deep understanding of KYC and client onboarding, data and the adoption of new technology and services.

Prior to Encompass, Nick worked for a global information services provider within risk managed services and more specifically within KYC managed services. Prior to that, Nick gained a decade of sales and business development experience in various firms, both in the UK and South Africa.

KYC **client onboarding** journey

CUSTOMER

1

Makes application to open account via **Bank** user interface or app.

BANK

2

Acknowledges application, checks if **Customer** already exists in system or if existing **Customer** data is out of date/inaccurate.

Application passed on to **KYC utility** via API integration for processing.

KYC UTILITY

3

Notified of application request.

All details present/correct

Automated policy is run to conduct initial due diligence, request/receive data from pre-defined data sources.

Details missing/incorrect

Notification sent to **Bank** to follow up with **Customer**

KYC UTILITY

4

Quality assurance and quality checks (QA/QC) performed; additional onboarding checks and analysis completed by KYC utility operator.

All details present/correct

Risk rating can be applied to **Customer** based on **Bank** risk categorisation.

Details missing/incorrect

Notification sent to **Bank** to follow up with **Customer**, or request for further information handled by **KYC utility** operator.

BANK

5

Results of **KYC utility** returned to **Bank** via API.

Decision on **Customer** onboarding determined by **Bank**.

KYC utilities
a 2020 perspective

Damien **de Chillaz**, **Capgemini**

What does 2020 have in store when it comes to KYC utilities and what will be the main focus going forward?

We asked **Damien de Chillaz**, who works as Head of Blockchain and B2B Platforms at **Capgemini**, for his views, and here's what he had to say.

what do you expect to see in shared KYC utilities in 2020?

2020 will be the year of corporate digital identity, structured around the emergence of shared KYC utilities, with regional or global footprints. This mega trend is developing as the backbone of trusted business ecosystems, with KYC onboarding as the first step of any B2B relationship.

KYC remains a complex mix of primary sourcing and identification, daily screening and real-time risk monitoring that requires a real paradigm shift in the way data and documents are collected, processed and verified.

can you tell us more about next-generation shared KYC utilities?

These next-generation shared KYC utilities generally focus on mutualising data, processes or IT infrastructures as a way to reduce duplication of efforts, both on the banking and corporate side.

The most ambitious ones target the orchestration of a full end-to-end onboarding process, ranging from data collection and pre-filling to ID&V, unwrapping and screening. Straight-through-processing (STP) by default is a key design principle with continuous process improvement in mind. Delivering such a value proposition requires the right combination of infrastructure, technology and Smart BPO capabilities, assembled in a modular design.

Distributed ledger technology, especially R3 Corda, can enable the private, consent-based, secure and tamper-proof sharing of information required for the KYC process itself. This is exactly the purpose of Blue Catalyst, the Cordapp developed by Capgemini.

what work is already underway and how will that develop?

Encompass and Capgemini, together with a set of best-of-breed partners, are joining forces to help design and build those next-generation shared KYC utilities, and turn them into successful initiatives at a global scale.
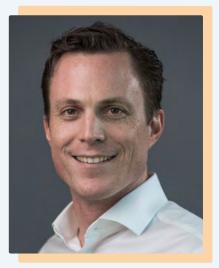
about **Damien de Chillaz**
Head of Blockchain and B2B Platforms | Capgemini

Damien focuses most of his time on strategic projects like Blue Catalyst, aimed at connecting banks and corporates around a global platform enabling the collection of KYC data and documents.

He joint Capgemini in 2016 as account executive of AXA in France, with special leadership on Blockchain for Financial Services.

Before joining Capgemini, Damien spent thirteen years at Société Générale Investment Banking in various front-office positions in acquisition finance, equity derivatives and fixed income, including 10 years in New York, and 18 months in London. Damien graduated from École Polytechnique (X98), École des Ponts et Chaussées and Science Po (Master degree in Finance). He is a member of the advisory network of the Zermatt Summit Foundation, whose motto is "Humanize Globalization".

about **Encompass**

Encompass automates information and news discovery for KYC requirements for client onboarding, event-driven refresh and remediation.

Driven by your internal policies and choice of reliable, independent sources, **Encompass** constructs corporate ownership, discovers beneficial owners, and comprehensively screens entities and persons for risk.

Our advanced intelligent process automation dynamically builds a comprehensive KYC profile from multiple sources, including corporate registries, company and regulatory data, adverse media and identity verification - enabling fast, confident decisions. Incorporating leading biometric and eIDV sources for individual KYC verification, **Encompass** delivers a single platform to manage every type of customer.

Find out more at **encompass**corporation.com.