



encompass
the full picture, fast

EBOOK

Delivering digital KYC

Increasing **managed
service providers'**
value proposition

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When complying with anti-money laundering (AML) and counter-terrorism financing (CTF) legislation proves challenging, many regulated companies turn to Managed Services Providers (MSPs) for help.

While global labour arbitrage is proven as a lever to reset the economic basis when outsourcing business processes, audits commonly expose elements of ineffectiveness within Know Your Customer (KYC) operations.

The big opportunity for smart MSPs is to reimagine the work of KYC, to shift how they solve a pressing problem, to share their vision with their clients, and ultimately be their guide in a journey of digital transformation of risk and compliance operations. This approach is to the advantage of the MSP and their clients when it addresses shortfalls in efficiency and effectiveness.

While digital transformation initiatives carry risks, partnering with best of breed technology vendors offers MSPs and their clients a means to mitigate these. As a regtech partner, **Encompass** has established a reputation with financial services institutions - with corporates and with their MSP partners - for having the innovation and the reliability needed to get the job done. The **Encompass** platform accelerates productivity and improvements while promoting operational flexibility and lays the foundation for truly effective KYC.

Partnering with **Encompass** supports MSPs in their quest for success as they work to transform KYC operations and help their clients to bring non-financial risks within a management regime designed as adaptable to evolving regulation.

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The opportunity in risk and compliance for MSPs

Regulatory interventions continue to generate a mounting toll of fines for AML/CTF compliance failures within financial institutions.

A reflex response of investing heavily in people and manual controls results in burgeoning economic costs related to operating KYC business processes, but with no guarantee of better outcomes.

The reality is that the work of KYC required by AML/CTF legislation is proving a difficult challenge for many regulated companies.

Inefficient KYC operations manifest as poor service experiences delivered to corporate customers. The average time taken by a bank to onboard a corporate client is 32 days and these clients' treasury teams spend, on average, 26 days a year responding to requests for information from compliance professionals.

After years of compliance budget expansion following the 2008 financial crisis, many institutions are now focused on growth opportunities. While they direct new investments to Client Lifecycle Management (CLM) technologies and encourage business units to launch innovative new products and services at speed, executive teams are setting cost reduction targets for compliance.

This rebalancing creates opportunities for MSPs capable of demonstrating how investments in digital operating models reduce the cost of KYC operations while accelerating risk evaluations and onboarding, and repay themselves in downstream activities.

Specifically, MSPs can differentiate themselves in a busy market when they propose technologies capable of collating information gathered in due diligence as digital customer profiles which, when consumed by CLM, are available to bank staff responsible for deepening their institution's relationships with corporate clients.

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Clients have high expectations of their MSPs

Financial institutions' expectations of their MSPs go beyond completing routine operational compliance work at an economically attractive price point.

By shielding financial institutions from complex technological challenges, MSPs become their clients' trusted collaborator in digital transformation. In partnership, they and their clients create innovative operating models by taking advantage of new technologies such as robotic process automation, artificial intelligence (AI), application programming interfaces (APIs) and reusable process designs.

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Clients expect that KYC processes operated by their MSPs respond with agility to evolving regulatory regimes to ensure their institutions continue to manage risks within the boundaries of risk appetites established by their boards. Diligent MSPs create continuous KYC to ensure their clients remain compliant.



Why MSPs choose Encompass to automate KYC operations

When selecting partners, MSPs search out vendors with products and technologies that will help them deliver solutions that their clients value, and that create opportunities for strong growth in their firms.

Encompass leads the industry in data discovery and intelligent automation. Our platform is stress-tested to global scale through our engagements with KYC MSPs and KYC utilities. Allied with Encompass, your firm can grow alongside a regtech market leader.

Our partnership will strengthen your firm's competitive advantage. With Encompass, your firm will deploy optimised, exception-based KYC solutions from the outset. These innovations provide great service flexibility coupled with immediate and long term cost advantages to your firm and to your clients.

Encompass constantly innovates using a proven agile development approach. Through our partnership, your firm will be recognised as leaders in real digital transformation, using intelligent automation and AI in a market hungry for radical rethinking and fundamental improvements in risk and compliance.

The Encompass platform utilises a modern microservices-based architecture that is fit for the future. Financial institutions appreciate this approach. The KYC digital profiles generated by your teams' due diligence are simply integrated into your clients' broader systems' architecture, allowing them to take advantage of regtech innovations with minimum disruption to their workflows and user interfaces. Encompass supports MSPs' goal of aligning with their clients' growth agendas while creating opportunities for projects that integrate KYC operations to CLM platforms.

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Encompass delivers benefits to MSPs' clients

Financial institutions' pivot to growth strategies bring into sharp focus their urgent need to increase productivity and reduce costs in onboarding and KYC operations. **Encompass** offers a proven solution to satisfy these needs by automating routine KYC work tasks within innovative digital processes.

Intelligent process automation created by Encompass promotes assurance in executive teams that onboarding is fact-based, founded in consistent application of risk policies and inline with their institution's risk appetite. The **Encompass** policy-as-code approach establishes and enforces effective KYC controls which eliminate sources of human error and assures consistently high quality KYC.



With intelligent automation, an institution's clients benefit from best in class onboarding experiences. With new efficiency in KYC operations, financial institutions witness an acceleration in their customers' progression from promising prospects to mutually beneficial business relationships.

With KYC operating models that are resilient and adaptable, financial institutions face evolutionary change in regulatory regimes as business as usual. Once MSPs and their clients analyse the changes demanded by new regulations, the work of implementing new requirements

within digital operating models is straightforward and results in minimum disruption to an institution's core work of servicing customers.

Encompass ensures a standardised approach in managing all data collected in customer due diligence while recording every action taken in KYC operations in a tamper-proof vault. This design approach simplifies the work of audit professionals within an institution's third line of defence.



Real measures of success delivered by digital KYC

As an innovator trusted by financial institutions, **Encompass** has opportunities to collect data on the real results and value of digital transformation in KYC operations.

Lifting productivity and job satisfaction of KYC analysts

The work of KYC can be gruelling. A survey of financial professionals by eFinancialCareers found that “people in control functions also have sleep deprivation, with a surprisingly similar proportion (to investment banking) getting less than five hours’ sleep a night”. Many institutions report low job satisfaction and high rates of attrition among compliance professionals.

Providers of the independent and trusted sources of information used in due diligence expose these assets in digital formats and commonly consumable as APIs. These form the “digital outside” with which KYC professionals work to establish facts when making risk-based assessments of every customer. High attrition rates point to a fundamental mismatch in job design when human experts are asked to drink continuously from these digital fire hoses.

Productivity is a measure of how efficiently a process turns labour and capital into goods and services. In manual KYC, productivity is low, meaning capital is being used inefficiently. Digital KYC with **Encompass** creates a “digital inside” to match capabilities of the “digital outside”.

In a study at an international bank comparing manual work to find and collect data and establish beneficial ownership as per the institution’s policy to automation, **Encompass** proved capable of processing information at 15% of the time required by KYC professionals. This allows KYC analysts to boost their productivity by a factor of 7. Scaling this out to a team of 100 analysts working on 10,000 cases, relying on the outdated manual process would consume 40 days of work. Adopting the



Encompass human+machine approach allows the same team to complete the work in just 6.04 days. This transformation to highly productive work equates to an efficient use of capital.

This digital transformation frees human experts to do what they do best - to assess sometimes complex situations and make high quality, informed decisions. Freeing KYC analysts from the burden of collecting and analysing volumes of digital information improves their job satisfaction and reduces attrition.

MSPs adopting regtech capable of these levels of productivity allow their banking clients' compliance functions to reset their relationship with peers in customer-facing business units. Lifting productivity in KYC operations accelerates the pace of client onboarding which increases customer satisfaction and allows earlier engagement by the bank's commercial specialists.



Improving the effectiveness of KYC work

While resetting the economic basis of KYC work frees institutions to focus on growth agendas, the root source of failures that have led to regulatory intervention is ineffective KYC. Smart MSPs will consider how they improve the quality of KYC they offer their clients.

Mismatching manual work processes with the "digital outside" puts KYC analysts under unnecessary pressure and prone to mistakes. At an international bank Encompass returns 6 times

as many documents and identifies 5 times as many business relationships compared to experienced KYC analysts working manually to access identical data sources. Every fact missed in KYC is a potential source of operational risk which can lead to incorrect risk assessments, clients being offered services not appropriate to their situation, and the possibility of regulatory investigation.

By making KYC more effective, **Encompass** creates additional benefits that MSPs can deliver to their clients. By returning many more documents than human experts, **Encompass** reduces the burden on corporate treasury teams, who when subjected to outdated KYC on average spend 26 days a year responding to requests for information from compliance professionals.

When MSPs integrate **Encompass** with their clients' CLM applications, the richer information set gathered in KYC is immediately available to provide deep insights to banks' commercial teams, helping these professionals to propose appropriate service offerings.


Improving the security of data in KYC

The initial work of KYC is to collect identity documents for verification. In manual processes these documents are commonly passed between individuals as electronic documents attached to emails. This approach lacks adequate controls for sensitive information.

Encompass provides strong controls for all documents collected in KYC. All information is securely stored and an audit trail records actions and access to data throughout the KYC process. This approach reduces the sources of operational risk to which MSPs are otherwise exposed.



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About Encompass

A full and accurate picture of beneficial ownership is the foundation of effective KYC.



Manually building this picture from a plethora of documents and third party data sources, however, is a long, expensive and error-prone process.

Encompass' intelligent process automation conducts live document and data collection, analysis and integration from public and premium sources to bring transparency to complex corporate structures and ultimate beneficial ownership, delivering the most accurate and complete KYC on demand.

The full picture of a customer significantly enhances the effectiveness and efficiency of subsequent KYC activities including screening and IDV - both of which can be carried out seamlessly in the Encompass platform if required.

All information on a customer, along with supporting documents, is dynamically compiled into a comprehensive, digital KYC profile that Encompass can also monitor for ongoing regulatory risk.

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