encompass
the full picture, fast

WHITEPAPER

the new **know your customer** standard

examining best practice
corporate KYC
in professional service firms

encompasscorporation.com

contents

overview

The **Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017**[1] - referred to as MLR 2017 - demand that the UK's legal and accounting firms review and amend their client onboarding and case opening processes.

2007's Money Laundering Regulations[2] have been revoked and replaced with MLR 2017 with requirements to adopt more sophisticated risk based approaches to combat the risk of money laundering and terrorist financing.

In August 2006 the Financial Services Authority[3] (now split into the FCA or Financial Conduct Authority and the PRA or Prudential Regulation Authority of the Bank of England) required the UK's financial services industry to adopt a risk based approach in favour of prescriptive due diligence. MLR 2017 addresses inconsistencies in the supervisory regime across sectors and aligns Know Your Customer (KYC) requirements of professional services firms with those applying to the finance industry.

Noting that sectors at risk of being used to facilitate money laundering and terrorist financing are supervised by 25 organisations, the Government has announced that in 2018 it will form the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), hosted within the FCA, to help and ensure that professional services firms' Anti-Money Laundering (AML) supervisors fulfil their obligations under the Money Laundering Regulations.

Investment in AML remains significant, with 51.5% of respondents expecting budgets to increase over the next three years

FINANCIAL CRIME SURVEY 2016
RISK.NET // AUG 2016

[1]www.gov.uk/government/uploads/system/uploads/attachment_data/file/599835/Money_Laundering_Regulations_2017_-_FINAL_CONSULTATION_DRAFT_FINAL.pdf
[2]www.legislation.gov.uk/uksi/2007/2157/contents/made?utm_source=Mondaq&utm_medium=syndication&utm_campaign=inter-article-link
[3]www.fca.org.uk/publication/archive/fsa-aml-implementation-review.pdf

Despite the passage of eleven years, many financial services firms have struggled to meet demands to fully know their customer, and some can neither meet their obligations to the regulator, nor can they control spiralling operating costs.

According to estimates published by the Financial Times in 2015, some of the world's largest banks have each spent an additional $4 billion on compliance in every year following the 2008 financial crisis. If experiences from financial services provide any guide, the problem facing professional services firms as they adapt to new regulations will not necessarily be the *availability of information* on which they can assess risk. Quite the opposite, information required for KYC is available as digitised streams from a broad range of primary and secondary sources. For many companies the stumbling block is creating a KYC process at an economically feasible cost that effectively harnesses the best information to create risk assessments that are fully documented and up to date, and are available to regulators and to the firm's authorised risk professionals.

Understanding that adapting to new regulatory frameworks is a challenge to business, in 2015 the UK Government's Chief Scientific Adviser, Sir Mark Walport, coined the phrase RegTech[4] as the impetus for "a new generation of tools to assist in the regulatory process, allowing use of massive amounts of digital data". The technology industry has responded to the call; innovative technology companies have developed RegTech products by collaborating with the Financial Conduct Authority and by working with financial services firms to understand their challenges.

Many of these technology products demonstrate great potential to deliver on Sir Mark Walport's vision, and **encompass** has emerged as a visionary leader and was invited to join the UK RegTech Mission to New York City in April 2017.

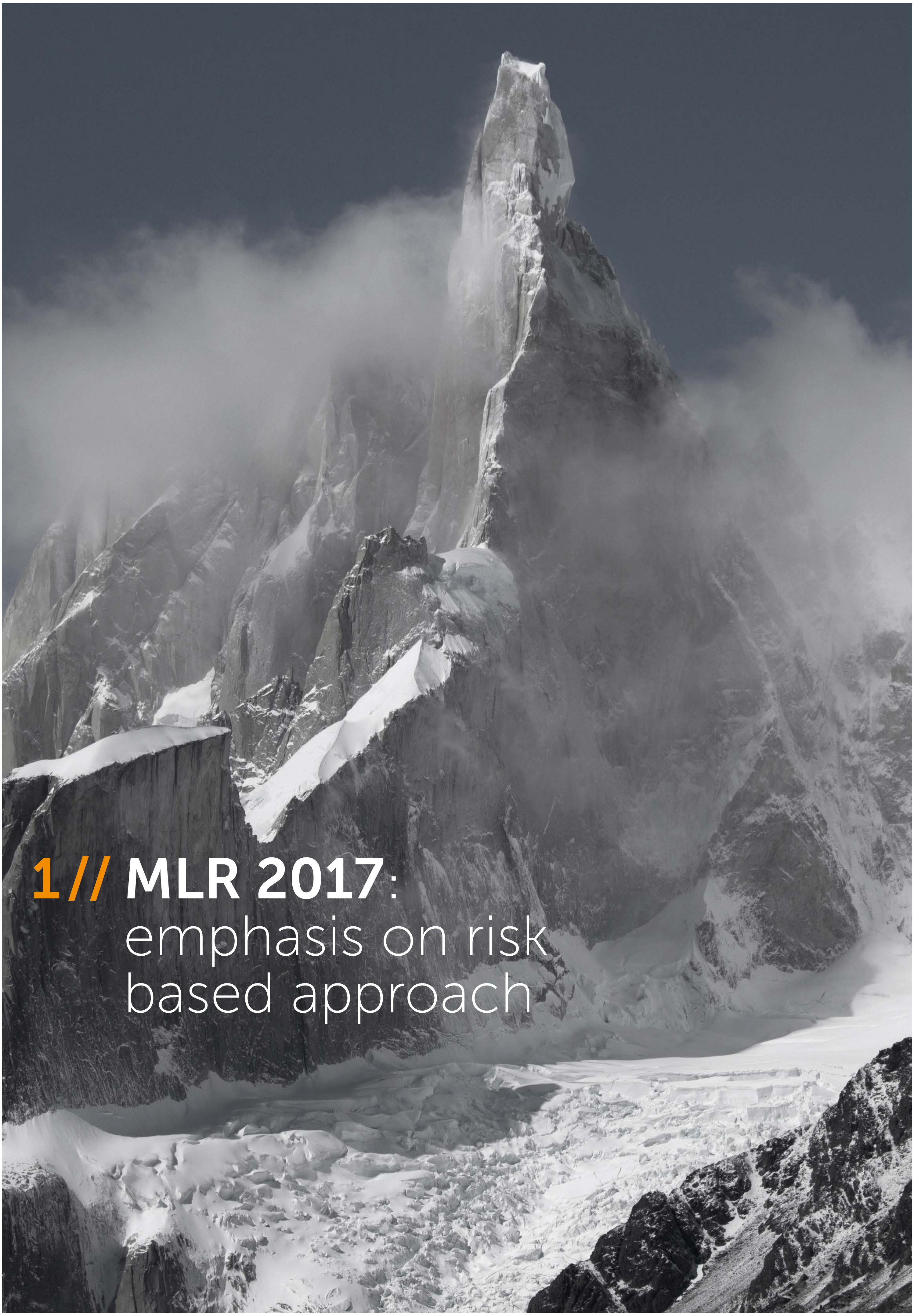
[4]FinTech Futures at www.gov.uk/government/uploads/system/uploads/attachment_data/file/413095/gs-15-3-fintech-futures.pdf

One effect of MLR 2017 is to precipitate increased regulatory scrutiny and enforcement actions and these effects are spurring professional services firms to review their client onboarding and case opening processes to ensure that they comply. Over a period of two years, by working with many firms both large and small, **encompass** has investigated the role of the legal and accounting sectors in protecting the UK's economy from money launderers, and how experience gained in financial services can be applied directly as RegTech for professional services.

This paper investigates challenges faced by professional services firms as they adapt to MLR 2017. It recommends that firms review their KYC processes and investigate RegTech's potential to improve their compliance performance and reduce their costs.

Beyond operational efficiencies, RegTech can analyse information collected in customer due diligence to generate insights of value to business development activities of partners and fee earners.

Real time integration of risk assessments into the primary activities of legal and accounting firms marks an important milestone as these respected professions adjust their business operations to thrive in the digital age.



1// MLR 2017: emphasis on risk based approach

In the two years since the EU published its most recent money laundering Directive, **encompass** has discussed the approaching UK regulations and concomitant impact to KYC processes with legal and accounting firms of all sizes across the UK.

We learned that firms diverge widely in how they currently implement KYC processes. Specifically, we observed marked distinctions in how firms: assign responsibility for due diligence within their organisation; manage clients deemed inactive; communicate changes discovered subsequent to initial checks (corporate structures, directors) to fee earners; grade risk (low/high or low/medium/high); assign risk, either solely for a client, or for each matter opened in the client's name.

We found a singular characteristic of KYC to be common to the legal and accounting sectors: despite advances in computer hardware and software, most firms are yet to implement digitised and automated KYC processes.

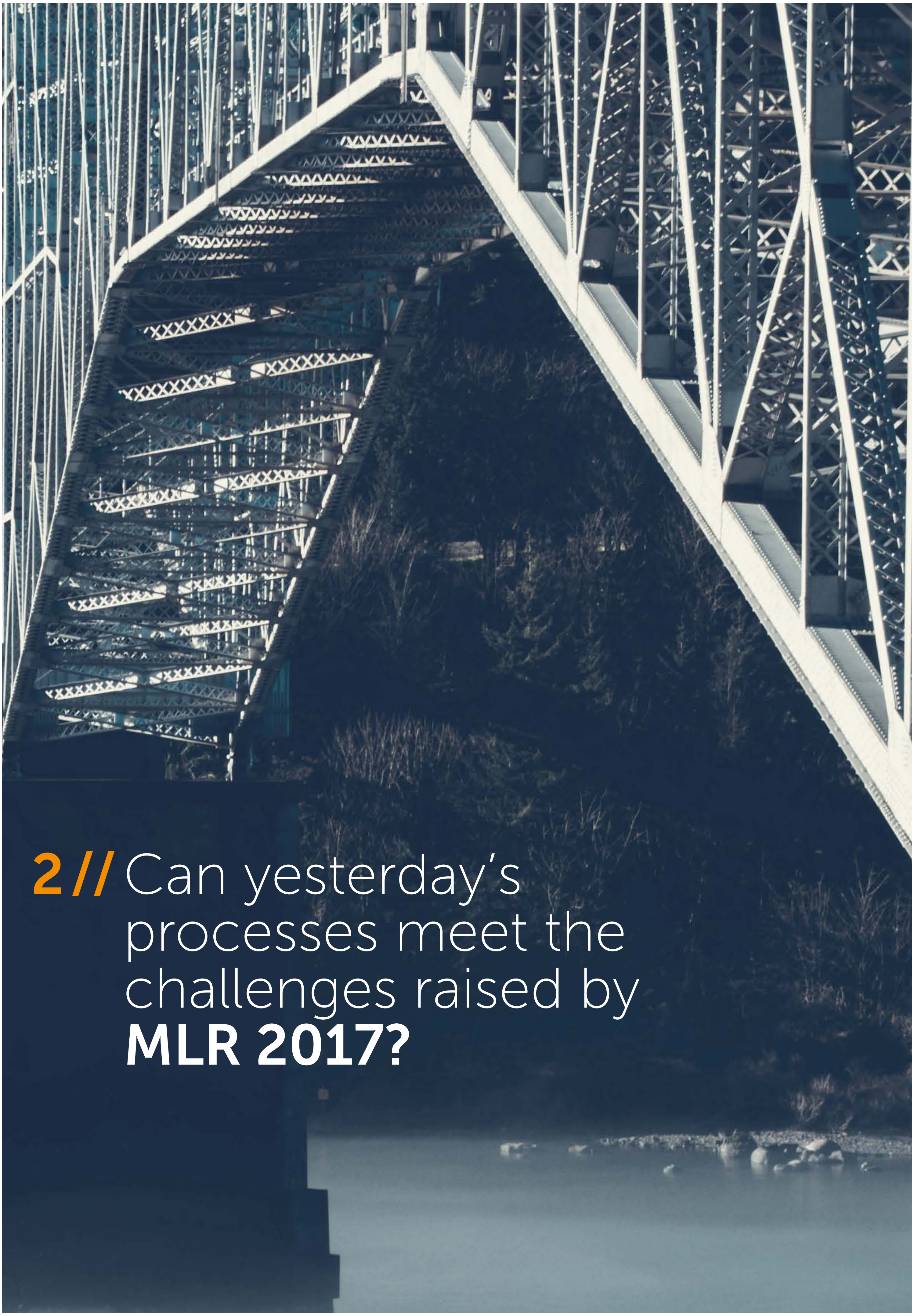
Typically, firms are processing documents necessary for due diligence using a workflow that combines manual with electronic process steps, for example, downloading documents as electronic files, reading and analysing documents, collating facts in a spreadsheet, and sending documents and spreadsheet to the money laundering reporting officer as an attachment to an email or saved on a shared drive.

The experience gleaned in KYC in financial services, and more broadly of process improvement from multiple sectors, is that automation yields multiple benefits.

Writing in the Harvard Business Review[5], authors James Manyika, Gary Pinkus and Sree Ramaswamy observe "digitally enabled innovations often have network effects associated with them, which in turn leads to 'winner take most' outcomes; the top-performing companies enjoy far higher profit margins than the rest, and a handful of frontier firms are leaving everyone else in the dust".

Firms now understand they must review their current processes and implement replacements in time to comply with MLR 2017. Industry analysts and management consultants promote concepts such as big data, advanced analytics, blockchain, digital due diligence, and cloud-based systems. However, outside of the largest international practices, few firms have either the experience of operating risk based KYC, or the command of technical skills and resources necessary to take advantage of these concepts and create a best practice process that solves the pressing business challenge raised by MLR 2017.

[5]The most digital companies are leaving all the rest behind. HBR 2016.



2 // Can yesterday's processes meet the challenges raised by **MLR 2017?**

MLR 2017 creates an opportunity for legal and accounting firms to review their current KYC processes to determine their suitability for future compliance regimes.

Experience from the financial services industry is that the rapid rate of change in regulations creates pressures that test the resilience of old KYC processes. Processes that poorly fit with the demands of regulation display symptoms including increasing costs of compliance and delays in Customer Onboarding. Current KYC processes in many legal and accounting firms keep partners awake at night because they are undermined by a number of problems summarised here.

CHALLENGE

VERIFYING IDENTITY OF BENEFICIAL OWNERS IS COSTLY AND DIFFICULT

Undertaking such comprehensive investigation of complex ownership structures using manual approaches is difficult, time consuming and prone to error.

When faced with the challenge of discovering beneficial owners, it is not uncommon for KYC professionals to spend days or weeks uncovering structures and manually drawing charts and diagrams. Alternatively, in more complex cases, there may be a requirement to pay a third party to investigate.

The experience from the financial services sector is that verifying identities of beneficial owners and understanding the ownership and control structures of trusts and companies creates cost burdens significant enough to depress profits of individual firms.

MLR 2017 states: *Where the customer is beneficially owned by another person, the relevant person must -*

(a) identify the beneficial owner;
(b) take reasonable measures to verify the identity of the beneficial owner so that the relevant person is satisfied that it knows who the beneficial owner is; and
(c) if the beneficial owner is a legal person, trust, company, foundation or similar legal arrangement take reasonable measures to understand the ownership and control structure of that legal person, trust, company, foundation or legal arrangement.

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CHALLENGE

MANAGING COMPLIANCE CONSISTENTLY WITH POLICIES, CONTROLS AND PROCEDURES

While the risk management team may establish AML/CTF policy designed to rigorously comply with regulation, ensuring consistent performance can be challenging, particularly when processes informally combine manual with electronic activities.

Different individuals tend to take different approaches to how documents are collated and filed, making it difficult to produce documentary proof of the rationale behind decision making when queried.

When one staff member is on leave, operating the process that implements a firm's AML/CTF policy maintaining consistent performance of informal processes is a challenge. It is also hard to replicate process across different onshore and offshore sites for standardised practice across the organisation. This becomes a particular challenge when organisations need to scale for growth.

MLR 2017 states: *Policies, controls and procedures*

(1) A relevant person must -
- *(a) establish and maintain policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified in any risk assessment undertaken by the relevant person under regulation 18(1),*
- *(b) maintain a written record of the policies, controls and procedures established under paragraph (a).*

(2) The policies, controls and procedures adopted by a relevant person under paragraph (1) must be -
- *(a) proportionate with regard to the size and nature of the relevant person's business, and*
- *(b) approved by its senior management.*

(3) The policies, controls and procedures referred to in paragraph (1) must include -
- *(a) risk management practices;*
- *(b) internal controls (see regulations 21 to 24);*
- *(c) customer due diligence (see regulations 27 to 37);*
- *(d) reporting and record keeping (see regulations 39 to 40);*
- *(e) the monitoring and management of compliance with, and the internal communication of, such policies, controls and procedures.*

CHALLENGE

SCRUTINY THROUGHOUT THE CLIENT LIFE-CYCLE IS ONEROUS AND EXPENSIVE

Enhanced ongoing monitoring of clients is difficult. In The Challenges of AML for Law Firms, a 2016 survey by Accuity of more than 100 compliance professionals from law firms, 88% of respondents identified performing ongoing monitoring checks efficiently (i.e. not manually) as challenging.

The same report identified that 40 percent of law firms screened high risk clients every 1-6 months and ten percent screened less than every two years.

Because relatively few firms currently employ continuous review of business relationships, it is probable that many legal and accounting professions are yet to recognise the size of the challenge they face. Experience from the financial services industry is that this periodic remediation is a more difficult task than initial due diligence. It requires comparison and analysis of two sets of information - one set sourced today and the other set sourced during the previous cycle of checking - to identify Money Laundering/Terrorist Financing risk relevant information that has changed, that is new, and that has been deleted. Financial services firms report that for every client this can cost ten times as much as their initial due diligence checks. To understand how this will inflate a KYC budget, multiply this cost by a total of hundreds or thousands of clients, and factor in the requirement to repeat the remediation as often as four times each year depending on clients' risk profile.

MLR 2017 states: *Obligation to apply enhanced due diligence. A relevant person must apply enhanced customer due diligence measures and enhanced ongoing monitoring, in addition to the customer due diligence measures required under regulation 28 and 29, to manage and mitigate the risks arising -*

(a) in any case identified as one where there is a high risk of money laundering or terrorist financing by the relevant person under 18(1), or in information available to the relevant person under regulations 17(9) and 46;
(b) in any transaction or business relationship with a person established in a high-risk third country;
(c) in relation to correspondent relationships (see regulation 34);
(d) if a relevant person has determined that a customer or potential customer is a PEP, or a family member or known close associate of a PEP (see regulation 35);
(e) or has provided false or stolen identification documentation or information on establishing a relationship;
(f) in any case where -
  (i) a transaction is complex and unusually large, or
  (ii) there is an unusual pattern of transactions, and the transaction or transactions have no apparent economic or legal purpose, or
(g) in any other case which by its nature can present a higher risk of money laundering and terrorist financing.

CHALLENGE

RECORD KEEPING AND MAINTAINING AUDIT TRAILS

Too often, KYC proves ineffective at the very time when a firm's MLRO is required to prove to regulators or internal auditors that risk assessments are fully documented and up to date. Ensuring consistent performance in processes that informally combine manual with electronic activities is difficult. Different individuals tend to take different approaches to how documents are collated and filed, making it difficult to produce documentary proof of the rationale behind decision making when queried. Physical files removed for legitimate purposes are not always promptly returned and their absence also leaves the firm open to enforcement action by the regulator.

MLR 2017 states: *The records are -*

a) a copy of any documents and information obtained by the relevant person to satisfy the customer due diligence requirements in regulations 28, 29 and 33 to 36 of these Regulations;

b) sufficient supporting records (consisting of the original documents or copies) in respect of a transaction (whether or not the transaction is an occasional transaction) which is the subject of customer due diligence measures or ongoing monitoring to enable the transaction to be reconstructed.

PROBLEM
"SIMPLE" ASSESSMENT WON'T SUFFICE

Money launderers can be sophisticated criminal operatives. They understand their imperative of building trust with legal and accounting firms before attempting to launder funds.

The current practice of assessing risk solely for a client (and not for each new case opened for a client), and based on their first request for service, is incomplete and leaves firms open to risk of subsequently being used for criminal activity.

Likewise looking at just one or two risk categories, such as geography and product/service and defaulting to simplified due diligence is no longer acceptable practice under MLR 2017. The impact of this is that firms must now find ways to consider more information up front in the process and their systems need to be able to scale a risk based approach.

MLR 2017 states: *In assessing the level of risk in a particular case, the relevant person must take account of factors including -*

a) the purpose of an account, transaction or business relationship;
b) the level of assets to be deposited by a customer or the size of the transactions undertaken by the customer;
c) the regularity and duration of the business relationship.

Where the customer is a body corporate, the relevant person must obtain and verify -

a) the name of the body corporate;
b) its company number or other registration number;
c) the address of its registered office, and if different, its principal place of business;
d) the law to which it is subject, and its memorandum of association or other governing documents;
e) the names of the board of directors or members of its management body and its senior management.

PROBLEM

KYC CREATES TENSION IN INTERNAL AND EXTERNAL RELATIONSHIPS

Outdated KYC processes can be slow to complete. When delays become apparent to clients, the firm's reputation for service suffers. When paralegals and office administrators are made responsible for KYC activities, poorly designed and slow processes create conflict with fee earners, who can be left unable to bill their clients for work they have already completed. On the other hand, partners don't always follow the process and policies set out. Clients resist having to provide further information months or years after first establishing a relationship with a firm. The slower the process, the more time and money the firm is forced to write-off. A growing backlog of customer due diligence checks leave firms and their Partners exposed to regulatory action.

MLR 2017 requires that legal and accounting firms undertake penetrating and regular customer due diligence. Outdated processes offer a poor foundation for consistency and efficiency. As has been discussed, this leaves firms confronted with a range of challenges; from protecting the reputation of partners to containing costs and managing risk at scale.

3// Key requirements **for the regulator ready firm**

Legal and accounting firms must respond to comply with a new regulatory regime.

The experiences of the financial services sector provide invaluable guidance for firms planning a new generation of KYC processes to comply with MLR 2017.

To address the challenges identified in this paper and achieve compliance at a cost that is both affordable and sustainable requires firms to abandon outdated processes and automate. They need innovative RegTech designed to work with digital data and integrate with core firm systems. The new generation of KYC processes are characterised as: evidenced; appropriate; comprehensive; continuous; cost efficient; based on reliable and independent information sources; fast; value adding.

Each of these characteristics is reviewed below.

EVIDENCED KYC

To be effective a KYC process must create evidence that the MLRO, the Compliance Officer for Legal Practice (COLP) and the Compliance Officer for Finance and Administration (COFA) can simply, quickly and inexpensively supply to regulators as evidence that risk assessments of the firm's customers are fully documented and are up to date.

APPROPRIATE KYC

Appropriate KYC requires the collection and analyses of information from independent, reliable sources specific to the combination of risk factors presented by every client.

COMPREHENSIVE KYC

MLR 2017 requires a more searching investigation of clients than the legislation it replaces. Comprehensive KYC requires that for every new and existing client, a firm:

- validates documents and formally identifies the client;
- verifies the client's identity using information obtained from independent, reliable sources which are independent of the client
- assesses the intended purpose of the client's relationship with the firm and obtains sufficient information required to assess risk of money laundering and terrorist funding posed by this relationship.

Information management best practice is to link results of this KYC process to the master record for every client.

CONTINUOUS KYC

MLR 2017 introduces new regulations on how firms must manage business relationships with politically exposed persons (PEPs).

The new regulations state:
A relevant person who proposes to have, or to continue, a business relationship with a PEP, or a family member or a known close associate of a PEP, must -

(a) have approval from senior management for establishing or continuing the business relationship with that person;
(b) take adequate measures to establish the source of wealth and source of funds which are involved in the proposed business relationship or transaction with that person; and
(c) where the business relationship is entered into, conduct enhanced ongoing monitoring of the business relationship with that person.

Continuous KYC required to conduct enhanced ongoing monitoring of the business relationship requires a process capable of keeping up to date all information and documents collected in assessing risk.

COST EFFICIENT, SCALABLE KYC

To contain costs, firms require a means to automate and bring scalability to their KYC process so the professionals they trust to operate KYC can complete greater numbers of risk assessments than with current approaches. The new process should be simple to operate, so paralegals, legal secretaries and accounting administrators with little experience of KYC can quickly execute policies defined by the risk management team. Regardless of who operates the process, firms need systems which reduce the cost of errors, supervisory overheads, and re-work, while ensuring they are regulator ready.

COLLABORATIVE AND INTEGRATED KYC

In many firms, staff collaborate to complete prescriptive customer due diligence. It is common for a fee earner to first meet a prospective client and to use this occasion to collect identifying documents. The information is then passed to a central team, or to a paralegal to complete the process. Newly designed KYC processes should support collaborative teamwork and communications between partners, fee earners, staff responsible for due diligence, and the MLRO and the chief compliance officer. The requirement that firms monitor each client relationship and continuously apply customer due diligence means KYC processes should communicate to fee earners changes to corporate structures, of directors, and of owners discovered subsequent to initial customer due diligence.

KYC BASED ON RELIABLE, INDEPENDENT DATA SOURCES

MLRO 2017 customer due diligence measures include that relevant persons must "verify the customer's identity on the basis of documents or information obtained from a reliable source which is independent of the customer". In the period since 2007 when the previous laws were enacted, many new and independent sources of information of value to Money Laundering and Counter Terrorism Funding risk assessment have become available as streams of digital data. Firms now have the opportunity to design their KYC processes to achieve compliance with MLR 2017 by taking advantage of this progress in our digital economy.

FAST KYC

Fast KYC processes are better for clients, better for firms and are economical to operate. The sooner a firm can complete KYC checks within the client onboarding process, the sooner it can record a new client or assign a new job number - events that allow billable hours to be allocated, tracked and invoiced.

VALUE ADDING KYC

Collecting and analysing information in the process of customer due diligence generates knowledge. Older paper based or electronic processes consigned this knowledge to files, which were rarely re-opened. Risk and compliance functions were viewed as inevitable costs of doing business in a regulated sector. Automated and digital processes create new opportunities for risk and compliance functions to contribute to a firm's commercial success. Information such as identities of directors and shareholders, and the presence of subsidiary firms can be invaluable for business development when, subject to Data Protection laws, shared with partners and fee earners.

OPERATING KYC WITH FEE EARNERS AT THE FRONT LINE OR WITH A CENTRAL TEAM?

We are often asked "How do other firms do it?' Do they have a central risk team or ask partners to do KYC?".

KYC can create a point of great contention within a firm. Some partners just don't want to do it. They resent time away from their clients and cases, and are frustrated should billing be delayed because compliance teams are yet to complete their oversight. Compliance teams can find it challenging to police partners and ensure they have completed the necessary checks. Centralising KYC puts teams under high pressure to quickly complete their work so partners can bill clients.

In practice, no one approach will best suit every firm. Effective KYC can be achieved either at the frontline with partners or with a central team, or with a combination of both. Effective KYC is underpinned by technology that allows individuals to collaborate and progressively develop an understanding of each client.

The role of technology is to ensure the same information is available instantly to all parties, that information is safe from unauthorised access, is tamper-proof, and that access and amendment are recorded for audit, that complex situations are rendered easily understood as pictures, and that information collected in KYC can be shared with other systems of record such as case management software in real time.

4// Designing an automated **KYC process for risk based assessment**

Best practice for KYC using a risk based approach can be described by a three step process:

Assess to identify risk

Plan to mitigate risk

Do to control risk

KYC process using a risk based approach

request identifying documents

validate documents and **formally identify client**

know your client due diligence

PROOF

compliance officer for **legal practice**
(or similar role)

take on client and/or **accept case**

ASSESS

identify risk across six dimensions:

clients
products and services
delivery channels
countries of operation
transactions
size, nature of business

PLAN

define and **document principles** and **KYC policies** to **mitigate risk**

DO

build and **operate** a **sustainable framework** to **control risk**

Customer Due Diligence

Enhanced Due Diligence

STEP ONE
ASSESS

Identify risk

The MLR 2017 requires that each firm must carry out a general risk assessment and rate the risk that the prospective client will bring to the relationship, by assessing the following categories:

- clients
- products and services
- delivery channels (face-to-face, or at distance, or via a third party)
- countries of operation
- transactions
- size and nature of business

This first strategic step is the responsibility of experts in Compliance and Risk. There is currently some scope for automation here which will broaden with future development in technology.

STEP TWO
PLAN

Define and document principles and policies to mitigate risk

Planning to mitigate risk requires that legal and accounting firms define and document their overarching principles and operating policies.

Each operating policy can be described as a series of steps to be followed with consistency in order for the firm to succeed in mitigating its risk of being exposed to money laundering. The term 'KYC Policy' describes this foundational concept.

KYC Policy represents the nexus where planning creates the potential of doing, and as such represents an opportunity for legal and accounting firms to comply with MLR 2017 and create an automated business process.

"KYC Policy represents the nexus where planning creates the potential of doing, and as such represents an opportunity for legal and accounting firms to comply with MLR 2017 and create an automated business process."

A KYC Policy prescribes data collection requirements for the categories of risk presented by a client, and listed in Step One above. These can be summarised as the client, applying for a product or service, from a channel, in a geography. To achieve sufficient span of control, the firm must define and document a KYC Policy for every combination of these categories that it will face when operating its business.

A component of each KYC Policy definition is to identify which reliable and independent customer information sources the firm trusts to validate details provided by prospective clients, such that its compliance function can confirm to itself, and to a regulator, that the client does exist, and that it knows the identity of Ultimate Beneficial Owners and those with control or influence.

As explained in Step Three, data collected by operating a KYC Policy is analysed to rate the risk of the prospective clients utilising the relationship with a firm for money laundering and terrorism financing.

Clients assessed as high risk, for example, a company with a director identified as a PEP, must be subjected to more stringent risk assessment, known as Enhanced Due Diligence (EDD). EDD requires a more penetrating investigation of a client, including gathering information on the intended nature of the business relationship, identifying the source of their wealth and their funds, determining reasons for the intended transactions, and assessing their reputation.

Clients subjected to EDD must be assigned to senior managers for approval and oversight, and risk assessment must be re-checked periodically, as frequently as every three months.

KYC Policies create the foundation for the action of compliance: they are the means for an institution to prove to regulators that it has the capability to understand, identify and assess the money laundering/terrorist financing risks to which they are exposed.

In other words, KYC Policies are critical for operating a risk based system of control.

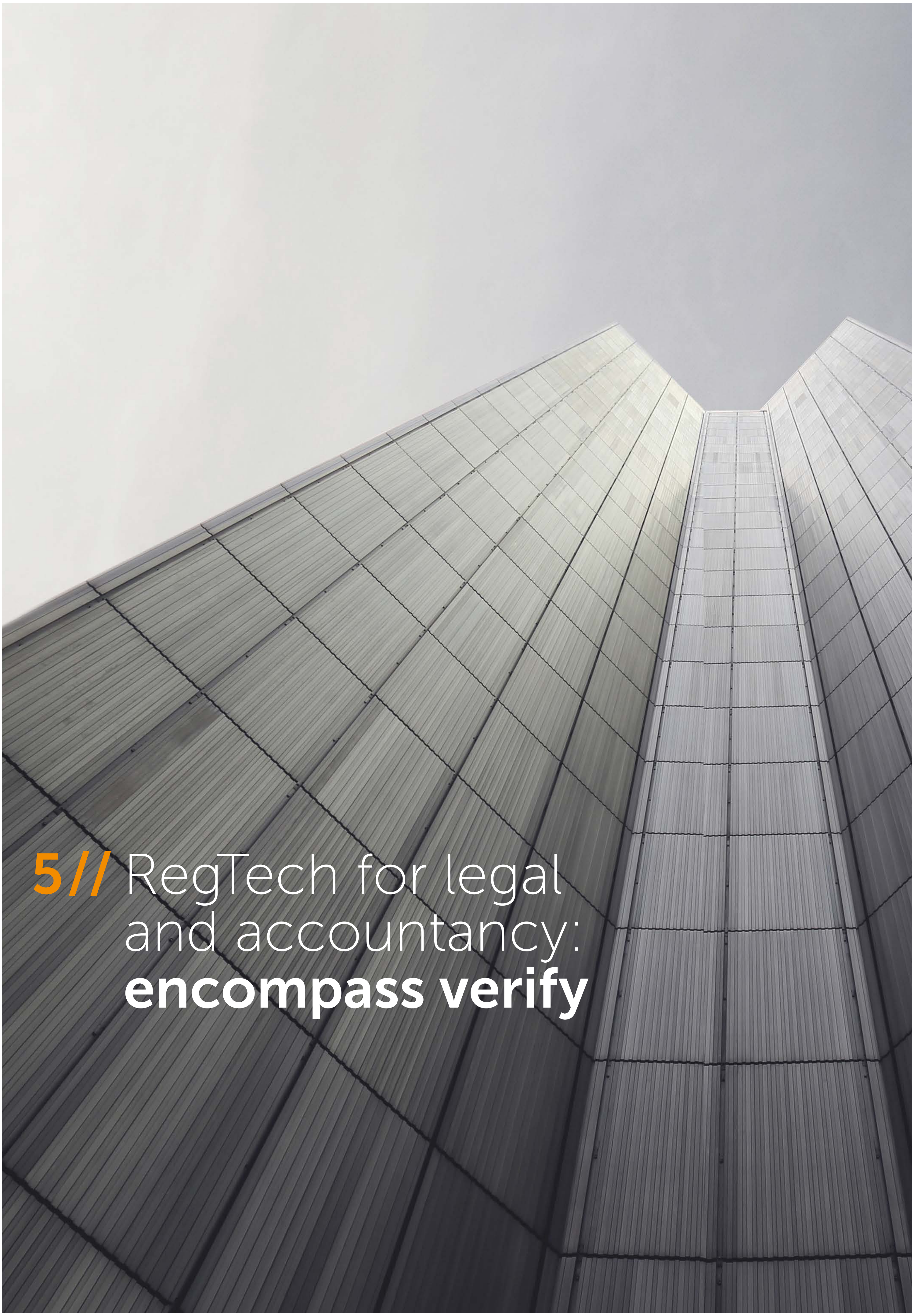
Defining principles and policies to mitigate risk is work for experts in Compliance and Risk. However, the work of documenting KYC Policies represents the starting point for automation because each firm's policy will dictate the KYC process which can then be executed using robotic search.

STEP THREE
DO

Build and operate a sustainable framework to control risk

The third step in the process of complying with Regulations is to build a sustainable internal control framework - it is here that KYC Policies are put into routine operation. While creating a process to ensure a firm complies with the regulation appears to be straightforward, experience from the financial services industry is that it is at this step that many stumble, because they continue to rely on outdated processes.

Building and operating a sustainable framework to control risk is the foundation of complying with MLR 2017, and this step has high potential for automation and robotic search.



5// RegTech for legal and accountancy: **encompass verify**

encompass verify has been designed to address the problems outlined at the beginning of this paper by using automation and technology to meet the requirements of legal and accounting firms seeking KYC systems to comply with MLR 2017.

encompass verify is a unique Regulatory Technology (RegTech) which offers firms a better way to ingest digitised information in real-time and automate otherwise time-consuming and error-prone work, drastically improving the efficiency and accuracy of their customer due diligence.

encompass verify can execute KYC policies without human intervention, and pass to paralegals, senior administrators or KYC specialists those complex cases requiring oversight and investigation. The unique capabilities and strengths of this new breed of KYC technology are outlined below.

SOLUTION

INTEGRATION WITH TRUSTED SUPPLIERS OF RELIABLE AND INDEPENDENT INFORMATION

encompass verify is integrated with all the global data sources that legal and accounting firms trust. This makes the work of ingesting streams of digitised information effortless and transparent, minimising disruption when implementing your improved KYC process.

SOLUTION
INSTANT IDENTIFICATION OF ULTIMATE BENEFICIAL OWNER

By combining the power of automation across multiple data sources with visual analytics, **encompass verify** can instantly reveal corporate structures including the UBO in an easy-to-understand diagram. This solution eliminates hours of manual search and analysis and ensures standardisation and accuracy.

SOLUTION
KYC POLICY IMPLEMENTATION

The firm's KYC Policies are received and implemented into the automation process as a configuration task, and not as programming activity requiring IT specialists - the experts in your firm who define KYC Policies can document these in a format that can be executed directly by computers.

Working in an intuitive graphical user interface with pre-defined building blocks simplifies tasks of designing and maintaining your firm's own unique KYC Policies.

SOLUTION
KYC POLICY EXECUTION FOR CDD

The firm's prescribed KYC Policy can be used in customer due diligence to automatically call the third party information sources prescribed in its definition using robotic search. Driven by identifying information supplied by a prospective client, it will then collect and analyse facts required in due diligence.

Automating policy execution creates a fast KYC operation, taking pressure off staff responsible for carrying out these tasks, and freeing fee earners to bill clients for work done.

The result of fact checking is either a pass or a fail. Cases that pass due diligence can be automatically routed to client onboarding, while failures are escalated to paralegals, senior administrators or KYC specialists for their attention and problem solving.

SOLUTION
KYC POLICY EXECUTION FOR EDD

Enhanced due diligence requires that all clients assessed as high risk are periodically re-evaluated. With **encompass verify** such re-evaluation is executed as a KYC Policy, which can be run for one client or one thousand clients. The process is fast and effective.

In cases where the client's profile has changed since the previous due diligence check, differences are highlighted on an interactive visual chart that can be simply shared with fee earners and partners so everyone in the firm works with the latest information.

SOLUTION

PROOF OF ADHERENCE TO KYC POLICY

The audit trail provides full traceability of the execution of the policy searches. Each search, decision and activity undertaken is recorded in the audit trail, as well as the time it was performed and by which user. This information can be reviewed by supervisors or regulators to understand decision making processes. It can also be exported or pushed to other systems for further storage or review.

SOLUTION

SHARE RISK DATA WITH FEE EARNERS FOR BUSINESS DEVELOPMENT

encompass verify aggregates and analyses information about clients and prospects including ownership structures, associations, parent companies, subsidiaries, jurisdictions, industries and credit worthiness. Subject to Data Protection laws, this information can be easily shared via a simple URL and viewed in an ordinary web browser by fee earners and business development teams. Sharing insights learned in due diligence integrates compliance with a firm's primary purpose and contributes to creating business value.

SOLUTION

INTEGRATION WITH EXISTING CLIENT ONBOARDING WORKFLOW

encompass offers an application programming interface (API) to **encompass verify**.

All information generated in KYC compliance activities (companies, individuals, ownership structures, press, media, etc.) can be extracted from **encompass verify** and passed to other applications, such as those within a client onboarding workflow, conflict management, case management or document management system.

6// Transforming KYC to comply with MLR 2017 at your firm

Firms transforming their KYC process through digitisation and automation reap multiple benefits. Staff responsible for KYC become more productive and are freed to focus attention on complex issues of KYC compliance and proactively manage risk.

By adopting **encompass verify**, legal and accounting firms update fractured and problematic KYC processes into automated and digitised workflows which simplify compliance with MLR 2017.

Fee earners and front office business operations increase their velocity of client take on and, armed with deep information about every new client, engage immediately and with knowledge.

The firm's clients experience faster onboarding and the front office staff they meet demonstrate informed interest in their business.

The MLRO can prove to regulators and auditors that KYC policies are established and are consistently enforced.

Line managers in Risk and Compliance regain control of the cost of KYC compliance while developing a scalable business operation.

Partners and executives reduce risks of their firm failing its regulatory obligations and of reputational damage.

While we have attempted to describe **encompass verify** with words and images, the simplest way to gauge how automating KYC will transform your due diligence and make your firm regulator-ready is to see the product in action. This is easily done. Contact **encompass** today; we look forward to showing you **encompass verify** and the power of automation.

encompass

AUTHORS

WAYNE **JOHNSON**

CO-FOUNDER & CEO // **ENCOMPASS**

Wayne co-founded **encompass** in Sydney and took the **encompass** product to market there in 2012. Since then, as CEO he has led the international expansion of **encompass**, including the UK launch in 2015 and recognition as one of the UK's most influential RegTech firms. Prior to **encompass** Wayne was co-founder and CEO of Software Associates, until the company's successful exit to a Hong Kong listed Company.

MIKE **KEARNEY**

PRODUCT MARKETING SPECIALIST // **ENCOMPASS**

As a product marketing professional, Mike specialises in technologies that deliver business innovation by managing, analysing and presenting information. Mike's career spans working in Australia, Europe and USA with experience in financial services, telecommunications, energy, pharmaceuticals, electronics and public sector, and with vendors including Netezza, Oracle, Vignette, BMC Software, and IBM.

ROGER **CARSON**

CO-FOUNDER & GLOBAL FINANCIAL SALES DIRECTOR // **ENCOMPASS**

Roger co-founded **encompass** and has brought the company's vision to life expanding its reach and impact from Australia to the UK. His global outlook is informed by a highly successful international sales career with Andersen Consulting and then Unisys in the USA, South Africa, and Australia, as well as leadership roles in Asia. Prior to **encompass**, Roger founded Pacific Advantage Services, raised Capital from Europe for Asian distribution, and completed a trade sale to IM Invest.

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