

Design the Ideal System for **Continuous Compliance** with Customer Lifecycle Intelligence



Transform Finance AML & KYC Summit Roundtable

Justin Fitzpatrick, COO and Co-Founder of FullCircI, hosted a deep-dive roundtable discussion at the Transform Finance AML & KYC Summit on the 29th of June 2022.

During this session, Justin discussed how Customer Lifecycle Intelligence (CLI) can be leveraged to build a continuous compliance model in the face of increased regulatory requirements and customers' demands for smoother onboarding.

Read on to find out more about how CLI can help you accelerate onboarding whilst reducing risk.



Current ongoing challenges

There is still a strong reliance on periodic reviews and trigger events to meet regulatory compliance commitments within the financial services sector. And as a result, there is a reliance on front line staff gleaning information through their interactions with customers to identify potential high-risk activity to trigger cases for action, which is a very reactive manual process.

It is a challenge to gain a deeper understanding of customers proactively. Whilst digital data sets provide context, they are often limited in picking up nuances such as a change of email address which could flag a potential risk. As result, front-line staff are often the first identifiers of these changes which can be open to interpretation or human error as it doesn't form part of an auditable process.

In addition to this, relying on traditional methods to access this information such as Companies House opens up risks as this data is not verified and director records can be fragmented.

Due to the volume of data available it can be a challenge for teams to prioritise work and identify which trigger events are the highest risk and urgency. This often means significant amounts of time are spent on administrative tasks such as a change to a company address.

As customers often don't proactively advise on updates to information such as director changes, organisations are reliant on notifications which can further increases the reliance on manual work. Material changes such as these can breach covenance so it is critical to be aware of them and assess the potential risk impact, however the volume of these changes can be overwhelming to manage.

Remedial activity involving customer reach outs often involves taking customers out of the digital channel which further puts an emphasis on manual work which and has a negative impact on the customer journey. These reach-outs are often needed to obtain key information such as source of funds and occupation/employment status. By utilising external data intelligence to automate checks and alleviate the need for customer reach out provides a frictionless customer journey however when this is not possible, and a reach out is required being able to support this through the customers preferred channel is advantages to improve customer engagement and satisfaction.

When customers provide self-declaration for items such as occupation, there is an opportunity to utilise social media such as LinkedIn for external identification to mitigate risk and streamline verification.

It is key when understanding and managing the AML risk to have early visibility and identification of material changes that are contributing risk factors. However, in some instances, it can be a challenge to gather this information. This is compounded if you are dealing with smaller, unregistered businesses or global entities as data coverage can be incomplete.

Even small exposure to high-risk jurisdiction in such areas as percentage trade or ownership which may fall within compliance guidance, however, can cause reputational damage so need to be identified and understood.

Due to this fragmented data, **Investigators and Relationship Managers spend large amounts of time (on average 1.5. days per week) on administrative tasks** such as form filling, collecting data, creating evidence trails, and updating systems with changes in customer data, for example, addresses, names etc.

Industry perception and regulatory backdrop

There is a need for reviews to be more proactive rather than relying on a reactive approach. To achieve this there needs to be a cultural shift to move towards a perpetual OKYC model processes from human to tech.

There are challenges when turning on a new AML and Fraud system as it identifies and exposes volume spikes of previously unknown risk, which may lead to increased SAR activity and therefore increased workloads and more intense regulator pressure. When faced with this increase this can lead to caution when implementing new rules, tuning or turning on a system.

Specialist lenders are often seen as bespoke relationships so there is a need to be managed in a specialist more manual manner. However, the reality is that good, standardised KYC practices are still relevant when assessing and managing these populations.

There is a greater need for collaboration across the industry with greater transparency in sharing fraud and ML cases. Currently, this is limited to CIFAS which has limitations and is not always actioned to the same level by all contributors. This is compounded by the fact larger banks are often more reluctant to sharing data. This is in contrast to the insurance industry where they are more open to sharing of data related to fraud, in order to benefit the industry.

Fraudsters and Money Launderers are becoming sophisticated and embracing new technologies such as utilising AI within criminal organisations.

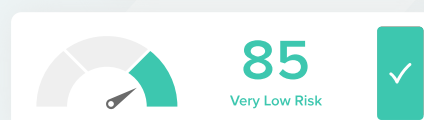
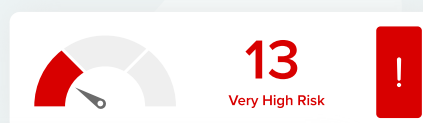
There is an estimated 600k Suspicious Activity Reports (SARs) raised per annum and increasing. However, very few make it to be investigated and even fewer prosecutions. To stand any chance of being investigated they need to be very large value frauds/ML and also require comprehensively detailed case notes and evidence.

There is an obligation to complete the documentary evidence for all suspicious activity reports which is very time-consuming. As such, a disproportionate amount of time is spent compiling fraud/AML record files with evidence in proportion to the value it can add. The challenge being that the prosecution rate is so low with the cost of compliance increasing.

There is a move to combine the treatments and operational working of Fraud, AML, CTF into the overall financial crime umbrella as there is often crossover, for example, fraud is committed and then money laundering undertaken on the proceeds of the crime. There is often a fragmentation of working approach when assessing KYC/AML Authentication in conjunction with enterprise risk changes. Creating duplication of data and work, setting up better processes can help reduce this but often relies on collaboration between teams.

Onboarding a new AML technology supplier can be problematic with typical contract negotiations taking 6 to 9 months to agree. There are also risks associated with financial institutions dealing with a smaller or new supplier. This means start-up FinTech's are at a disadvantage. Meaning that traditional banks are often slower to adopt new technologies.

Navigating using legacy systems in a new FinTech world is a real challenge and bolt-ons to legacy systems often make life harder.



What we want in systems for continuous compliance with CLI

A system should have the ability to prioritise cases for review looking at the highest risk activities and direct remediation activity to the correct area. Ensuring that skill resource are able to focus on the area that are going to have the most impact in the management and mitigation of risk.

Solutions should provide a holistic perspective across your full portfolio so you can identify patterns, sectors and risk factors. Leveraging **FullCircI** means you can undertake thematic reviews across your portfolio allowing you to identify and expose emerging risks such as an exposure to Russia. This means you can proactively understand the impact of a change to a policy or risk appetite rather than relying on manual checks. Also, the ability to identify, expose and examine connections 2nd and 3rd degrees of connections means you get a 360-degree view of risk.

The Customer Lifecycle Intelligence (CLI) data and insight is available within an easy-to-use and interpreted dashboard that provides a snapshot that is drawing on many data points providing insights into data such as scores, rules summary, an overview of portfolio risk, suppliers and visibility of global tracking.

Greater use of IP address VPN's linked with known fraud and to determine overseas high-risk jurisdictions

Automation of changes that create targeted and actionable events, providing time efficiencies and allowing investigators to focus on the areas of concern to mitigate risk more effectively

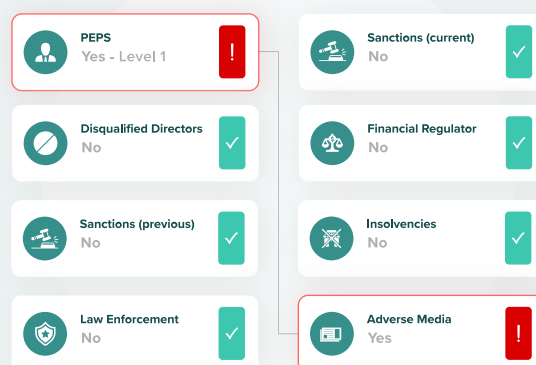
Require the ability to make more informed actions off the back of events that have considered multiple data points to apply policy decisions based on my risk appetite.

Integrated into a workflow to direct activity to the correct place and provide an audit of activity through to resolution. This results in consistency in decisioning and review meaning your customers have a smoother customer journey experience throughout the customer lifecycle.

Improved automation workflows is an enabler to reduce false positive rates, thereby reducing the need for manual referrals driven by improvements in:

- Referral categories
- High-risk transaction identification – such as gambling and money service businesses
- Management of money mules
- Identification of complex fraud rings

Leveraging technology to connect different activities and networks of people. With the use of risk scoring and machine learning wrapped around the data to provide additional insights and maximise the value of the data that is available.



Why choose FullCircl?

FullCircl goes beyond standard KYC and AML practices to perpetual OKYC, using automated data collection and execution of critical checks and processes to deliver improved onboarding and in-life experiences. The result for your business is ensuring compliance through proactive risk mitigation by targeting effort where it is needed in line with your policy and risk appetite.

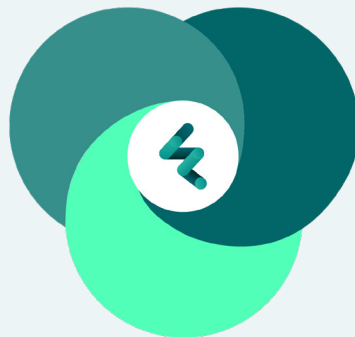
FullCircl Customer Lifecycle Intelligence utilises technology to connect data points that can be used to expose potential risk trends and connections across networks of people and businesses.

FullCircl's revolutionary Customer Lifecycle Intelligence (CLI) is a game-changer for continuous compliance and perpetual OKYC. Providing the ability to overlay your policy decisioning and risk appetite across trigger changes identified on your customer base. Generating targeted and actionable events, prioritising remediation to the highest risk activity that can be directed to the correct resource. Delivering consistency of decisioning and efficiency benefits in AML KYC remediation activities.

CLI for compliance & AML experts

Win the right customer

- Increase customer conversion rate
- Reduce the cost to acquire
- Improve customer profitability



Accelerate onboarding

- Reduce compliance and financial risk
- Rapid acquisition of validated customer data
- Drive consistency and transparency
- Improve customer experience

Keep for life

- Proactive rather than reactive
- Anticipate opportunities for upsell
- Continuous compliance & automated remediation

FullCircl 'Customer For Life Guarantee'



Unlimited Training

FullCircl has always prided itself on being more than a technology provider, offering a vast suite of face-to-face and digital training options, as well as fully bespoke solutions for customers with unique training requirements.



Temporary Over Licence Allowance

It's normal for people to come and go, and for others to want to try the software. So, if you go temporarily over a licence that's fine, let's talk about it. Every 3 months we will work with you to Trim down or tune up the over licences.



Replacement Guarantee

If someone leaves your business, we will reassign their licence and train their replacement free of charge.