

Insights Article

# The KYC Reality: How Regulatory Interpretation Shapes Client Experience

# Navigating KYC Regulations: A Global Risk-Based Approach

Financial institutions (FIs) and their clients are subject to a complex web of regulatory requirements under Know Your Customer (KYC) frameworks. These include Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), Anti-Money Laundering (AML) and both global and local compliance mandates depending on the products, services and assets of the client or beneficial owner. While these regulations are designed to safeguard financial systems, they are intentionally written to allow flexibility in implementation. This interpretive nature enables FIs to tailor KYC processes based on their individual definition of risk tolerance. As a result, clients working with multiple FIs can have very different experiences, whether they are engaging with institutions that have a global presence or managing multiple accounts across different FIs.

Most jurisdictions adopt a risk-based approach, guided by regulatory bodies that set regulations but offer little guidance on implementing appropriate KYC controls. This flexibility, while beneficial for regulators, can significantly impact the end-client experience, as each FI defines its own standards and procedures.

## Global Examples of Risk-Based KYC Frameworks

Here are four key jurisdictions where FIs must interpret and adapt KYC regulations to fit their risk profiles:



### United States (US)

AML regulations are primarily governed by the Bank Secrecy Act ([BSA](#)), with oversight from the Financial Crimes Enforcement Network ([FinCEN](#)) and the Federal Financial Institutions Examination Council ([FFIEC](#)). These bodies provide guidance, while FIs remain responsible for designing and implementing their own systems and processes.



### European Union (EU)

The Anti-Money Laundering Authority ([AMLA](#)) introduced new regulations in 2024 and offers a unified rulebook for FIs across member countries. These regulations will continue to evolve through 2028. In addition, the 6th AML Directive ([AMLD6](#)) strengthens rules around beneficial ownership and enhances the authority of Financial Intelligence Units (FIUs). The AMLA also calls on FIs to strengthen KYC risk-based approaches around crypto-related assets under the Funds Transfer Regulation ([FTR](#)).



### China

In 2025, the National Financial Regulatory Administration ([NFRA](#)) updated its AML framework to include mandatory CDD and the creation of an Ultimate Beneficial Ownership (UBO) registry. The country also follows a risk-based approach, allowing FIs to interpret and implement controls accordingly.



### United Kingdom (UK)

The UK's AML landscape is shaped by several key regulations: the [Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017](#), the [Proceeds of Crime Act 2002](#) and the [Terrorism Act 2000](#). Recent enhancements include the [Economic Crime and Corporate Transparency Act 2023](#) and the [Sanctions and Anti-Money Laundering Act 2018](#), all emphasizing risk-based compliance.

Individual countries can also issue warnings or advisories on other countries as well. This can be seen in the US, with FinCEN issuing a warning for FIs in regards to Chinese Money Laundering Networks ([CMLNs](#)). FIs are responsible for staying informed about these advisories and ensuring they are up to date on the most recent warnings. Ongoing monitoring is essential to ensure platforms and data collection processes reflect the most recent updates.

## Core KYC Requirements Across Jurisdictions

Despite regional differences, global FIs must demonstrate compliance with four foundational KYC elements. Each is defined differently by local regulators, which adds complexity to implementation. Global FIs must:

- Identify the client
- Verify the client's identity
- Assess the client's risk level
- Implement ongoing monitoring

How these areas are monitored and collected will be driven by the individual FI's processes and platforms.

# Why KYC Interpretation Drives a Complex Client Experience

The way an FI interprets regulatory requirements and defines its risk-based approach directly shapes the client experience—not only during onboarding but throughout ongoing periodic reviews. Each FI determines what documentation and data elements are necessary and how they are collected. These can vary widely across jurisdictions, as well as across product and services lines.

## Key Drivers of KYC Complexity for Clients

Several factors contribute to the fragmented and often burdensome KYC experience.

### Regulatory Interpretation and Documentation Standards

- FIs interpret regulations differently based on jurisdiction (e.g., FinCEN in the US, AMLA in the EU), leading to inconsistent documentation requirements, especially across global FIs.
- There is no standardized format—clients may be asked to submit data via portals, spreadsheets, Word documents or email.
- Sub-custody networks and regulatory bodies may impose additional documentation requirements, further complicating the process.
- Product and Service-Specific Requirements.
- The type of financial products a client engages in, such as digital assets, alternatives or physical securities, can trigger different KYC requirements.
- Entity types (e.g., PEPs, foreign banks, sovereigns) often require tailored documentation, including proof of establishment, address, EIN and more.

### **Jurisdictional Fragmentation and Team Silos**

- Global FIs often have separate KYC and Risk teams for each jurisdiction, resulting in siloed processes that lead to inconsistent client experiences.
- Clients working across multiple jurisdictions face compounded complexity, as each FI defines its own acceptable risk-based documentation.

### **Technology Limitations and Redundant Data Requests**

- Many FIs still rely on localized or homegrown platforms for CDD and AML, which are not integrated across regions.
- This lack of interoperability means clients must repeatedly submit the same information, as “submit once, reuse many” is rarely achievable.

## **The Client Impact: Time, Effort and Frustration**

For clients, especially those with global portfolios or multiple FI relationships, the KYC process can be time-consuming and frustrating.

### **Manual Effort and Repetition**

- Clients may spend hours manually completing documentation, often for multiple entities and product lines.
- Larger investment managers working with several FIs must submit the same data repeatedly across platforms and teams.

### **Communication Overload**

- The back-and-forth between clients and FIs, often via secure portals and email, can result in hundreds of messages, especially when multiple entities are involved.
- Each FI’s operational and administrative teams may request similar information independently, creating duplication and inefficiency.



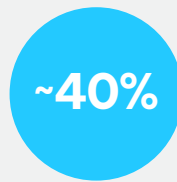
# The Bottom Line

The more jurisdictions and FIs a client interacts with, the more complex and fragmented the KYC experience becomes. While risk-based flexibility allows FIs to tailor compliance to their needs, it also places a significant burden on clients, highlighting the need for more standardized, client-centric approaches to KYC.

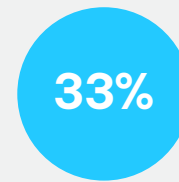
To address these challenges, NICE Actimize simplifies KYC and client lifecycle management by unifying fragmented processes into a single, [intelligent end-to-end solution](#). With automated data collection and centralized client profiles, FIs can reduce duplication and streamline reviews. This leads to faster onboarding and more consistent experiences, even across complex, multi-jurisdictional relationships.



**time  
to onboard**



**reduction in total  
cost of ownership**



**decline in AML false  
positive alert volumes**

Learn how to deliver a unified KYC experience by connecting front, middle and back-office operations through intelligent, integrated systems.

→ Your Guide to Effective KYC

## About NICE Actimize

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