NICE Actimize

eBook

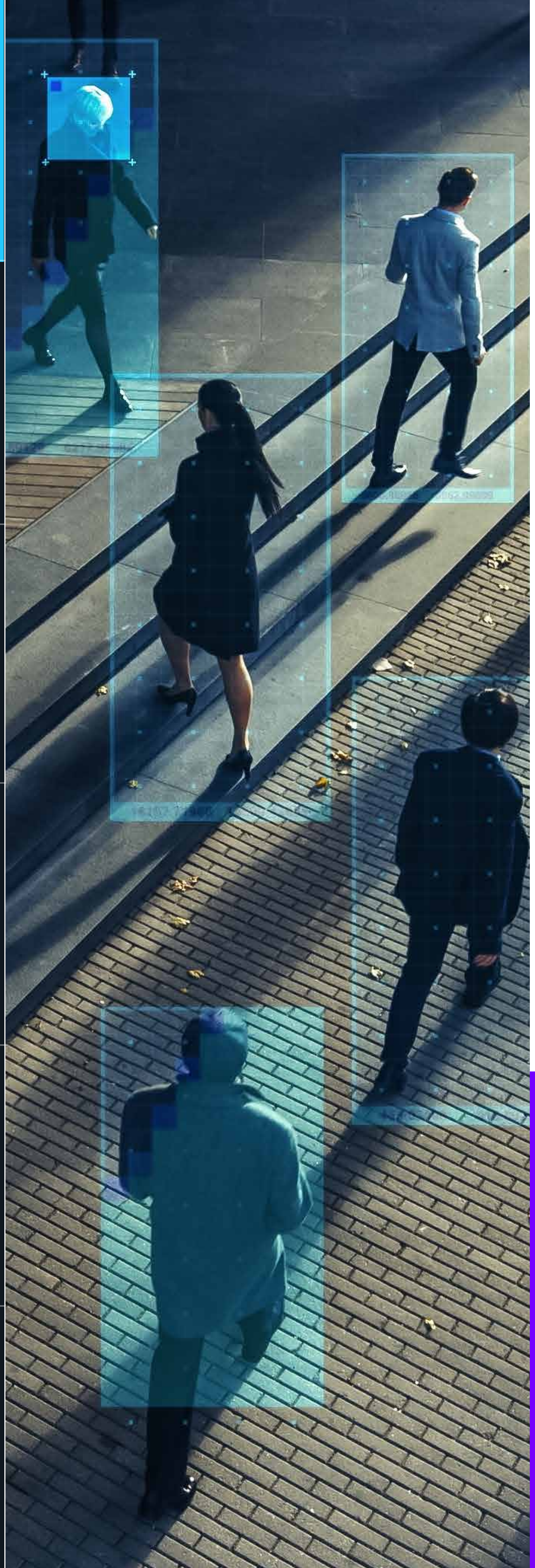
Future-Proof Your Approach with Continuous KYC

Introduction

Customer risk is subject to change over time. Customers may move, change jobs or adjust their business structures. They can also become involved in illicit or high-risk activity or have a new connection with a high-risk party. Any of these actions can impact their overall risk score.

Financial institutions (FIs) must take these risk changes into account to ensure accurate and current customer risk scores.

Traditionally, FIs have taken a periodic approach to know your customer (KYC) processes. This method is retroactive and leaves an organization exposed to unnecessary risk for extended periods. To mitigate that risk, FIs should leverage modern technology and use a proactive, perpetual, event-driven approach to KYC.



Limitations of Periodic KYC

Periodic KYC reviews customers' risks on a static, rigid basis. Typically, customer reviews are set based on the customer's risk level, with high-risk customers being reviewed more frequently and low-risk customer reviews taking place after longer periods. With this approach, appropriate, time-sensitive action due to changes in risk may not be taken. Customers may become higher risk and require more frequent monitoring, but the risk change may not be detected for months or even years, leaving the FI exposed to unnecessary risk.

Periodic KYC is manually intensive and time consuming, which can result in poorly allocated resources, yielding ineffective returns. An example of this is countless reviews of customers where there has been no change in their risk or risk rating.

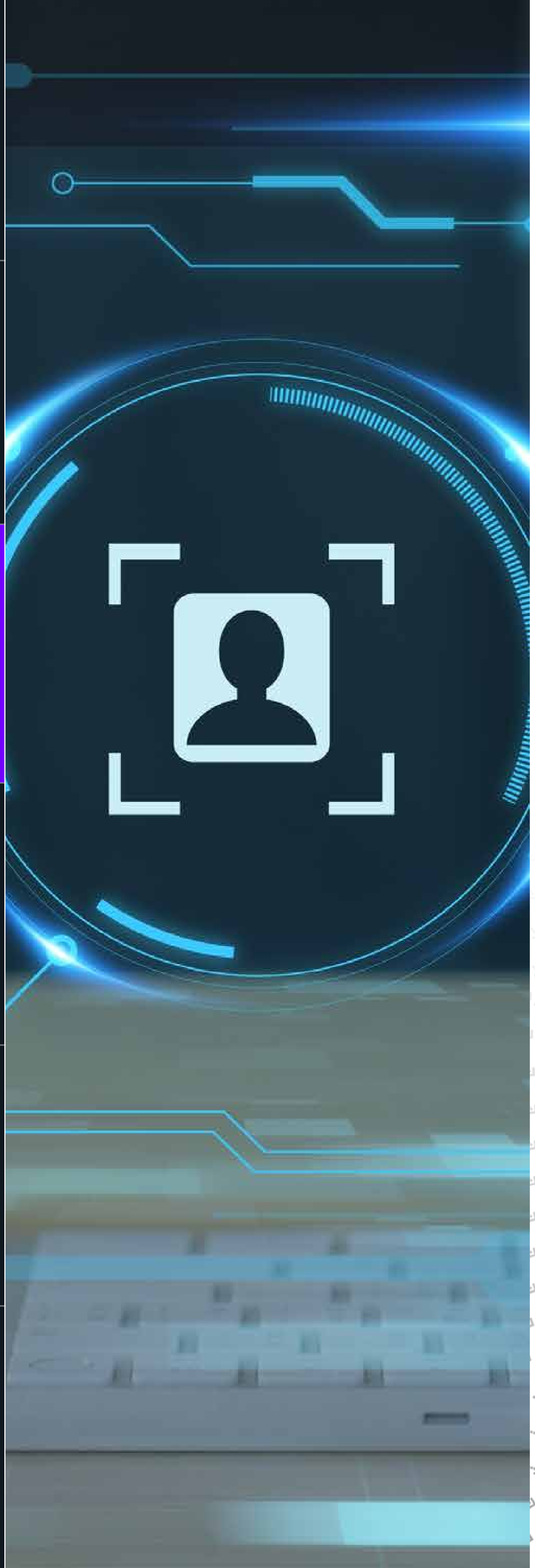
> **"Some financial institutions have expressed to EY that less than 0.1% of scheduled periodic reviews resulted in differentiated risk management."**
>
> — Ernst & Young

A Proactive Approach: Perpetual KYC

A customer's risk can change at any time—this can be a high-risk change that FIs need to be aware of immediately to take swift action.

To stay current on customer risk changes, FIs must take a different approach to KYC. Perpetual KYC, also known as event-driven or risk-driven KYC, takes a proactive approach to KYC.

Risk events, such as deviation from expected behavior, change in politically exposed person (PEP) status or identification of adverse news are monitored and risk scores are adjusted to reflect these events in near real time. By taking a proactive approach to KYC, FIs are able to appropriately manage the risk of the customers faster.



Benefits of Perpetual KYC

With near real-time ongoing customer risk assessments, perpetual KYC offers several advantages. FIs have more control of their KYC and ongoing monitoring efforts. With event driven adjustments of customer risk scores, FIs can adapt ongoing monitoring efforts and customer interactions as needed to match the most current and accurate customer risk score. This enables FIs to allocate resources to match real-time changes in customer risk, saving costs and enhancing their overall KYC program's effectiveness.

Ongoing monitoring also enables FIs to lower customer friction by reducing unnecessary outreach to customers during periodic reviews to request information.

With perpetual KYC, which is enabled with the use of technology such as data intelligence tools, FIs can have more confidence that customers' risk scores are accurate and current.

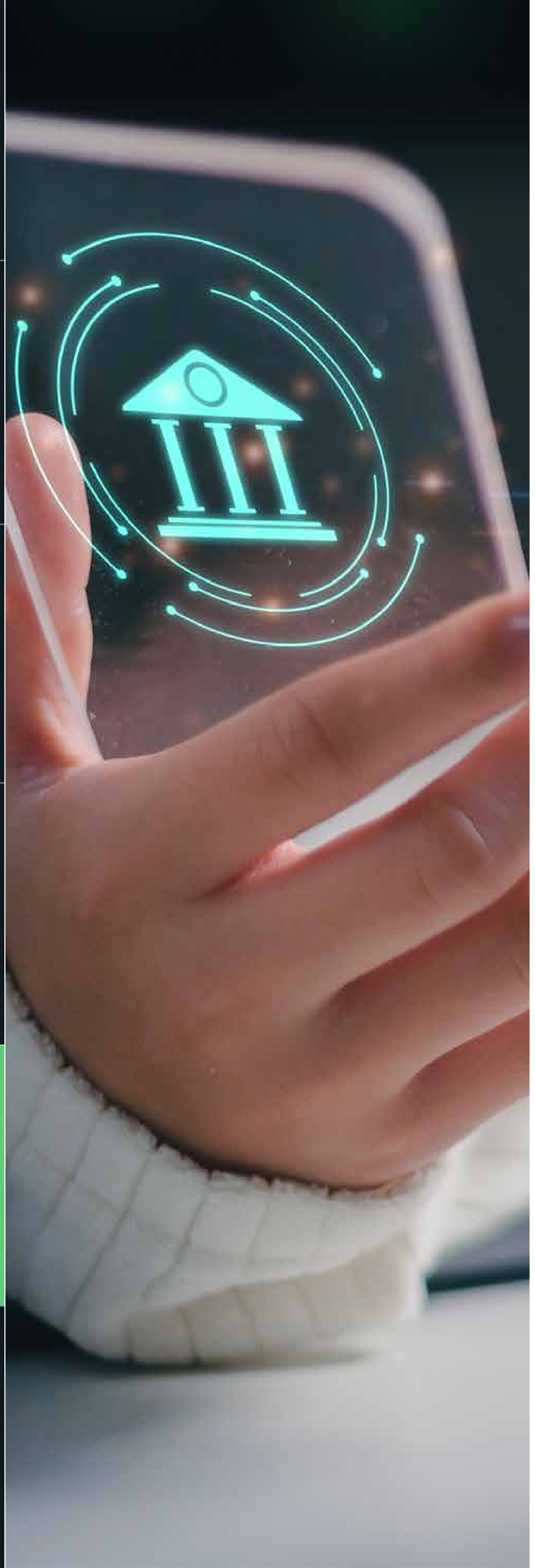
What if No Risk Events Occur?

In the case of no risk events over a prolonged time period, a periodic KYC review should still be triggered. Depending on the initial, or most recent, customer risk score, the FI should determine the period of time that a customer risk remediation review should occur if no risk events take place. The periodic KYC review acts as a compliance backstop to ensure the customer risk score remains accurate.

By combining perpetual KYC with periodic KYC, FIs can have peace of mind that customer risk is always known, and risk scores are continuously up to date.

Typical Organizational Defined Periodic Review Periods

6 months	**1 year**	**2-3 years**	**3-5 years**
Very high-risk customer review	High-risk customer review	Medium-risk customer review	Low-risk customer review

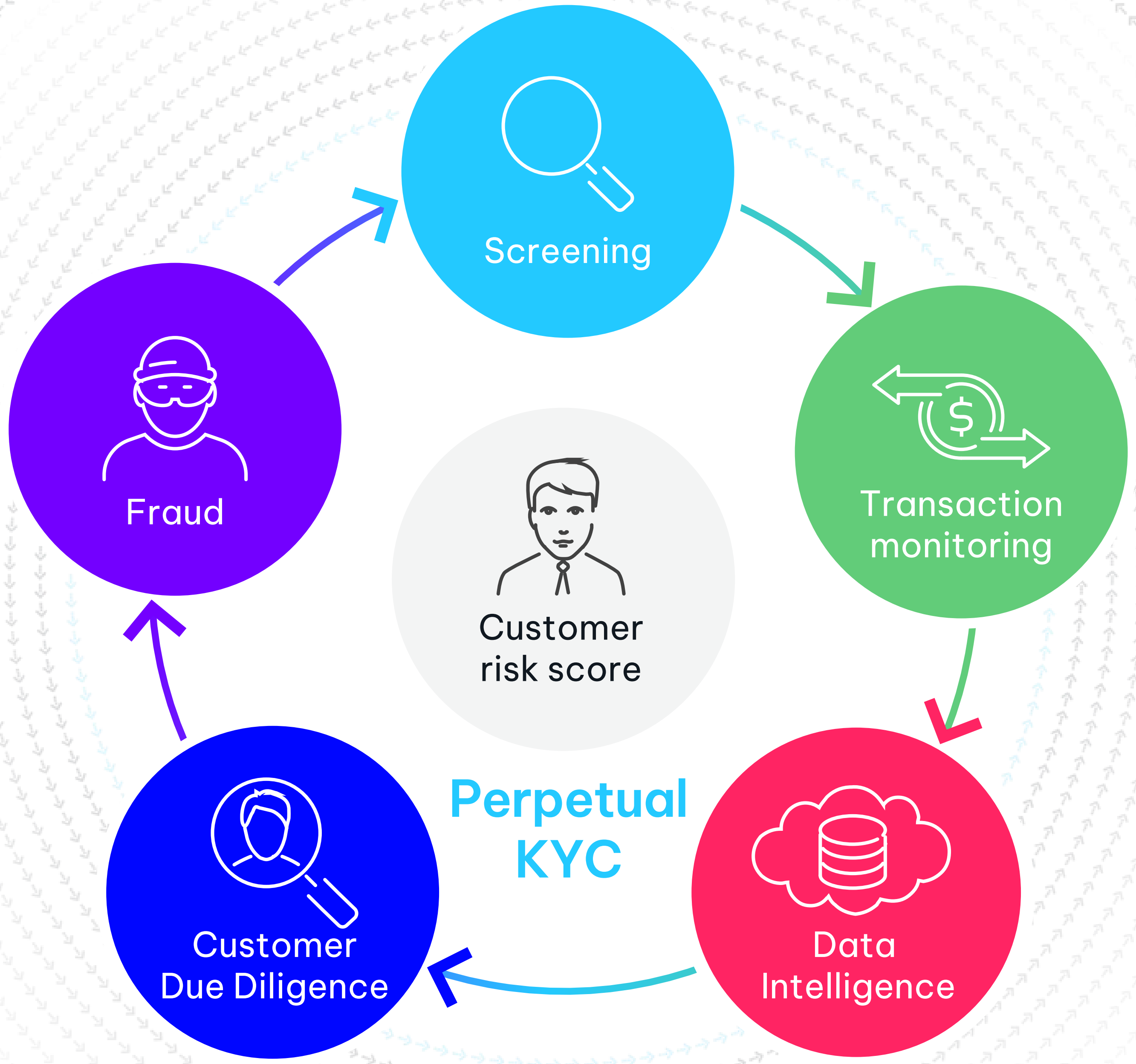


Modernize your KYC Program

To achieve perpetual KYC, it's essential to have the proper technology and tight integration with other solutions and data, which helps with ongoing monitoring and accurate assessments.

Automation should be used to auto-populate and update customer information from multiple internal and external sources, as changes occur. Tight integration between solutions enables appropriate new information to be shared instantly with the right systems, individuals and teams, providing an ongoing feedback loop.

This ensures relevant risk data—risk events, information changes, screening hits, and transaction data—is considered for near real-time customer risk score updates. Through the feedback loop, KYC risk information is also shared with and used by other risk solutions to enhance ongoing monitoring.



NICE Actimize

The Future of Effective KYC

FIs must take a more risk-based, proactive approach within their KYC program. By leveraging advances in technology, FIs can strengthen their KYC programs and help them truly understand their customers and risk.

NICE Actimize's KYC Solutions deliver always-accurate customer risk scores through ongoing monitoring and tight integration across the organization and third-party data sources. By implementing perpetual KYC, FIs can rest assured that all risks are continuously captured in customer risk assessments in near real-time.

Learn More →

About NICE Actimize

As a global leader in artificial intelligence, platform services, and cloud solutions, NICE Actimize excels in preventing fraud, detecting financial crime, and supporting regulatory compliance. Over 1,000 organizations across more than 70 countries trust NICE Actimize to protect their institutions and safeguard assets throughout the entire customer lifecycle. With NICE Actimize, customers gain deeper insights and mitigate risks. Learn more at www.niceactimize.com.

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