

KYC 4.0 – Turn your KYC organization into a real Production Environment

The Passcon logo, featuring the word "passcon" in a lowercase, blue, sans-serif font. The letter "p" is partially enclosed by a thin, orange circular line.The KYC Factory by Passcon logo. It features the words "kyc factory" in a lowercase, blue, sans-serif font, with a magnifying glass icon over the "y" in "factory". Below this, the text "by passcon" is written in a smaller, lowercase, blue, sans-serif font, with the Passcon logo icon to its left.

**FROM THE SERIES
KYC 4.0 - HOW TO BRING YOUR
KYC PROCESS TO THE NEXT LEVEL**

More details available at www.passcon.com

Although the obligation to perform KYC checks is still a major challenge for financial institutions, the importance of production planning is often underrated and not taken into account.

Many institutions don't have an overview of their detailed KYC production. They cannot estimate the scope and extent of the KYCs to be performed, let alone how much personnel is required.

In particular, a detailed overview of the following points is often missing:

- production times**
- resource allocation per country**
- resource allocation per business line or globally**

The consequence: KYCs become overdue or forgotten and the company is at risk for high fines from the regulator.

From our experience in our KYC Factory by passcon* we know, one of the major tasks to run a successful and compliant KYC process is a transparent production plan.

In this way, banks do not only control their E2E KYC process and stay compliant but also decrease their overall costs.

So how do you implement a proper end-to-end KYC production right from the start?



With our KYC Factory, we perform the production process on-site within the client's premises and offsite in our shared service centre. This KYC production planning process normally counts 12 steps:

STEP 1 SET UP A REAL KYC PRODUCTION ORGANIZATION

The basis for a strong and efficient KYC production is to have a KYC production organization in place. The production organization is responsible for recording and tracking production times and measure case quality. Without a clear understanding of your production process, production times, inefficiencies and many more, it is impossible to improve the production and thus the organization, to choose the right location and to decide between an in-house or outsourcing solution.



STEP 2 DEFINE PRODUCTION ROLES

In a second step, you define and allocate the roles and responsibilities within your KYC environment. The following four roles you need for your production:

- 1. Book of work manager**
- 2. KYC Analysts**
- 3. Quality Checkers**
- 4. Team leads (One team lead for fourteen KYC Analysts is recommended).**

STEP 3 GET AN OVERVIEW OF YOUR BOOK OF WORK BY CHOOSING THE RIGHT TOOL (NO EXCEL)

Please note, excel is not a suitable tool for use in larger projects or KYC line production environments where several people need to access the tool at the same time. Although many managers still use it, you can avoid a lot of stress and work by choosing a tool specially created to map the KYC process. In our KYC Factory and in many projects, we implement our GoKYC tool from the beginning. This tool represents your whole KYC process end-to-end and makes it easy for every employee independent from their IT know-how to follow the KYC process steps.



STEP 4 SET PRIORITIES WITHIN YOUR PORTFOLIO

Before you start working on your cases you need to know, which cases need to be completed first. For this decision, you need to set two filters:

1. First filter - Due Date

The cases closest to their due dates need to be checked first. Don't forget to set an approx. 3 months period before due date for KYC preparation – so the start date should be around 3 months before the due date.

2. Second filter – Risk category

The cases showing a potential country or industry risk should be checked first as they usually need more documentation, interaction with the client and thus more time. The second filter is individual due to the banks priorities.

-> This prioritization needs to be uploaded and marked in your production tool.



STEP 5 TIMING IS EVERYTHING

Start early enough to be on time with your KYC checks. Thus, you avoid overdue cases and fines. We highly recommend starting at least 3 months in advance in order to have enough time performing the direct client outreach, the whole analysis and add puffer for the client to respond. This timing will also be reflected in your chosen production tool.

With our GoKYC tool, we have an automatic 3-month filter, which shows us automatically the most urgent cases three months in advance first. Thus, the user knows exactly with which cases to start.



STEP 6 ENSURE CLEAR CASE ASSIGNMENT

There are two possible ways to structure the KYC check. Either one person is responsible for a whole KYC end-to-end or your structure it by working groups, where each group is responsible for one KYC process stage (e.g. research, cases analysis, client/relationship manager outreach, case completion, approval collection). Independent from the version you choose it is very important to have one responsible person for each KYC. This so-called Case Manager has his own dashboard to see the cases assigned to him and the status in which each KYC is present. In addition, this person gets a notification whenever there is a change with the assigned cases.

STEP 7 AUTOMATIC NOTIFICATION AND WORKFLOW

With the production tool, you receive automatically a notification in the cases that

- a new case is assigned to you
- your case is in a new process stage
- your case was rejected or approved

If the Relationship Manager needs to get in touch with the client to collect information, the tool provides him with an email about the missing documents he has to request.

This automated notification and process steps minimize manual work and thus strengthen the efficiency of the overall KYC process.



STEP 8 API TO REGISTRIES & NEGATIVE NEWS SCREENING TOOLS FOR EXTERNAL RESEARCH

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STEP 9 SET UP PRODUCTION KPIS

Within the KYC production, it is essential to set up clear KPIs in order to measure your targets against the actual state.

Before you do so it is important to have a clear target setting the bases for resource estimation, allocation and forecasting. In our Factory, we use (1) sample KPIs and (2) quality KPIs.

(1) Sample KPIs: Qualitative and quantitative KPIs as daily approval rates, submission rates, client outreach rates, KYC started rates, end-to-end production times.

(2) Quality KPIs: Rejection rates, because we always focus on first time right approach.

STEP 10 PERFORM DAILY PRODUCTION REPORTING



To steer and plan your production it is key to have a daily reporting in place showing the daily progress of your whole KYC production. Thus, you are able to steer your production, do forecasting and also see if you have improvement targets. We have best practices for each business line - Corporates, Investment Banking, Asset Management, Wealth Management - and know the average production times.

There is no need to build huge and costly KYC departments. All you need is to have the whole production under control, have time stamps for each step and identify quality gaps and possibilities for improvement. The daily production reporting will provide you with transparency on a daily basis and thus ensure this production overview and save up to 50% of your overall costs.

STEP 11 FTE PLANNING AND FORECASTING

Make sure you have your BOW (book of work) for the following months/year integrated in your production tool with the exact production times per step and in total.

In this way, you are able to plan your FTE for each KYC department, country and business line in advance and on a global level.

Thus, you do not only have planning reliability but a resilient basis to present to your management when requesting the needed numbers of FTE for your KYC project.

One step, two outcomes!

STEP 12 TRACK EFFICIENCIES



After the implementation of these steps, it is possible to identify inefficiencies and chances to speed up the overall process easily. Without an exact overview, it is almost impossible to run efficiency programs - production is key! And you can save around 50% of your current production costs.

TO SUM UP,

implementing a suitable KYC end-to-end production right from the beginning will lift your KYC organization up to the next level. Together with an exact FTE planning, this forms the basis for your future KYC organization.

With our GoKYC we are steering our production in our KYC Factory and support clients on a global level mastering this challenge. It's easier than you think! Start today and get in touch with us for more information.

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