

pKYC: Avert the Alerts Avalanche



Break the cycle of perpetual inefficiency
with an AI-Enabled Digital Workforce



Digital interventions in remediation processes are key to succeeding and remaining compliant, while keeping costs low and boosting overall efficiencies. [Banks can] either take a step-by-step approach ... or adopt big-bang implementation.”

— Everest Group, “The Next Frontier in KYC and AML: Intelligent Automation-led Transformation”

As the Financial Services industry continues to seek operational and regulatory efficiency — with improved customer experience at the heart of these efforts — firms are increasingly moving away from traditional, periodic reviews of customer data in favor of an event-driven, perpetual KYC (pKYC) model.

pKYC could be revolutionary, representing a sea change in the method by which Banks and Financial Services firms obtain, retain and refresh data on their counterparts. Whereas conventionally a firm reviews its relationships on a risk-led one-, three- or five-year cycle, a perpetual model effectively dispenses with these periodic cycles, replacing them with a dynamic, event-driven model. This inevitably increases the volume of alerts generated, and without management, could create an avalanche of alerts — both material and non-material. However, an intelligent approach, driven by AI Agents, can discern non-material events, such as minor filings and address changes, from more noteworthy, material events such as negative news, requiring review. Crucially, firms must address their governing policies, allowing the non-material “nice-to-knows” to be handled by its AI Agents for straight-through processing (STP), leaving only truly material “need-to-knows” for review by specialists and/or potential conversation with the customer.

Importantly, the decision to adopt pKYC is but one step towards truly knowing your customer. To stride assuredly in an ever-evolving data-driven world of compliance, firms must embrace a Digital Workforce.

What’s blocking change?

First, some background: Why has pKYC not been broadly implemented already? The complexities of implementing this approach are significant. Institutionally examining more data continuously requires investment in sourcing information, harmonizing it against conflicting data across multiple records, and then performing analysis and the associated reconciliation thereafter. Even in the most optimal of circumstances, and with full stakeholder alignment, there are a few hurdles to clear:

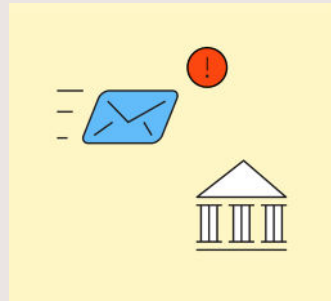
- **Alerts avalanche.** In the world of ongoing monitoring, a bank’s systems will be constantly updated with changes to customers’ information. For the most part, this new data is benign and represents no material risk to the bank. The ongoing onslaught of emails, alerts and reminders of minor tasks to handle and non-material alerts to dispose (simple address changes or notices of new filings of accounts, etc.) must be separated from material alerts (for adverse media events, PEP and sanction exposure, UBO additions or changes, and so forth), which must be brought to analysts’ attention. Plus, this is before we even consider the whole new class of non-material signals that pKYC generates: document alerts.



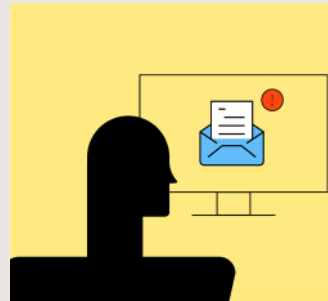
Figure 1
How alerts can pile up



SmartBank's low-risk corporate customer moves to a new address just down the street.



SmartBank is alerted to this change thanks to its integration with the corporate registry in that country.



This address change does not represent a material risk to SmartBank, but under current policy, an analyst is still required to review.



SmartBank's KYC teams are already overburdened with alerts of this kind. By the time one is complete, another is waiting to be reviewed.

- **Customer aggravation.** As volumes and non-material alerts increase, so too do touchpoints as analysts request information more frequently from customers. The more documents for customers to gather, the more emails for customers to respond to, the more customers' time is misused. Requests to provide (sometimes publicly available) information to a bank is sure to provoke the ire of any customer. Inefficient customer touchpoints are directly correlated with churn, especially in retail banking.
- **Data dilemmas.** For many organizations, customer data lives across multiple systems, each with their own way of talking and sometimes not talking to each other at all. The lack of a single customer view across these many systems presents significant challenges in not only obtaining and managing external data sources, but also in monitoring changes in data already available to the organization. According to research conducted by WorkFusion, a large European bank already well on its pKYC journey would have had to pay over \$1.2 million merely to bring onboard data from a local provider of PEPs, complementing its incumbent global PEP provider's lists. This immediate outlay for resource-stretched FinCrime teams is a major obstacle. Accounting sees a new cost, the benefits of which may not be fully understood by the outsider. Traditional business sense might contend that buying automation would not be sensible unless it's demonstrably cheaper to source the data directly and have it extracted, validated and accurately populated into systems at a faster and more effective rate than the circa dollar amount.
- **Systems complexities.** Depending on very specific needs, banking systems and integrated tools must cooperate. Technology developed in the 1980s still underpins entire banking systems; they're creaking under the weight of over-development but are too ingrained in the very fabric of these banks to be ripped out completely. Moreover, we can never underestimate the complex web of systems architecture that can be built up over time as institutions acquire, re-brand and merge, leading to significant technological debt. A customer's journey with the bank comprises many different components with no one player delivering an effective catch-all compliance solution. Banks seem to have a choice between buying optimal, custom-built software that solves only one area in the lifecycle or sub-optimal software that covers wider use but still does not do everything a bank needs.

What's the solution?

While there's no silver bullet solution for a successful pKYC program, combining the right elements can yield positive outcomes for firms, with possibilities for revenue generation on the back of greater customer insights:

- New rules.** Digitizing policies, instructions and standard operating procedures, so they act dynamically per data input (customer-provided or otherwise) allows less opportunity for user errors due to interpretation by the analysts. Better mapping — through a platform, not across multiple documents — of these policies, instructions and procedures creates logical paths for Kayla, WorkFusion's Customer Due Diligence and Customer Identity Program Analyst, to protect the organization from risky client relationships. Additionally, thresholds for material and non-material events will discern the "need-to-knows" from the "nice-to-knows."
- Systems in harmony.** pKYC should make the entire client lifecycle as painless as possible for all parties. It may be fanciful to believe this can be achieved by any one tool, so connecting multiple data systems with a Digital Workforce can have a transformational effect. Imagine, if you will, a robot running from point-to-point, updating systems along the way with data ingested from multiple sources, changing red lights to green everywhere.
- Employ a Digital Workforce.** Evan, WorkFusion's AI-enabled Sanctions and Adverse Media Screening Analyst, and Tara, Payment Sanction Screening Analyst, combine robotic process automation (RPA) to disposition screening alerts with document intelligence that includes optical character recognition (OCR) technology to consume all manners of documentation. Plus, artificial intelligence (AI) and machine learning (ML) can drive a pKYC program, keep human intervention to a minimum, save time and effort, and reduce total costs. This efficiency turns exponential as AI Agents operate within the WorkFusion Network, anonymously and securely sharing automation.

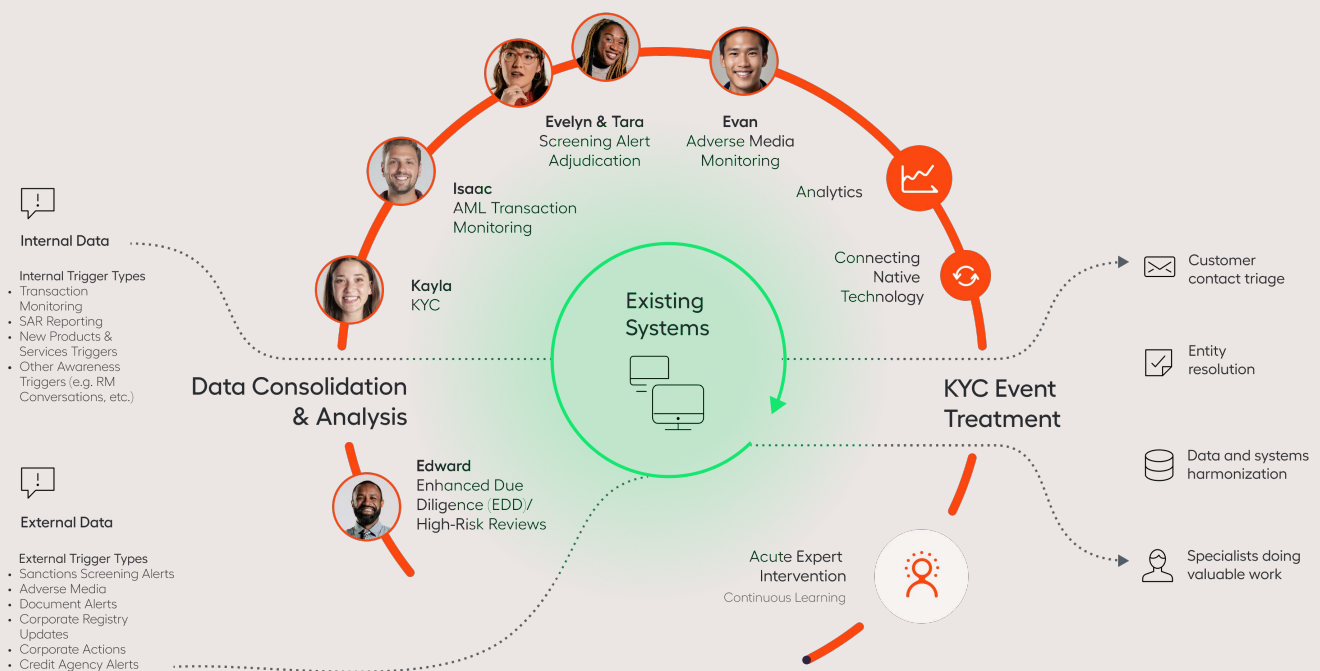
What are AI Agents?

A unique combination of cutting-edge tech, developed through deep partnerships with leading organizations in financial services, insurance, retail, logistics and more. Instead of limited rules-based automation, a highly skilled and experienced AI-enabled Digital Workforce can fulfill entire roles — enabling your teams to be more productive, with a better employee experience and improved customer satisfaction.

WorkFusion's AI Agent Workforce includes:

- Evelyn:** PEP Screening Alert Review
- Evan:** Adverse Media Monitoring
- Edward:** Enhanced Due Diligence (EDD)/High-Risk Reviews
- Tara:** Payment Sanction Screening Alert Review
- Isaac:** AML Transaction Monitoring
- Kayla:** KYC

Learn more: workfusion.com/ai-agents



What's next?

Many financial firms are yet to even consider next steps toward pKYC, much less act unequivocally. Deciding to embrace an event-driven, perpetual KYC model is itself a milestone. Implementing AI Agents is the practical means for success.

Paradigm shifts require open minds. Considering new risk-based approaches means firms must take sizeable leaps forward. Adopting innovative technologies, obtaining data from previously untapped sources, and addressing risk through new lenses will provide fresh insight into customers. Expect further benefits to result from managing resources dynamically, applying acute expertise strategically and dispensing with costly, laborious tasks of negligible value to the bank, its employees and all customers.

The very nature of regulated industry resists radical changes. However, the truly successful institution knows it cannot stand still, comfortable and complacent. Embracing powerful new ways enables the possibility and potential for greater efficiency, more robust compliance and a renewed vigor to tackle new challenges, survive and thrive.

¹ Everest Group, "The Next Frontier in KYC and AML: Intelligent Automation-led Transformation"

Accelerate your KYC program with AI Agents

WorkFusion is a pioneer in AI agents for financial crime compliance (FCC). Its AI Agents are purpose-built workers that augment financial crime compliance operations teams in Level 1 analyst functions for anti-money laundering (AML), adverse media monitoring, sanctions screening alert review, Know Your Customer (KYC), and transaction monitoring investigations (TM). WorkFusion's AI solutions are used at 10 of the top 20 banks and leading financial institutions around the globe to mitigate risk, solve talent challenges, increase workforce capacity, save money, enhance employee and customer experience, and improve compliance posture.

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