

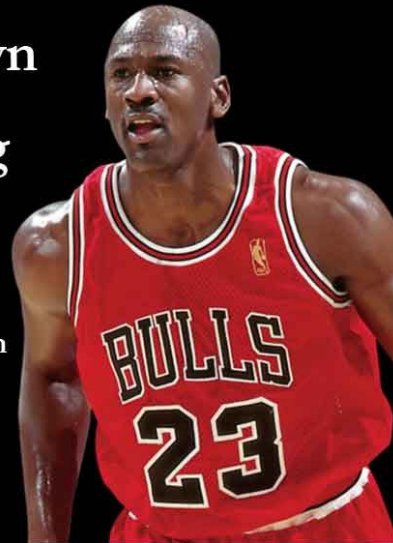
Financial Crime Prevention

Get the basics in order

February 2024

Get the fundamentals down
and the level of everything
you do will rise.

~ Michael Jordan



Aim of this presentation

“While everyone is rightfully so excited on the perspective and relevance of the next generation of Financial Crime Prevention capabilities, we cannot lose focus on the cruciality of having the basics in order”



Agenda

1

Refresh, Financial Crime Prevention for Financial Institutions

2

NextGen capabilities birds eye view

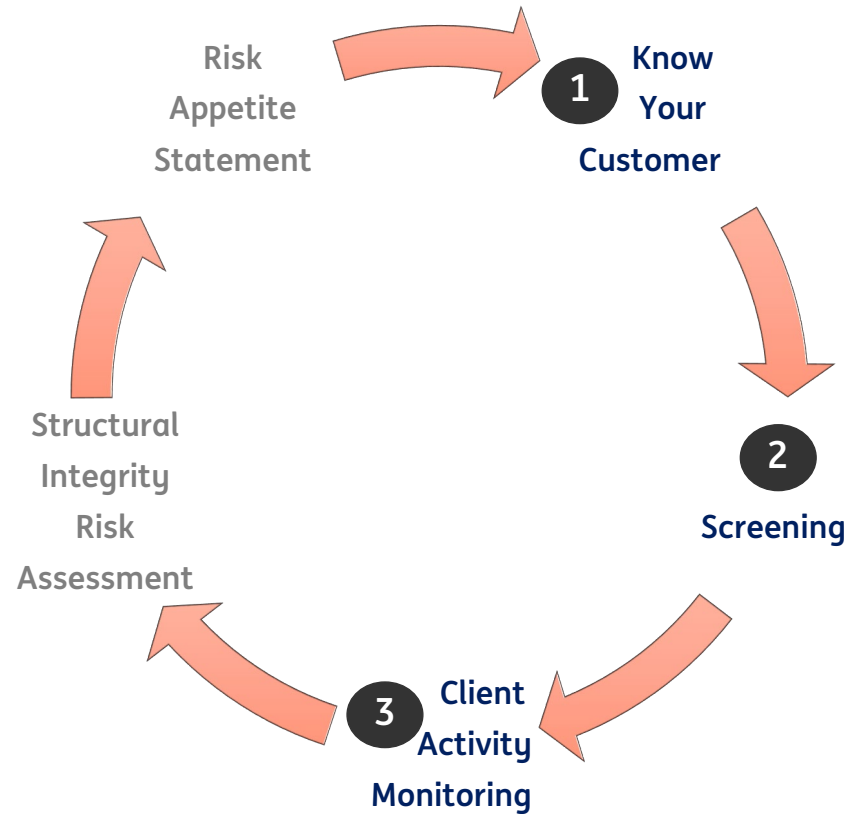
3

Back to the Basics, what's our challenge

4

Getting your basics in order

Financial Crime Prevention Controls



Refresh: Why do we perform a Periodic Review on our clients ?

1 **Know Your Customer** must be performed to...

....., enable:

- I. The full **ownership** and **control structure**, including **associated parties and individuals** must be identified
- II. Consciously baseline the **purpose & nature** of the client's **business** and reviewed against its actual activity with us.



2

Screening our clients' full legal tree, ownership incl related parties

3

Monitoring whether the client's **behavior** shows anomalies to how it identified itself to us



- III. Substantiate KYC with evidence from **independent and/or verifiable sources**

So..., what quantities are we talking about ?

	# Data points
Identity and verification of the ownership & control	40 +
Product agreements & Behavior	50 +
Verifiable evidences	10 +
Data points per entity	100 +



Average annual “book of work” (BoW) is 30% of the client base:

50k entities clientbase results in time-driven BoW of 15,000 entities per year

1,500,000

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NextGen FinCrime prevention capabilities (simplified)

Events

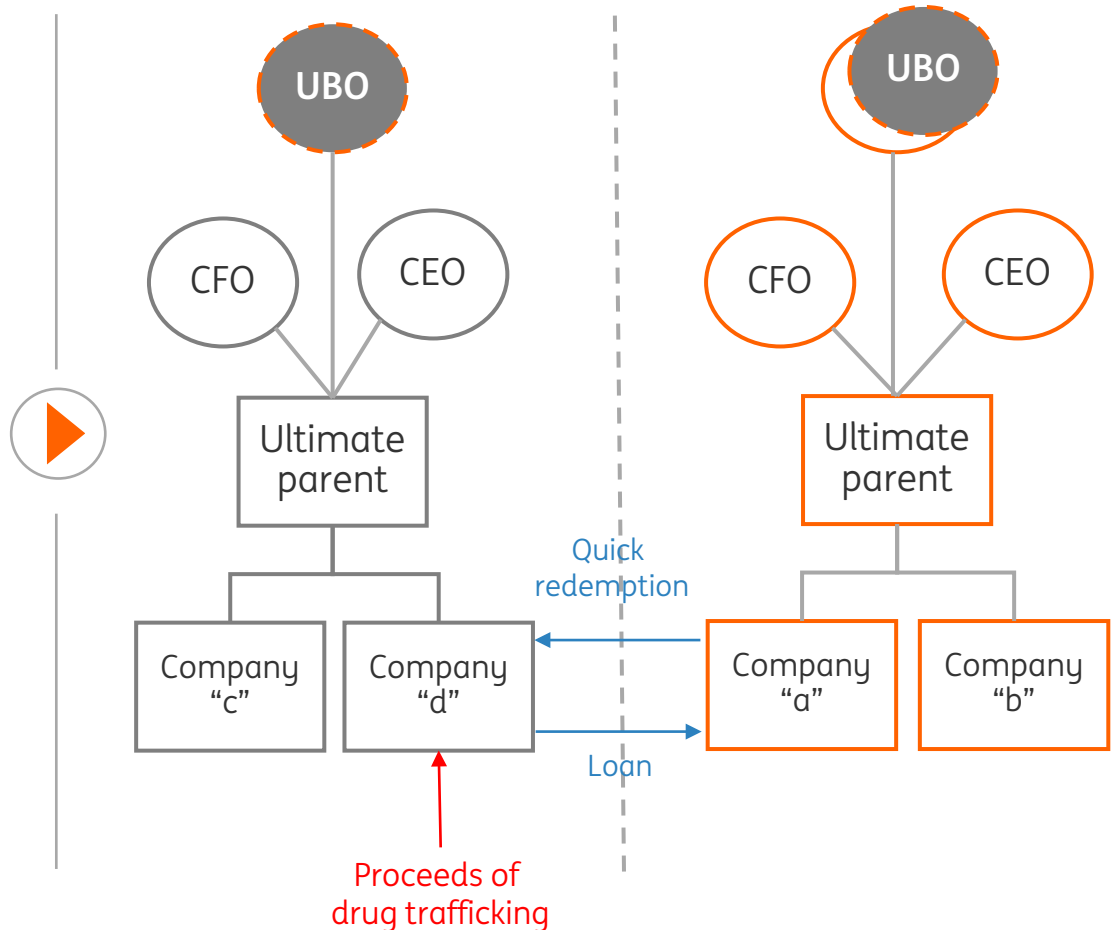
Normal Risk Client, recently reviewed. **Next review in 3 years.**

UBO change with our client

A frequent repetitive payment to a business partner (loan redemption?)

UBO of business partner appears to be same UBO as of your own customer (hidden economy)

Adverse media screening on the loan provider shows associations with Drugs networks



The concept of a NextGen FinCrime prevention capability (Quantexa)

NextGen capabilities only work if you have your basics in order !!

So... what is our challenge then ?

If you'd KYC a customer's periodically, in this example after 3 years, would we:

1. Have identified that there was a new UBO for this client ?
2. Have identified a new jurisdiction was introduced within customers product behavior ?
3. Would the NextGen capability have been able to identify the hidden economy ?
4. Would the NextGen capability have been able to connect it via a social path to potential proceeds of crime ?

Conclusion:

- I. To enable Nextgen FinCrime capabilities, we must move to perpetual KYC
- II. Result: 54 mio data-points a year, 3600 % increase (50k entities x 90 data points x 12 months)
- II. Hence, KYC must become a more digital and data driven process

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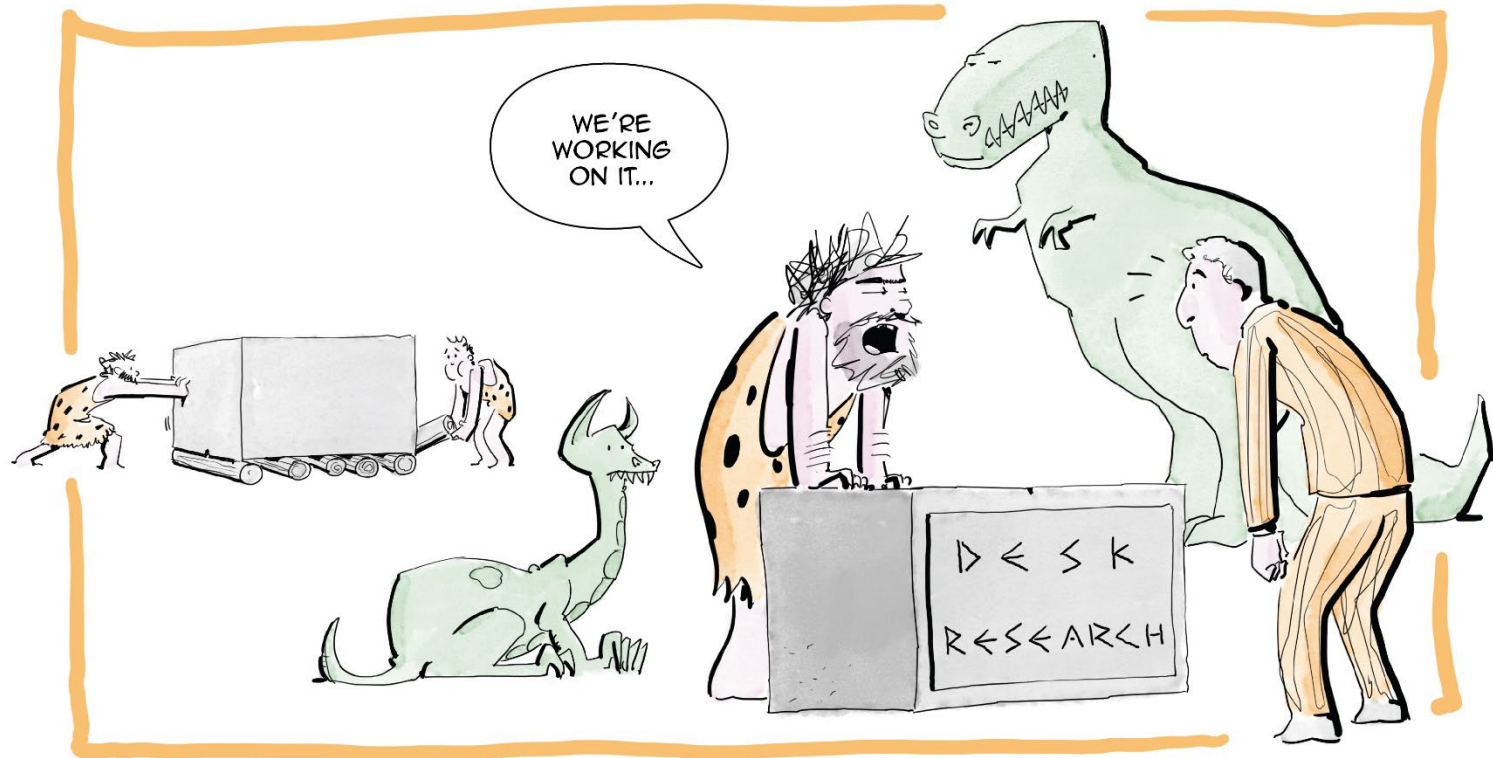
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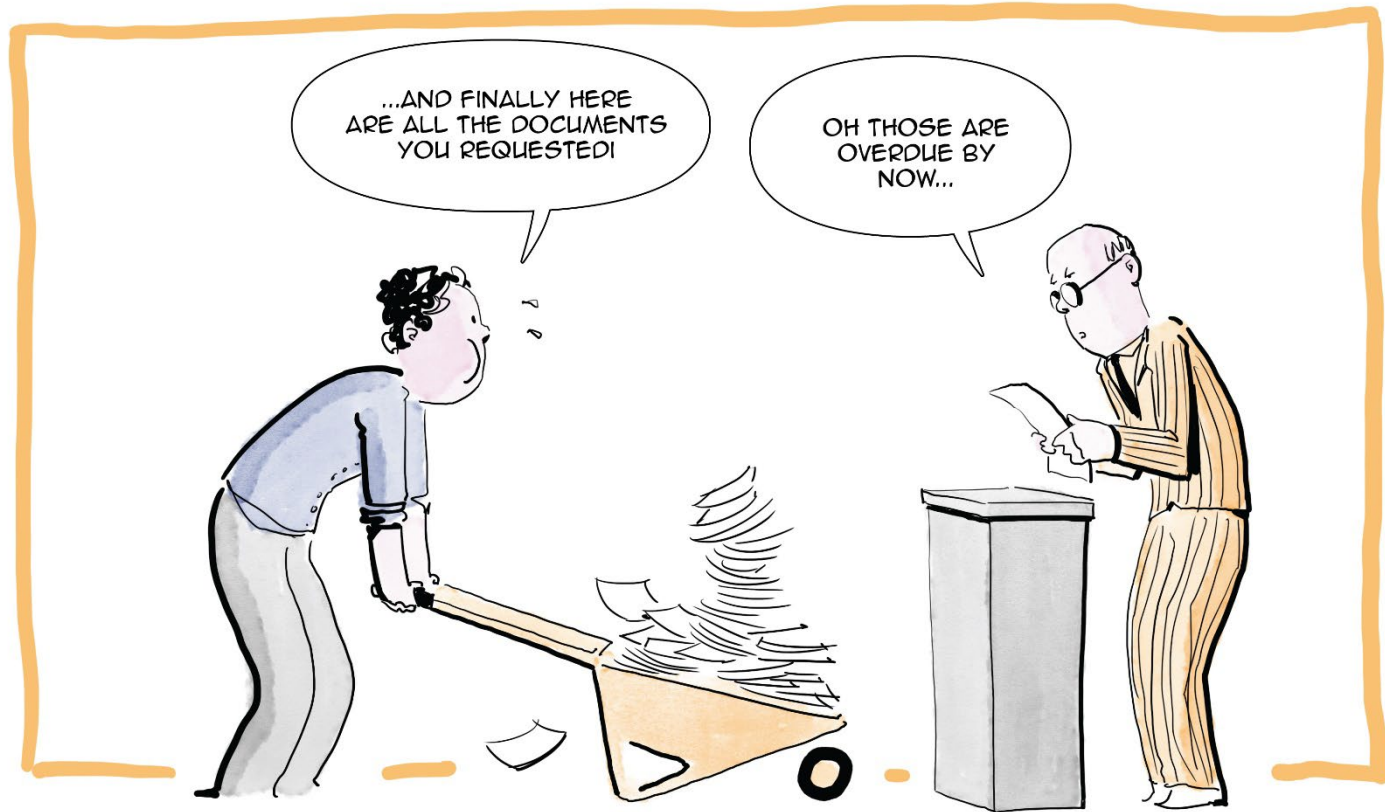
Industry challenge 1

How to embed new technology, to secure our fundamental basics, into a large-scale operation while being in mid-flight ?



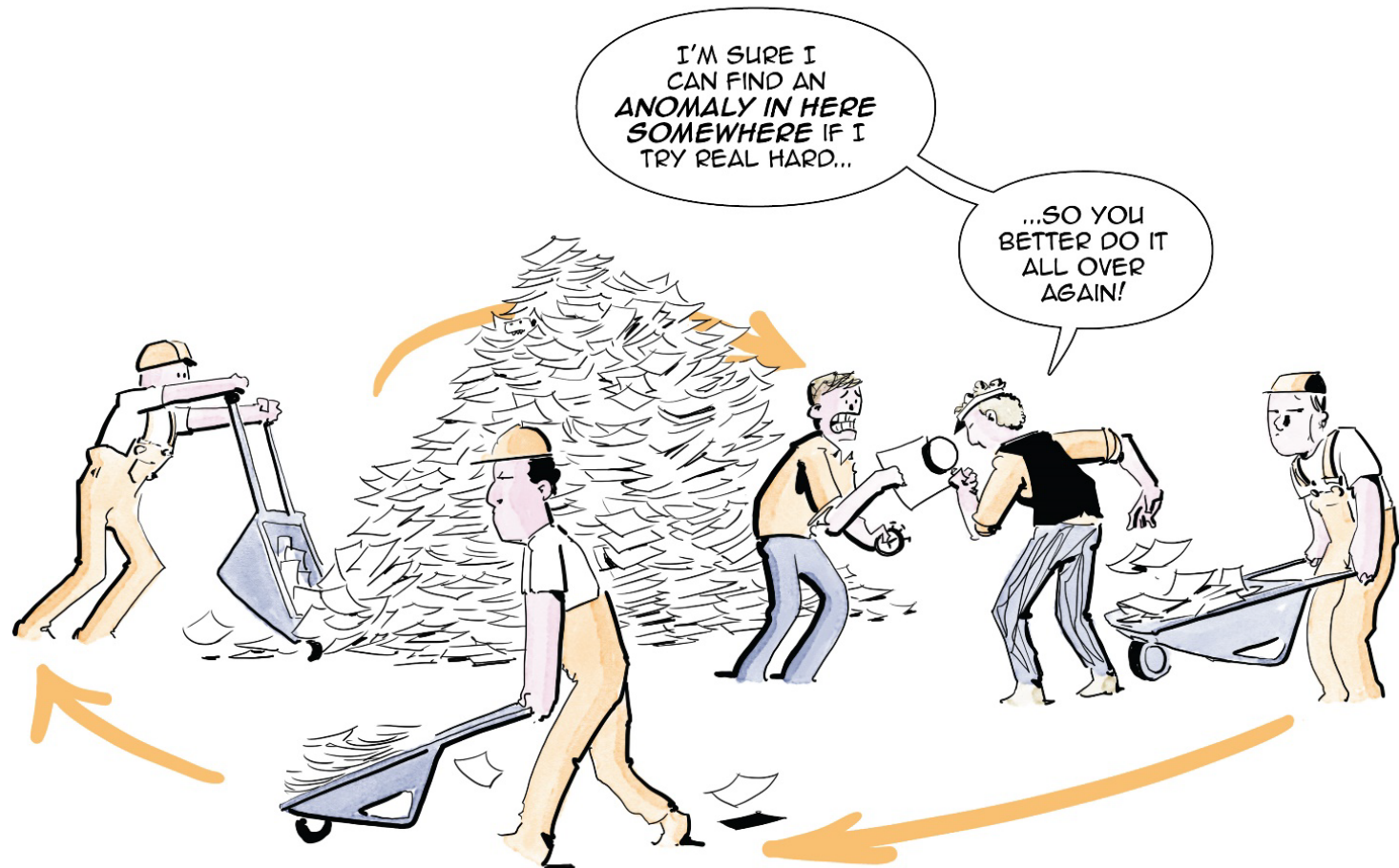
Industry challenge 2

How to establish a Digital and Data Driven Client profile to reduce data collection effort ?

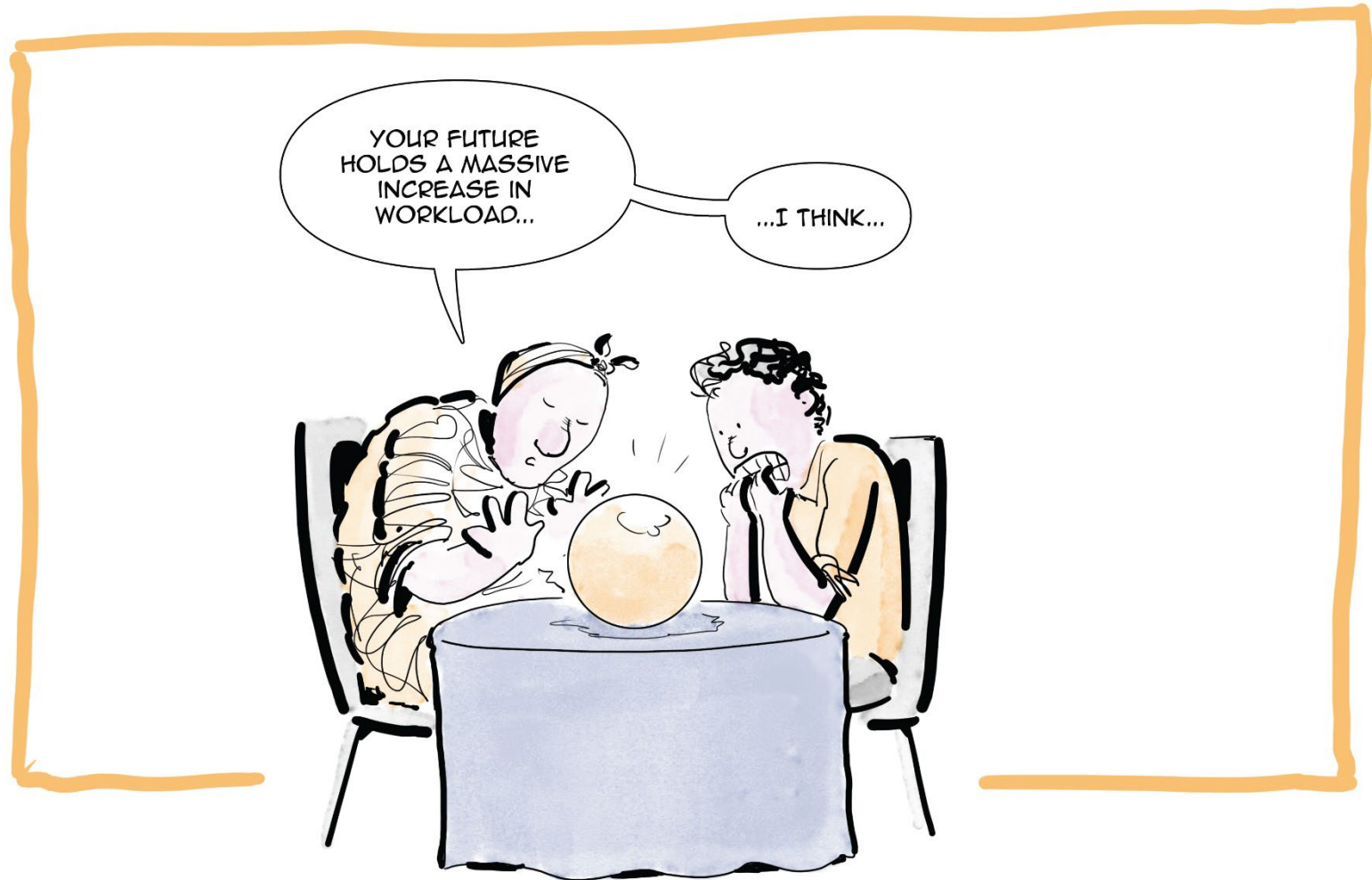


Industry challenge 3

Be able to have a perpetual and data (delta) driven KYC view on our customer



Because if we don't :



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What does this automation look like ?



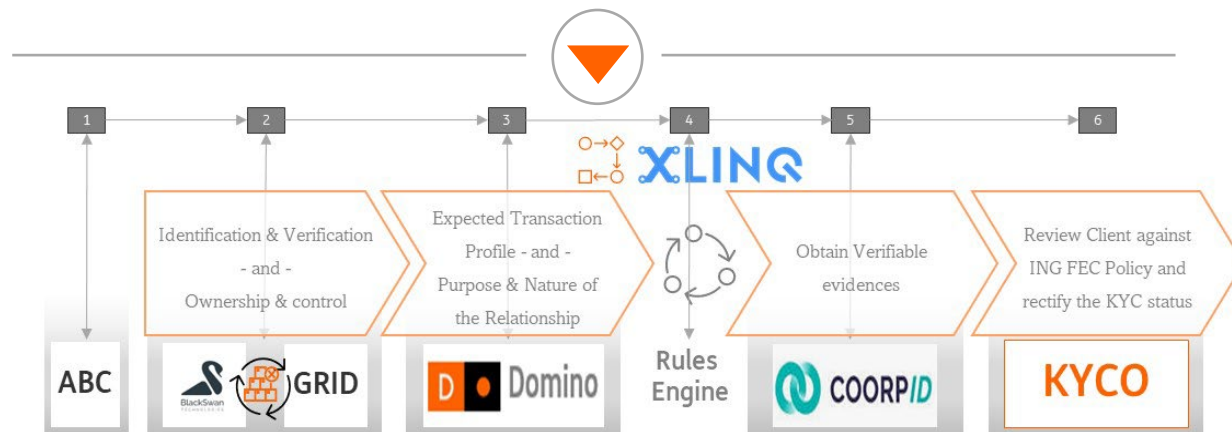
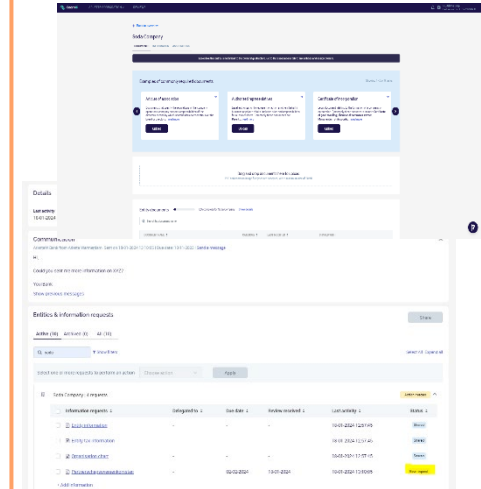
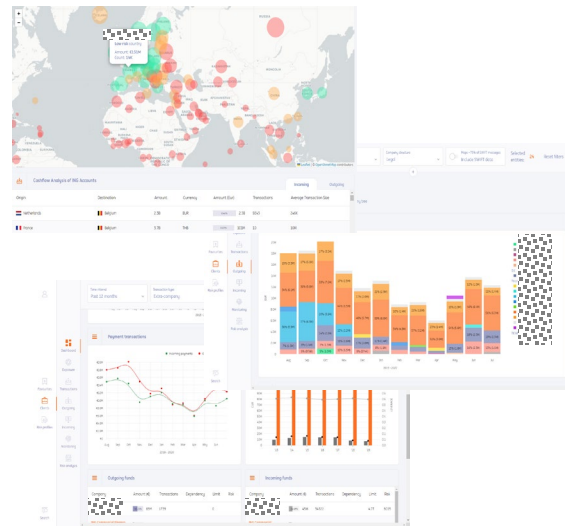
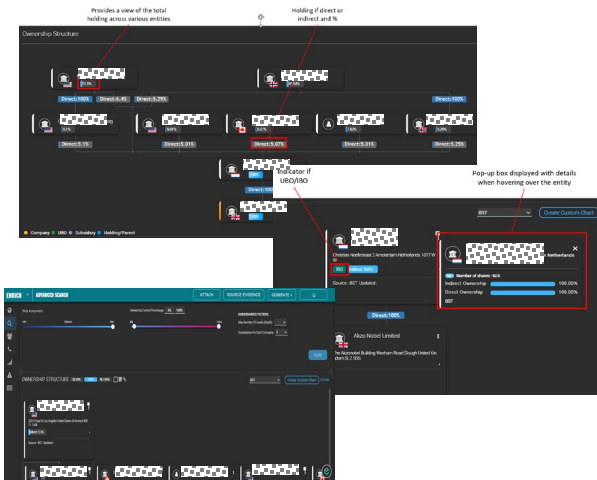
**Id & Verification
of ownership & control**



**Customer
behavior**

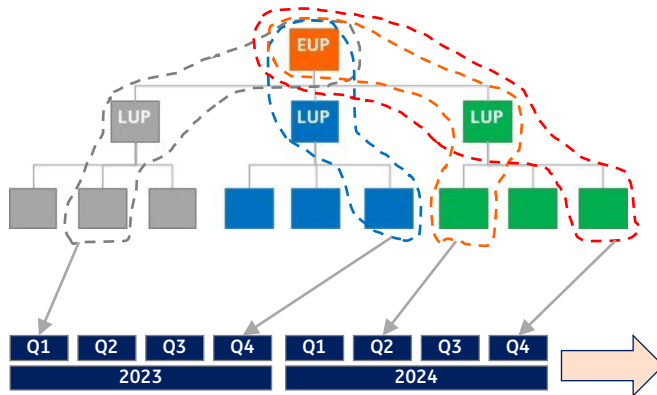


**Verifiable
evidences**



Greenfield Approach : Perpetual KYC & Event Driven Review

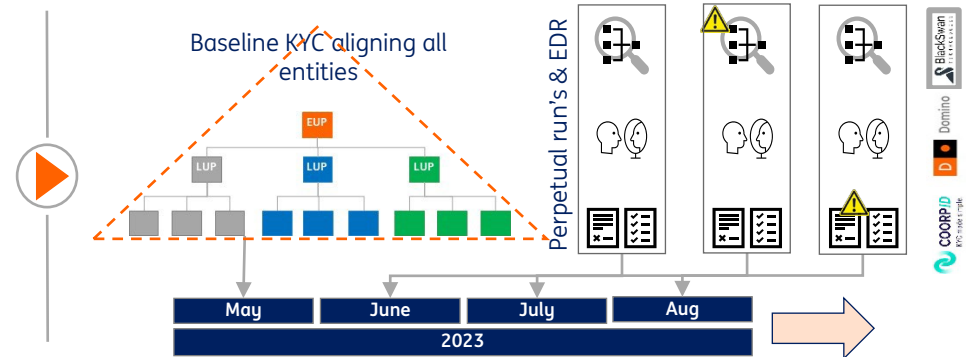
Entity based & time driven



From:

- Time driven periodic reviews
- With highly manual operations
- Creating a static customer file

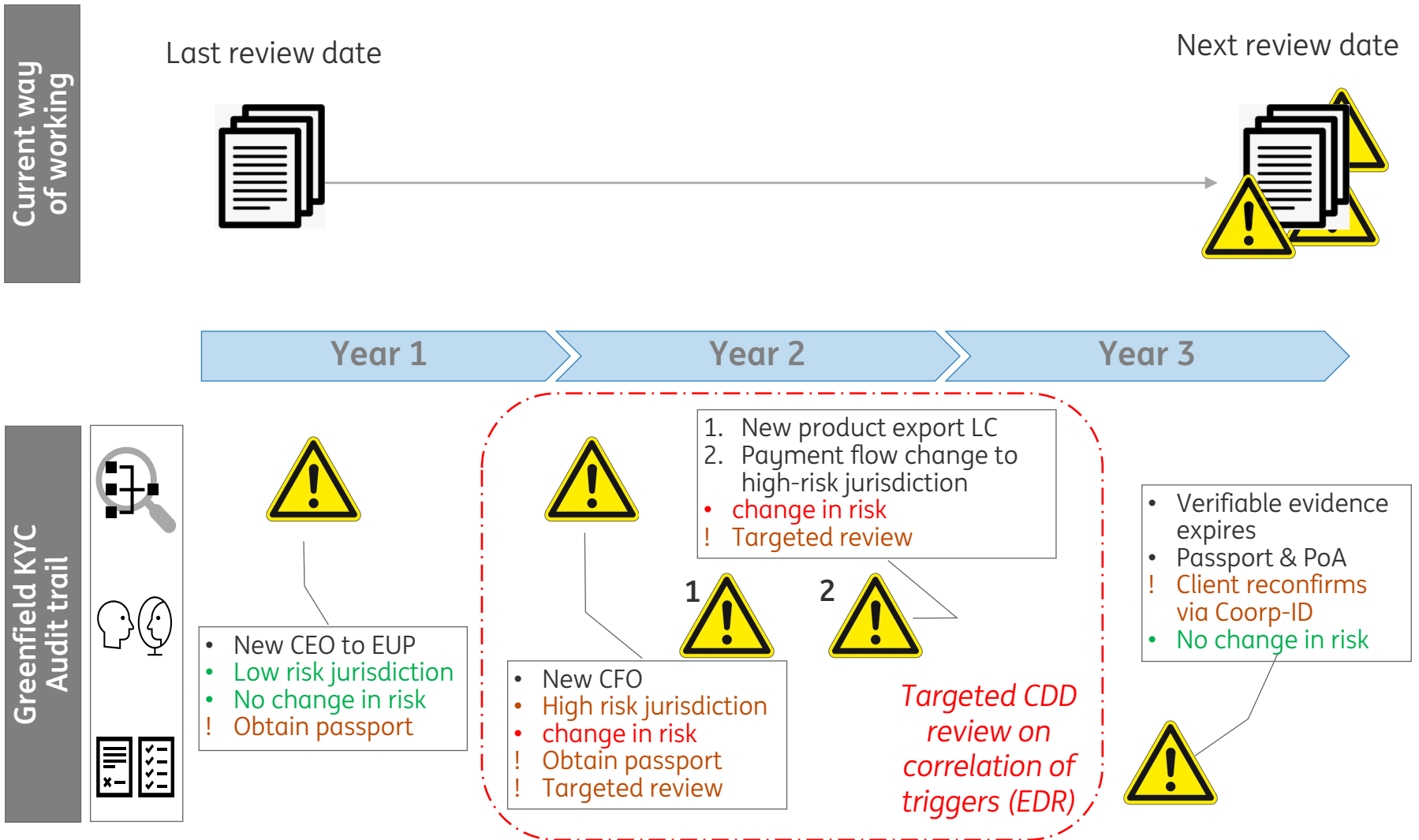
Client based & PKYC with EDR



To:

Dynamic digital customer profile that is continuously reviewed using automation on both publicly available sources, internal systems of record and customer document portal

Greenfield Approach : Perpetual KYC & Event Driven Review



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