Acuris Risk Intelligence

White Paper

Eight Best Practices in Customer Screening and Compliance

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Compliance keeps on getting tougher. That was the lesson of 2018, when more rigorous regulation, increases in fines and penalties, and more actions against directors and officers came about through new compliance directives. This places pressure on compliance teams and cost financial institutions huge amounts on compliance operations.

The good news is, some firms are using best practices to reduce their compliance burden and costs, especially with regards to screening customers for PEPs, sanctions, anti-money laundering, adverse media and optimizing their processes.

Our eight proven practices deliver a more efficient compliance:

1. **Set your risk appetite**: Well-defined rules around who needs to be screened reduces the workload and enables compliance teams to focus on real risk. Note, there are wide variations between jurisdictions, business areas, regulatory zones and company policies. Some regulators, for example, concentrate only on high-level politically exposed persons, while others go as granular as local council members and beyond. The same is true for sanctions where certain entities focus on unilateral enforcement, and adverse media screening, where definitions can be very broad.

2. **Train your teams**: In-house and third-party teams should work to the same guideline procedures and know when to escalate 'red flags'. You are then less likely to miss alerts and generate unnecessary workloads. Regular refresh sessions are always worthwhile.

3. **Outsource where it adds value:** The cost of compliance is high on the list of concerns for financial institutions - most firms finding it helpful to outsource specific tasks or implement tools to help cover more ground with fewer people. Outsourcing can add manpower and coverage for less cost, as well as adding a neutral third-party to analyze client data without bias, to support rational decision-making.

4. **Make sure outsourced solutions are tailored to you**: The market for client screening solutions is broad, therefore very important to select an option that matches your own risk appetite and policies. Choose products that allow you to personalise your results – for example, with matching ratings, separate search fields for identifiers, and providing easier options to recognise true matches from false positives (i.e. with photographs, date of birth, addresses, and business registration numbers).

5. **Automate where possible**: Many firms still perform checks manually - this takes time and leads to error, especially when monitoring onboarded clients. Automated checks are more accurate, reduces workloads and frees human analysts to focus on areas of concern that are raised.

6. **Explore artificial intelligence and machine learning**: Ideally suited to compliance screening, these technologies can help reduce false positives considerably over time. Good systems offer improvements on compliance approaches and programmes.

7. **Review and test regularly:** You can identify gaps in compliance systems and address them with the appropriate technology and expertise. Sharing assessments internally can ensure potential risks are captured in time.

8. **Consider using a compliance management system**: Having everything in a dedicated system has several advantages:
   – Easier to manage frequent regulatory change
   – Centralised monitoring allows for smarter management, quick resolution and escalation
   – Larger corporations centralise risk definitions, compliance requirements, techniques, and internal policies
   – Analytics, information-sharing and internal investigations are easier
   – Third party on-boarding can typically be automated

It's important to recognise how compliance management systems evolve over time - they don't always adapt efficiently to new technological realities. High performance, seamless integration and personalisation are key characteristics we would look for. Most systems are moving to the cloud, where banking and screening algorithms can run in parallel without affecting performance. The technology can handle heavy loads, is flexible, lower in cost and easier to maintain than installed systems.

The Acuris Risk Intelligence response
When you are evaluating compliance solutions, look at Acuris Risk Intelligence. Our services are evolving to keep-pace with an ever-changing world and help organisations make best-practice compliance a reality:

- Cloud-based system for easy and cost-effective compliance workflow, management and escalation
- Ongoing monitoring across a wide range of lists: OFAC, EU and UN, as well as unilateral sanctions, adverse media and PEP
- Filtering and source tagging to differentiate false positives quickly
- Smart screening that captures names regardless of lexical or spelling variations, misplaced or switched characters and non-Latin script
- Research team with expert knowledge and language skills