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# Know your customer, meeting commercial requirements in a global marketplace





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## Introducing:

- **Adel Shrufi**  
Amazon
- **Greg Carmean**  
Experian





# In the news...

## AML/BSA Fines Total \$5.2B Over Six Years: GAO

By David Baumann  
April 22, 2016 • [Reprints](#)



Financial institutions were assessed about \$5.2 billion in fines, penalties and forfeitures in connection with Bank Secrecy Act and anti-money laundering violations from January 2009 to December 2015, but none of the fines stemmed from NCUA enforcement actions, the Government Accountability Office reported.

In total, the GAO reported financial institutions paid \$12 billion during that period, but that total included fines related to foreign bribery and violations of U.S. sanctions program requirements.



Source: [www.cutimes.com](http://www.cutimes.com)

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# Regulatory compliance

Lack of compliance is a serious and costly issue

## Studies\* illustrate international compliance challenges

- Fines, enforcement actions, reputational risks
- AML investment increased by an average of 53%
- 70% received a Know-Your-Customer-related regulatory visit
- Complexity in implementing and maintain adequate controls and processes
- No single tool or source of data



\*KPMG Global AML 2014 Survey



# It's getting personal

**RISK & COMPLIANCE REPORT**   STRATEGY   GOVERNANCE   COMPLIANCE   OPERATIONS   PEOPLE MOVES

4:34 pm ET  
Jan 13, 2016   COMPLIANCE

## Court Rules Anti-Money Laundering Law Applies to Compliance Officers

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By STEPHEN DOCKERY [CONNECT](#)

**Updated below**

A U.S. District Court in Minnesota ruled that compliance officers and other individuals can be held responsible for anti-money laundering control failures under the Banking Secrecy Act, dealing a setback to a former chief compliance officer who was hit with a \$1 million fine by the Financial Crimes Enforcement



A shop worker places a sign for 'MoneyGram' outside his store on Moore Street in Dublin, Ireland. — Bloomberg News

PREVIOUS **Corruption Currents: IAAF Allegedly Explored Russian Doping Cover-Up**

NEXT **FinCEN Continues Patriot Act Expansion Amid Real-Estate Order**

CONTENT FROM OUR SPONSOR

**Deloitte.**

Mid-market Slows Spending as US Growth Expectations Moderate: Survey

Spending among mid-market companies has slowed as executives' growth expectations for the U.S. economy have moderated, according to a survey of more than 500 executives of mid-market companies from Deloitte Growth Enterprise Services. The survey found that while expectations for many metrics, including productivity, remained optimistic, executives indicated a pullback in outlooks for growth in profits, prices and capital investment. The survey results pointed to several barriers to business growth, including cost of health care and regulatory compliance.

Read more about: [Economic outlook](#), [Operational Risk](#), [Strategic Risk](#)

[Read more from Deloitte »](#)

*Please note: The Wall Street Journal News Department was not involved in the creation of the content above.*

Source: blog.wsj.com, Jan 2016

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# Key drivers of Know Your Customer

- Anti Money Laundering (AML)
  - ▶ Banking Secrecy Act (BSA)
  - ▶ Patriot Act (OFAC)
- Fair Accurate Credit Transactions Act (Know Your Customer / customer due diligence)
- Foreign Corrupt Practices Act
- Fraud and reputational risk





# Know Your Customer requirements have multiple impact points for businesses

## Business problems

### Regulatory



Know Your Customer violations carry millions of dollars in criminal and civil fines, possible jail time and negative company press

### Economic



Conducting Know Your Customer on businesses and beneficial owners can be costly and both in dollars and resources

### Customer



Manual review and requests for additional documentation to meet regulatory requirements may create significant friction at the point of sale

### Technology



Automation, single point of integration, watch list screening and consistent data quality and format in Know Your Customer services





# Optimal Know Your Customer policies achieve compliance while minimizing customer impact

- How can I streamline Know Your Customer procedures to optimize client experience?
- How can I use vendors to reduce costs and operational vulnerabilities?
- How can I reduce risks associated with expanding into new international markets?





## Polling question

# What is your greatest concern regarding meeting Know Your Customer (KYC) requirements?



- A. We are unclear about how to adequately meet KYC requirements across international borders
- B. Staying abreast of changing regulatory requirements across regions
- C. Identifying the governing bodies that create and enforce interpretation of KYC
- D. Creating too much client friction
- E. We don't have enough resources to meet our KYC obligations

KYC = Know Your Customer



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## Compliance optimization

Balancing regulatory integrity  
with client experience





# Considerations in developing a robust Know Your Customer program

Data availability, reliability and types



Data privacy constraints



Operational considerations





# Challenges in meeting regulatory requirements

## Data access challenges

- Access to data around the globe varies greatly
- Data Storage the transport of data outside the country / region also varies

## Data Privacy challenges

- Data Protection Directive - EU
  - ▶ Governs data access and protection
  - ▶ European Commission passed updated version in 2012
- Data Protection Act - UK
  - ▶ Governs data access and protection
  - ▶ Similar to the EU DPD
- U.S. Privacy Shield under negotiation

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# Types of customer verification programs/requirements

Basic due diligence



Enhanced due diligence



Continuous due diligence





# Types of customer verification programs/requirements

## Basic due diligence



- Lightweight form of verification
- Provides the best user experience
- Perform automated verification of individual or business identity based on basic information collected from the user
- Individual information (name, address, DOB, national ID)
- Its performance is highly dependent on
  - ▶ Vendor coverage and depth of their data sources
  - ▶ Availability of data in the target geography e.g. France, Spain are very hard to get quality data due to privacy laws



# Types of customer verification programs/requirements

## Enhanced due diligence



- Client falls into a high-risk category or basic due diligence fails to verify individuals or businesses
- Relies on additional information and/or documentation that is obtained from the customer
- Requires user options
  - Challenge questions vs. providing documentation not readily available (e.g. business registration extracts)
- If you request documentation, it is best to deploy automated scanning and matching of the document in real time (e.g. to rule out expired documents immediately.) You don't want this to go manual verification increasing wait time and churn





# Types of customer verification programs/requirements



## Continuous due diligence

- Once your customers have been verified at registration time, you need to monitor their compliance status for example:
  - ▶ Individuals can engage in fraudulent activities or be added to a denied party list
  - ▶ Business can go bankrupt or engage in tax evasion (think the Panama Papers)
- Continuous monitoring can be very useful as a risk mitigation control as well as reducing initial verification overhead



# Practical Know Your Customer challenges

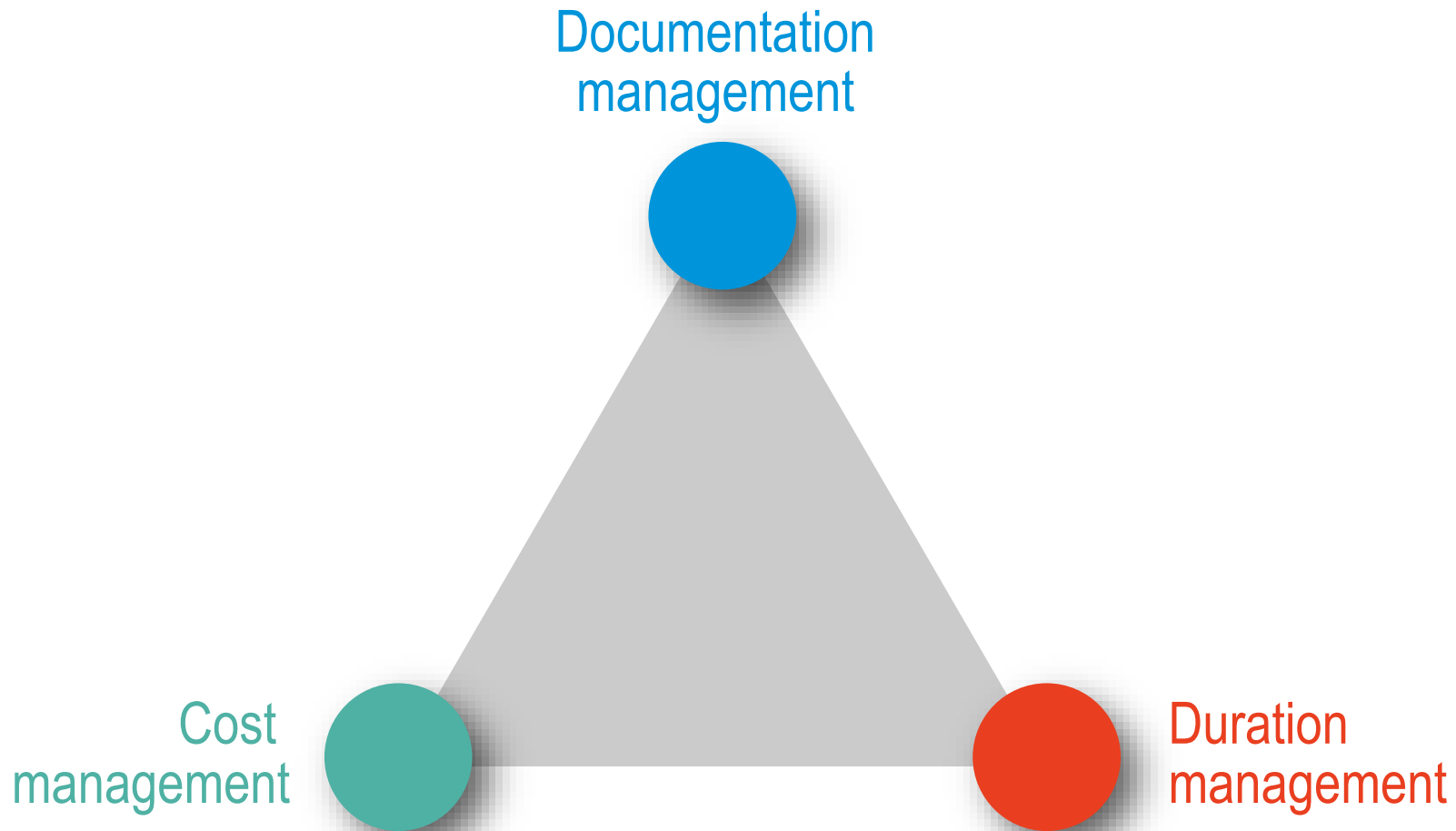


## Data acquisition and verification issues:

- Data coverage challenges in certain geographies
  - ▶ Examples: China, France, Italy, Spain
  - ▶ Country-hosted data partners
- Ability to verify businesses and beneficial owners (BO) varies across regions
- Addresses and poor data quality often contribute to verification failure (e.g., India, China)
  - ▶ OCR as a back-up is an alternative
  - ▶ IP address triangulation vs. address verification



# Key compliance considerations





# Key compliance considerations

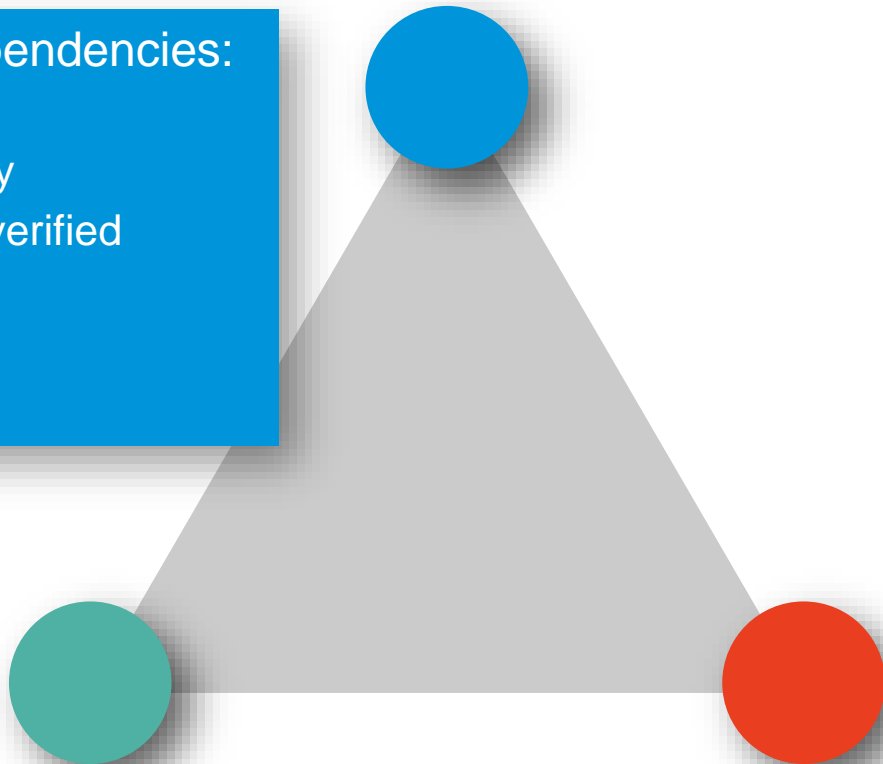
## Documentation management

### Documentation dependencies:

- Product
- Targeted geography
- Entity types being verified
  - ▶ Business
  - ▶ Individual
  - ▶ Vessels

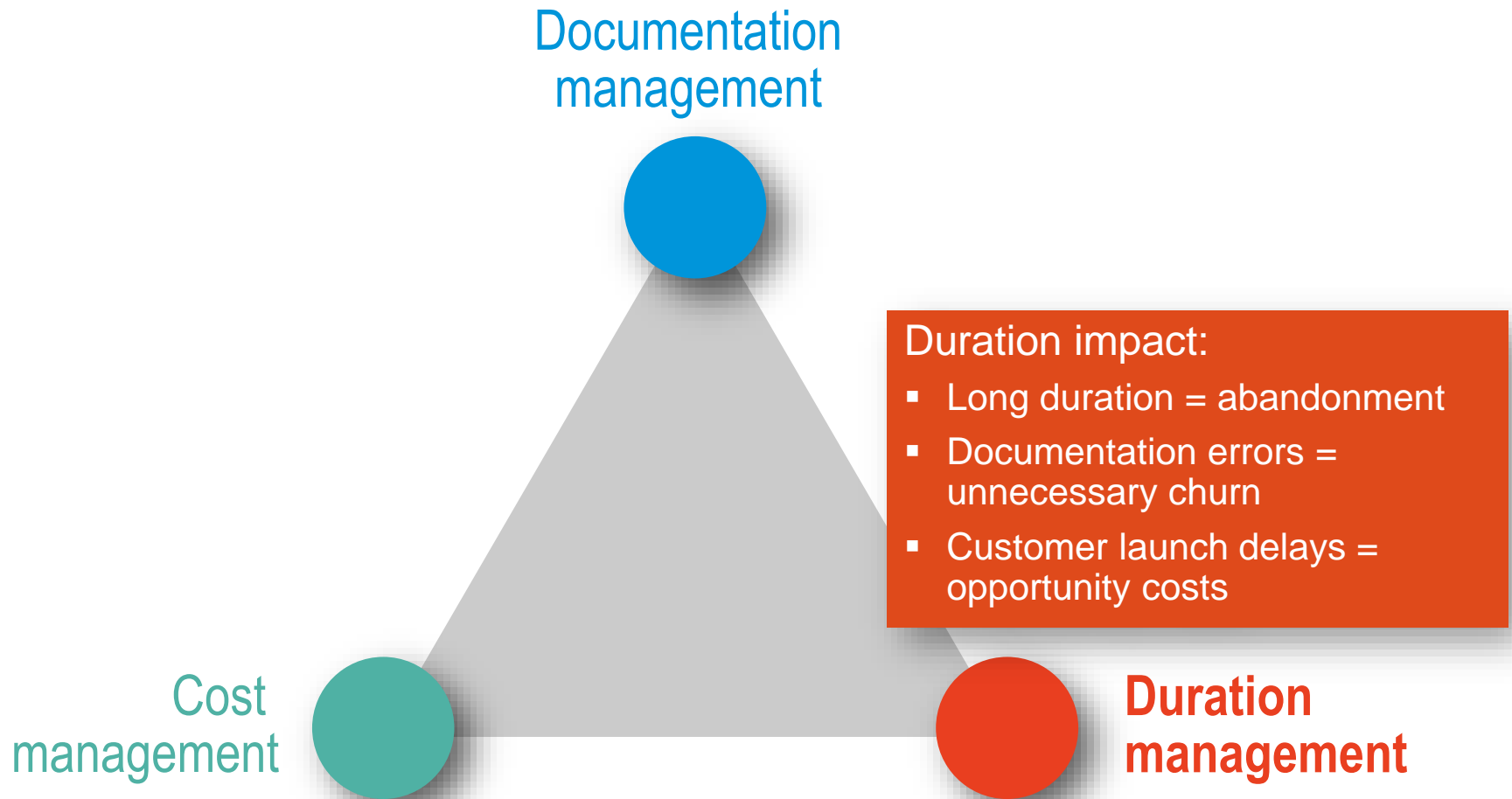
Cost management

Duration management





# Key compliance considerations





# Key compliance considerations

Documentation  
management

## Cost considerations:

- Manual verification expenses
  - ▶ Physical set-up
  - ▶ Hiring
  - ▶ Training
  - ▶ Retention

Cost  
management

Duration  
management



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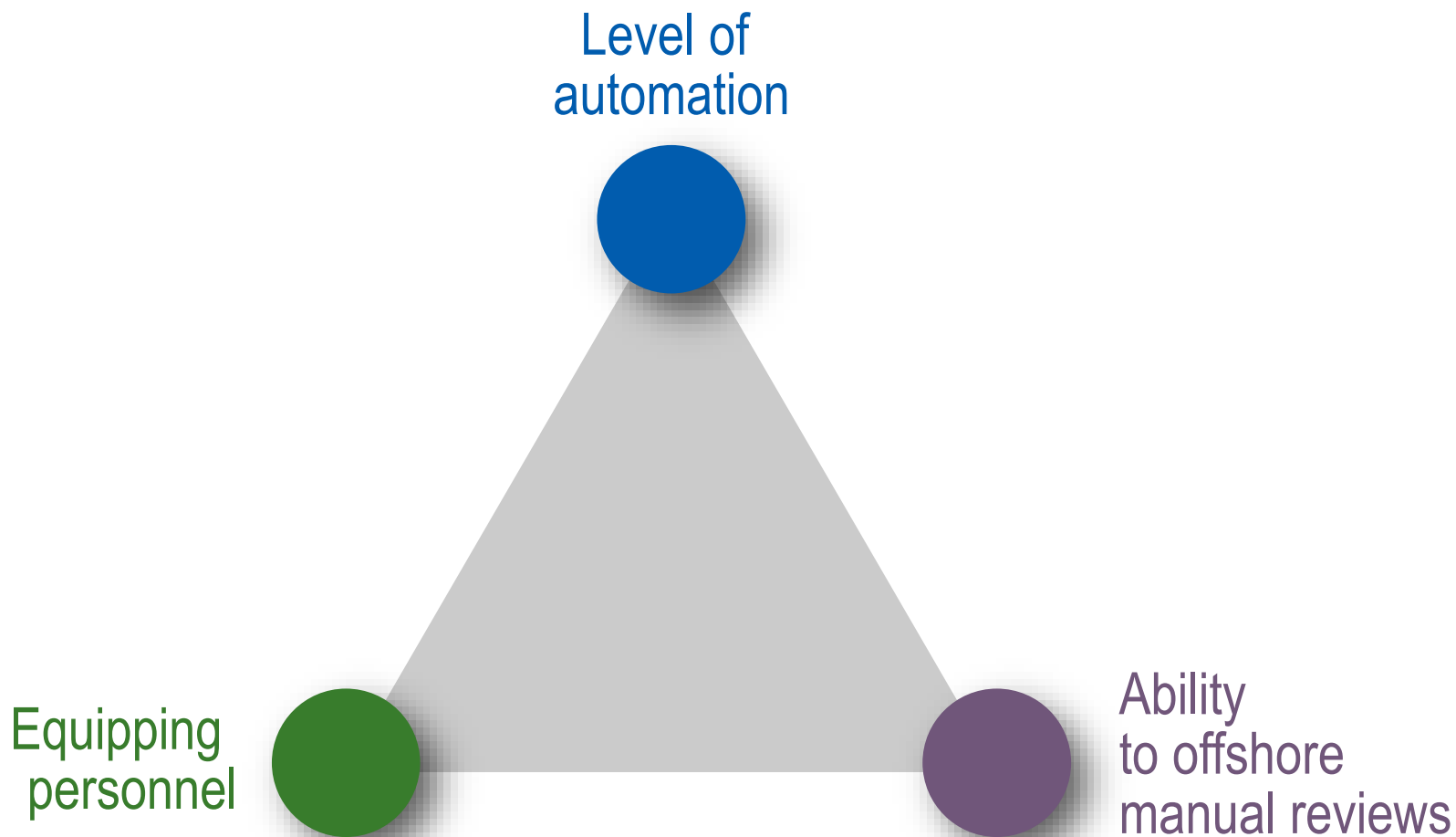
## Vendor strategies

Leveraging vendors for operational excellence





# Cost containment considerations



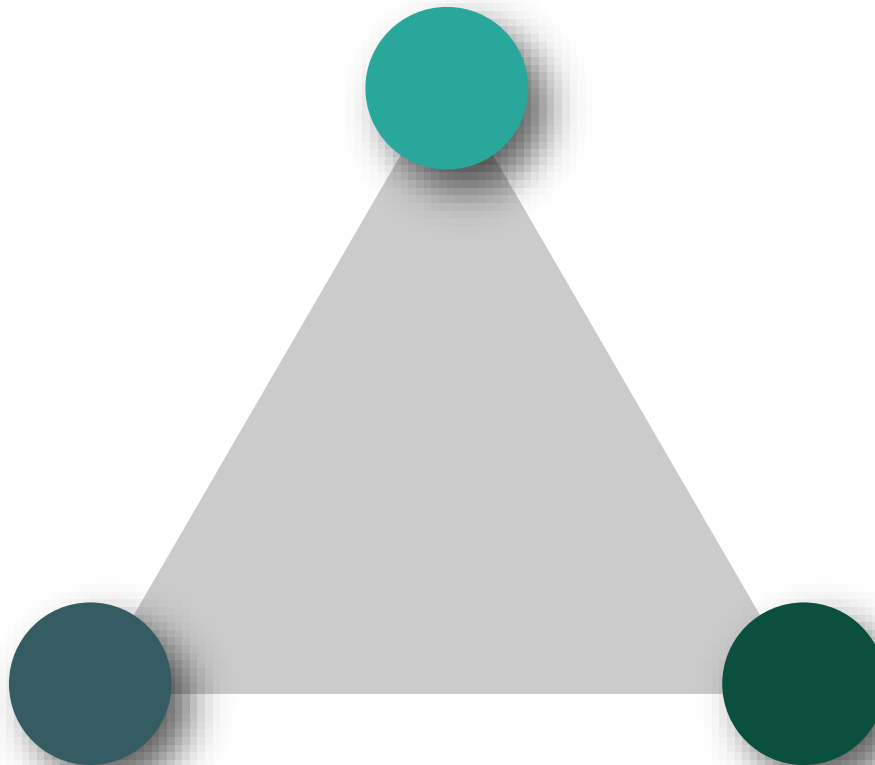




# Operational considerations

Managing disparate address standards

Manual investigations



Tools to reduce friction / enhance efficiencies



# Registration process



## Register and Start Selling Today

Please have the following before you begin:

- Your business name, address, and contact information
- An internationally-chargeable credit card with valid billing address
- A phone number where you can be reached during this registration process
- Your tax identity information

If you are located outside of your Elected Country, as defined in the [Agreement](#), you also need to read and comply with this [important notice for international sellers](#).

If you are located outside the US, you also need to read and comply with this important [notice for international sellers](#)

If you cannot comply with the requirements of this registration, please do NOT continue with this registration process.

### Seller Agreement

Legal Name:

If registering as a business, enter the business's legal name. If registering as an individual, enter your name.

Amazon Services Business Solutions Agreement:

I have read and accepted the terms and conditions of the [Agreement](#)

[Continue](#)

[Privacy Notice](#)



# Managing varying address standards

## “Golden template”

Country code	Country	Business Name	Country Code	Postal Code	State or Provence	City/ Town Name	District	House ID	Street Name	Unit ID	Phone Number	Email	Business Registry ID	VAT Number
AUT	Austria	Required	Required	Critical		Request		Request	Request	Optional	Optional	Optional	Request	Request in format of "AUT99999999"
BEL	Belgium	Required	Required	Critical		Request		Request	Request	Optional	Optional	Optional	Request	Request in format of "BE999999999"
CHE	Switzerland	Required	Required	Critical		Request		Request	Request	Optional	Optional	Optional	Request	
DEU	Germany	Required	Required	Critical	Optional	Request	Optional	Request	Request	Optional	Optional	Optional	Request	Request in format of "DE99999999"
DNK	Denmark	Required	Required	Critical	Optional	Optional	n/a	Required	Optional	Optional	Optional	Optional	Request	Request in format of "DK99999999"
ESP	Spain	Required	Required	Critical		Request		Request	Request	Optional	Optional	Optional	Request	Request in format of "ESx9999999x"
FIN	Finland	Required	Required	Critical		Request		Request	Request	Optional	Optional	Optional	Request	Request in format of "FI99999999"
FRA	France	Required	Required	Critical	Optional	Required	Optional	Request	Request	Optional	Optional	Optional	Request "Siren" Number	
GBR	Great Britain	Required	Required	Critical		Request	Optional	Required	Request	Optional	Optional	Optional	Request "CRO" Number	
IRL	Ireland	Required	Required	n/a <sup>(3)</sup>	Request	Request	Request	Request	Request	Optional	Optional	Optional	Request "CRO" Number	

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# Commercial rules-based verification

MRC Field Position & Assigned Data Representation						
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
Applicable Codes in output MRC Field	MPC "Confidence" Rating	Verification Codes				
		Business Name	Business ID	Business Address	Telephone Number	
1	High Confidence	Strong Match	Strong Match	Exact Match	Strong Match	
2	High Medium Confidence			Strong Match		
3	Medium Confidence	Similar Match	<i>Similar Match</i>	Postal Address Match	Similar Match	
4		Weak Match		City Address Match		
5	Low Confidence		Nulls on Inquiry	Partial Match		
6				Similar Match		
7		No Match	No Match	Post Code Only Match	No Match	
8				City Only Match		
0				Nulls		
9				Conflict		

Composite Match Precision Code (MPC) provides high level match confidence

Field-level scoring provides ability to automate with precise country-specific thresholds



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## Market entry strategies

Ensuring flawless execution when expanding into new markets





# Readiness when launching into a new market

- How do I manage my workload
- How do I find the right vendor to reduce manual intervention
- How do I get the right level of customization in my UI for local market needs
- How do I match the right terms to meet requirements
- How do I balance customer experience with regulatory compliance





# Successful Know Your Customer policies balance compliance with customer impact



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## Session takeaways

- How can you streamline Know Your Customer procedures to optimize client experience?
- How can you use vendors to reduce costs and operational vulnerabilities?
- How can you reduce risks associated with expanding into new international markets?







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Experian

1. How would you rate the presenters' knowledge?  
 Excellent  Above average  Average  Below average  Poor

2. How would you rate the presenters' delivery?  
 Excellent  Above average  Average  Below average  Poor

3. How would you rate the presenters' time management?  
 Excellent  Above average  Average  Below average  Poor

4. How useful was the session information?  
 Very useful  Somewhat useful  Neutral  
 Somewhat not useful  Not useful

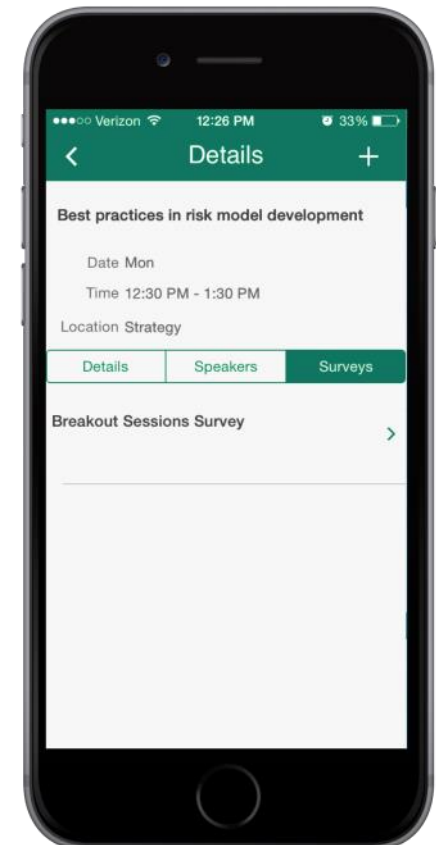
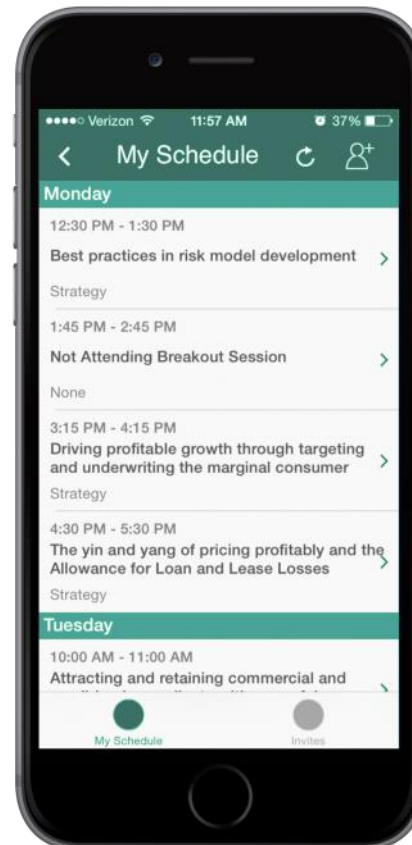
5. How would you rate the session on being current?  
 Very current  Somewhat current  Neutral  
 Somewhat not current  Not current

6. How relevant was the session content to the title and description?  
 Very relevant  Somewhat relevant  Neutral  
 Somewhat not relevant  Not relevant

7. How would you rate the level of content?  
 Too advanced  Just right  Too basic

8. Why did you attend this session? (Check all that apply)  
 Relates to my business  The presenter(s)  Interest in new product  
 Compelling session description  Increase product knowledge

9. Do you have any additional comments?  
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