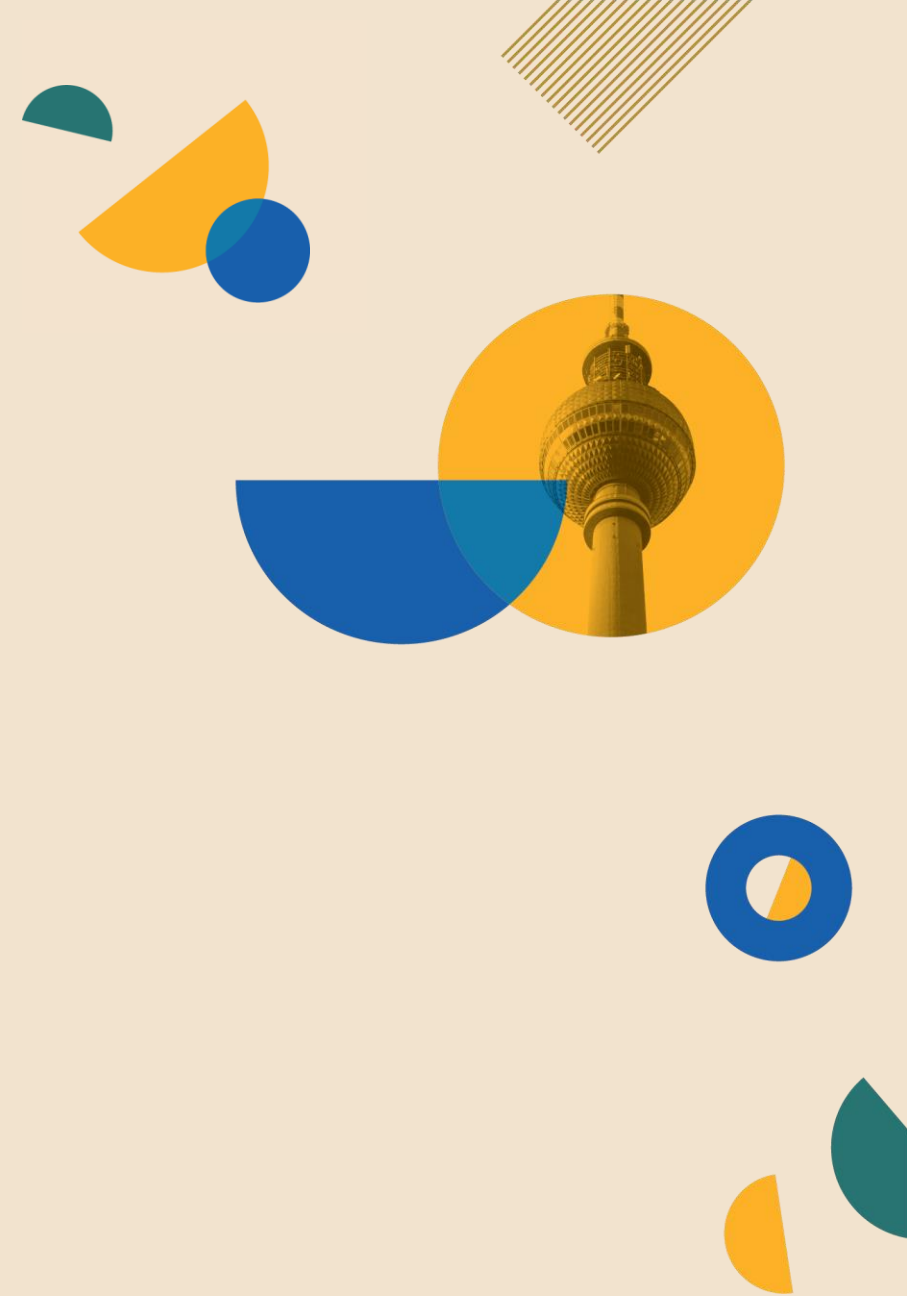


# Risk-Based Approach

## The core of lifetime due diligence



Collaboration's Next Wave  
Wednesday 12 June – Thursday 13 June 2019



# Risk-Based Approach

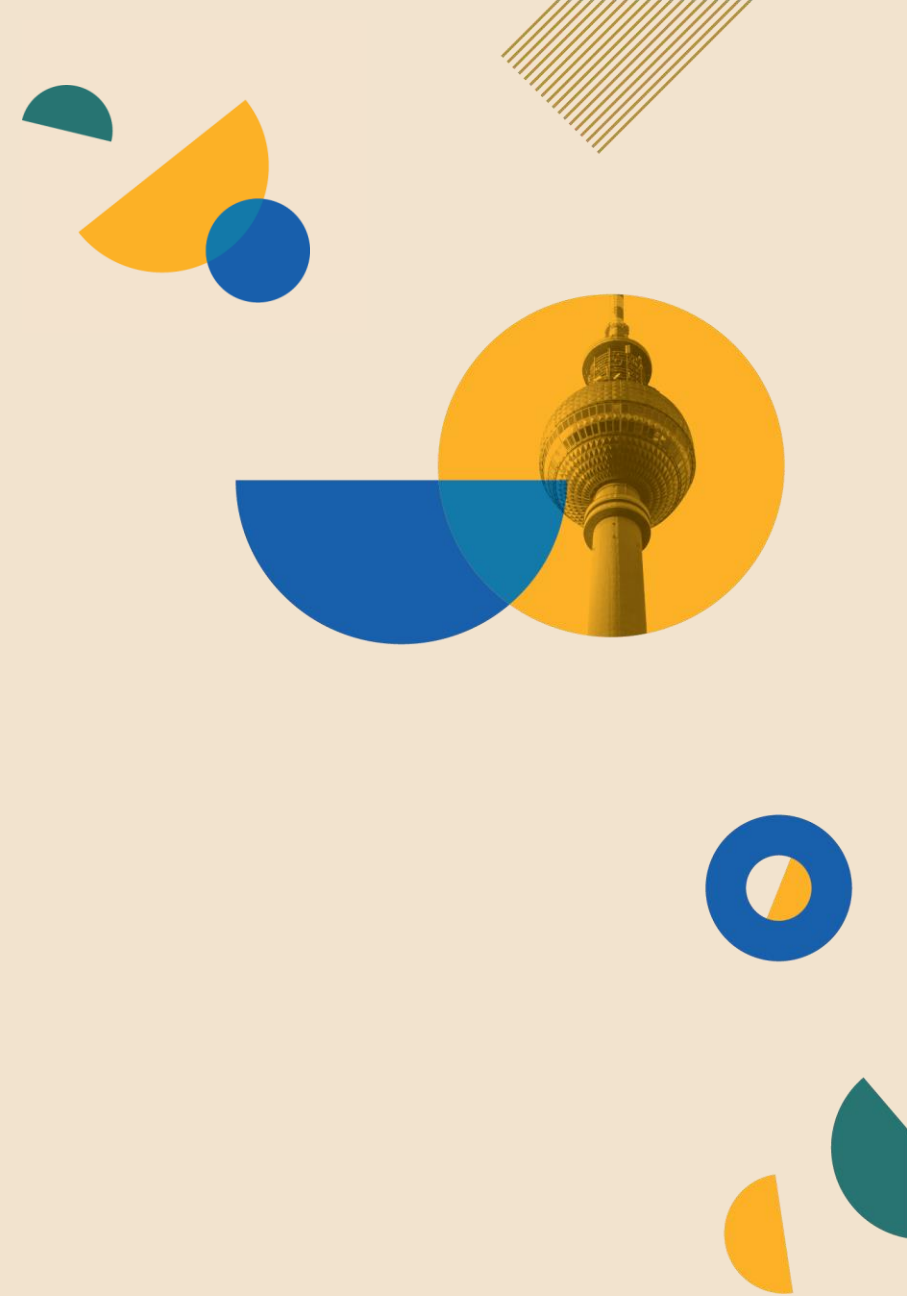
The core of lifetime due diligence

**Kristoff Zammit Ciantar | KYC Portal**

**Alexandra Scicluna | KYC Portal**



Collaboration's Next Wave  
Wednesday 12 June – Thursday 13 June 2019



# Risk-Based Approach

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## Recommendations of a Risk-Based Approach

The FATF is constantly developing guidance to assist countries, competent authorities, professionals and institutions in the **application of a risk-based approach** (RBA) to AML/CFT

The 2003 recommendations provided for the **application of a RBA** in some areas



The 2012 recommendations considered the RBA to be **an essential foundation** of a country's AML/CFT framework

The draft guidance documents issued in February 2019 for Legal Professionals, Accountants and Trust and Company Service Providers, continue to emphasize this and confirm that the application of a **RBA is essential** for the effective implementation of the FATF standards



# Risk-Based Approach

The core of lifetime due diligence

## The various applications of a Risk-Based Approach

Using Excel sheets for risk matrices



- ✗ very time-consuming processes
- ✗ sheets are manual and per subject
- ✗ the configuration behind the Excel sheet is static and laborious to maintain
- ✗ human bias whilst filling details
- ✗ relying on manual ongoing checks
- ✗ limited when it comes to multi-dimensions of risk (such as same product offered to multiple jurisdictions)

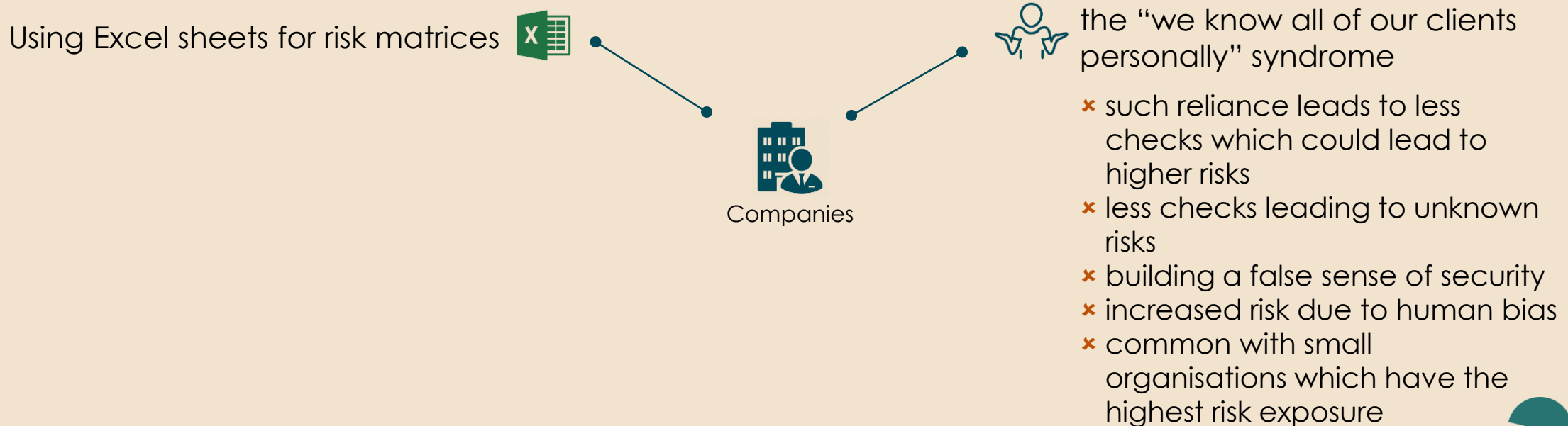


Companies

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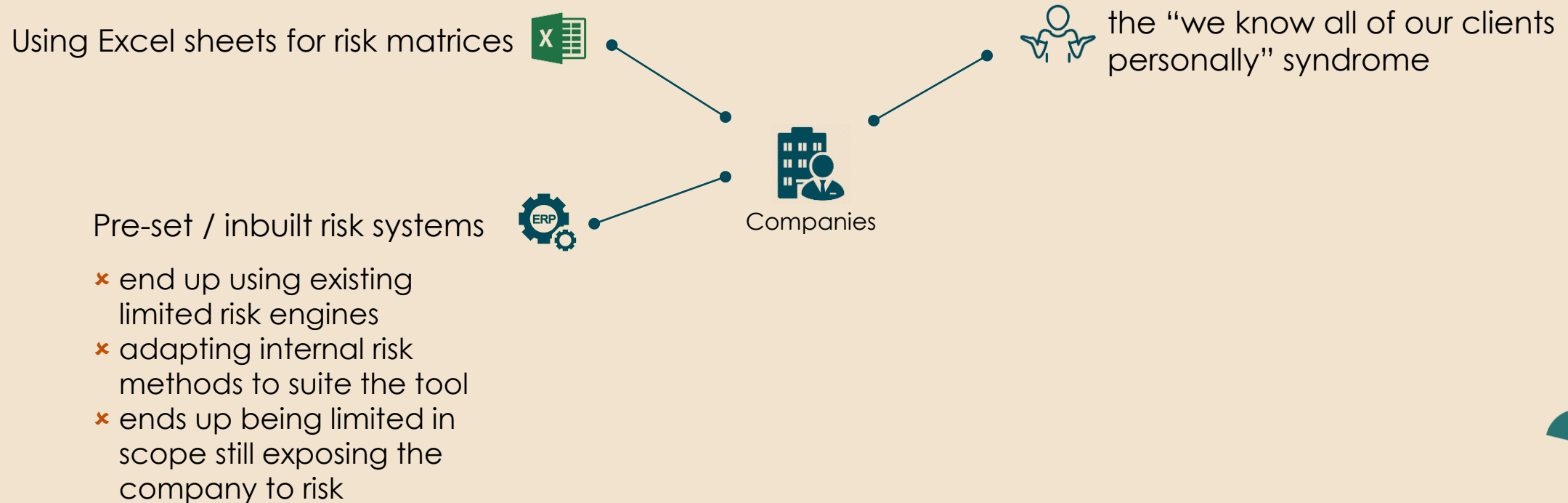
## The various applications of a Risk-Based Approach



# Risk-Based Approach

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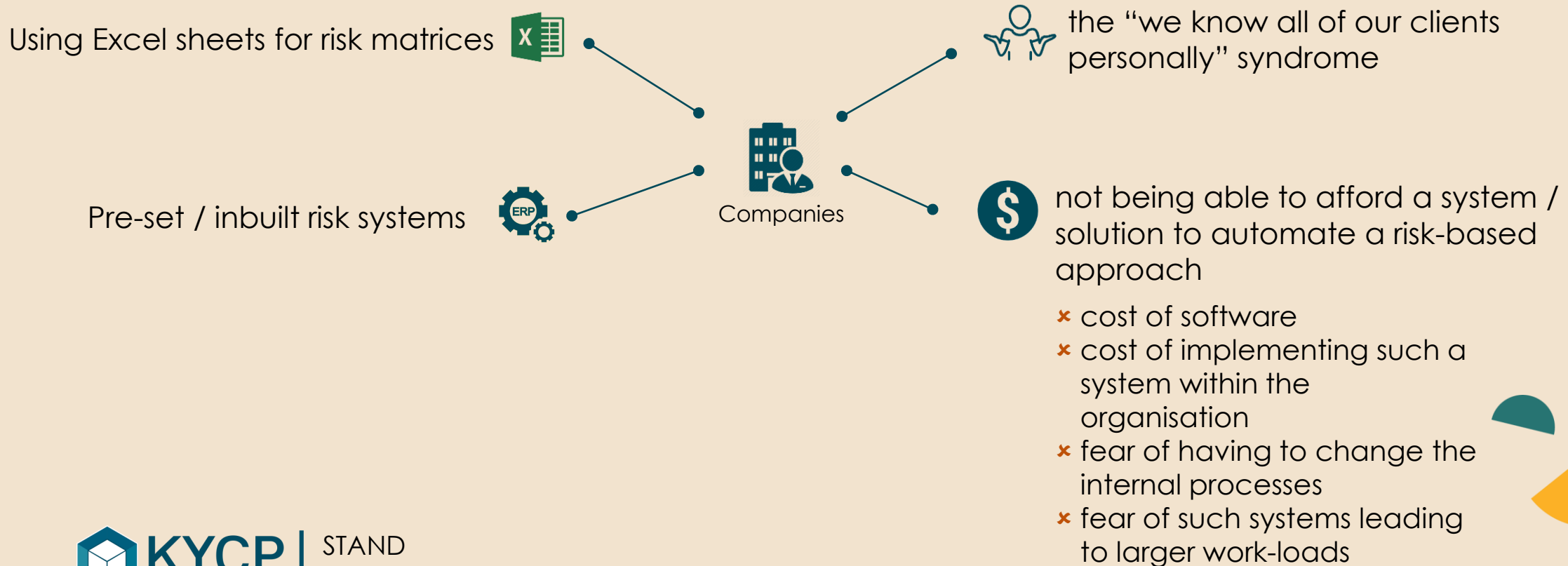
## The various applications of a Risk-Based Approach



# Risk-Based Approach

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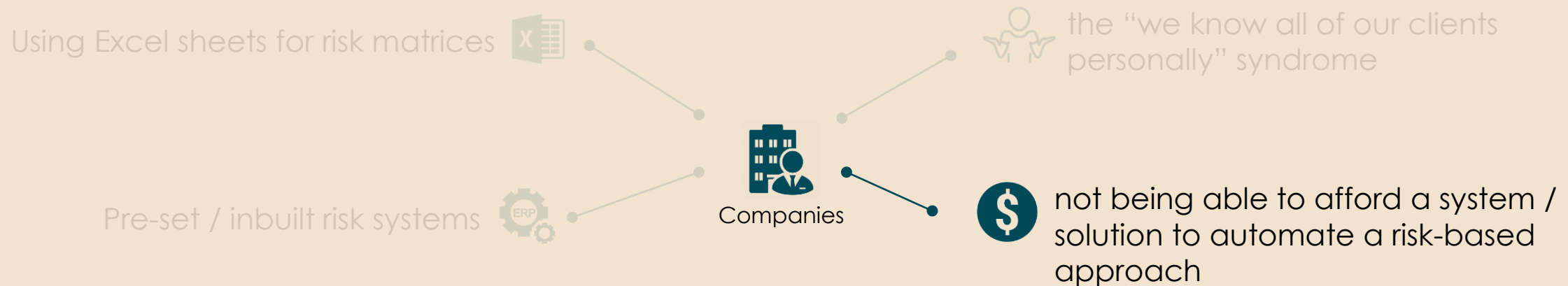
## The various applications of a Risk-Based Approach



# Risk-Based Approach

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The common problem across markets



Applying a Risk-Based Approach is **perceived as a pure cost**.

A "**have-to-do**" to appease regulators.

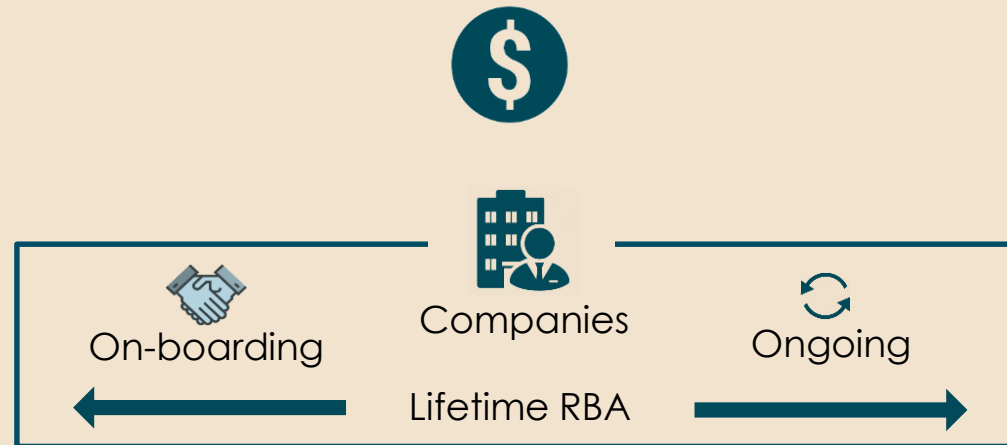
A burden that **we have to live with**.



# Risk-Based Approach

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Using RBA to your advantage

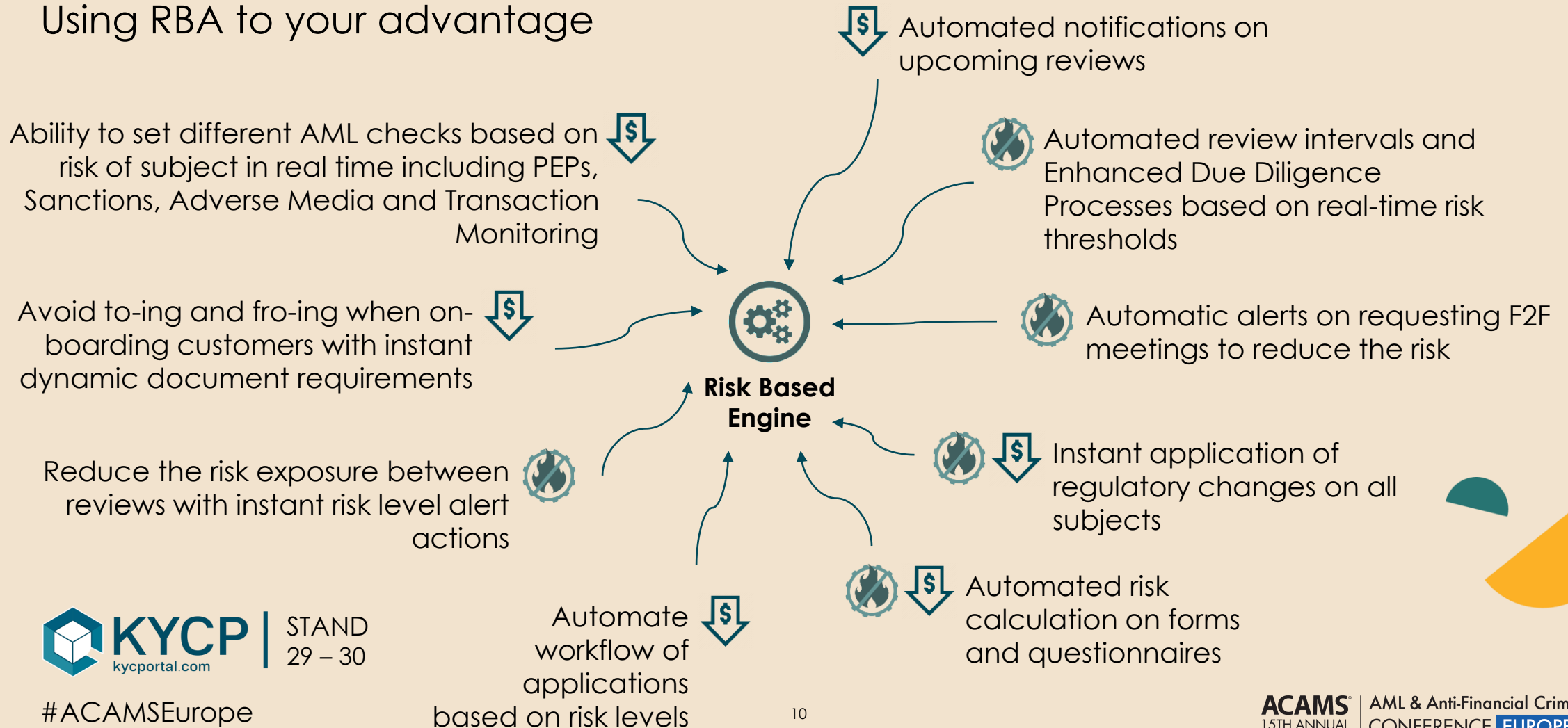


- ✓ Reduce Cost
- ✓ Reduce Risk Exposure
- ✓ Maximise efficiencies

# Risk-Based Approach

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## Using RBA to your advantage



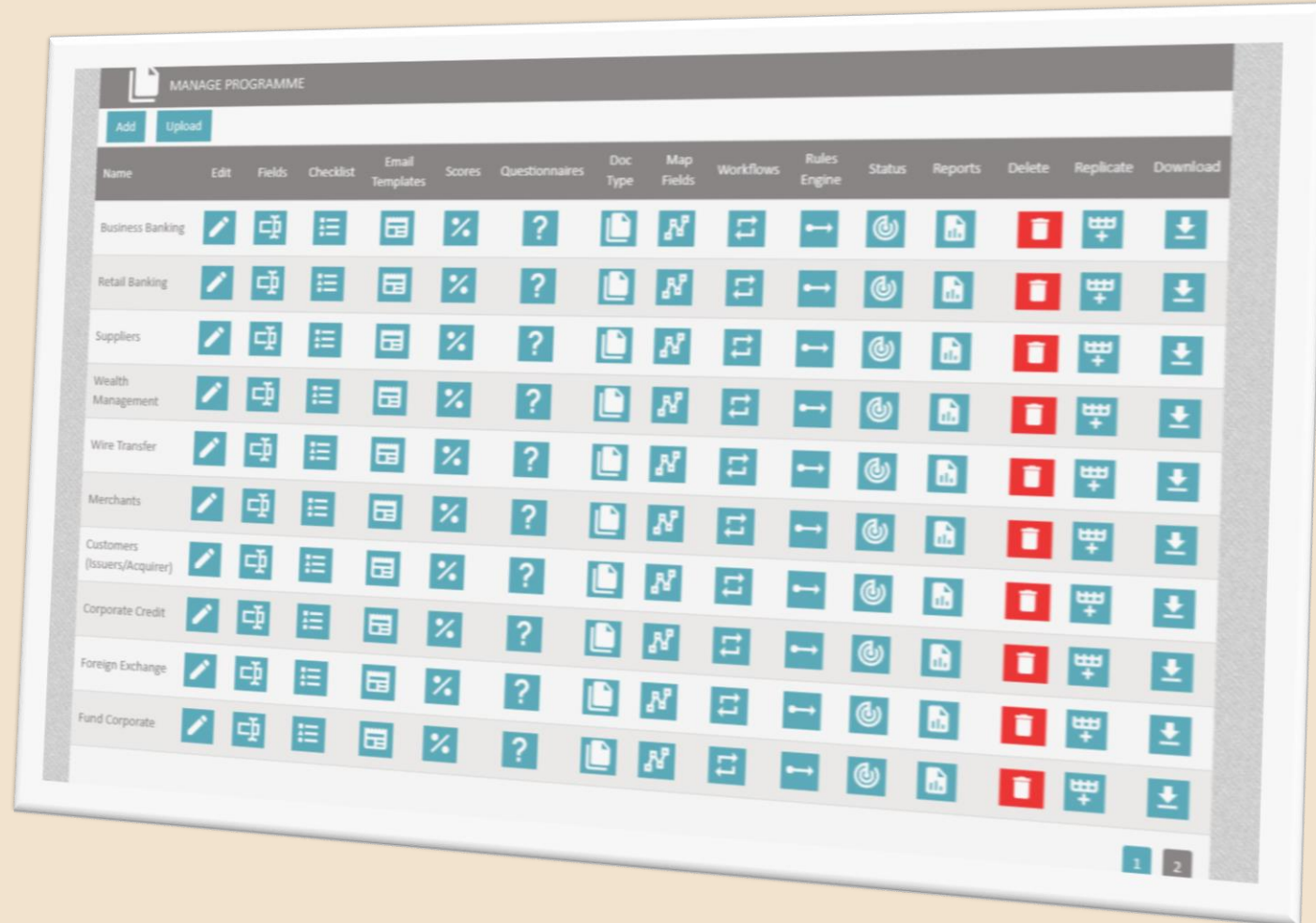
# Risk-Based Approach

The core of lifetime due diligence

The basis of a solid RBA ...

## ✓ A dynamic regulatory process

- Ability to **define a regulatory process at product or service level** is crucial.
- Ability to have a system that allows you to tweak all aspects of the process and **apply them in real time on all your subjects**.
- Allows you to perceive risk not at subject level, but based on the product or service that the subject is applying for. A new **dimension of risk that allows you to maximise efficiencies** but at the same time reduce your risk exposure.



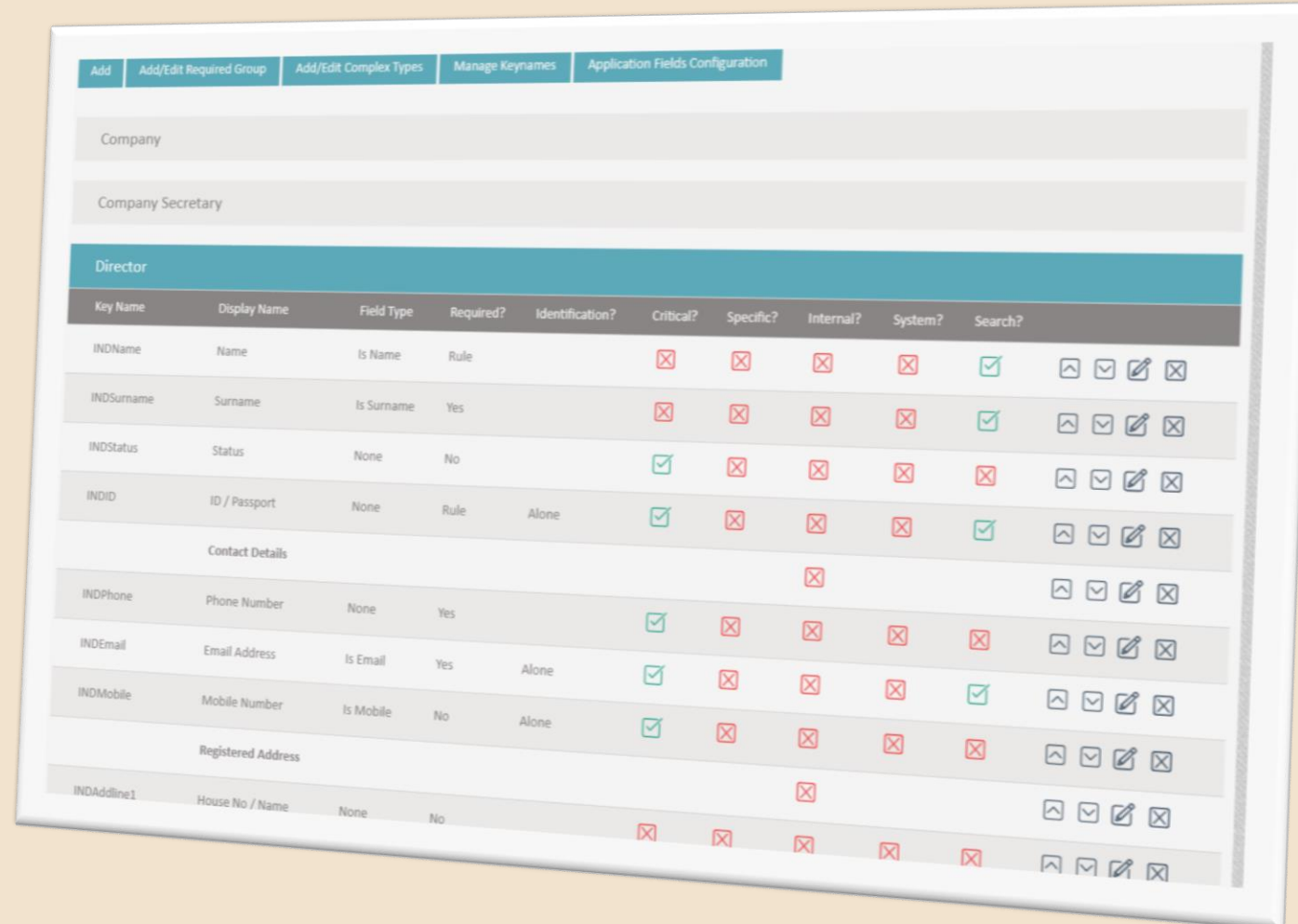
# Risk-Based Approach

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The basis of a solid RBA ...

✓ **Full control of the data we ask for**

- A solution that allows you to **define the type of subjects** you on-board as these change based on type of service and product being offered.
- Crucial to be able to **change the data that you ask out of such subjects also in real time**. Requirements of what we ask out of subjects varies drastically.
- Ability to change such requirements to **keep up with regulatory changes easily** and with least impact.



The screenshot shows a web application interface for configuring data requirements. At the top, there are tabs: 'Add', 'Add/Edit Required Group', 'Add/Edit Complex Types', 'Manage Keynames', and 'Application Fields Configuration'. Below the tabs, there are sections for 'Company', 'Company Secretary', and 'Director'. The 'Director' section contains a table with columns: 'Key Name', 'Display Name', 'Field Type', 'Required?', 'Identification?', 'Critical?', 'Specific?', 'Internal?', 'System?', 'Search?', and a set of icons. The table lists various data points and their requirements.

Key Name	Display Name	Field Type	Required?	Identification?	Critical?	Specific?	Internal?	System?	Search?	Icons
INDName	Name	Is Name	Rule		✗	✗	✗	✗	✓	🔍 ✍️ 🗑️
INDSurname	Surname	Is Surname	Yes		✗	✗	✗	✗	✓	🔍 ✍️ 🗑️
INDStatus	Status	None	No		✓	✗	✗	✗	✗	🔍 ✍️ 🗑️
INDID	ID / Passport	None	Rule	Alone	✓	✗	✗	✗	✓	🔍 ✍️ 🗑️
Contact Details										
INDPhone	Phone Number	None	Yes		✓	✗	✗	✗	✗	🔍 ✍️ 🗑️
INDEmail	Email Address	Is Email	Yes	Alone	✓	✗	✗	✗	✗	🔍 ✍️ 🗑️
INDMobile	Mobile Number	Is Mobile	No	Alone	✓	✗	✗	✗	✓	🔍 ✍️ 🗑️
Registered Address										
INDAddress1	House No / Name	None	No		✗	✗	✗	✗	✗	🔍 ✍️ 🗑️

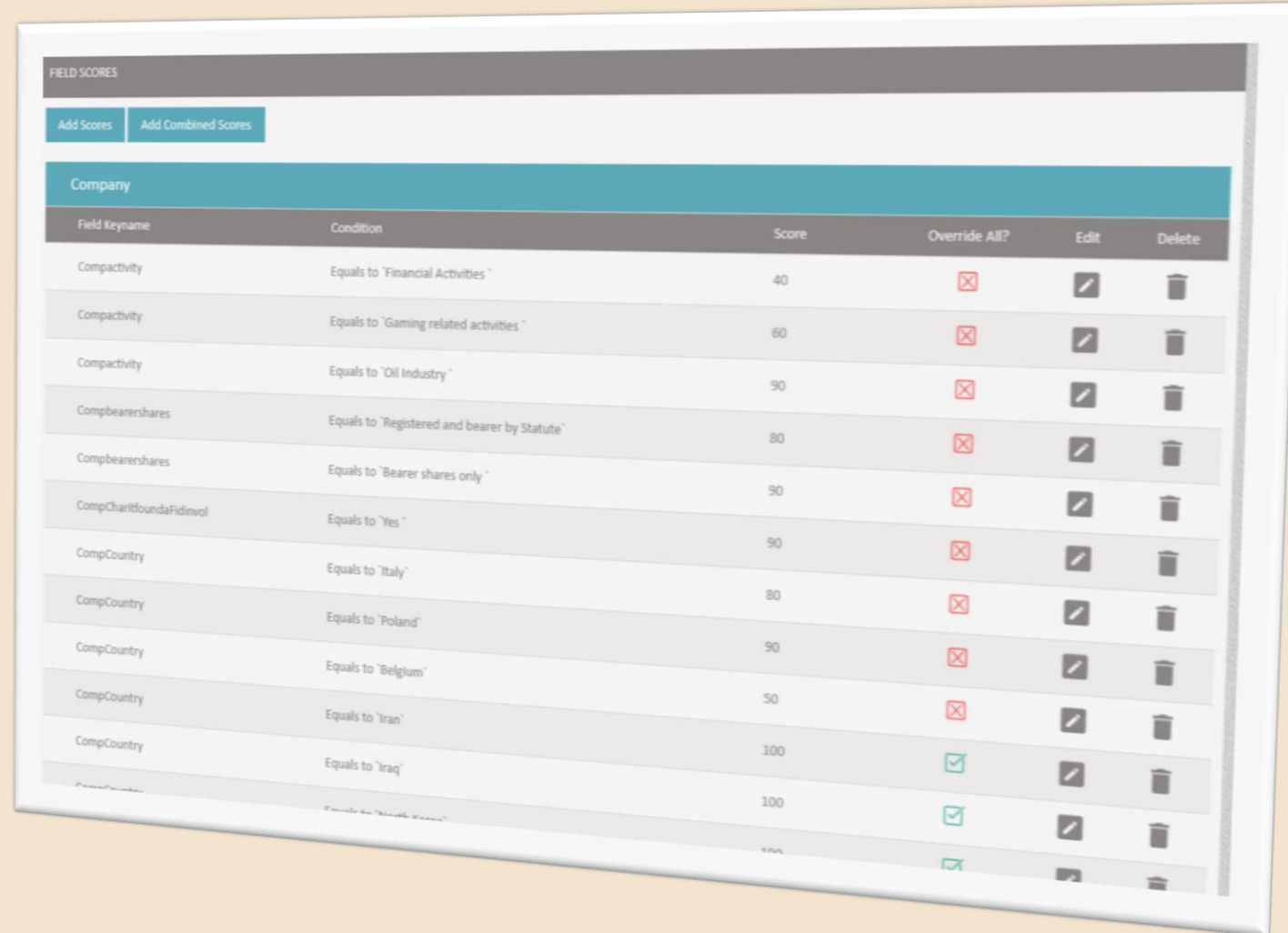
# Risk-Based Approach

The core of lifetime due diligence

The basis of a solid RBA ...

## ✓ Full control of risk settings and categories

- It is very important to have a system that allows you to **define your own risk categories and criteria**.
- Ability to set risk at product / service level, **at subject level** and also at field level.
- A system that **calculates risk in real time** on all subjects, at any point in time.
- Ability to collect data and then **link risk based on the answers received**.



The screenshot displays the 'FIELD SCORES' section of the KYCP system. It features a table with columns for 'Field Keyname', 'Condition', 'Score', 'Override All?', 'Edit', and 'Delete'. The table lists various risk categories and their associated scores and override settings.

Field Keyname	Condition	Score	Override All?	Edit	Delete
Compactivity	Equals to 'Financial Activities '	40	<input type="checkbox"/>		
Compactivity	Equals to 'Gaming related activities '	60	<input type="checkbox"/>		
Compactivity	Equals to 'Oil Industry '	90	<input type="checkbox"/>		
Compbearershares	Equals to 'Registered and bearer by Statute'	80	<input type="checkbox"/>		
Compbearershares	Equals to 'Bearer shares only '	90	<input type="checkbox"/>		
CompCharitfoundaFidinvol	Equals to 'Yes '	90	<input type="checkbox"/>		
CompCountry	Equals to 'Italy'	90	<input type="checkbox"/>		
CompCountry	Equals to 'Poland'	80	<input type="checkbox"/>		
CompCountry	Equals to 'Belgium'	90	<input type="checkbox"/>		
CompCountry	Equals to 'Iran'	50	<input type="checkbox"/>		
CompCountry	Equals to 'Iraq'	100	<input checked="" type="checkbox"/>		
CompCountry	Equals to 'North Korea'	100	<input checked="" type="checkbox"/>		
CompCountry	Equals to 'South Korea'	100	<input checked="" type="checkbox"/>		



# Risk-Based Approach

The core of lifetime due diligence

The basis of a solid RBA ...

- ✓ **Real time and automated calculation of risk**
  - Having a real time perception of risk on all subjects leads to **reduced risk exposure on all subjects**.
  - Such an approach leads to a **pro-active approach to fraud and AML** rather than a re-active analysis.
  - Act on risk based alerts. **Instant removal of risk exposure** in between reviews.
  - **Eliminate human bias** from the process of assessing risk on subjects at any point in time.

The screenshot displays the KYCP (Know Your Customer Portal) interface for a business banking application. The top navigation bar includes sections for BUSINESS BANKING, SCREENING SERVICES (0), FACE-TO-FACE (0), CHECKLIST (2), ALL DOCUMENTS (5), and NOTES (2401). The main header shows the APPLICATION ID: V16580, STATUS: OPEN, DATE OPENED: 26 AUG 16, and NEXT REVIEW DATE: N/A. The interface is divided into several panels:

- APPLICATION**: A tree view on the left lists the hierarchy: COMPANY (Aquibix Ltd), DIRECTOR (James Brown), DIRECTOR (Mariano Rajoy), COMPANY SECRETARY (Hannah Hughes), and multiple SHAREHOLDERS.
- DETAILS**: A central panel for the selected subject (James Brown) showing fields for NAME, SURNAME, STATUS (Executive Director), ID / PASSPORT, CONTACT DETAILS, PHONE NUMBER, EMAIL ADDRESS, and MOBILE NUMBER.
- RISK**: A circular gauge on the right indicates a risk level of 28% (130 / 758).
- NOTES TIMELINE**: A section on the right showing a list of notes and actions, such as "Organigram has been viewed" and "Document 'Passport' Verification Status changed to 'Verified'".

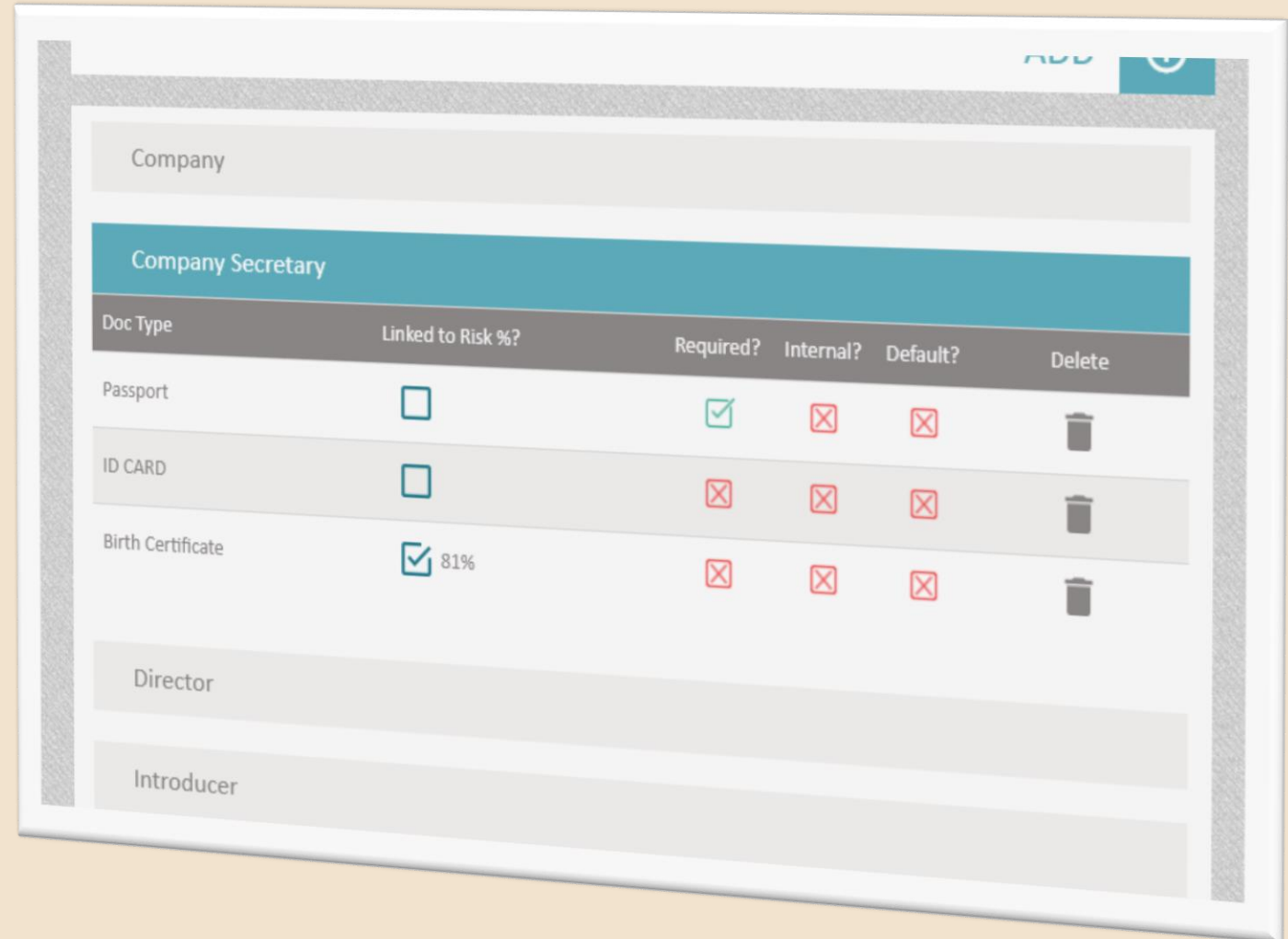
# Risk-Based Approach

The core of lifetime due diligence

The basis of a solid RBA ...

✓ **Dynamic definition of requirements based on risk levels**

- Ability to pre-define **which document is needed at what level of risk.**
- Define which questionnaires / forms need to be filled in by which entity, **based on data being presented and associated risk**
- Ability to set who in the teams can handle what type of applications based on risk of the subjects – **automating approval processes of applications** based on roles and rights.



The screenshot shows a web application interface for KYCP (Know Your Customer Portal). It displays a table of document requirements for different roles. The roles listed are Company, Company Secretary, Director, and Introducer. The table columns are Doc Type, Linked to Risk %, Required?, Internal?, Default?, and Delete. The 'Company Secretary' role is highlighted in blue. The 'Birth Certificate' document type is linked to a risk level of 81%.

Doc Type	Linked to Risk %?	Required?	Internal?	Default?	Delete
Passport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ID CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Birth Certificate	<input checked="" type="checkbox"/> 81%	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

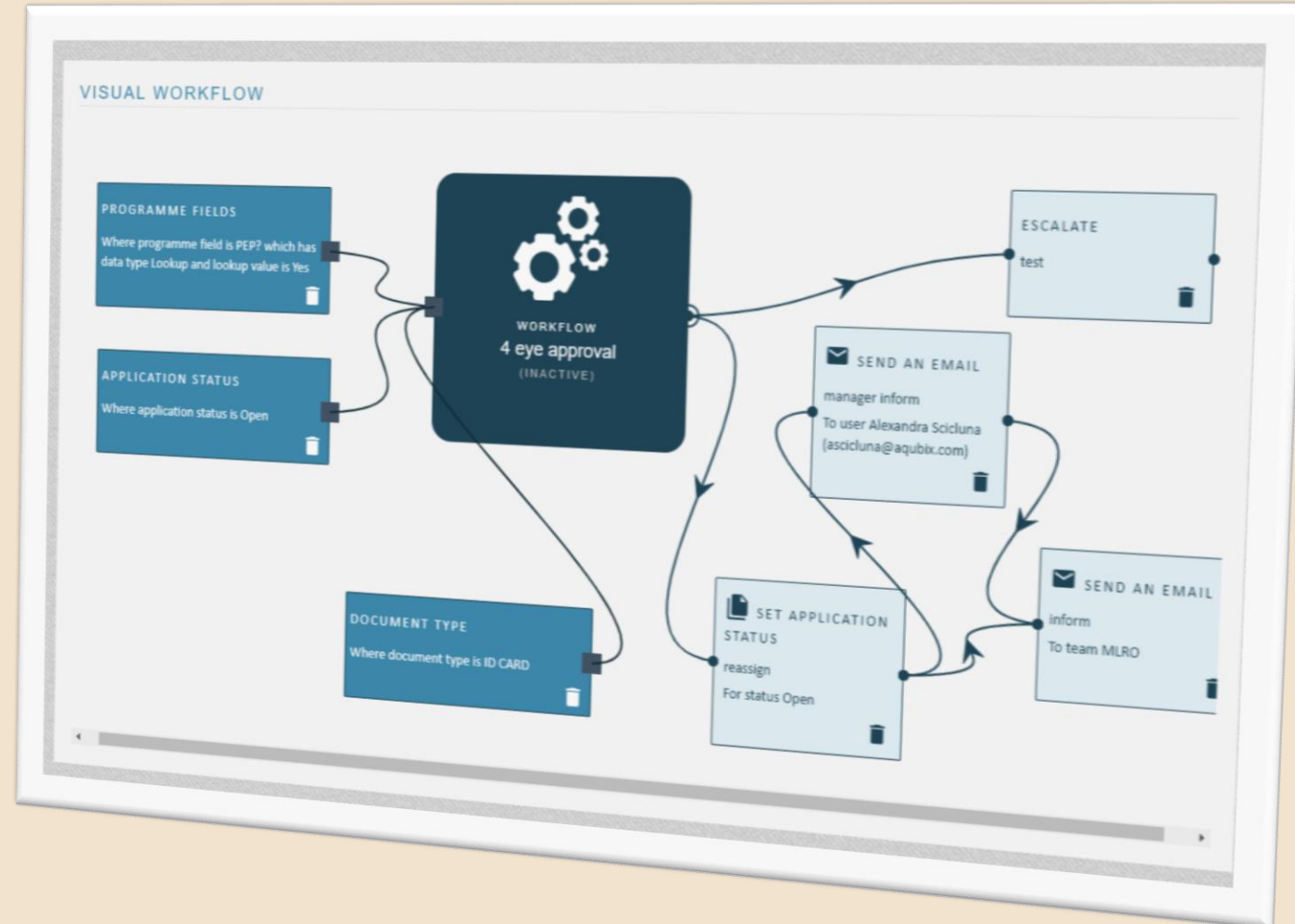
# Risk-Based Approach

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The basis of a solid RBA ...

## ✓ Ability to link and trigger actions based on automated risk

- Move applications through company teams based on automated risk. Ability to **increase efficiencies between teams** handling applications.
- Ability to **automatically trigger actions on high risk applications without the need for human intervention** – EDD processes, screening checks and escalation processes.
- Ability to trigger actions and alerts on team members **the minute that the risk is perceived**.





# Risk-Based Approach

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The basis of a solid RBA ...

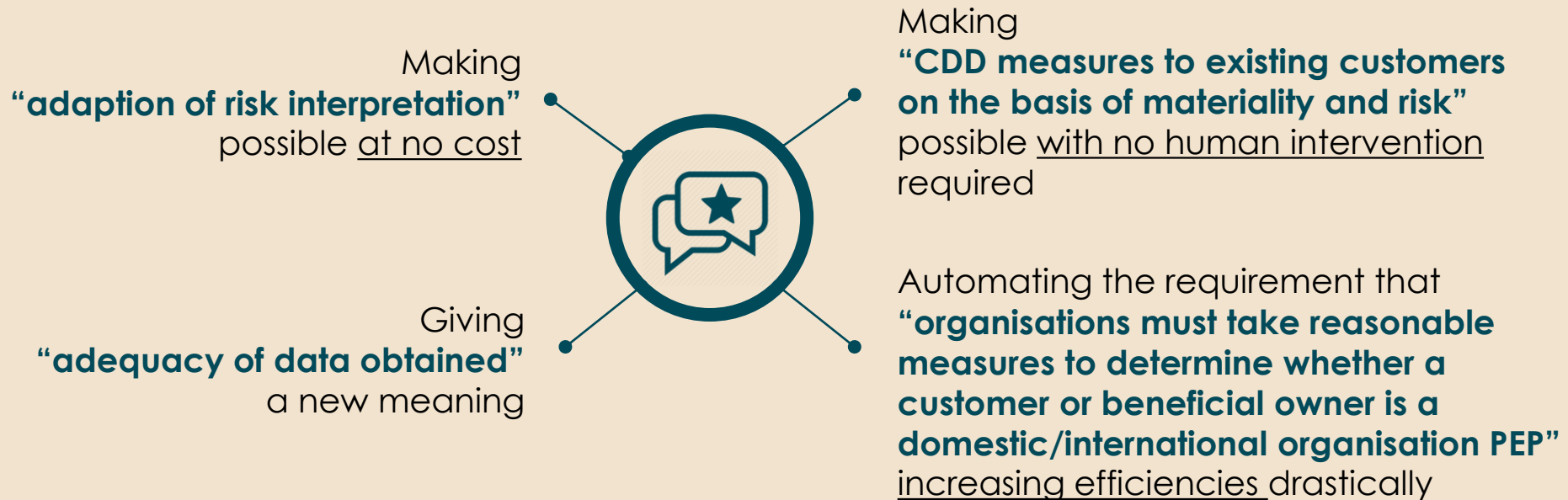
## ✓ Dynamic and Real time Customer Outreach Engine

- A system that is connected to your internal data, risk and workflow settings presented to the customer **guiding them through a stepped KYC process**.
- Ability to **perceive the risk being on-boarded instantly** and prior to the client submitting the application.
- A module that changes the requirements of the KYC process based on the risk perceived in real time, **eliminating the to-ing and fro-ing with customers** at on-boarding stage.

The screenshot shows a web-based KYC application form. At the top, it displays 'COT STATUS: OPEN', 'APPLICATION ID: 9EXTP4', and 'DATE OPENED: 29 APR 19'. Below this are 'NOTES' and 'CHAT' buttons, a progress bar at '6% complete', and a 'SUBMIT' button. The main header shows 'APPLICATION' with a dropdown arrow, and 'COMPANY' with a dropdown arrow and a '50%' completion indicator. A navigation bar includes 'STEP 1/4', 'FIELDS' (with a red icon), 'DOCUMENTS' (with a document icon), 'QUESTIONNAIRES' (with a list icon), and 'RELATED PARTIES' (with a plus icon). A 'SAVE FIELDS' button is on the right. The form content includes a paragraph: 'In order to comply with the legal acts regarding the prevention of money laundering and combating of terrorist financing and other legal acts applicable to our Bank, we kindly ask you to complete the following details.' Below this are input fields for 'NAME \*', 'REGISTRATION NUMBER', and 'REGISTERED OFFICE' (with a sub-label 'ADDRESS'). A 'NEXT' button is at the bottom right.

# Risk-Based Approach

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