

CASE STUDY:

AML/CTF utilities: The possibilities, perils and pitfalls A Pacific region perspective

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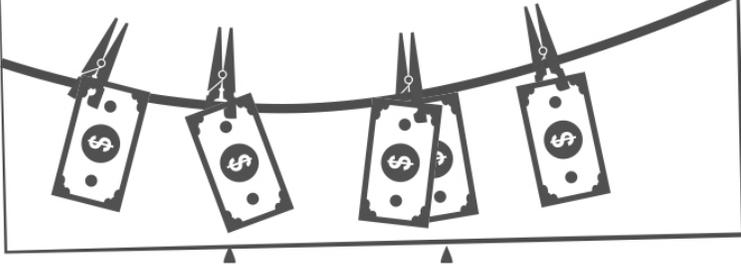
_BUILDING_A_KYC_UTILITY_

**_THE_PACIFIC_
PERSPECTIVE_**

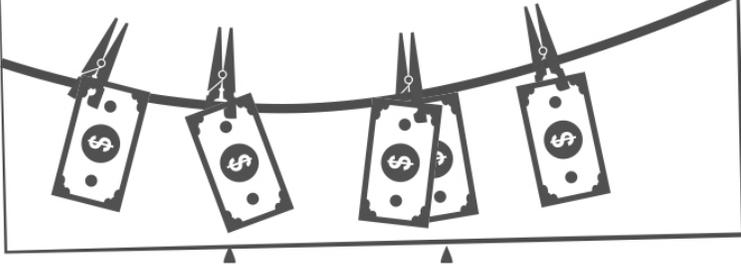
_THE_PAYMENTS_LIFELINE_



Money laundering and terrorism financing have become priority issues for banks across the Pacific region, driven in part by a more aggressive "home state" enforcement stance.



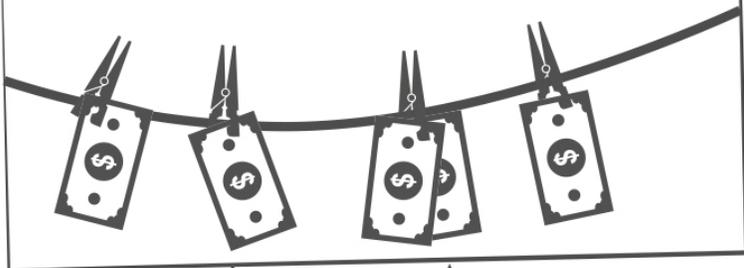
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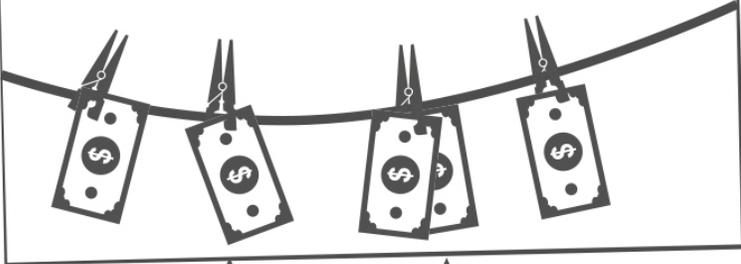
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These challenges are compounded by the differences in regulatory models, legal frameworks and risk management across the Pacific region.

This is very complex and slows down business.
There are not enough trained KYC analysts to support the Financial Institutions (FI) requirements, the process is manual and breaching regulations can lead to fines and reputational damage.
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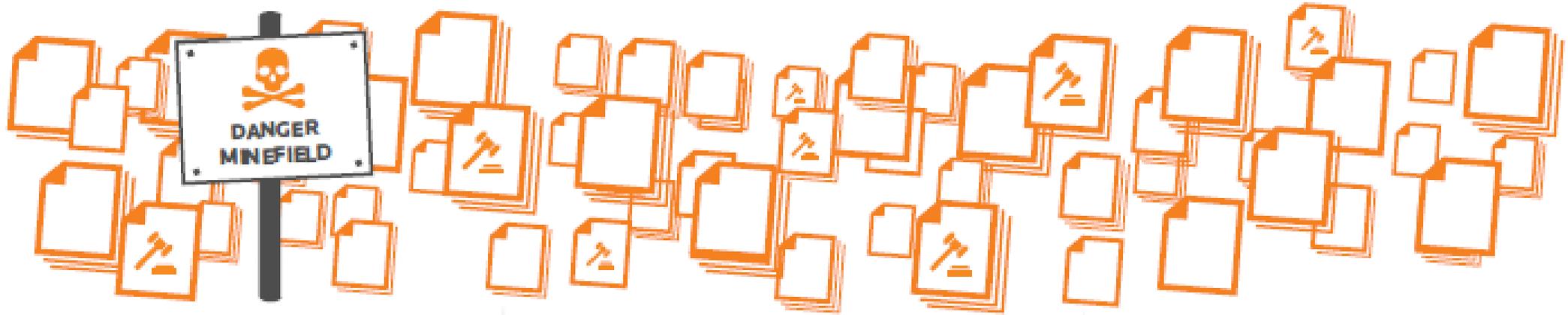


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The onus is now on **banks and financial institutions (FIs)** to understand who their clients are, any risks they may pose, ensure that their money comes from a legal source and maintain regular checks on them.

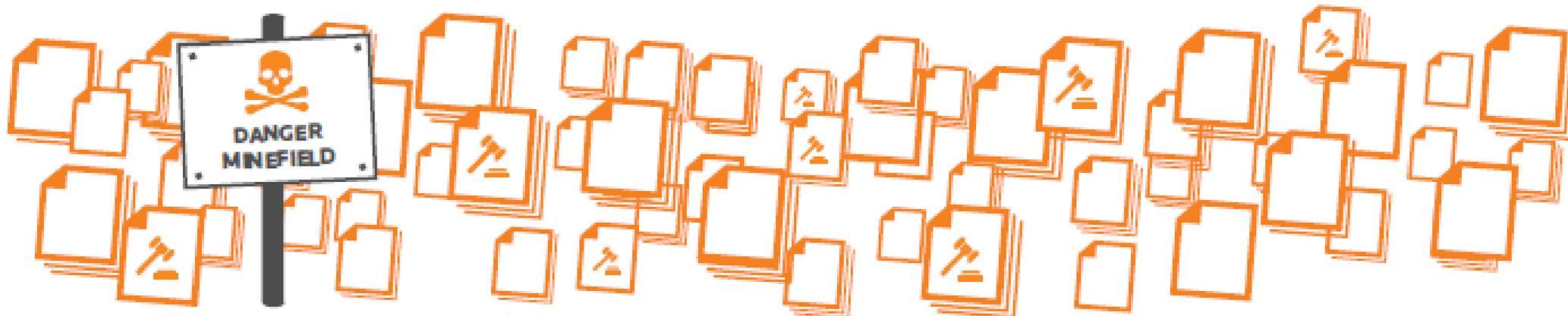




Customer onboarding:

Verifying customer identity can be complex, with ID being held across a range of registers





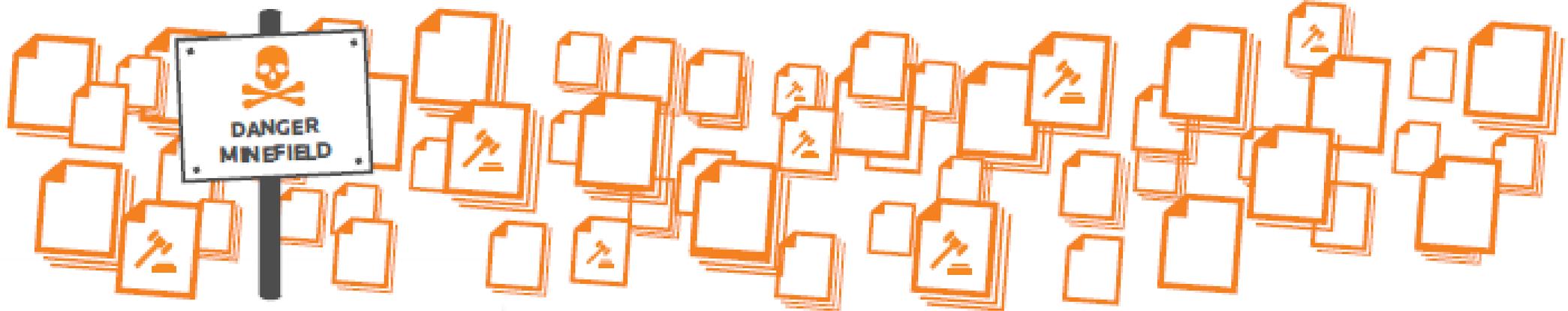
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Onboarding customers can take time, which works against the goal of financial inclusion





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Documents required differ between FIs leading to confusion and frustration.



And clients have no visibility into who is accessing their documents which often contain personal information and sometimes get leaked (e.g. passports).

CONTINUED

.._A_UTILITY_APPROACH_



Enable client on-boarding, refresh and remediation



Centralise customer ID: collect and verify once, use multiple times

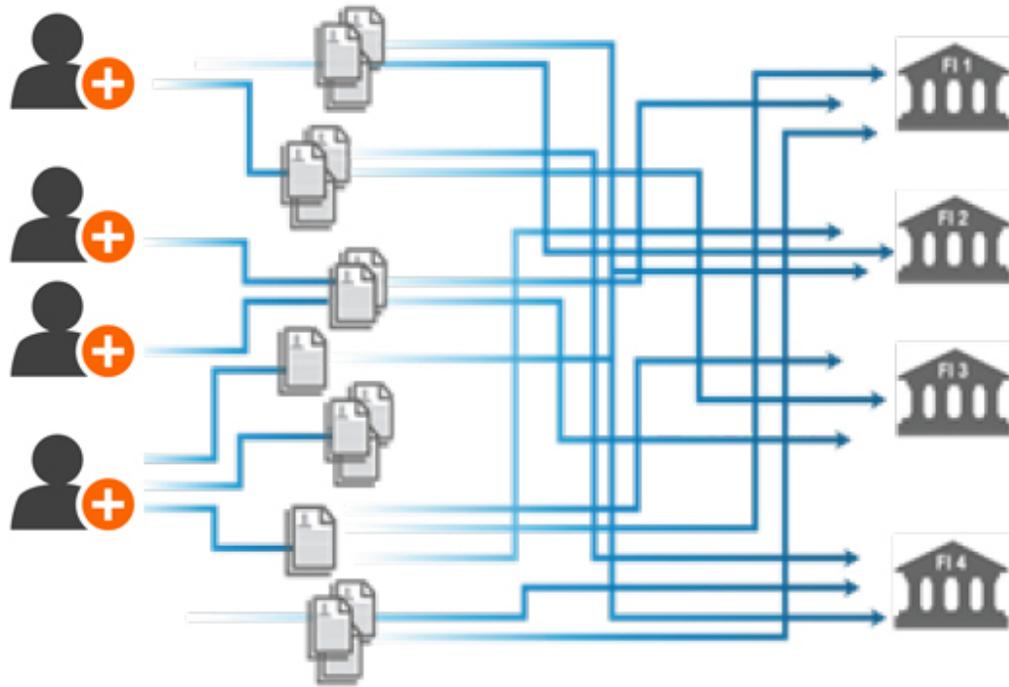
Offer a secure portal for clients to input data and store and track documents



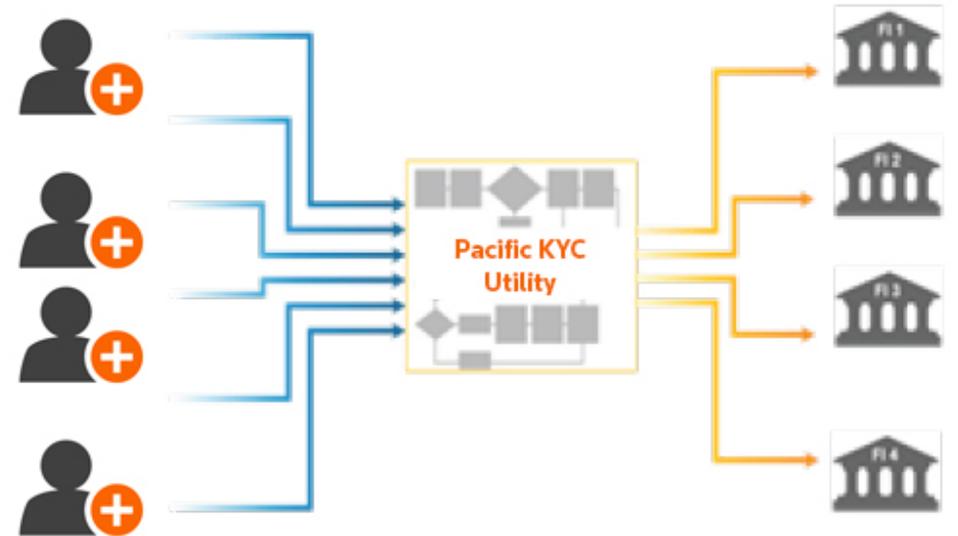
CONNECTING CUSTOMERS



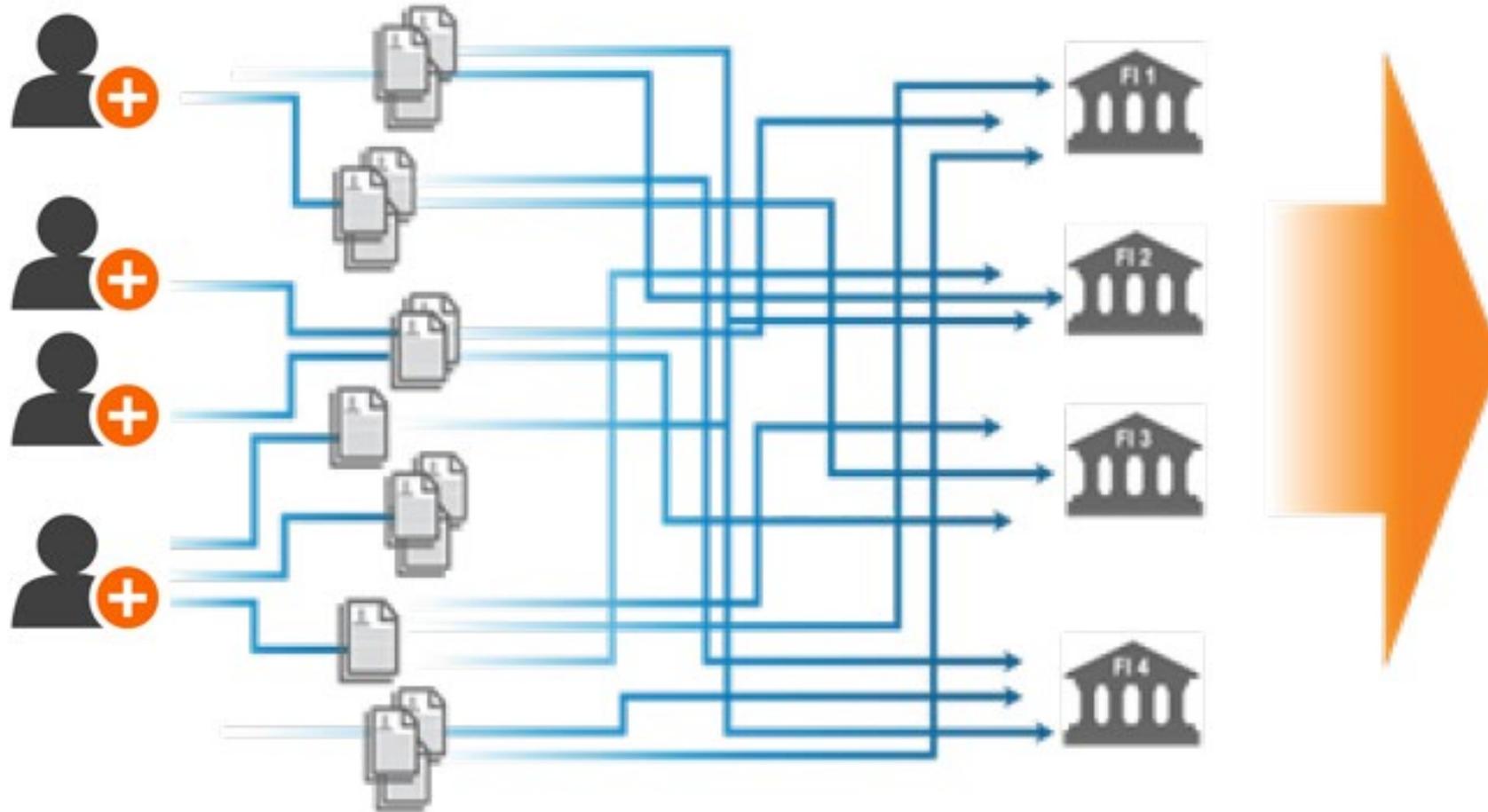
Existing approach to KYC



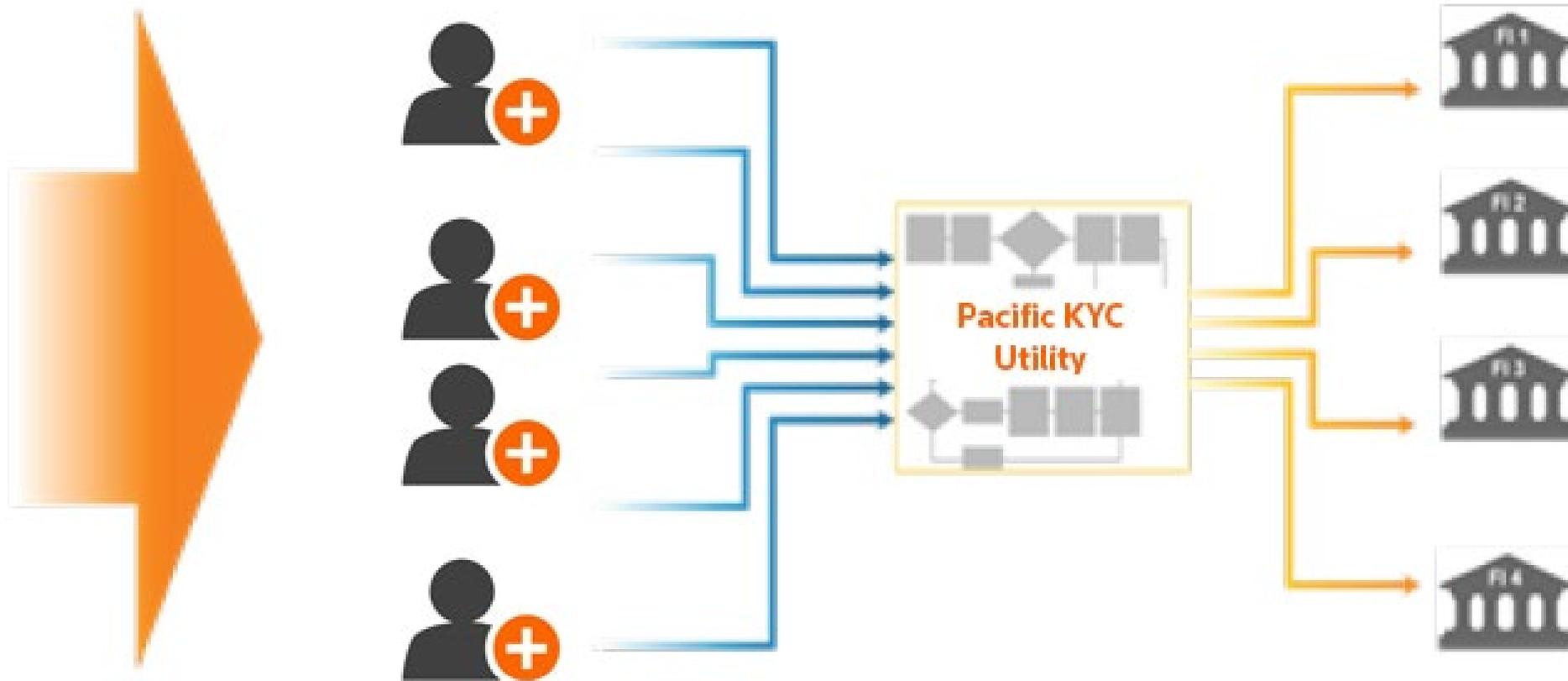
Utility approach to KYC



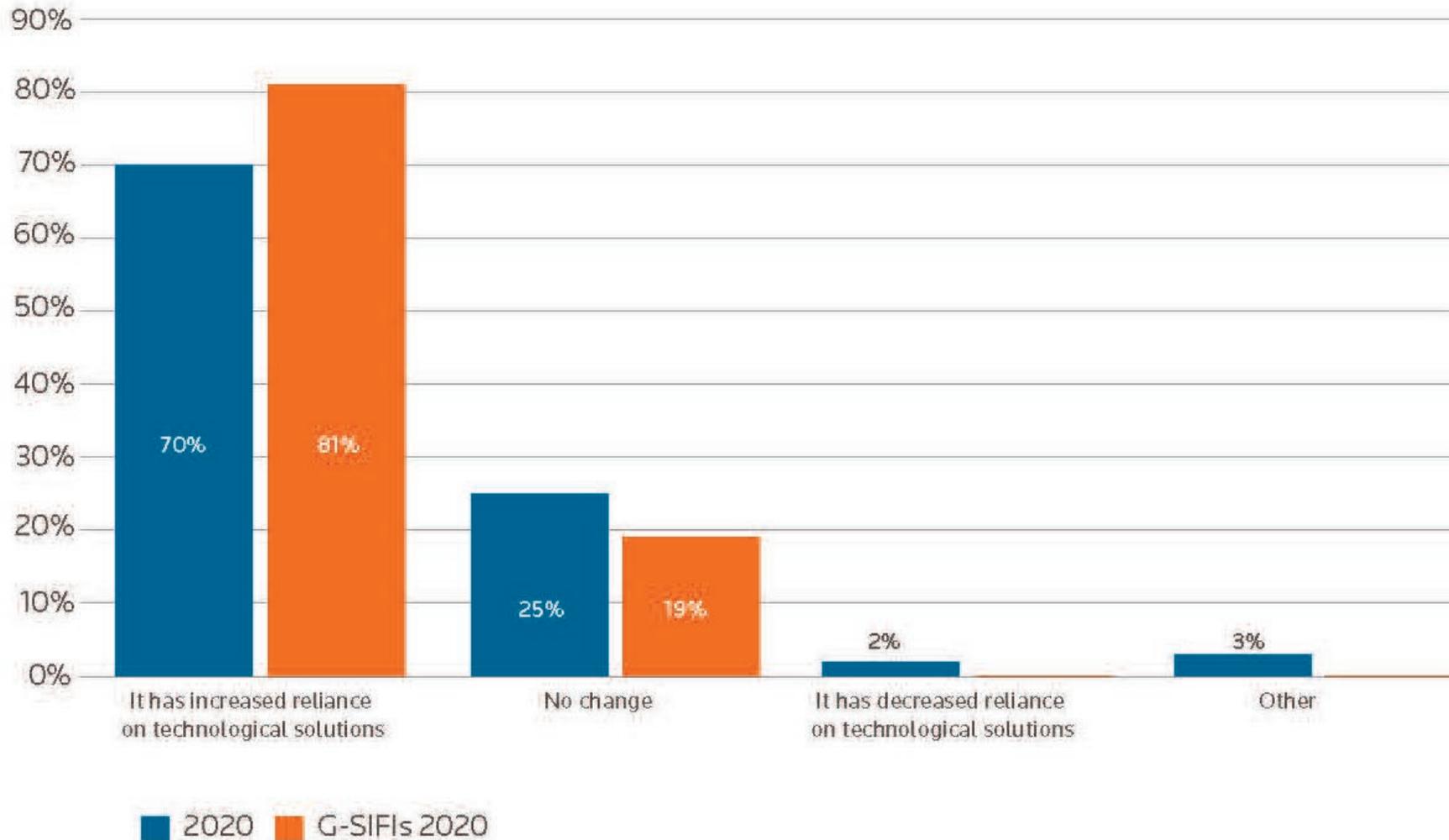
Existing approach to KYC



Utility approach to KYC



How has the COVID-19 pandemic impacted your firm's use of technological solutions?



_CENTRAL_BANK_LEADERSHIP_

South Pacific central banks met in Australia in November 2019. Made the following commitments:

- >> As a collective, focus on a regional Know Your Customer (KYC) framework ('Utility')**
- >> Set out and harmonise the governance, technical and legal requirements in each jurisdiction**
- >> International Monetary Fund to perform the Secretariat role for the KYC work program**
- >> Seek service providers to operate within the framework**



THE JOURNEY AHEAD

- >> Learn from the successes and challenges overseas (e.g., South Africa, Singapore, the Nordic region with Invidem)**
- >> Focus early on setting out the roadmap and securing commitments across the public and private sectors**
- >> Support and encourage central banks' leadership**
- >> Set out a clear commercial case for utility (i.e., cost benefits or at least cost certainty)**
- >> Address the customer ID issue, as a broader policy issue**
- >> Maintain a collective focus on the economic, social and geopolitical benefits (re-risking, trade finance, inclusion)**



_DOUBLE_EDGED_SWORD_



“Depending on banks’ ability to adapt and adjust their business models, fintech could be viewed as a competitive threat, or as an opportunity to leverage technologies to promote financial innovations, enhance customer experiences, facilitate financial inclusion and achieve greater cost efficiencies.”

Edmond Lau, senior executive director of the Hong Kong Monetary Authority, May 2020.

_WE_DESIGN_THE_FUTURE_





THANK YOU!

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