

KNOW YOUR CUSTOMER, CUSTOMER DUE-DILIGENCE AND ENHANCED DUE-DILIGENCE



KYC generally refers to the steps taken by a financial institution to establish the identity of a Customer and be satisfied that the sources of the Customer funds are legitimate. This includes:

- Customer Identification Program.
- Customer Due-Diligence – CDD is information obtained for all Customers. Information obtained for CDD should be used to verify the identity of a Customer and assess the risk associated with the Customer.
- Enhanced Due Diligence – EDD refers to additional information that would be collected for those customers deemed to be of higher risk.

SAMPLE RED FLAGS TO IDENTIFY HIGH RISK CUSTOMERS

CUSTOMER DEMOGRAPHICS

- › Profession/Occupation -
 - Politically Exposed Persons
 - Non-Resident
 - Money service businesses (e.g. check cashing, wire transmitter)
 - Real estate, Construction
 - Gaming & betting
 - Jewelry business
 - Law, accounting and medicals firms
 - Off-shore trusts
 - Others
- › HNI Customer
- › Credit Score
- › Declared Income/Turnover
- › Purpose of Account Opening
- › Minor/Senior Citizen

GEOGRAPHY

- › Sanctioned list countries / NCCT (Non-Cooperative Countries and Territories)
- › Transaction activity with high risk countries (e.g. 311 USA Patriot Act and FATF)
- › High Risk Cities/Regions (Domestic)

PRODUCT/DELIVERY CHANNEL

- › Private Banking, Trust, Commercial, Retail where it involves high net worth individuals and their corporate interests with personal and discrete service
- › Internet/Mobile Banking Enabled
- › Prepaid stored valued card/Credit Card Available

TRANSACTIONAL BEHAVIOR PROFILES

- › Transaction Types – Offshore, Foreign wire transfers, E-Bill Payments, Correspondent bank clearing
- › Customer Relationship in days
- › Number of CTR/STR filed
- › Total Cash Transaction as percentage of total Transaction
- › Total Credit Transaction as percent of the declared turnover of the Customer
- › Transaction from High Risky Branch/ATM/ Merchant
- › Count of declined Transactions
- › Average value of transaction
- › Average count of transaction

FINCEN FINAL RULE: NEW CUSTOMER DUE DILIGENCE REQUIREMENTS

FinCEN has issued rules under the Bank Secrecy Act to clarify and strengthen customer due diligence requirements for: Banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities. The rules contain explicit customer due diligence requirements and include a new requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.

There are four elements the FinCEN considers crucial when performing due diligence:

- **Customer identification and verification**
- **Beneficial ownership identification and verification**
- **Understanding the nature and purpose of customer relationships to develop a customer risk profile**
- **Ongoing monitoring for reporting suspicious transactions and, on a risk-basis, maintaining and updating customer information**

Clari5 provides Financial Institutions a complete lifecycle assessment and re-assessment of customer risk as part of know your customer (KYC) applicant on-boarding and ongoing customer due diligence processes. The solution streamlines money laundering risk assessment, improves customer understanding, and allows firms to better identify, manage, and mitigate customer-related risks.

HOW CLARI5 WORKS

During On-boarding:

- Integration with the On-boarding System - Clari5 can integrate with the existing on-boarding system to capture the Customer Information
- Customer Risk Categorization (CRC) - **Risk scoring for new on-boarding customers and ongoing basis**, based on the money laundering risk for CDD/EDD. Comprehensive Risk Scoring framework using **Demographic profiles, Geographic, Product Subscriptions, Watch List Matches**, etc.
- Configurable Questionnaire Template during on-boarding – Based on the Customer Risk Identified by Clari5, there can be additional Interactive and dynamic forms and questionnaires that can be taken from the Customer
- Capture and maintain multiple Beneficial Owner Information for New Accounts and established Customers
- Document Collection(based on CRC) along with expiry date
- Check against Various list/Sanction Screening against Customer and Beneficial Owner information - Clari5 enables real-time identity verification, negative news search and understanding of directorship and beneficial owners for better decision making
 - Integration with **external private company data providers** like D&B, Bureau Van Dijk, etc.
 - **Comprehensive List Management:** Supports lists from various list providers including Accuity, Dow Jones, and World-Check as well as **custom internal lists** maintained by the organization
 - Integrate with 3rd party tools for Customer's various personal data verification
 - **Intuitive User Interface for List Rule Configuration:** Supports web based application to configure various rules against the lists/data for customer, beneficial owner and remittances screening
 - **Advanced Identity Resolution Analytics Engine** supports fuzzy and exact match algorithm for fields
- Case Creation and Reporting - **Integrated case management** for manual investigation of AML cases/incidents detected by Clari5. **Intelligent case routing features** to the right investigator, built-in work flow for case investigation and closure with complete evidence and audit trail

Ongoing Customer Due Diligence:

- Further Risk Categorization on an on-going basis based on Demographic profiles, Geographic, Product Subscriptions, Transactional behavior profiles, Watch List Matches, CTR/SAR filed. Systematic re-assessment of customer risk is performed on an ongoing basis, leveraging an extensive library of out-of-the-box and user-defined risk factors, as characteristics change, use of products evolves, and business environments adapt. **Capability to configure the frequency of re-risk rating** (weekly, monthly, quarterly) based on bank's business policies
- Screen against incremental list data and customer profile change
- Identification of AML Red-Flags based on Clari5 out-of-the box and user defined scenarios
- Comprehensive investigation capabilities within the Clari5 Case Management System:
 - Case Creation and workflow management
 - Case Assignment to branch for further due-diligence
 - Investigation tools and Link Analysis
 - Feedback loop on the actual case resolution status from the case management system so that the intelligence can be built and applied for subsequent false positive reduction and increase fraud detection rate
- Notification on KYC document expiry captured during On-boarding
- Regulatory Reporting and MIS Reports

Endorsed Best Fraud Detection Product by Risk.net and ranked consistently in Chartist's RiskTech100 rankings. CustomerXPs redefines real-time, cross-channel Banking Enterprise Fraud Management with its human brain like central nervous system to fighting financial crime. The company's flagship product Clari5 harnesses the combined power of Automation, AI, Decision Sciences & Real-time Decisions. Clari5 currently processes over 10 billion transactions, manages over 450 million accounts and reliably secures 4% of the global population's banking transactions. With 200 million accounts+ at a single site. Clari5 has the world's largest implementation of a fraud management solution. Tier 1 banking customers across 8 geographies who trust Clari5 for driving their fraud management strategy are recipients of global industry acclaim, including Banking Technology's Best Use of IT in Risk Management/Regulation and Celent's Model Bank of the Year.



Clari5 Category Leadership

LEADER IN CROSS CHANNEL FRAUD MANAGEMENT

Voted 'Best Fraud Detection Product 2016' by OpRisk / Risk.net and positioned as Enterprise Fraud Solution in Chartist RiskTech Quadrant.

MOST REFERENCED REAL-TIME, CROSS-CHANNEL SOLUTION

Winner of global Best Fraud Detection Product Award 2016. Present in Chartist Risk Quadrants and RiskTech 100 consistently.

LIVE AT MASSIVE SCALE

World's largest real-time implementations, working with 200 million+ accounts in a single bank. Clari5 processes over 10 billion+ events and manages 450 million+ accounts across 8 countries.

BLEEDING EDGE TECHNOLOGY

Harnessing the exponential power of Automation + Artificial Intelligence + Decision Sciences and Real-Time Decisioning. Runs on horizontally scaling commodity hardware.

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