How far is KYC Compliance pushing Corporates

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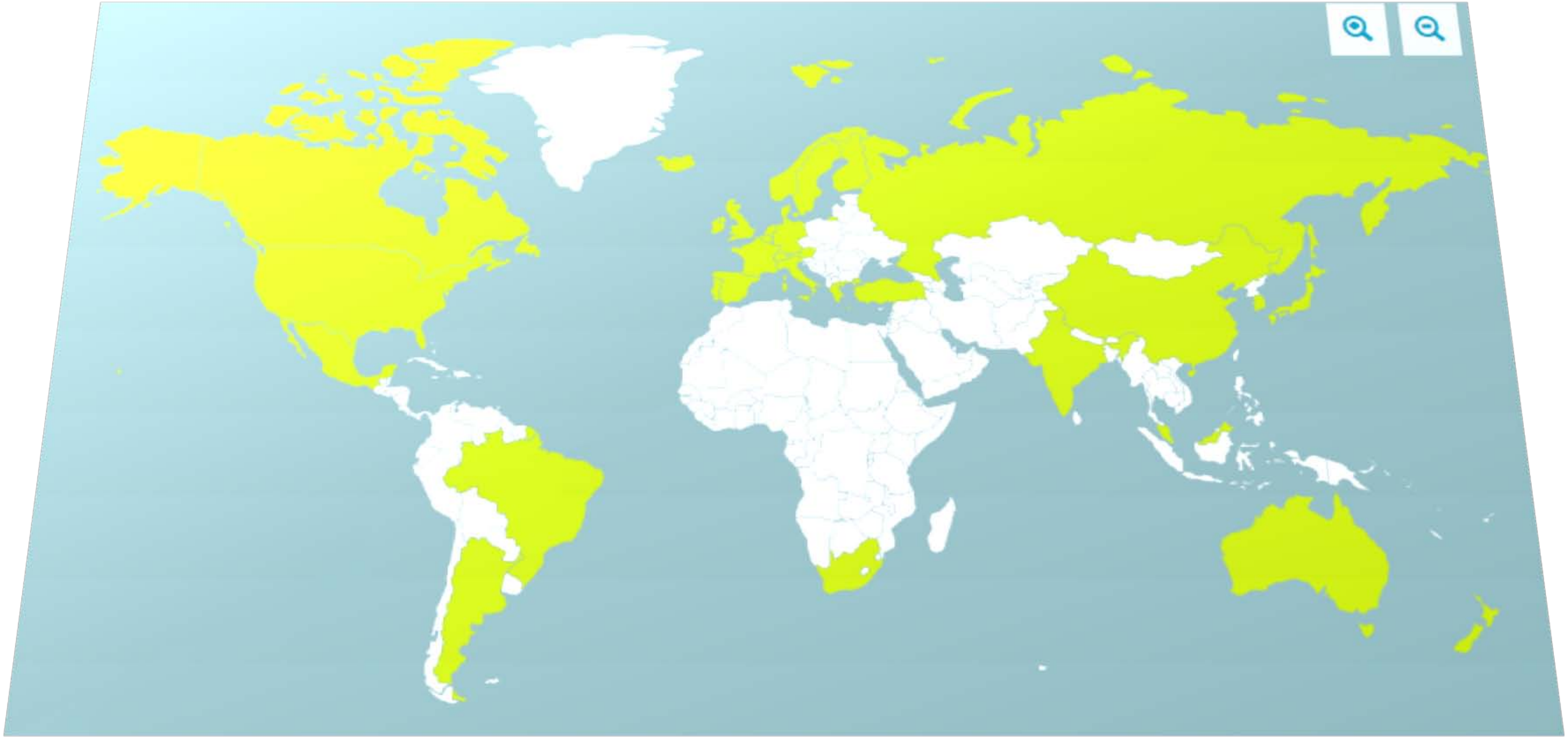
Full FATF members



Source: FATF website

Current regulatory updates 2016

Changing regulation
was identified as the single biggest factor driving the amount of time spent by corporates on fulfilling KYC requirements

- **FINCEN**
- **FATF**
- **4AMLD**

FATF Report to the G20 on Beneficial Ownership – October 2016

The Findings

- Nine FATF members have been assessed since the FATF Standards were strengthened in 2012

- Only two of those nine countries were found to have a substantial level of effectiveness in preventing the misuse of legal persons and arrangements

- Major improvements are required in the other seven countries assessed

- Lack of sanction on companies which fail to update information held by national company registries, or to keep information about their shareholders or members up-to-date; and

Industry KYC Challenges

NEED TO IMPROVE CLIENT EXPERIENCE
as clients get frustrated with the multiple and complex demands from financial institutions.

LACK OF COMMON STANDARDS
Way of doing business with FI's becoming a burden for Corporates due to the lack of Standardisation

LACK OF DYNAMIC MONITORING PROCESS
for legal entity changes and regulatory status can mean records become out of date
and inaccurate.

INCREASED COSTS AND TIMESCALES
for both on-boarding and remediation

Banking relationships: the more banking relationships, the bigger the KYC burden

The escalating document challenge for corporates – a hypothetical document request scenario.

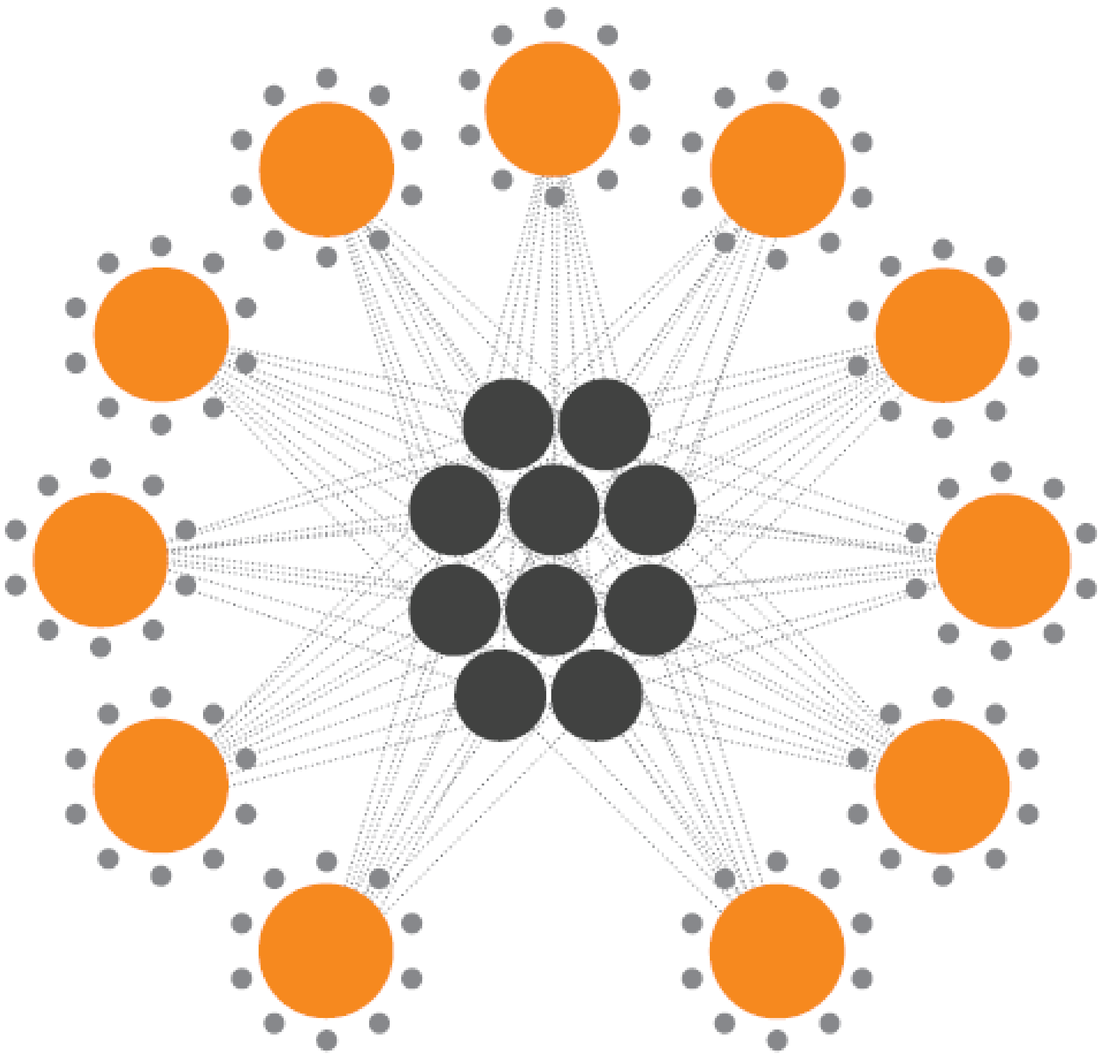
ASSUME ON AVERAGE
10
DOCUMENTS TO
OPEN ONE ACCOUNT ARE REQUESTED

+

ON AVERAGE
11
BANKING RELATIONSHIPS

RESULT=

SENDING
DOCUMENTS
110x
TO DIFFERENT
BANKS



Source: Thomson Reuters KYC survey report, 2016.

What is driving the amount of time that your organization spends on fulfilling KYC requirements for financial institutions?

56% of respondents say changes to regulatory requirements drive the amount of time they spend on KYC.

Time spent in 2015 (last 12 months)	Time expected to increase by	Prediction for 2016
Onboarding = 28 days	20%	34 days
Updating material change = 27 days	26%	34 days

Survey Findings | Financial Institutions vs. Corporates

Corporates

01. BANKING RELATIONSHIPS

Multiple banking relationships are magnifying corporates' KYC burden.

- 11 banking relationships on average per corporate globally.
- 9 banking relationships on average per corporate regionally, with mid-sized corporates having an average of 7 and smaller companies 4 banking relationships.

02. KYC CHALLENGES

A lack of common standards at financial institutions is negatively impacting corporates.

- 89% of corporates have not had a good KYC experience.
- 13% changed banks as a result.

03. CLIENT ONBOARDING

KYC procedures are greatly lengthening client onboarding.

- 27% of corporates reported it could take over 3 months for a bank to onboard them, and 9% reported it could take 4 months or longer.
- Corporates are contacted an average of 8 times by banks during the onboarding process.

04. REPORTING MATERIAL CHANGES

Despite the increasing requirements and responsibility on corporates to report material changes, this is not always happening.

- 69% have not passed on all changes to their banks.

05. REGULATORY CHANGE

As banks respond to new regulations, the KYC workload steps up.

- 56% of respondents say changes to regulatory requirements drive the amount of time they spend on KYC.

Financial Institutions

01. DEDICATED RESOURCES

Significantly more budget and time are being dedicated to KYC compliance.

- Financial institutions spend on average $60m a year on KYC procedures.
- An average of 68 employees work on KYC adherence and processing within each FI.
- A lack of appropriately skilled people resources is the biggest KYC and client onboarding challenge.

02. CLIENT ONBOARDING

Lengthy onboarding processes are putting a strain on client relationships.

- An average of 24 days to onboard a new client, 22% higher than in the previous 12 months.
- Banks say they contacted their clients on average four times during the onboarding process, but their corporate customers report eight contacts.

03. CHANGING REGULATION

In an ever-changing regulatory environment, many financial institutions lack a clear path to implementation.

- One in five FIs has not proactively made changes to their processes as a result of the FATF 2012 Recommendations.
- 87% of banks and 75% of investment managers think that a change in regulation and legislation is the most influential factor when they explore making changes to their KYC processes.

04. ONGOING MONITORING

Not all FIs have implemented the new requirements for ongoing KYC checks.

- One in ten don't have any formal refresh process in place.
- Only 14% believe that all their clients are proactive about reporting material changes.

Source: Thomson Reuters KYC survey report, 2016.

Survey Findings | Material Changes in Identity

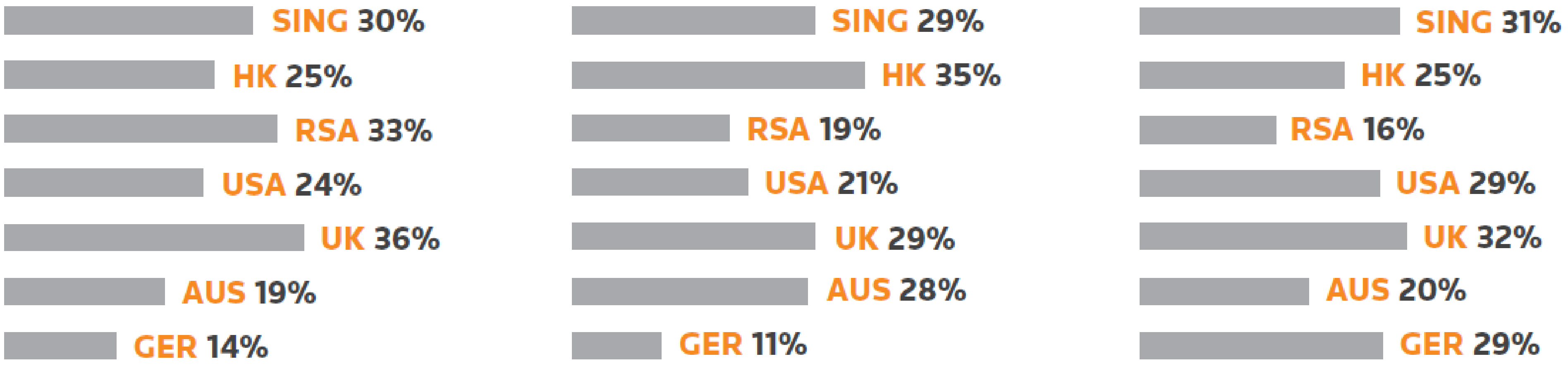
On average corporations are spending 27 days a year bringing their banks and other FIs up to date about material changes, with 69% surveyed revealing they did not make their financial institutions aware of all material changes in their organisations in 2015.

Have you had a material change to any of the below pieces of information about your organization over the past 24 months?

Directors or controllers of your organization

Address or location of business operations

Ownership or ultimate beneficial owners



Average = 26%

Average = 25%

Average = 26%

Source: Thomson Reuters KYC survey report, 2016.

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Org ID | Monitoring & Screening Fact Sheet - Org ID

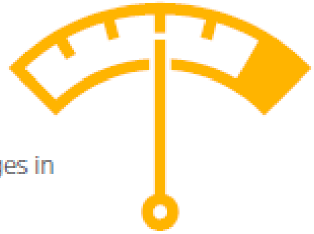
30% are changes in directors or controllers

20% are changes in ownership or ulti-mate beneficial owners

17% are changes in the address or location of business operations

10% are changes in the name of the entity

5% are changes in regulatory status



3% are changes in private/public (listed) status

3% are merger and other corporate actions

RECORDED CHANGES IN IDENTITY INFORMATION FOR A SAMPLE OF 5,000
CLIENT RECORDS OVER A 9 MONTHS PERIOD

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How to improve the process

"Information overload. It's never a pretty sight."

VS.

Source: International Bar Association