



12 LESSONS FROM ONE TRILLION SCREENS

VALUABLE INSIGHTS FROM YEARS OF EXPERIENCE

As a pioneer in compliance screening, RDC has now carried out over one trillion screens for close to 1,000 banks, financial institutions, FinTechs and Fortune 500 companies. The lessons we've learned from this experience are valuable for anyone planning or reviewing a compliance program.

1. Decide What Really Matters
2. Beware the "We Can Build it All" Strategy
3. Avoid the Piecemeal Approach
4. Embrace the Cloud
5. Adverse Media Makes for Better Screening Outcomes
6. All Data isn't Equal
7. Implement a Risk-based Approach to PEP Screening
8. Center of Excellence Models Work
9. Automate Intelligently Where Possible
10. Consider the Post-Onboarding Phase
11. Data Plus Technology is the Winning Formula
12. Don't Forget the Human Element

1. DECIDE WHAT REALLY MATTERS

Good compliance screening excellence begins with the basic principles of risk management. Our best-in-class customers examine each line of business or region, considering both the probability and the impact of various financial and business risks. They pay close attention to defining what they “would like to know” vs. what they “need to know” in terms of both risk event types and risk stages. Customers who spend time on this tend to have fewer issues with false positives and excessive analyst workload.

Ask questions like these:

- Are crimes like terrorist financing, drug and human trafficking, money laundering, bribery and corruption the only ones of major concern? What about other crimes like murder, fraud, abuse and perjury?
- What about the risk stages? Does it only matter if someone is convicted? What if they're in appeal? How about charged, accused or suspected?
- Finally, how far back is relevant? Only the past 2-3 years? Past 5 years? Ever?

2. BEWARE THE “WE CAN BUILD IT ALL” STRATEGY

Some institutions have tried to build screening engines on their own, just buying data from third parties. Others buy in screening or AI/ML technology from companies with massive R&D budgets focused on nothing but improving name matching, scoring, and predictions.

All too often, banks try to assemble different technologies to drive their process flows, and then use their own people (or augment them with highly paid consultants) to remediate screening matches. They are devoting huge resources to building a center of excellence when “renting” a compliance function may prove more cost-effective and better protected. Banks that have shown the best improvements in program efficacy rely on external firms for screening. These firms do it better than any single bank because it's all they do. Trying to out-R&D multiple companies in a core function like compliance is simply not sustainable.



3. AVOID THE PIECEMEAL APPROACH

Many banks find it tempting to solve their compliance screening challenges by changing a single component, such as a data provider or case management tool. This is understandable, as it minimizes both cost and risk. But in our experience, it rarely solves the problem. Instead, it either changes the process or deflects a problem further upstream or downstream. To make a material change in compliance screening performance, a new paradigm is often needed. Yes, you can implement a new screening paradigm in phases. But without a vision of the entire process, problems just get shifted aside or “kicked down the road”. Take the time to examine the entire process, even if you want a phased implementation.



4. EMBRACE THE CLOUD

Historically, most large banks and financial institutions have been forced to build and manage their own customer due diligence (CDD) screening platforms.

Legacy issues around information security, immature third-party technology solutions and a lack of clear, prescriptive regulatory guidance meant organizations had to cobble together point solutions. Technical and business teams got buried dealing with data feeds, workflows and processing software – supplemented by customized code and large analyst teams – in an attempt to meet the demands of regulators. Today, financial institutions of all size and complexity are embracing SaaS-based solutions because of their many benefits:

- Lower IT burden
- Greater cost transparency and predictability
- Improved scalability and operating agility
- Increased system availability and performance
- Improved resource allocation and staffing flexibility



5. ADVERSE MEDIA MAKES FOR BETTER SCREENING OUTCOMES

Many organizations still think of compliance screening simply as screening against Sanctions lists and Politically Exposed Persons (PEPs). This may tell you that a potential customer is the son-in-law of a local judge or military official. While interesting, this isn't the most helpful information in terms of making an onboarding decision. Furthermore, there are plenty of criminals who are neither PEPs nor on watchlists. Adverse media is the key to understanding whether the prospect should be onboarded or kept aside for additional screening. This is why best-in-class screening programs combine adverse media, sanctions and PEPs, ideally in the same application and dataset.



6. ALL DATA ISN'T EQUAL

Our trillion scans have taught us a great deal about data. First, pay attention to quality. Many firms don't invest the time in cleaning data up. While it costs time and money, the impact of cleaning before screening has outsize ROI. For example, screening results can be dramatically improved (and alerts greatly reduced) by including accurate date of birth or location information with basic customer name data.

Another key learning is around quantity. Many customers have simply adopted a "more is better" strategy. However not all data is relevant to the risks being assessed, or of sufficient quality. For example, data from wikis or blogs or other self-governed sources can lead to very poor and even dangerous screening outcomes. Finally, obtaining a sufficient quantity of data from other regions is also a struggle for many firms. Efficient screening depends on a consistent, reliable and structured approach to how risk data is collected, aggregated, reviewed and stored. When broad and deep risk data is married with expert-level curation and indexing, the result is a powerful dataset that can be used for efficient and effective screening.



7. IMPLEMENT A RISK-BASED APPROACH TO PEP SCREENING

If someone is designated as a PEP, it tends to immediately result in an increased risk rating and trigger costly enhanced due diligence (EDD). But not all politically exposed persons (PEPs) represent the same level of risk. So it's worth taking time to consider which PEPs are material to the business, and creating a PEP definition to avoid researching every low-level government official. It is also important to select a screening partner and related technology with the flexibility to align with your PEP definition and screening strategy. For example, most will want the ability to rate PEPs in terms of (1) their role/function, (2) their level or title, (3) the country they're associated with and (4), risk events in which they may be involved. Finally, avoid becoming over-reliant on self-declared PEPs. Many are either erring on the side of caution (so as not to lie on an application) or they are overstating their actual influence.

8. CENTER OF EXCELLENCE MODELS WORK

Customer onboarding often evolves into a highly decentralized process with each line of business or geographic region following its own screening process and definitions. While this can be very empowering for each unit, it usually leads to inconsistencies – in risk definitions, screening criteria, datasets, remediation processes – as well as leading to high operating costs. It also poses challenges for regulators, resulting in lengthy and costly audits. In response, an increasing number of top banks and financial institutions are moving to a center of excellence (COE) model. This consolidation of compliance screening functions increases operational efficiency, reduces the total cost of compliance and generates a better customer experience through faster and more accurate screening outcomes.

“Consolidating compliance screening functions leads to greater efficiency and a better customer experience.”



9. AUTOMATE INTELLIGENTLY WHERE POSSIBLE

For many organizations, compliance screening remains a largely manual, labor-intensive and costly function. As both screening volumes and potential threats continue to increase, so does the challenge of false positives. At most organizations, which are being pressed to reduce their total cost of compliance, this manual model is not sustainable. The solution is automation – more specifically, automation fueled by machine learning. By applying advanced name-matching and natural language processing (NLP) technologies to a vast trove of risk intelligence data, this yields a variety of benefits:

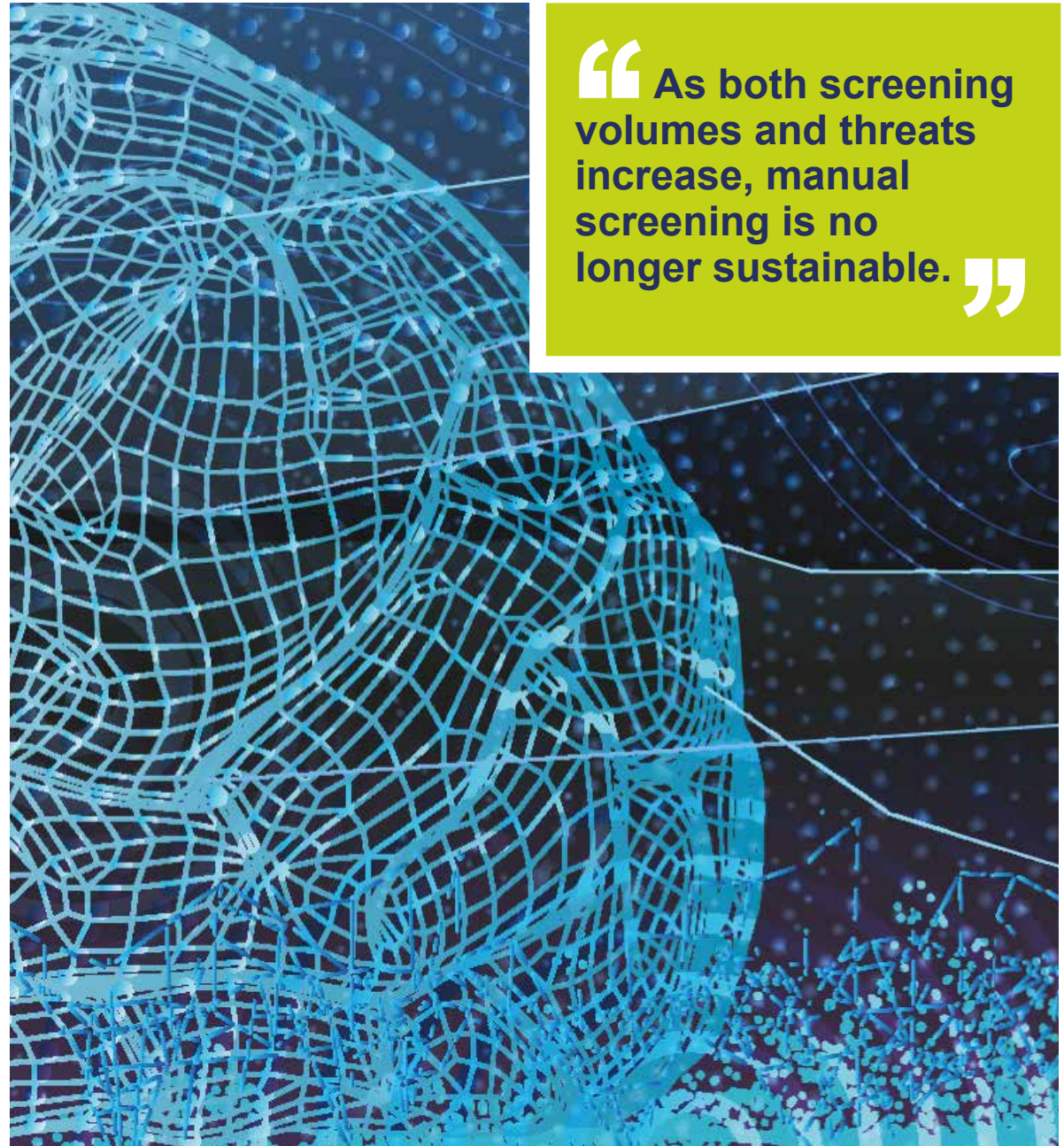
- Reduction in the false positive rate by 50% to 70%.
- Significantly less workload and more research bandwidth for compliance analysts.
- Continuous improvement: the analytical engines become more accurate and efficient as they learn from more and more risk and customer data.

10. CONSIDER THE POST-ONBOARDING PHASE

Congratulations! You've screened millions of prospects and they're now in your customer database. Now what? Compliance screening during onboarding is a one-time event. What happens if some of these new customers decide to engage in corruption or money laundering or fraud? How can you quickly identify these changes, properly assess the risks and decide whether to close the account? For most companies, re-screening the entire portfolio simply isn't feasible due to cost, time and resource constraints. So many just re-screen the top 1% or highest-risk customers, leaving the organization extremely vulnerable. The best approach is a screening solution that has two components:

- Daily, automated screening of the entire portfolio
- Daily updates of all sanctions, PEP and adverse media content

This way, your entire portfolio is monitored against the most current risk intelligence data, giving you advance warning of material risk.



“As both screening volumes and threats increase, manual screening is no longer sustainable.”

11. DATA PLUS TECHNOLOGY IS THE WINNING FORMULA

Some compliance screening providers focus almost exclusively on their data. As we mentioned, data is important but unless it is coupled with a robust screening and analysis platform, it's just that... data. And too much data without the right technology actually results in more work for pressured analysis teams. The only way to scale is to add headcount. On the other side, there are many providers of artificial intelligence platforms or engines that claim to have the cure for everything related to risk and compliance.

The problem is that even the best machine learning or AI technologies require years of detailed customer and transaction-level data to "learn" and become truly effective. Without the data, the engine doesn't have enough experience to make recommendations on screening outcomes. The answer lies in the combination: a scalable, high-performance platform with the latest in machine learning and intelligence, powered by deep risk intelligence data and years of compliance screening results.

12. DON'T FORGET THE HUMAN ELEMENT

Yes, great technology and world-class, risk-curated data are the foundation for screening excellence. They go a long-way to reducing analyst workload and the overall cost of compliance. However, trained and experienced compliance analysts are critical to efficient compliance screening. In fact, they can provide value both pre- and post-screening. Before screening, skilled analysts can provide an expert-level review and curation of content which, in turn, yields better screening outcomes. After screening, these analysts also provide an additional layer of review and quality control to further reduce the volume of false-positives and alerts requiring EDD.



“ While great technology and data are the foundations for screening excellence, experienced analysts are critical to efficient compliance screening. ”



WHERE NOW?

Selecting the right screening partner can be complicated. Some are principally data providers with few screening tools to turn the data into insight. Others are tech companies with deep automation and intelligence expertise but little in the way of industry experience or screening data. And some are young organizations that lack the experience of collaborating with world-class banks and financial institutions on KYC/AML screening. The ideal partner will have expertise across both data and technology as well as an extensive track record of success solving complex customer due diligence challenges.



CONCLUSION

Efficient compliance screening is possible. But it needs a combination of robust data, leading-edge technology, a careful balance of risk vs. cost and time, and human involvement and oversight. Based on in-depth experience, these 12 lessons will help most organizations to make major steps towards superior screening.

About RDC

RDC, the Smarter Screening™ company, delivers powerful, decision-ready intelligence and world-class risk and compliance protection, allowing global organizations to identify banned/suspect entities, strengthen fraud protection, ensure regulatory compliance, manage supply and distribution risk, and protect their brand equity. With the world's largest open source risk-relevant database, RDC provides AML/KYC compliance; Politically Exposed Persons (PEP) protection; emerging market intelligence; corruption, fraud and crime protection; and vendor screening and monitoring to a wide range of clients worldwide. Founded by 20 of the world's leading financial institutions, today RDC is a Vista Equity Partners portfolio company.

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