



Remediating financial crime checks at a large UK retail bank

Using data to make today's
problem tomorrow's opportunity

A guide for Chief Data Officers and Heads of Economic Crime



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Executive Summary

- In April 2021, the FCA found **weaknesses and failings** in retail banks' Anti-Money Laundering procedures.
- The resulting **KYC Remediation Programmes** designed to catch up with AML customer-validation checks, have become their biggest operational cost in time and effort.
- **Some banks are spending over £100m per annum** on hundreds of vendor/contract staff to manually build KYC data files and perform outreach (via phone/ email) for every Corporate and Retail customer.
- **Experian in partnership with Aptitude**, a boutique data-integration consultancy, have developed **an automated, data-driven remediation service**.
- **The Experian-Aptitude service** validates key customer information – such as the stated nature of its business, and the ultimate beneficial owner – using **multiple third-party data sources**.
- It can **identify key flags of money-laundering risk** – such as the business being cash-intensive or having links to high-risk jurisdictions – automatically.
- It also performs Electronic Identity Verification checks of all owners of a business and its controlling parties. Over **75% of individuals passed these automated checks**, dramatically cutting the need for manual investigation.
- Our work with the Tier 1 bank demonstrated how they could:
 - Meet **FCA targets** in tight timescales.
 - Use a data-led approach to justify de-scoping and narrowing required customer outreach by half, resulting in a potential **cost saving of 50%**.
 - Establish accurate customer data as a **critical strategic asset**.
- The foundations developed can allow banks to move from Periodic Review of customers to Event Driven Review – with constant monitoring of AML information and reviews triggered by significant or concerning changes.



Yearly remediation work is costing banks over

£100 million

Using the **Experian-Aptitude service** a Tier 1 UK Retail bank has demonstrated potential

cost reduction of over 50%

No more Periodic Reviews: a long-term solution

By making their data ready for automated matching, banks uncover a huge opportunity: moving away from remediation and Periodic Review.

With **Experian-Aptitude**, checks can be kept continually and automatically up to date. This opens the door to **Event Driven Reviews (EDRs)**, where key customer information is constantly monitored and flagged for a full check when significant or suspicious changes are identified.

This approach **limits Customer Outreach** to just those Key Data Elements which cannot be validated automatically or require direct customer confirmation, such as **Source of Wealth** or **Source of Funds**.

It also slashes operational costs, improves timely compliance with FCA regulations, and allows detailed evidence and an audit trail to be submitted to the FCA easily.

Why this matters for Chief Data Officers & Heads of Economic Crime

CDOs and Heads of Economic Crime have often faced a common issue: their projects are set against those of revenue-generating business heads or cost reduction initiatives championed by COOs and CFOs. That can lead to CDOs' priorities coming second to projects with a clearer, shorter-term payback. This project establishes financial crime as an area where CDOs can show clear, short-term returns by improving customer data quality.

Context: issues in Anti-Money Laundering checks at retail banks

The Financial Conduct Authority wants to tackle money laundering and expects banks to drive this.

In April 2021, the FCA found weaknesses and failings in retail banks' Anti-Money Laundering procedures. Two of its biggest sanctions in the preceding 12-month period related to failures to address financial crime and anti-money laundering risks.

What the FCA demands

All retail banks must ensure new consumers and business customers are categorised as High, Medium or Low Risk of involvement in money laundering. This categorisation looks at:

- What a business does – understanding its principal activities, establishing whether it's cash-intensive or operating in a high-risk sector or exposed to high-risk jurisdictions and therefore easier to use to launder money.
- Who's involved – especially who the ultimate beneficial owner is and whether they are linked to high-risk jurisdictions or exist on PEPs, Sanction, Adverse Media or Fraud databases.

Periodic Review

The FCA also mandates Periodic Review – a check that salient information has not changed, for example, a change in Ultimate Beneficial Owner.

- Annually for High-Risk files.
- Every 2–3 years for Medium-Risk files.
- Every 3–5 years for Low-Risk files.

The remediation challenge

Many retail banks are behind with these reviews. The FCA set tight deadlines to catch up, and many banks have set up large-scale Financial Crime Remediation programmes to get through their backlogs. These programmes have increasingly become banks' biggest operational cost in time and effort.

Issues banks face include:

- A huge amount of manual outreach is needed to validate customer information
- Internal teams not adequately resourced for the task
- **Outreach by phone or letter costs £30 for a consumer and up to £1,000 for a business**
- Corporate-check complexity: validating key business facts and assessing the risks linked to connected persons
- Complex customer ownership structures across several jurisdictions: tracing the ultimate beneficial owner can be difficult
- Corroborating facts with Companies House is not enough – more data is needed
- Difficulties in bringing updated files back into the bank's data-storage infrastructure
- Having to employ thousands of staff to do validation outreach
- Banks are spending upwards of **£100 million a year** on this work



Solving the remediation challenge

Experian and Aptitude, a boutique data-integration consultancy, have developed a data-driven remediation service that automates the validation checks for an individual or company and makes the checks more robust through data triangulation.

In addition to alleviating the pressure on manual checking, this new service enables banks to move from Periodic to event-driven reviews where key 'Know Your Customer' and 'Financial Crime' data are constantly monitored.

Reviews are triggered when ultimate beneficial owners change, when there is exposure to new risky jurisdictions, or when outflows and inflows of funds do not match what's expected, to name a few examples.

This automated solution has helped the tier 1 bank:

- Meet the bank's **FCA targets in tight timescales**
- Demonstrate that **operational savings of 50%** with no additional exposure risk is achievable
- Establish **accurate customer data** as a critical strategic asset
- Produce clear evidence that **data can deliver value to the business fast**

Triangulation: using multiple datasets to answer a question enhances the validity and credibility of findings. If two or more independent sources all point to a conclusion, it's more likely that this conclusion is correct than if we only checked a single source.

Independent data source A
points to Conclusion 1

Independent data source B
also points to Conclusion 1



Conclusion 1 appears to be valid

Partnering with Aptitude for the proof of concept

This new service has been put through its paces at a Tier 1 retail bank that had key commitments to remediate all Consumer and Business High-Risk customers by Quarter 4 of 2022 and Medium and Low-Risk customers by Q4 2023.

This project involved validating millions of customer records and had four key elements:

- A detailed review of the bank's 'Know Your Customer' and 'Anti-Money Laundering' policies to identify the Key Data Elements that needed to be validated
- Finding the trusted sources that provided validating evidence
- Proving that Experian's data sources could do this validation across a large and representative set of customers
- Automating the validation of a large proportion of customers – eliminating the need for costly manual validation

The bank began its analysis with Bounce Back Loan Scheme (BBLs) customers – showing that it could meet its FCA 'Know Your Customer' commitments for customers who had taken out Government-backed Covid-support loans.

With Aptitude, we showed we could auto-validate the key 'Know Your Customer' information held for 40% of BBLs customers. That meant a considerable saving in time and cost of manual remediation.



Extending our impact: slashing the remediation backlog

Next we aimed to:

- Remediate a much larger number of customers
- Validate their information using a larger number of Experian data sources (see table below)

Data source	Ltd	Non-Ltd
Companies House	✓	✓
Charity Commission for England and Wales	✓	✓
Jersey Financial Services Commission	✓	✓
Gambling Commission	✓	✓
Charities Commission for Northern Ireland	✓	✓
Scottish Charity Regulator	✓	✓
FCA Financial Services Register	✓	✓
VAT Register	✓	✓
Market Location	✓	✓
Thomson	✓	✓
Local Data Company	✓	✓
Local Data Company - Closed Premises	✓	✓
Local Data Company - Vacant Premises	✓	✓
Emailmovers	✓	✓
Experian	✓	✓
Corpfin	✓	✓

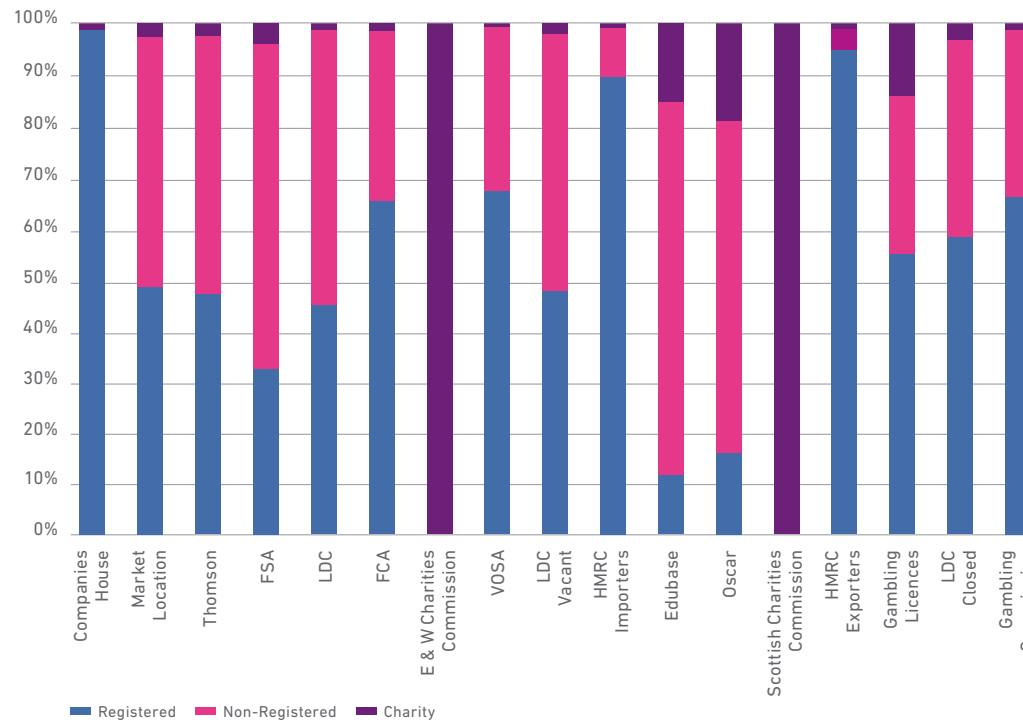
Data source	Ltd	Non-Ltd
Care Quality Commission	✓	✓
Edubase (Department for Education) Schools Register	✓	✓
Food Standards Agency	✓	✓
Licenced Premises	✓	✓
Ministry of Transport (MOT) Test stations	✓	✓
Organisation Data Services (ODS) of the Health & Social Care Information Centre	✓	✓
Driver & Vehicle Standards Agency	✓	✓
HM Revenue & Customs Trade Statistics	✓	✓
PAF	✓	✓

We used these data sources to corroborate:

- That a business exists and is actively trading
- Its principal activities, trading locations and exposure to any high-risk jurisdictions
- Whether it shows critical money-laundering risks – such as whether it is cash-intensive

The sources proved capable of validating information for all customers – individuals, limited and non-limited companies, charities, larger organisations, SMEs, sole traders, new firms or established firms (see chart opposite).

% splits of entity type of data source



Experian provided the data and then cleansed it and matched it to bank customers. Aptitude proved the data was valid and robust enough to check that current internal information is correct and give compliance teams certainty that the method worked.

What about the individuals linked to businesses?

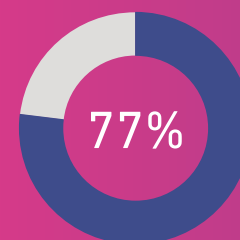
Banks also need an Electronic Identity Verification check (EIDV) of all owners of a business and its controlling parties. Manual checks are a complex, time-consuming and error-prone way of achieving this.

Experian's proprietary algorithm makes this task much easier by:

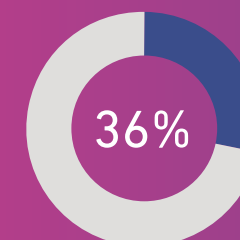
- Quickly and accurately identifying the Ultimate Beneficial Owner.
- Using data from Companies House and to find shareholders, shareholding, share value, share types, voting rights and currency.
- Providing an evolving picture of a company's ownership structure.
- Aggregating the Companies House Persons of Significant Control Register to ensure key parties are identified and uncover ownership discrepancies.
- Once the owners have been identified, Experian are able to complete electronic identity and verification confirming that they exist and are who they say they are. We can even leverage restricted Usual Residential Address data to eliminate the need to perform outreach to capture the new owner's home address and full date of birth.

Working with the Tier 1 retail bank, Experian were able to authenticate over 75% of connected persons automatically. Among customers that had previously failed Electronic Identity Verification the EIDV refresh achieved a 36% authentication rate, significantly reducing the number of individuals requiring customer outreach.

This cuts costs dramatically and vastly improves customer service: if a bank can't validate the customer, they have no other option but to block or exit the relationship with the customer.



of connected persons authenticated automatically by Experian



authentication rate achieved by the EIDV refresh among customers that had previously failed EIDV

Conclusions from the project

- Data quality issues are crucial to remediation and need to be addressed first.
- Banks can then improve match rates to the third-party data sources required to enable automated risk acceptance.
- Most banks struggle to achieve this level of matching accuracy in house. At Experian, we've been refining the process for over 30 years.
- By automating acceptance, banks can slash the number of customers who need to be contacted.
- This can lead to significant savings in remediation costs, potentially reducing operational overheads by 50%.



At Experian we can provide the data, technology and insight to help you unlock ground-breaking transformation and cost-savings for your organisation.

Find out how we can help you

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Aptitude is a modern Data Consultancy, delivering transformation with an innovation-led approach curated by our own DataLab.

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