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# How Financial Institutions Can Remove Friction from Data Collection for KYC and AML Compliance



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Financial institutions, especially those dealing with large deposits like wealth management firms, have a dilemma when it comes to compliance with [Know Your Customer \(KYC\)](#), [Anti-Money Laundering \(AML\)](#) data collection and other regulatory requirements. On the one hand, firms and their advisors must comply with these regulations – they are in no way optional. On the other hand, the rules can be cumbersome and add friction to key client touchpoints – like new account opening and onboarding – taking time and making the customer experience more frustrating.

The combination of heightened customer expectations around digital experiences, shifting demographics and intensifying competition from robo-advisors, means wealth management and other financial services firms face increasing pressure to make data collection for KYC as smooth and painless as possible.

Let's look at actionable strategies for proactively managing the process of collecting information and backup documents for KYC in a way that ensures regulatory compliance while actually delivering a fast, easy customer experience.

## Technology Integrations Overcome New Account Opening KYC Compliance Challenges

The trend of opening new accounts completely online had been on the rise for some time but was accelerated by the implications of the COVID-19 pandemic.

According to Deloitte, [63% of wealth management clients](#) claim that online interfaces are a key component of satisfaction with their advisor's firm.

And while this might be great news for consumers, it's a massive headache for financial services firms that need to know exactly who these new applicants are. Running afoul of regulations because of not properly vetting

applicants means more than just a slap on the wrist: financial firms have been [fined \\$26 billion](#) in sanctions for AML and KYC non-compliance since 2008.

The best way to avoid non-compliance during account opening, whether completely online or in-person, is to see data collection for KYC processes as a component in a technology ecosystem designed specifically to minimize compliance risks. By leveraging key integrations, wealth management, superannuation and other financial institutions can automate the process of assessing a potential new client's risk of non-compliance.

### **Transforming Data Collection for KYC During Client Onboarding: From Static Forms to Dynamic Conversations**

Often today the process of KYC data collection for identity and risk assessments starts with a static, non-fillable PDF form. Beyond the fact that they are tedious and time consuming, the problem with these forms is that the advisor or firm then needs to rekey in the information. This manual effort results in high rates of Not In Good Order (NIGO) rejections and a heavy lift on resources to manually correct information.

In addition, KYC regulations require a photo of government-issued ID, such as a passport. But investors don't have the ability to effectively complete the data-capture process by simply leveraging their mobile device camera while completing onboarding documentation.

What financial services firms need is a solution that [orchestrates digital customer communications](#), establishing two-way interactive conversations. If client information already exists in a CRM solution, why should the client need to enter it again? Instead, they can simply verify that the information is correct and update as necessary. Empower them to start and stop a digital interview on different devices as needed and enable collaboration by capturing information simultaneously from a spouse or other joint investor. The less time clients and financial advisors need to spend on data collection for KYC, the more time advisors have with them to build meaningful relationships.

*More than 40% of wealth management firms already offer digital onboarding, and it is expected that nearly 70% will offer digital onboarding by 2022. According to [Gartner](#), 82% of wealth management firms are investing in client-facing technology in the next two years.*

[SmartIQ™](#), Smart Communication's guided digital interview solution, uses the open APIs connected by the Conversation Cloud™ to automatically send data to third-party systems to validate client identity. The solution also easily integrates with other tools that specialize in connecting data and case management for KYC risk assessments, such as OneSpan and Pega.

A guided [digital interview solution](#) like SmartIQ changes the entire dynamic of client onboarding in financial services. Instead of the dreary process of filling out paperwork, advisors can transform onboarding into an enjoyable experience that sets the tone for the relationship early on. There's a huge difference between an exciting conversation around how best to secure a client's financial future, and "First name? Last name? Address?" Advisors should ask themselves, "which experience would clients return to and tell their friends about?"

### **Creating Powerful Personalized Experiences – One Client at a Time**

At the end of the day, clients want to feel special, whether they are investing \$10,000, \$100,000 or more. They want to feel like they are receiving preferential treatment and can avoid common tasks that are perceived to be low value, like filling out paperwork. Unfortunately, static PDF forms send the opposite message. And while specific data points are necessary for KYC compliance, the approach to data collection can make or break a client's experience.

SmartIQ enables wealth management and superannuation firms to avoid filling out information that already exists, but still capture the necessary data for KYC, AML and other compliance frameworks. The ability to do this from anywhere on any device makes discerning clients feel like a name, not a number. It shows that advisors care enough about the customer experience to invest in technology that makes their lives easier. That's really

the essence of personalization – meeting clients where they are with an experience they feel like was designed exclusively for them.

As we've seen, financial services firms can be proactive in removing the friction caused by KYC data collection while remaining fully compliant with regulations, both now and in the future – all while providing a personalized experience that high net worth individuals expect. With the right technology in place, wealth managers no longer have to choose between strict KYC compliance and a fantastic customer experience.

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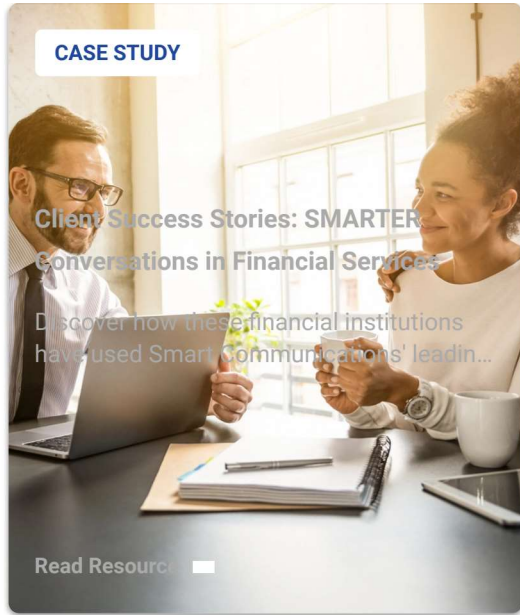
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