A woman with long brown hair, wearing a green top, is looking down at a smartphone in her hands. She is in a cafe or office setting with a blurred background. The image has a dark blue overlay with a repeating pattern of small white lines.

Going digital

Streamlining your AML compliance
through automation

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The Rise of Virtual Services

In 2020, the demand for virtual services has skyrocketed – but even before the pandemic, they were becoming increasingly popular. Customers with busy lifestyles looked for ways to carry out essential tasks online, from the enormous surge in online shopping to other alternatives, like banking apps and online GPs.

Covid-19 restrictions – at both a global and local level – have forced almost every industry to rapidly adjust, and with many banks closing, plus the majority of employees working remotely, financial services is no exception.

The whole sector has been affected; here are just a few of the financial institutions that have had to make the switch to virtual services.

- Banks
- Insurance firms
- Estate agents
- Law firms and solicitors
- Accountants
- Property asset management companies
- Money service businesses



‘Digital identity technologies are evolving rapidly, giving rise to a variety of digital ID systems.’

- FROM FATF GUIDANCE ON DIGITAL IDENTITY

The Increase in Financial Fraud



Criminals are taking advantage of the COVID-19 pandemic to carry out financial fraud and exploitation scams.'

- FROM FATF GUIDANCE ON DIGITAL IDENTITY

According to the Financial Times, there was a 66% increase in reported scams in the first half of 2020. This is likely due to a combination of factors, such as:

- Many businesses are scrambling to find a way to operate wholly online, and often these rushed setups leave firms vulnerable to fraudulent schemes.
- Customers are utilising virtual services more – whether it's to pay bills, shop or carry out regular transactions, so there are simply more online opportunities for criminals to take advantage of.
- Recent guidance from the FATF also suggests that Covid-19 measures, like lockdowns, are affecting the criminal economy, forcing 'profit-driving criminals' to 'move to other forms of illegal conduct' – in other words, they're taking their business online, just like everyone else.
- Some of the alternative methods being used by financial criminals include impersonating officials, counterfeiting essential goods (like PPE and pharmaceuticals), fundraising for fake charities and phishing scams.

What does this mean for businesses following AML regulations?

The FATF is encouraging the use of Fintech, Regtech and Suptech during the pandemic, as a means of continuing business as normal without putting customers or staff at any undue risk.

This includes measures like contactless or online payments, digital client onboarding and other essential processes.

Firms in financial services, that are already adhering to money laundering regulations, will need to tighten up compliance measures, in order to minimise the opportunities for those who perpetrate financial crime.

With criminals exploiting this prolonged period of economic disruption, companies need to be especially vigilant when it comes to the risk of fraud and money laundering.

This is likely to look different in every firm; it could mean closing any loopholes in your risk-based approach, taking steps to detect unusual behaviour, or being more scrupulous with KYC checks and customer due diligence.

Better checks for your business

One of the simplest ways to improve both the efficiency and the effectiveness of your customer checks is going electronic. That means switching

from manual ID verification, sanction screening and PEP checks, to EIDV (which stands for electronic ID verification).

Compare manual & electronic checks

MANUAL



Reliant on the availability of physical documentation.



Often requires the presence of the customer or client, so they can hand over these documents in the first place.



Searching through a variety of databases looking for a match is both inefficient and time-consuming.



Manual checks leave room for human error; increased possibility of missed risk factors.



No guarantee that the databases being used are up to date.

EIDV

No need for physical documents; uses a combination of publicly available information and private databases.

No need for customer presence.

SmartSearch EIDV checks data against the Dow Jones WatchList – which is updated daily.

Automated checks will result in either a complete, partial or non-match, so there's no margin of error.

Automated KYC checks, sanctions and PEP screenings can get results in seconds.

What's next for EIDV?

In such an uncertain period, it's hard for businesses to know what to expect in terms of changing risks and AML compliance measures. Here are a few

things which could change, in terms of customer attitudes:

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The majority of customers wish to avoid using several different passwords for ID checks, and would likely prefer the option of using a single, comprehensive digital identity across the board.

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With so many different risk-factors to worry about, customers might also expect a seamless, holistic product that can offer end-to-end AML compliance services, like SmartSearch.

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Moving forward, building trust will be crucial for retaining customers. Creating a more robust, multifaceted digital identity verification process will minimise risk, and maximise compliance.

But as well as customer expectations, it's worth considering how digital ID technology itself is likely to evolve. Below, we've put together a list of biometric enhancements, which are becoming increasingly affordable, and could appear more regularly in EIDV over the next few years.

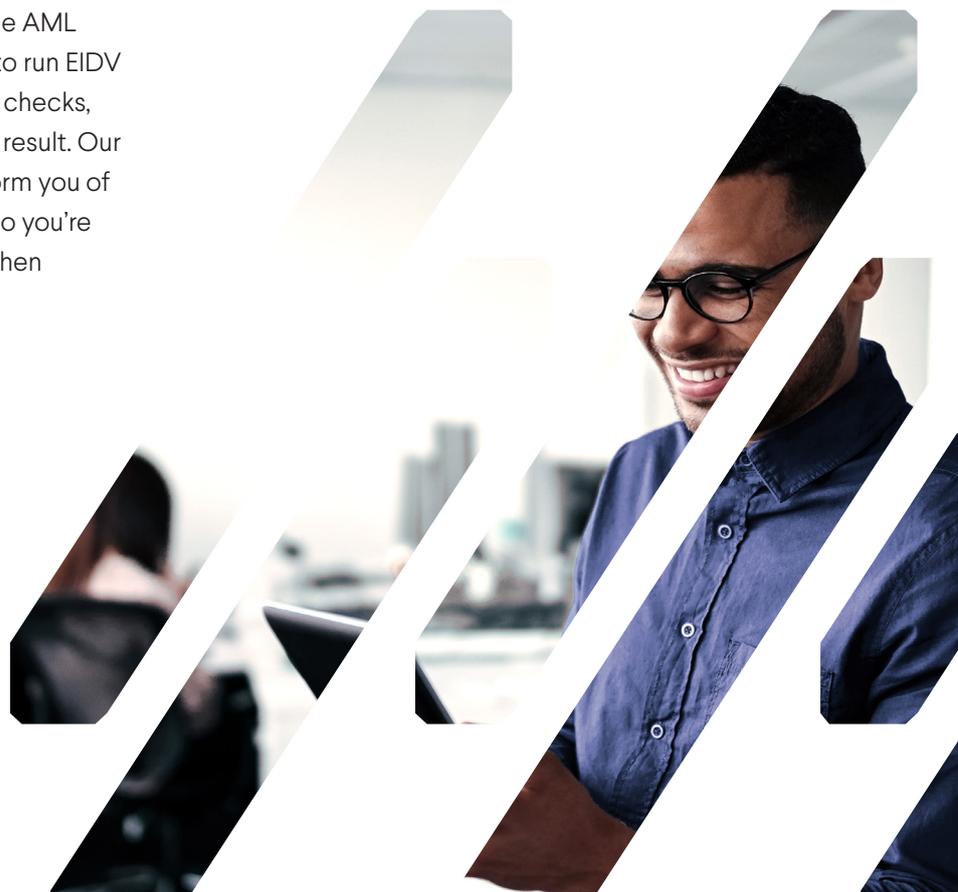
It's also likely that AI and machine learning will play a greater role in compliance going forward – it could be a crucial tool in detecting repeated patterns of suspicious behaviour and other illicit activities.

- Fingerprint scanning
- Voice analysis
- Vein matching
- Iris patterns
- Gait analysis
- Behavioural characteristics

How can your business prepare?

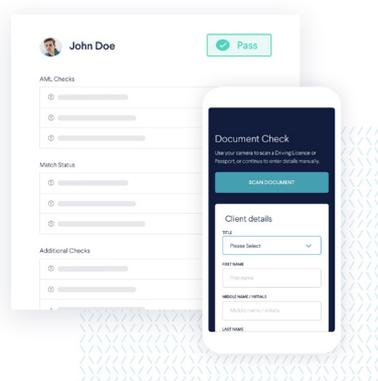
The most concrete way to protect your firm from the influx of fraud and financial crime that 2020 has brought with it, is to reinforce your AML compliance measures.

The SmartSearch platform is an all-in-one AML compliance solution, with the capacity to run EIDV in seconds, as well as sanctions and PEP checks, providing you with a definite pass or fail result. Our ongoing monitoring service will also inform you of any changes to your customer's status, so you're alerted to any new risk factors, as and when they happen.



Triple Check. Taking your compliance one step further.

Our TripleCheck product is the ideal solution for especially high-risk businesses and clients. This service involves a three-pronged approach:



LEVEL 1

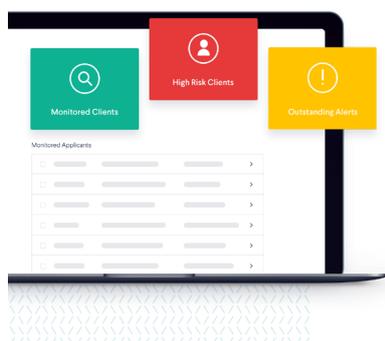
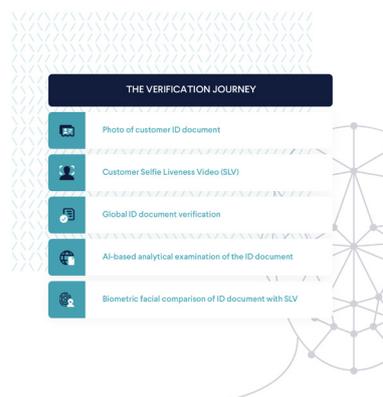
EIDV, Sanction and PEP Screening

This stage relies on a combination of public data and information gathered on private databases to verify the identification of the business or individual, before performing sanctions checks on extensive sanctions lists, and screening for PEPs.

LEVEL 2

Facial Recognition, Document Capture and Liveness Appraisal

With the latest biometric facial recognition techniques, this second step examines photographic ID documents and a Selfie Liveness Video submitted by the customer, to compare their physicality with their official documentation.



LEVEL 3

Digital Fraud Checks

This third level of the TripleCheck will provide you with an overall risk score for your potential customer or client. This is calculated using a range of fraud-risk indicators, and you'll be provided with additional support regarding any recommended enhanced due diligence.

The results of these three stages are then combined by SmartSearch technology, to form a single Composite Digital Identity for the customer or client in question. This can be added to or altered

over time, but ultimately serves as a holistic identity profile, to solidify your KYC process and compliance with AML regulations.

SmartSearch™///

One Platform for AML Compliance

Guarantee your AML compliance with our award-winning anti-money laundering solution. Perform your due diligence, carry out Know Your Customer and Adverse Media checks in the UK or abroad, all with our sophisticated electronic platform.

www.smartsearch.com