

How Automation Can Help You Adjust To the New Regulatory Environment

A Fintech business operation goes on in a highly sophisticated compliance environment. This involves their interactions with government agencies, other businesses and customers. Since the business is obliged to function within the legal frameworks for its continuity, regulation compliances are sacrosanct.

Most of these regulations are regarding the financial and operational aspects of the business. There are tax returns, compliance papers, verification reports, KYC/KYB, Anti Money Laundering Protocols and much more.

This requires a Fintech business to be expending a lot of its precious resources like time and effort in ensuring compliance with all the regulations. They are meant to isolate and discourage illegal activities which take place through this system.

Automation can be effectively used in such circumstances. This would help in cutting costs and time. This article would be about how automating will help the business navigate the rough regulatory environment. It'll also help businesses with tools for it.

KYC/KYB (Know Your Customer or Know Your Business) Automation:

KYC/KYB refers to the process by which the financial entity gets documented pieces of evidence of identity and verifies them. It's also used to ensure that the customer is not barred from doing a specific business under local or international laws.

It can also be done to understand potential money laundering or other illegal activities like identity theft, terror funding or any other fraudulent activity.

The traditional modes of KYC are outdated. They are costly in terms of effort, time and even security. They are also responsible for losing out customers during onboarding.

KYC automation uses various technologies to do this without all the cons of the traditional system. It brings a much efficient system for this process and reduces

the risk and labour involved in it. Above all, they improve the customer experience by leaps and bounds.

Intelligent Process Automation carries out the verification tasks. It uses machine learning to do what the traditional process did. Some of the other technologies that are used in the IPA are:

AI – Artificial Intelligence

This is used to recognise details and patterns. It shows anything unusual and can do it faster than human beings.

IDP – Intelligent Document Processing

It can scan many documents which are impossible in a manual mode. It uses NLP (Natural Language Processing) and ICR (Intelligent Character Recognition) to process the voluminous data.

RPA - Robotic Process Automation

RPA is used to carry out monotonous tasks which are repetitive and mechanical in nature.

AML – Anti Money Laundering

AML is a set of rules, best practices and protocols in Fintech companies that discourage and prevent money laundering through these businesses. KYC is only a part of this. AML is a continuous process that goes on during the relationship with the customer.

AML compliance has become very strict under the new AMLD5 and FinCEN CDD regulations. Failure to comply with these can invite a lot of problems which may even jeopardise business continuity.

Anti Money Laundering measures are also part of various treaties which make it mandatory for Fintech companies to follow them.

KYC vs. AML

KYC and AML are not the same though they are part of the Customer Due Diligence assessment. AML is a much comprehensive and ongoing process to monitor a customer during and after onboarding.

KYC on the other hand is done periodically as a part of AML measures. It's a lot similar to the background check. It's also the process of identifying them to know about existing issues.

Verification Challenges and Automation as a Solution

Time and resources spent during the manual onboarding make it a tedious process. It also worsens the customer experience. In some cases, KYC/KYB is entrusted to outside agencies. They are not always cost-effective though they save time. They can also overlook discrepancies in data. This is where automated KYB/KYC onboarding can be helpful.

They help in carrying out virtual identification and also by checking this information against authentic business registries and that of the list of sanctioned entities or PEPs (Politically Exposed People).

Also, the scope of automation can be extended to the relationship post onboarding. This continuous monitoring can avoid unnecessary hassles in AML compliances. Overall, this can act as a centralized process to make verification quite easy.