

# Perpetual KYC: Transforming Risk & Compliance

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# Research questions

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How do companies approach KYC today?

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What are your key compliance challenges?

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How is KYC perceived across the wider business?

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How are attitudes evolving?

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What is perpetual KYC?

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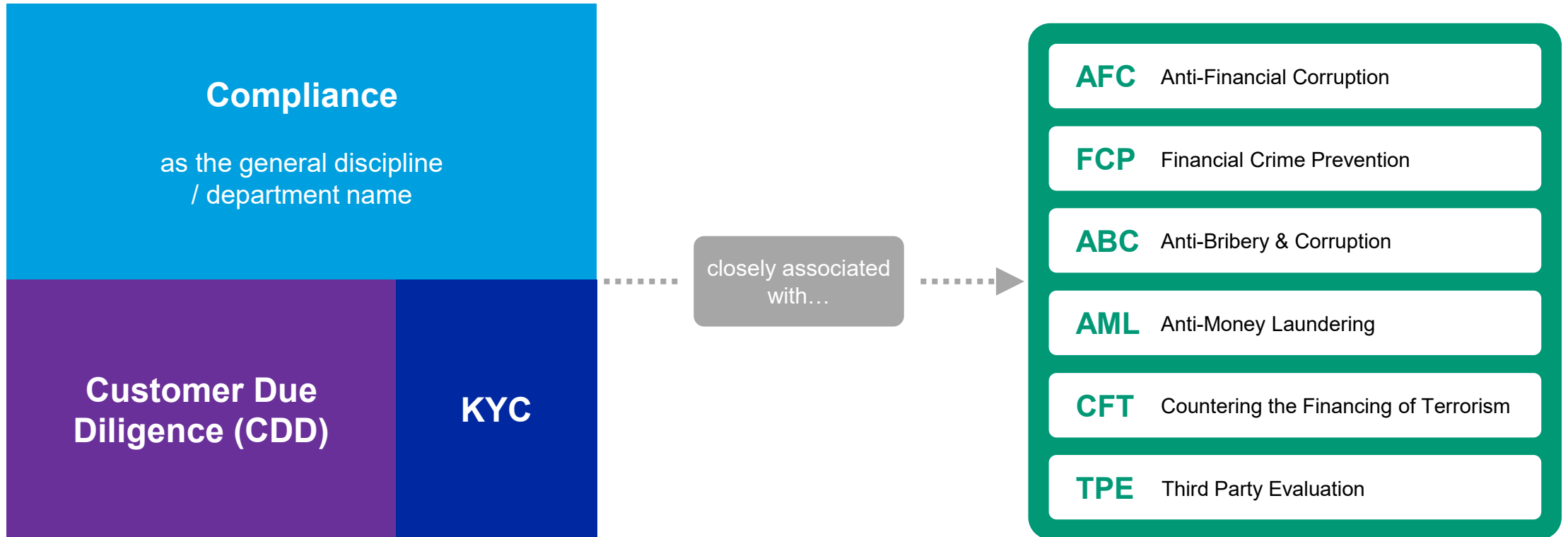
What are the perceived benefits of pKYC?

# Research sample and method

Sectors / Region	Europe	North America	APAC	Total
Traditional Finance	12	5	8	25
Fintechs	6	2	4	12
Corporates & Professional Services	12	7	2	21
Total	30	14	14	58

In-depth interviews with **60** senior decision-makers within **58** firms  
across **9** countries and **3** key business sectors

# What's in a name?



# Broader context varies by industry

## Traditional Finance

- Need to step up digital transformation to improve competitiveness
- Hindered by outdated systems and staffing challenges

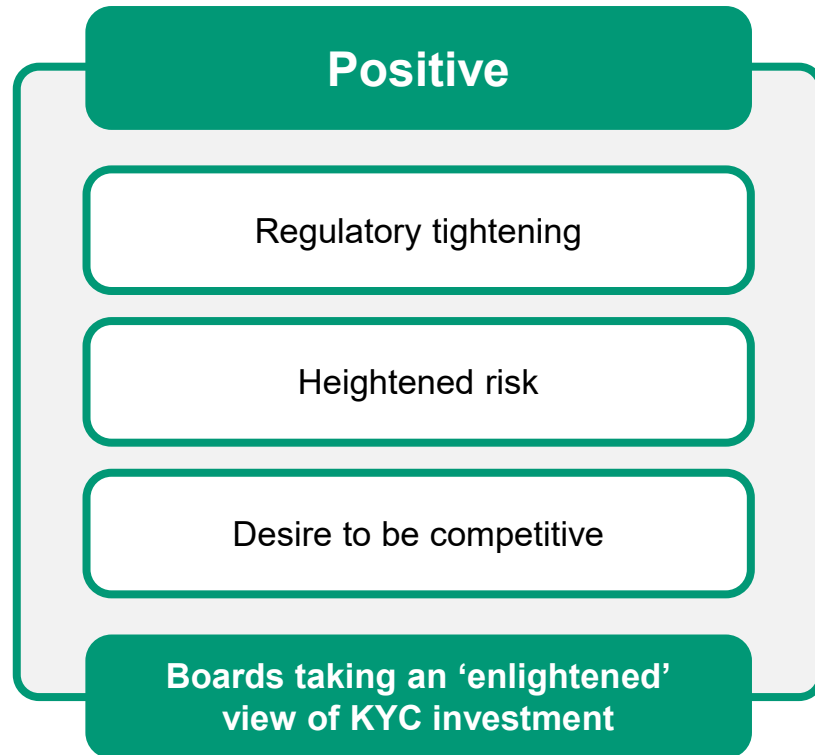
## Fintechs

- Well-equipped for digitalization, but under pressure to grow fast
- Have to enter new markets with stiff competition and regulatory constraints
- Struggle to attract skills

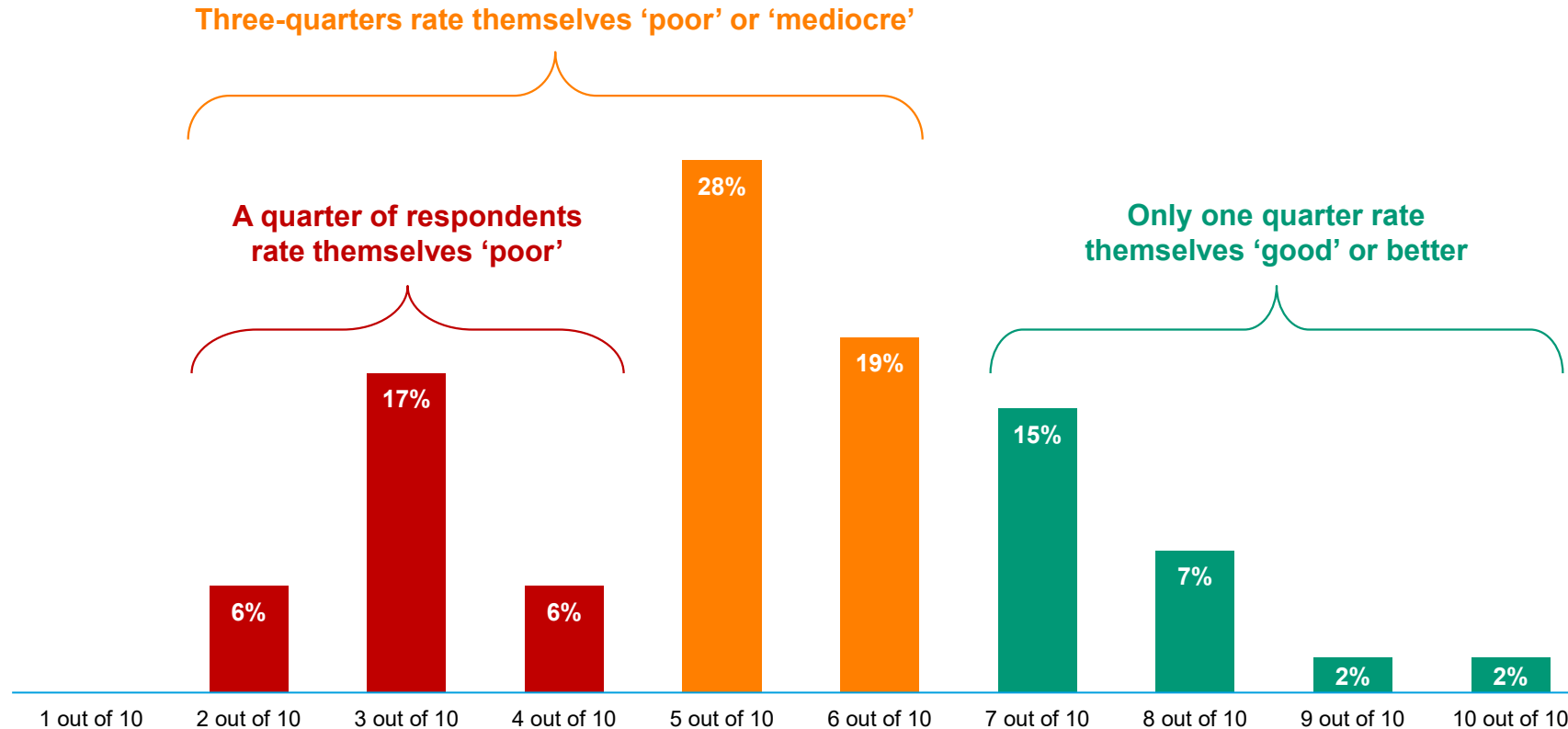
## Corporates & Professional Services

- Very strong economic headwinds, impacted by post-Covid recovery and the war in Ukraine
- Supply chain risk higher than ever

# Common across all sectors



# 3 in 4 firms rate themselves poor or mediocre



# KYC challenges

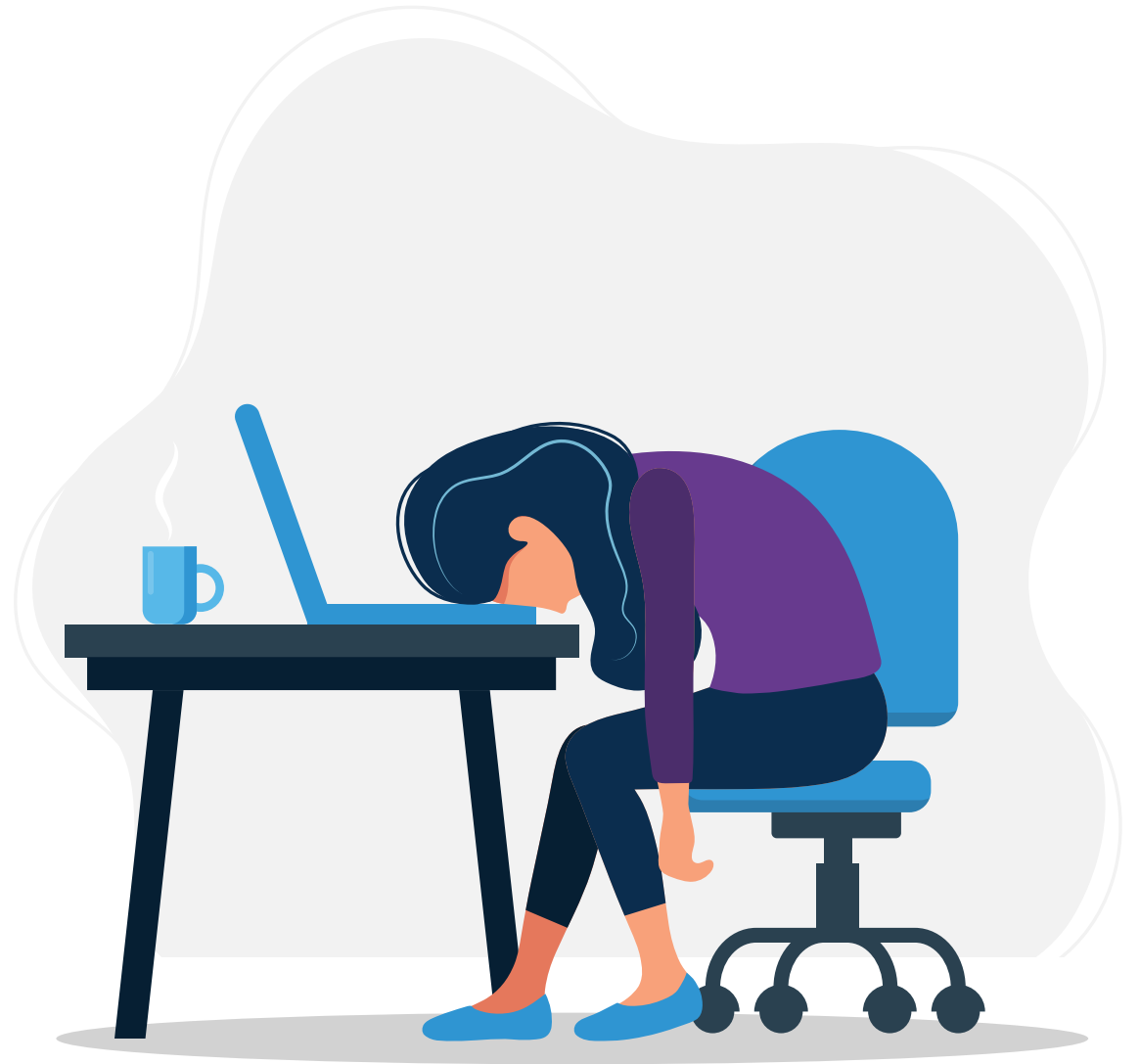




Is KYC more likely to be viewed as  
a 'good cost' that delivers ROI, or  
a 'bad cost' that throws money into  
a regulatory black hole?

# The bad news...

- » Bad cost
- » Necessary evil
- » Something of a pain
- » Labor intensive
- » Expensive
- » Challenging to add value
- » Siloed approach
- » Disrupts the customer experience
- » Like going to the dentist



# The good news...

- » Around half perceive KYC as an investment, or 'good cost'
- » Customer relationships benefits
- » Ensures the integrity of operations
- » A 'compliance culture' matters:
  - compliance teams feel more valued
  - consulted by the business rather than ignored or treated as an obstacle
  - acknowledgement of the commercial contribution



# Offensive

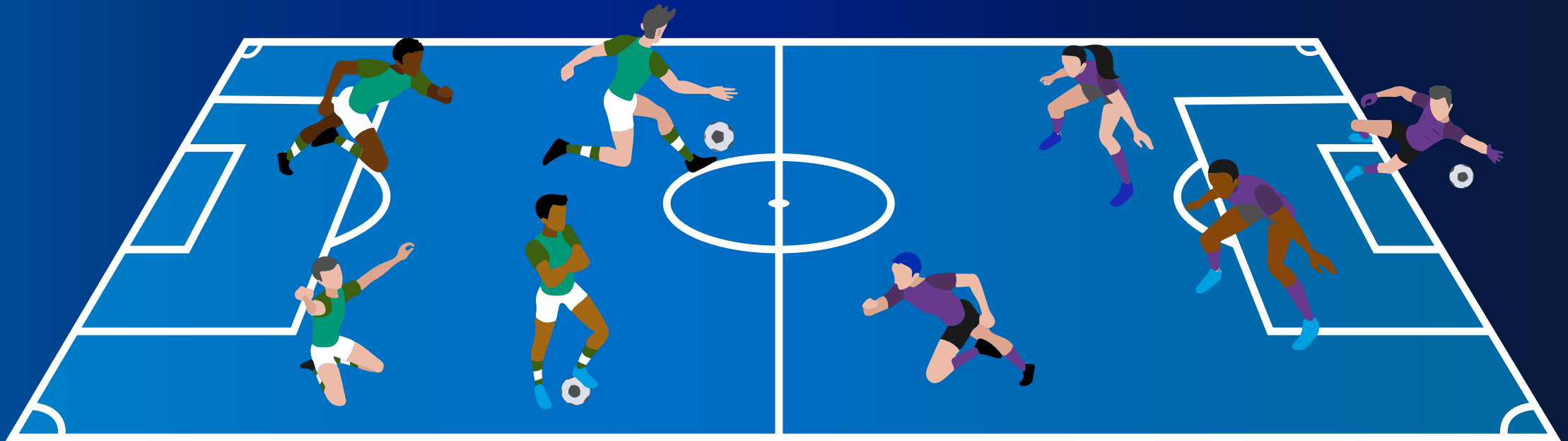
## 'Offensive' mindset

- Less frequently encountered!
- Believe in KYC as an opportunity to get closer to customers
- Emphasise the customer experience and relationship management aspects
- Have a culture of KYC driven by a senior champion

# Defensive

## 'Defensive' mindset

- Tend to see KYC mainly as a risk avoidance exercise
- Emphasize the compliance and reputation management aspects of KYC
- More conservative and traditional approach

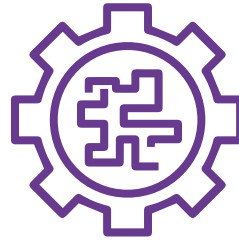


# Level of C-suite attention

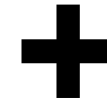
is a function of...



Mindset



Sophistication level

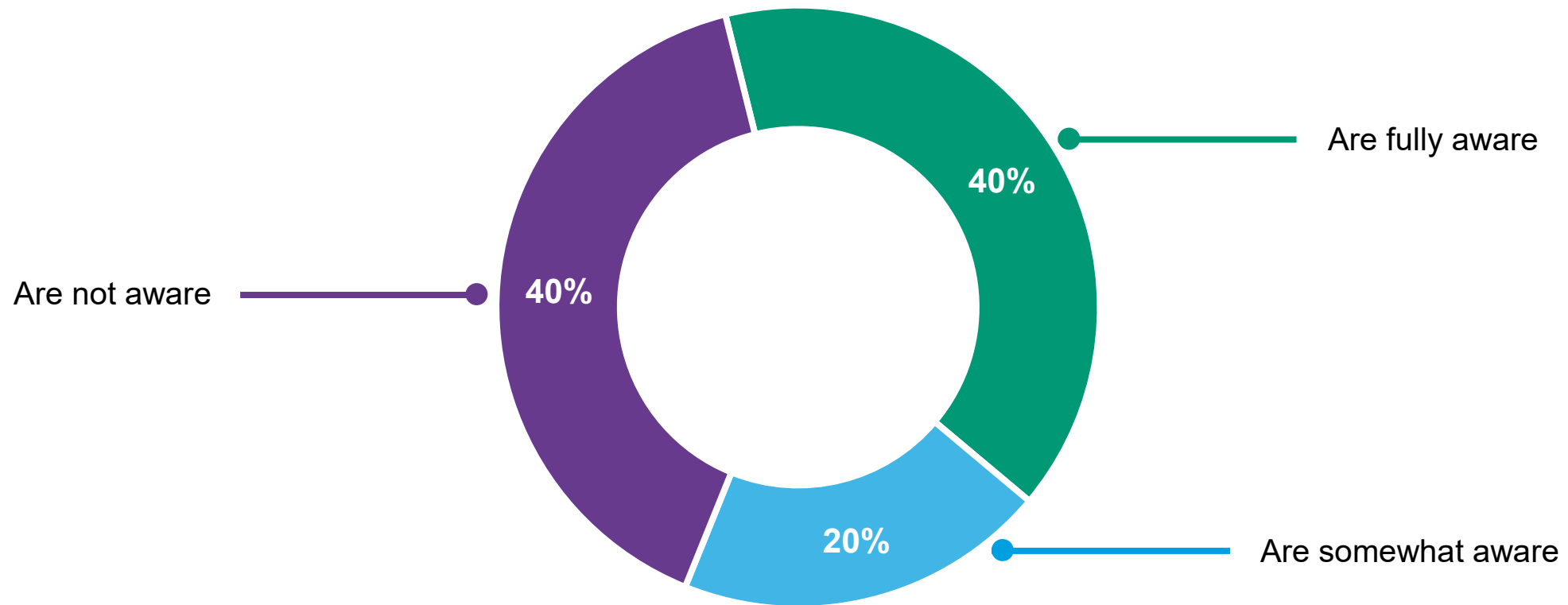


Experience of fines

# Definition of pKYC

Perpetual KYC is the practice of maintaining accurate client data, through updates based on changes in clients' behaviors and circumstances in near real-time.

# Only 4 in 10 companies fully understand the term 'perpetual KYC'



# Five attributes of pKYC



Ongoing



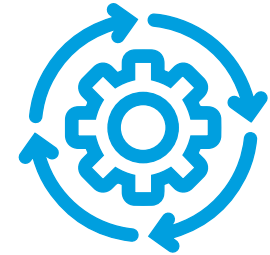
Continuous



Trigger-based



Real-time



Automated



# One thing firms would most like to improve around KYC

## Lower sophistication firms

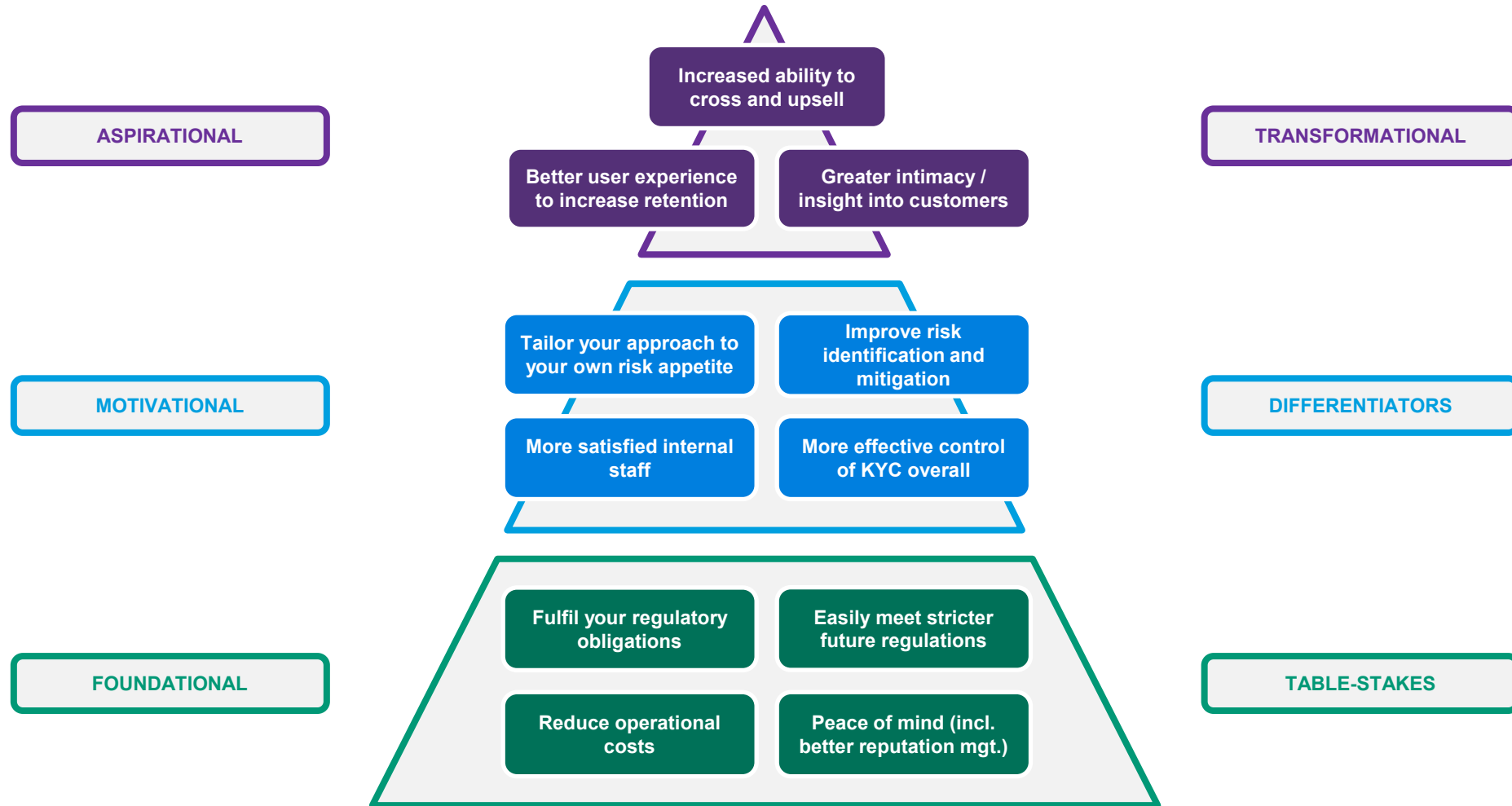
- Automation of KYC workflows
- Faster onboarding
- Reduced error rates
- Less paper usage
- Introducing ongoing monitoring
- Digital customer ID verification

## Mid sophistication firms

## Higher sophistication firms

- A single source of data
- Improved customer experience
- Greater standardization across countries
- Better quality and more up to date data
- Integrating crypto more effectively
- Achieving a 'compliance culture'

# pKYC benefits pyramid

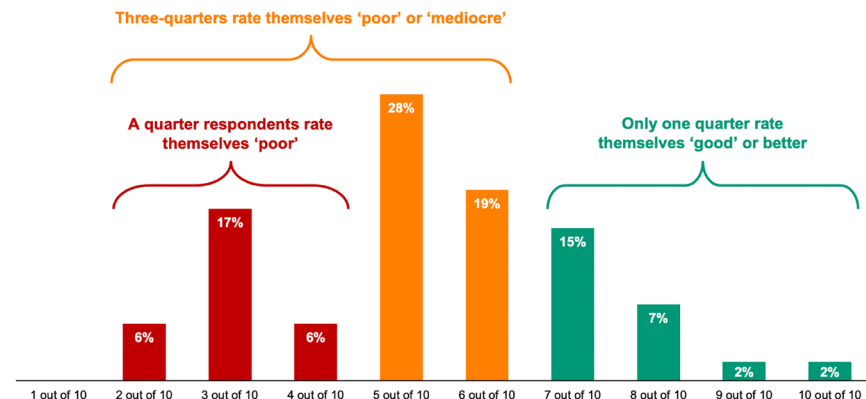


# Key takeaways

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There is plenty of room  
for improvement!

### 3 in 4 firms rate themselves poor or mediocre

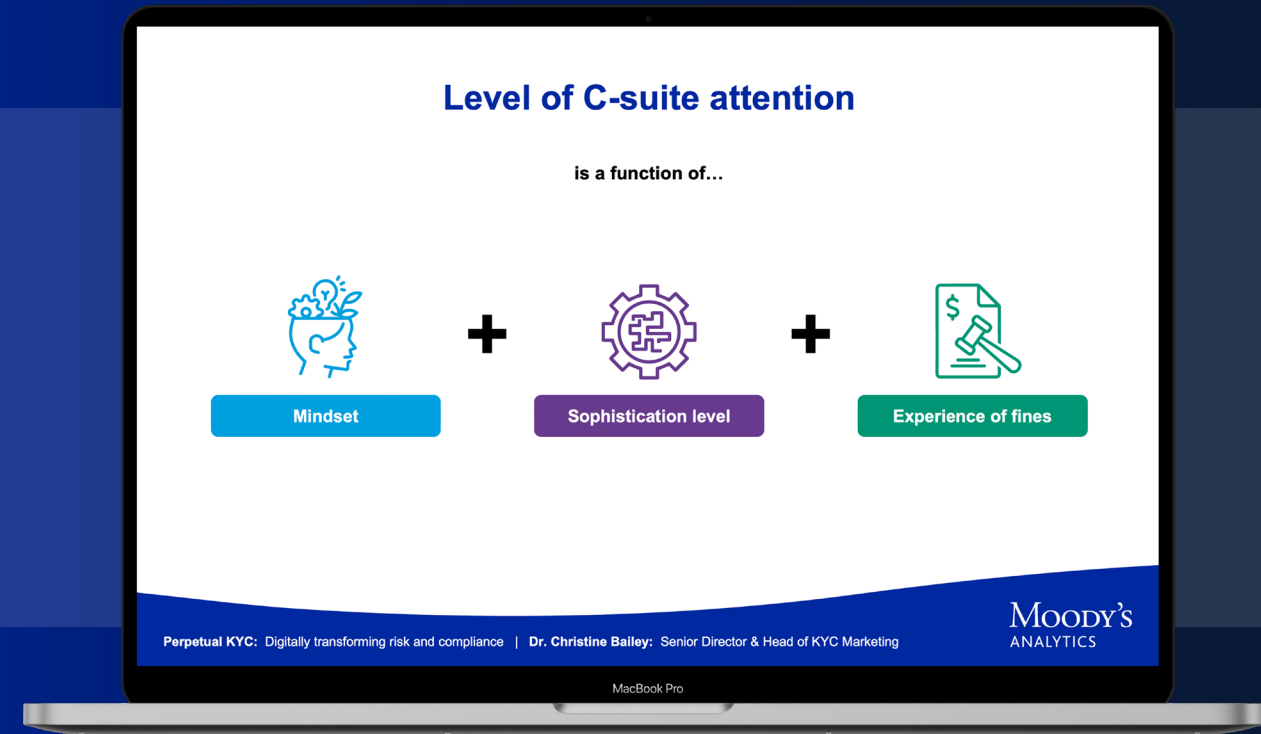


Almost half see KYC as a  
'good cost' that delivers ROI

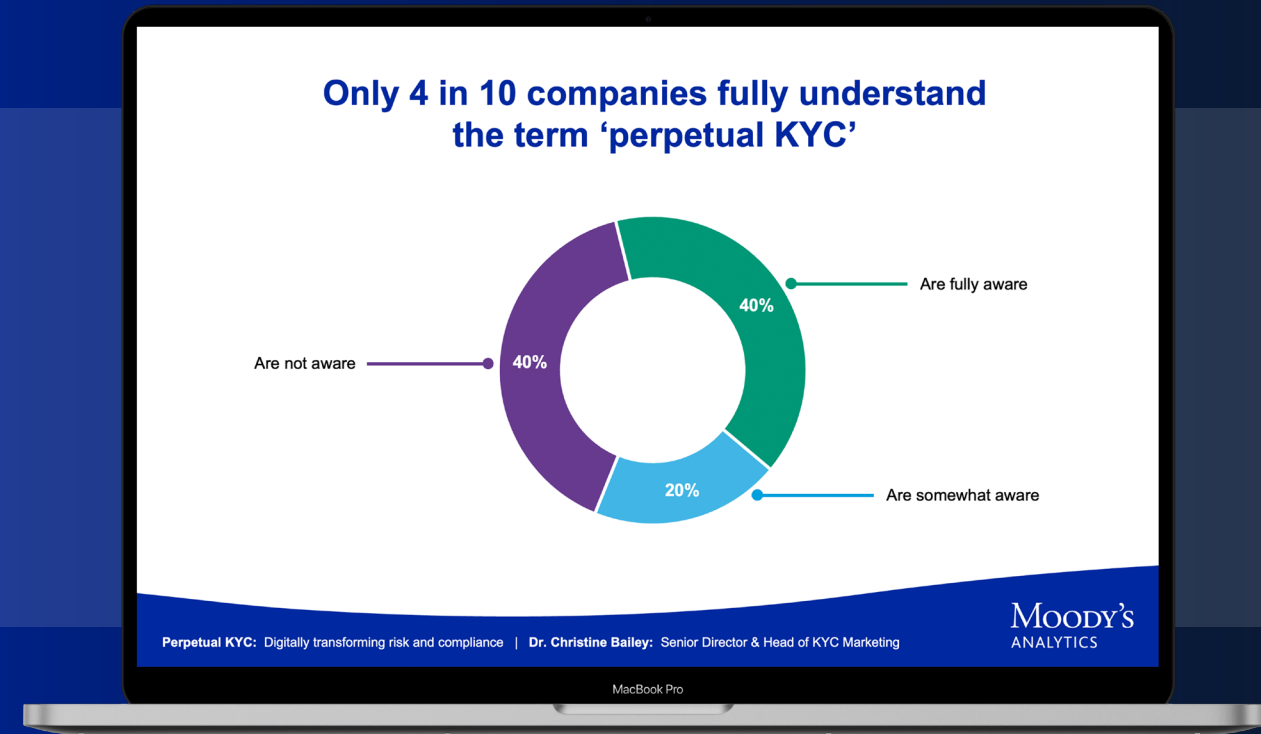


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You *can* get C-suite attention

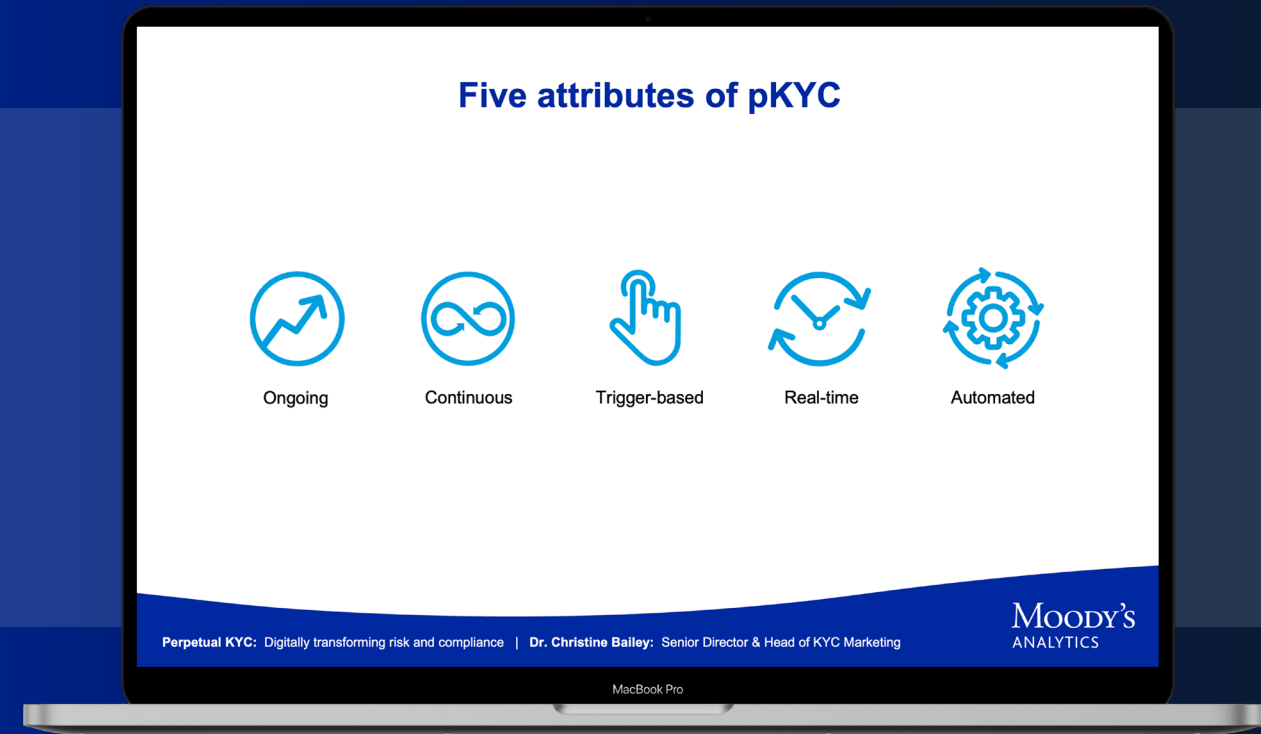


# The power of pKYC is not yet fully understood



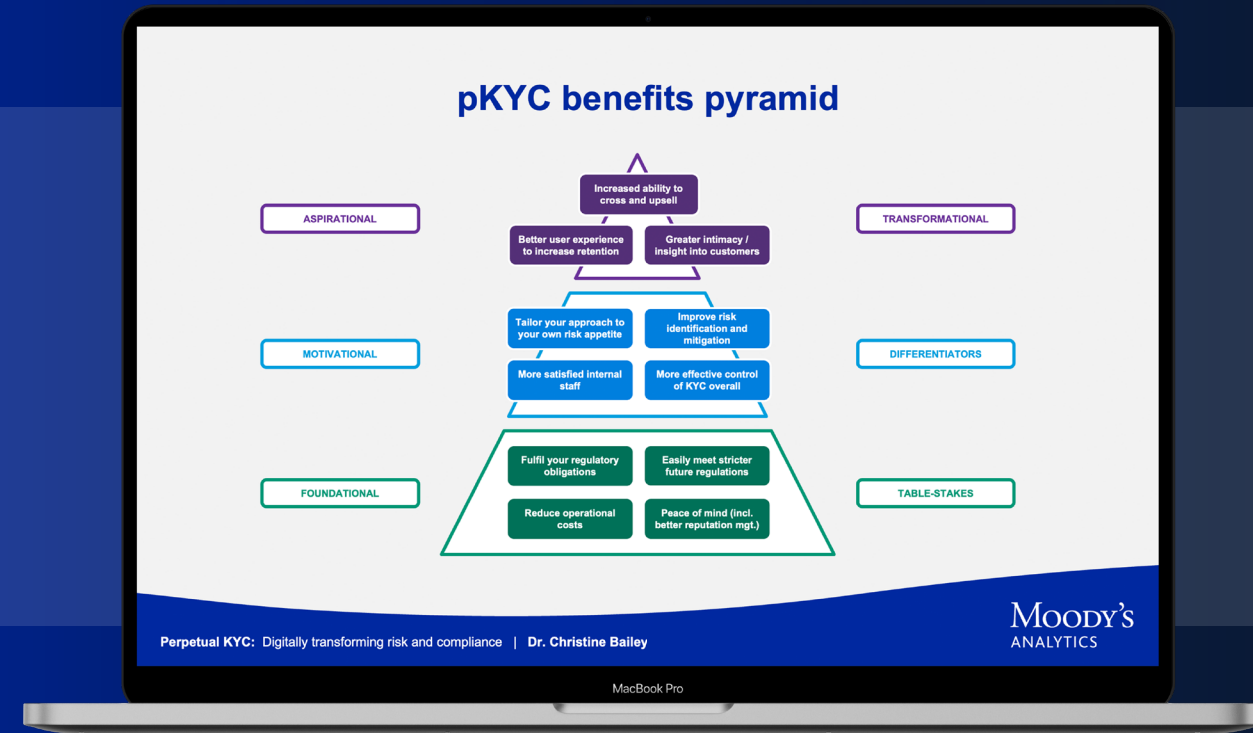
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# There are five attributes of pKYC





A pKYC approach has the potential to be transformational



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Everyone is on a journey to digitally transform risk and compliance

**MOODY'S**  
ANALYTICS



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