

## Abstract

Avantage Reply was engaged to assess and enhance the AML/KYC process, including mandatory KYC documents and AML Matrix in anticipation of the 4th AML European Directive. This was done by reviewing, improving and creating tools, processes and procedures. As a result, the client gained improved AML/KYC environment and confidence for future audits due to decrease in the risk of the process errors.



# AML/KYC Review, Monitoring Recommendations and Improvements

## THE CLIENT

The client is a financial services company specialising in the settlement of domestic and international securities transactions as well as the safekeeping and asset servicing of these securities. The client services financial institutions, central banks, special purpose vehicles and trusts worldwide and settles domestic and international securities transactions, covering bonds, equities, derivatives and investment funds.

## THE CHALLENGE

To comply with local, European and US regulations, the client asked Avantage Reply to help them with the review and enhancement of their AML/KYC register and the AML/CFT/Sanctions process at the client's headquarters. Due to its growing business, the number of countries in which it is present and the complexity of their clients, the risk of using the Bank for fraud, money laundering and other criminal activities is significant. Reputation and financial risk due to AML deficiencies has grown significantly for several years and financial institutions must ensure that they comply with the regulation in every market where they operate.

In its role as second line of defence, the compliance function has the responsibility for (i) making sure that customer accounts are up-to-date, (ii) monitoring client activities and (iii) ensuring that no sanctioned entity or individual uses directly or indirectly the bank's system.

To help in this substantial project, Avantage Reply was asked to manage and train a local team of four junior and senior contractors, coordinate and check the quality of the input of an outsourced team.

## APPROACH AND SOLUTION

Our approach was first to setup and define the role of every contractor by assigning tasks and relevant training. Each task was monitored through second level controls and Key Performance Indicators (KPI's) were sent every week to the team and the Management Committee with update on the progress, status of the reviewed files and blocking factors. Using KPI's allowed the team to (a) have a better view of the whole process and (b) be more proactive in solving issues by defining action plans based on previous reviewed cases.

In a second phase, Avantage Reply was responsible for automating the sanctions process. To achieve this request, Avantage Reply created an automatic tool that edited international sanctions lists with the client's layout, sent them to the first line of defence, and, once compliance received the output of the first line, identified the potential new hits. The tool significantly reduced human errors and created a robust and maintainable process.

Finally, Avantage Reply reviewed the client's AML matrix in anticipation of the 4<sup>th</sup> AML European Directive (2015/849) which puts an end to the "equivalents countries" concept.

## RESULTS AND BENEFITS

The client benefited from a complete review of all processes and implementation of a more sustainable AML/KYC monitoring program. More specifically, the benefits included full assessment of the AML risk linked to client's specific business, staff and management training, creation of automated tools which decreased the risk of error and took into account new regulatory changes. As a result, the client got more robust AML/KYC framework as well as a cost effective and time efficient process.

Avantage Reply, part of the Reply Group, is specialised in Financial Services with a focus on Compliance, Risk, Treasury and Capital and Financial Performance Management. With offices in Amsterdam, Brussels, Frankfurt, Hamburg, London (head office), Luxembourg, Paris, Milan, Munich and Rome, Avantage Reply counts some of the world's most significant financial groups among its clients, including well-known and respected organisations in the Banking, Insurance, Investment Management and Services, and Post Trading Services sectors. The firm's delivery capabilities cover advisory services (Compliance/Risk/Finance/Treasury Subject Matter Expertise), Program and Project Management, Business, Functional, and Data Analysis.

For further information: [www.avantagereply.com](http://www.avantagereply.com)

Reply [MTA, STAR: REY] is a multinational consulting company specialising in the design and implementation of solutions responding to a rapidly changing business environment, including regulation and new communication channels and digital media. From its offices across Europe, Reply supports clients across the major industries: retail; banking and insurance; telecommunications and media; manufacturing and services; and the public sector.

For further information: [www.reply.eu](http://www.reply.eu)