



**smartKYC**

**Robo-Onboarding:**

**Meet the new normal, it's here to stay**

*Frictionless onboarding sets the tone for a fruitful relationship and the realities of a post-COVID world have accelerated the arrival of the future in the form of “robo-onboarding”. Hugo Chamberlain, Chief Operating Officer at smartKYC, explains how automated, paperless processes provide a foundation for a host of benefits firms can ill afford to miss out on.*

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In the wealth industry, robo-advice is one of those stories that has been hovering in the edges of our consciousness for years. Challengers burst onto the scene around 2008 and market incumbents have been rushing to buy or build their own robo platforms ever since, with varying degrees of success.

I think we can all agree that rumours of “the death of the advisor” were exaggerated. In the 2020s, most people think of robo in hybrid terms, whereby wealth managers look to leverage the best of both man and machine in a manner appropriate to each client segment. Clients can be secured far earlier in their wealth journeys this way - even before they really are clients in asset terms.

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This democratisation of wealth management services through robo offerings is much needed by both firms and investors (the former being under constant margin pressure and the latter often undermanaged at the mass-affluent stage). Yet for both cost and client experience reasons, I would argue it is only really workable in the context of fully automated onboarding. In this end of the pool, initial balances may be relatively modest, but large enough to trigger the most exacting KYC checks. But while immaculate compliance is non-negotiable, this work is unlikely to warrant expensive analysts' time.

## Start-up speed; Tier 1 rigour

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This was just where one Tier 1 institution we recently worked with stood. It had ambitious plans to automatically onboard all new UK clients through its robo portal in under five minutes (absent any red flags). Although this had already been achieved by robos working under the £10,000 threshold where less stringent KYC checks apply, it was to be an industry first at the £15,000+ level.

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An in-house build was considered. However, the challenge of achieving full automation while also guaranteeing the same rigour of screening applied to private clients quickly led the bank to conclude that strong adverse media search capabilities were crucial, and then to choose smartKYC as its engine.

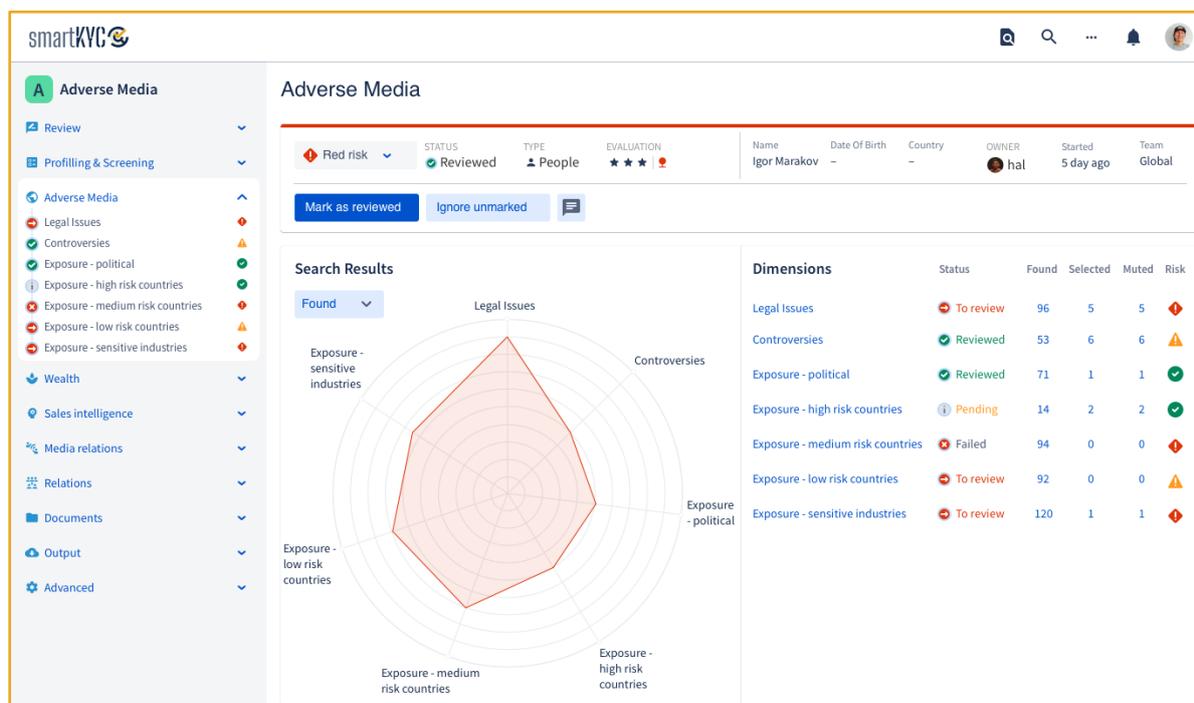
So, how did we deliver on start-up speed and Tier 1 rigour simultaneously in robo-onboarding?

Our first step was to take down the first hurdle to automation posed by initial ID and address verification processes. Apparently “digital” onboarding is often anything but, and even today you will commonly see that this is actually a two-step manual process requiring document upload by clients and then review by staff.

We fully automated this stage by connecting our platform to a credit data provider which verifies addresses through direct access to the UK electoral roll. Residency confirmed, these providers can then verify an applicant's bank accounts and prove their identity through knowledge-based authentication (special questions).

Next, we tackled checking against watchlists. The availability of aggregated lists like World-Check can create a false impression that automation is easy here. However, as many institutions have learned to their cost, if poorly realised this process can throw up myriad false positives which all but wipe out any automation gains.

## A more sophisticated approach to adverse media screening



smartKYC has pioneered the use of Artificial Intelligence and Natural Multi-Language Processing in this context; however, I always caution institutions that their solution needs a hefty dose of common sense baked in too. Noticing if dates of birth are dissimilar enough to indicate different people is one of the numerous subtleties in making sure an applicant isn't rejected as if they were someone bearing the same (or similar) name.

The same need for subtlety is true of the final piece of the puzzle: adverse media screening. The term is easily grasped; the nuances of automating these checks are often not.

## A small haul from a wide net

To catch all potential red flags, the net must be cast as wide as possible. Yet your eventual haul of information to be actually analysed needs to be limited only to what is relevant. If your system can't distinguish between an individual being accused of an affair versus allegations of money laundering, for instance, it will likely create far more work than it saves.

**Our AI-enabled technology assesses and scores the strength of hits based on all identifying attributes captured during the media search coupled with a strong association to a genuinely adverse concept.**

The ability to draw these distinctions is fundamental to the success of our media screening approach. More basic solutions typically focus on searching for a name in proximity to a negative word or phrase, and so catch everything bad someone might be associated with – whether that is relevant to KYC purposes or not, or even if the link is nonsensical. They would not, for example, be able to discern that someone who had merely acted in a film about terrorism was not in fact associated with it at all.

In contrast, our AI-enabled technology assesses and scores the strength of hits based on all identifying attributes captured during the media search coupled with a strong association to a genuinely adverse concept. Yes, you would be right to assume that it takes an enormous amount of processing power to analyse, sort and filter a large number of hits from a multitude of multi-language news sources in a very short space of time. That is what it takes to automate media screening in a meaningful way.

Setting up these processes with institutions takes some work too, but here again putting real thought in is the key to making automation worthy of the name.

## Thinking things through

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With our bank client, we first determined exactly what qualified as adverse media to ensure that the automated screening mirrored that of its existing manual systems. Then, we defined in granular detail which specific se-mantic patterns, sources of information and languages to incorporate. Finally, sophisticated and multilingual NLP systems were put in place to intelligently extract the pertinent nuggets of information relevant to the KYC process.

The result is a system which ensures enhanced due diligence, while also eliminating the burdensome “white noise” of false positives. The bank’s target of fully automatic acceptance for 80% of applicants was easily met, and its compliance team was then able to focus its energies on resolving remaining issues. Best of all, onboarding times were brought down to just three minutes for straightforward clients – that’s about the time it takes to read this piece.

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With this industry first, we believe a bar has been set for both quality and speed in automated KYC checks that it is now incumbent on any firm with real ambitions in robo to meet. Compliance, cost-control and most of all the client experience demand true digital onboarding. The question is, when will your firm be able to deliver it?

## About smartKYC

smartKYC's technology drives faster, better and more cost-effective KYC at every stage of the relationship – liberating human effort to focus on decision-making rather than laborious research. smartKYC fuses artificial intelligence with linguistic and cultural sensitivity and deep domain knowledge to set new standards for KYC quality, whilst transforming productivity and hardwiring compliance conformance.

smartKYC applies AI to extract precise open source intelligence (OSINT) from vast corpuses of information – internet and deep web, news archives, watchlists and corporate databases. All of this happens at speed and at scale, creating new possibilities such as straight through processing, batch remediation and continuous KYC risk monitoring.

To find out more about smartKYC's advanced enterprise solution for KYC due diligence automation, visit [www.smartkyc.com](http://www.smartkyc.com).

