

Centenal's Zac Lucas on Taking CRS Compliance to the Next Digital Level

Zac Lucas, Founder and Head of Legal at Singapore-headquartered Fintech Centenal, is a high flyer. For his 40th birthday, he boarded a Mig29 fighter jet and zoomed up to the edge of earth's atmosphere at nearly 2500kmph. Back on the ground, Lucas created Centenal in 2017 to help financial institutions overcome the many on-boarding, data monitoring and reporting requirements imposed by the rollout of the OECD's Common Reporting Standard (CRS) across the globe. After the early year or two of building and testing, Centenal now has a number of FIs integrating Centenal's patented CRS Expert software, and the company appears to be flying in clear air, with bigger targets in its sights. Lucas met up with Hubbis on terra firma to explain why he created the company, what his team has achieved to date, and why he sees a remarkably bright future ahead in a world of increasingly complex compliance.



LUCAS WAS A PRACTISING LAWYER with over 20 years of legal experience and considerable expertise advising on international regulatory law. He has lectured and written extensively on The Organisation for Economic Cooperation and Development (OECD) and regarding CRS. As a result, he has considerable expertise and experience in advising leading private banks, trust companies, asset managers, advisers, wealthy individuals and families as well as governmental authorities on the practical implementation of CRS.

This gives him unique insight into the effects the new legislation will have on wealth management in Asia and around the world, and it was this that gave him the inspiration and motivation for his creation of Centenal in 2017.

Lucas begins with a brief snapshot of the CRS guidelines and highlights the OECD's Implementation Report from 2018, which in essence reported how there are nowadays only very few jurisdictions around the world that are not adopting the CRS protocol.

Clear targets, locked and loaded

"Anyone professionally involved in the fiduciary or corporate service industries must understand and apply the CRS correctly," Lucas states, "and this means a great opportunity for us with our CRS Expert solution. The software is designed precisely to make it dramatically easier for FIs here in Singapore, and around the world, to comply internally and externally with the many demands imposed by the CRS."

Lucas reports that Centenal was a concept he had thought about for several years before he finally committed to fund the idea and leave the immediate world of legalese.

"I had been close to launching the company in November 2016, but for a number of reasons I didn't commit then," he recalls. "However, I was emboldened by the great opportunities I saw, and in August 2017 finally decided to form Centenal here in Singapore and soon set about building our team." From original concept...

Lucas reports that the original idea was that Centenal would create technology that could analyse a set of circumstances and provide regulatory outcome analysis.

"I chose the OECD's CRS as the first proof of concept," he explains, "as the CRS was then, and still is, seen as very difficult to understand and implement, so it

institutions correctly follow CRS reporting requirements; at a local/national level, this will lead to spot checks, for example by IRAS in Singapore, with perhaps local CRS compliance audits.

"Essentially," he notes, "that means those in the wealth management industry are under increasing pressure to ensure correct procedures are in place because they will be assessed on their CRS implementation. Staff, especially client-facing bankers and relationship managers, must be mindful of the need to notify a change circumstance to their clients, which could have a CRS impact on their reportable status, for example."

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was a real test of whether the team we put in place could create an algorithm around the CRS to drive fully automated reporting."

The result of the enormous amount of intensive work that followed Centenal's creation in 2017 was the launch of CRS Expert, Centenal's digital CRS compliance and reporting solution.

The watchers keep watching

Lucas explains that the CRS and its application globally is an ongoing challenge. He reports that the OECD in 2019 is now looking very carefully at whether financial

Evolutionary steps

Stepping back somewhat from the current environment, Lucas reports that CRS Expert has in its current form evolved very considerably from the original concept he had back in 2016/7.

The CRS Expert solution is now a fully end-to-end software solution, taking the FI from client on-boarding through data monitoring and updating and through to end reporting to the relevant tax authorities.

"It is far more than what we had imagined when we began creating it from scratch," Lucas recalls.



ZAC LUCAS
Centenal

“We came across a considerable number of other outstanding functions and solutions along the way, significantly advancing the offering from our original idea.”

These evolutionary steps appeared as natural progressions during the beta testing phase, and from the feedback the team received at that time. “The Centenal Digital Platform today provides much more to clients than CRS analysis work,” Lucas explains, “and has embedded within it the FATF 2012 guidelines on beneficial ownership, as well as a broad client on-boarding and data management functionality.”

CRS Expert was in fact primarily conceived as an analytical tool - client structures are graphically recreated through the use of relevant icons, and the resulting structure is subjected to a CRS algorithm analysis, resulting in a written report containing supporting statutory referencing.

Mach 5 and rising

“The CRS analysis reports are generated in under a thousandth of a second, even for highly complex structures,” Lucas reports. “This was the original LegalTech vision of

Getting Personal

Lucas is British but was born in Dusseldorf, Germany, and then educated in the UK. He began work as a lawyer, a career that saw him first work in London, then the British Virgin Islands and from early 2013 in Singapore with the law firm Gowling, where he was the Head of Private Client practice, specialising in international trust, estate and business succession planning.

Married, but not yet with children, Lucas has a passion for a variety of pastimes, with a particular bent towards flying and race car driving.

“For my 40th birthday I even flew up to the edge of space at almost Mach 2 in a MIG 29 fighter aircraft,” he reports, “as we broke the sound barrier the pilot pulled the fighter into a progressive climb aiming straight into space, I recall it became incredibly cold as we entered the stratosphere (70,000 ft), at the top of the climb we rolled off with black space above and curved earth below, for me it was quite a profound experience to look down at our little planet, seemed so small and vulnerable”.

analytical support for compliance teams struggling to implement the CRS. Once client structures are input into the system, they can then be monitored, and any changes reflected both in an audit trail as well as a reporting trail.”

This last characteristic - the ongoing monitoring of structures and client reportability - is where Lucas sees the real challenge for CRS management.

“The initial classification of clients was relatively easy,” he explains, “but to maintain the accuracy of the reports is, for clients, an ongoing data management nightmare that financial institutions are only just beginning to fully comprehend.”

He elucidates, observing that even for a simple structure comprising a trust, for example,

with an underlying company and a bank account, the reportable variations are in the hundreds and for a mid-size trust company with perhaps more than 100 structures, there would be variations in the 100,000s to monitor.

“This is where current spreadsheet compliance becomes a real problem,” he explains. “The ‘XML schema’ market, which is the final step of reporting to the relevant tax authorities, simply side-steps this problem in its entirety, only helping right at the end of the compliance chain. But we set out to position CRS Expert as a holistic suite of solutions in one software from the start of the client onboarding process, then the reporting life cycle and all the way through to account closure.”

Centenal's customer base

Lucas explains that Centenal's target clients comprise trust companies, boutique private banks and asset managers of varying sizes. "But the opportunities are immense, as the addressable market for CRS Expert is, in fact, any financial institution subject to the CRS regulations in the 104 countries that have implemented it."

That, he reports, equates to around 400,000 financial institutions, reporting an estimated 1 billion accounts a year, mostly using a semi-manual process.

"We would, of course, bring tremendous efficiency gains to

the CRS compliance function for any of these FIs," Lucas explains, enthusiastically. "The resultant advantages are many, especially the more accurate, productive, efficient and cost-effective use of what are nowadays increasingly costly compliance resources."

A bright future

Centenal's future might soon be further brightened if the company forges an alliance with a 'Magic Circle' global legal firm or one of the 'Big Four' worldwide accounting firms. "This is a distinct possibility," Lucas confirms, "but we are not ready yet to make any statements on that."

Lucas also reports that there seems to be an oversupply of vendors offering AML screening software, but not many are focused on dealing with the analytical headache surrounding the actual implementation of the myriad regulations affecting FIs. "The RegTech and LegalTech sectors will continue to grow, but the solutions and providers will have to meet the challenge of greater substantive complexity," he concludes.

And finally, Lucas sets out his priorities for the foreseeable future. "We need to grow the business, then increase the scope of our offering beyond CRS, and also secure a global strategic alliance." ■



Centenal's CRS Expert - A Brief Overview

Centenal, a Singapore Fintech corporation, created CRS Expert, its registered, trademarked CRS compliance software solution, in 2017 and is now rolling it out to financial institutions locally, with eyes set on the wider opportunities around the globe, where CRS monitoring and reporting is required by its creators, the OECD.

The Common Reporting Standard (CRS) is an information standard for the Automatic Exchange of Information (AEOI) regarding bank accounts on a global level, between tax authorities, which the Organisation for Economic Co-operation and Development (OECD) developed in 2014. Its purpose, very simply, is to combat tax evasion.

CRS Expert provides an integrated end-to-end solution for financial institutions (FIs) who are subject to reporting obligations under the CRS, which is pretty much every reputable FI from every legitimate and compliant jurisdiction across the globe. (CRS). CRS Expert, in a nutshell, was created to reduce the time, cost, risk and complexity involved in complying with CRS.

"The software provides functionality across each stage of the CRS reporting cycle, including on-boarding, monitoring and reporting," founder and CEO Zac Lucas explains. "The visualised graphical user interface combined with CRS and ultimate beneficial owner (UBO) computational algorithms allow users to take advantage of many key features that will make them more efficient and compliant."

These features include centralised compliance and data management; automated CRS analysis; automated UBO analysis; integrated CRS/UBO analysis; centralised CRS/UBO monitoring including automated change analysis; automated CRS XML conversion; and exportable CRS XML reporting.

The challenges of client on-boarding

"The key issues faced by the FIs in client on-boarding with the CRS demands in mind," Lucas reports, "are mainly operational concerns such as inefficient use of time and resources, the dangers of fragmented client data, as well as the increased risk of incorrect reporting".

Identified compliance and operational constraints of client on-boarding include the use of paper self-certification; the manual entry of self-certification data; static (non-dynamic) CRS spreadsheet data; incomplete or limited CRS dataset; manual CRS reporting analysis with limited or possibly zero analytical support; and beneficial ownership data collected and held separately from CRS data, not integrated.

CRS Expert is built around a visualised graphical user interface. The software permits data to be collected and associated with a digital client structure, enhancing data management beyond in many cases simple reliance on Microsoft Excel.

Digital client on-boarding, therefore, becomes possible, with resulting efficiency gains in both time, cost and interoperability between departments and offices. "CRS Expert," says Lucas, "increases the accuracy of the resulting automated CRS and UBO analysis. Data may, therefore, be input and retrieved during the on-boarding phase, as well as later during practical administration of the client structure. And the "E-signature" of digital self-certificates and other compliance and contractual documents may also be facilitated, depending on local jurisdiction laws."

Moreover, API links to existing data can be used to enhance the collective data management function of the digital chart. Team members from operations, tax, compliance, as well as front-facing RMs, within the same office and across jurisdictions, can thereby be effectively centralised.

Lucas further explains that the automated CRS analysis function provides compliance teams with analytical support and an audit trail for a particular reporting outcome. "Standardised reporting is therefore possible with a reduced risk of mistakes and consequent misreporting," he claims.

Ongoing solutions, post on-boarding

On-boarding is essential to get right, but so is data management once that client is correctly in the FI's system.

"For ongoing account monitoring," Lucas explains, "there have several key operational constraints historically, including the lack of systematised financial account monitoring, the lack of training to help identify account holder or controlling person change of circumstance, the lack of clear guidance on what a closed account is for reporting purposes, fragmentation of data across internal data silos, as well as too much manual inputting and the resulting excessive risk of misreporting of client data."

CRS Expert contains two specific features designed to address ongoing monitoring of account holders/controlling persons.

The first is a risk assessment tool that automatically calculates the number of variable changes that may affect a client structure.

The second is a feature allowing a client structure to be set to **Monitor**, after which any change of status will be automatically logged in chronological order and any subsequent reporting outcome automatically re-calculated by the software.

Lucas notes that self-certification for CRS remains valid until there is a change of circumstances that causes the RFI (the reporting financial institution) to know or have reason to know that the original certificate is incorrect or unreliable.

The Monitoring function allows various teams, whether compliance, tax, or front office RMs to pool and integrate client data, with the software logging each change and providing a recalculated reporting outcome.

"This feature," Lucas elucidates, "permits ongoing account/controlling person monitoring in real time, and therefore avoids a time-intensive manual reconciliation of fragmented information."

XML and reporting to the tax authorities

CRS Expert can also report client data to the relevant tax authorities via an in-built XML converter. "We designed CRS Expert as an end-to-end reporting solution," Lucas explains, "and the XML converter is the last stage in the process prior to transmission of client data. The extent to which this stage can be automated does, in fact, depend on the level of API integration with existing data, as well as the quality of that data."

Lucas prefers not to talk about the competition to CRS Expert, which he believes is limited, but he does note the concentration of competitors in what he calls the "XML schema" market.

"Broadly," he explains, "this is where a vendor will convert manually created CRS reports to a format that can be sent to the local tax authority, which is a simple input-output exercise. CRS Expert provides this function, but it is actually only a very small part of its overall functionality, which is far more comprehensive overall, providing FIs with a total solution."

And finally, as to integration, Lucas reports that CRS Expert is a "Single Page Application" designed for easy API integration with existing data management platforms.

"API integration is available," Lucas concludes, "with client data pulled, and pushed, to and from CRS Expert, and we are now in the process of integrating CRS Expert onto a number of banking and financial platforms as an easily utilised integrated API."

