

# Turning KYC and AML into an Opportunity



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## **What are the key issues today from an AML and KYC perspective?**

Everyone talks about anti-money laundering and KYC issues being a bottleneck within the private banking, wealth management space. It’s so difficult to get your clients on board. Once they’re onboard, whether it’s annually or every two years or three years, you have to refresh the information. Ultimately, it’s not getting the underlying information about ownership or even ID copies, which is sort of the traditional way you think about KYC or some of the AML considerations. It’s more along the lines of some of the issues around source of wealth, single client view, transaction monitoring. Those are really some of the big things. Single client view in particular, that’s something that regulators across the region, in Switzerland as well are really looking at so you can identify holistically, what is the client relationship, as opposed to saying, well, it’s across a number of different accounts, but we can’t actually link it together from a monitoring perspective.

So really, it’s more specific than just AML and KYC. It’s really those couple of areas, source of wealth, single client view and transaction monitoring, at least that we’re finding are the real pain points within the private banking, wealth management space.

## **How can a private wealth management firm use this information to enhance their offering?**

First of all, I think one of the ways that they can use this information is to create a better client experience. There is never a worse client experience within the private wealth space than asking for KYC information, asking for other AML information. What it looks like to your client, a lot of times, even though it’s a regulatory requirement, is that you don’t know them as the private banker, as the relationship manager. That’s sort of the worst situation you can be in. It’s not true because you have to ask these questions and get it on record from a regulatory perspective, but that’s the client’s perception. So the more that you can get these data points and share them, and when you’ve gotten them from a credit or tax or regulatory compliance perspective and use them across for the same information, the

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better off you're going to be from a client experience perspective.

Also, it's data that the front office can use. It's data that the relationship manager and banker can use to grow the relationship. You can sort of anticipate some of your client's needs based on their wealth profile and what they're investing in and how they earn their money. And when you can't meet clients because of the situation around Covid-19, pretty much every private bank that I talk to right now hasn't met all of their clients in a long time, even though in some cases, the regulatory requirement, particularly here in Hong Kong to do so, it helps you understand your clients better and anticipate their needs, particularly in their environment, and allows you to have them think that their private banker is looking at them all the time.

Also, from a transaction monitoring perspective, it's really key because that way you can clear your alerts much quicker. You can target some of the monitoring that you have as well. A lot of clients have difficulty with transaction monitoring too, because you end up asking them for questions and more information, but if you already know that information because of their wealth profile, because of the information you've

got as well, then you don't have to continue to go back to them and ask for more information. Particularly at a lot of institutions where they ask for upfront reasons before the payment is made for why a payment is going out the door, then to ask the question subsequently doesn't make a lot of sense as well. So if you can join a number of different information points, first from the wealth profile, and second from the fact that you might be asking for reasons before the payment is made anyway, then you can minimise the client disruption around that area.

### **How does Protiviti help clients in this space?**

One is we really have a template for conducting source of wealth reviews. We look at it from the different types of source of wealth, whether it's real estate, inheritance, employment, etc. And second of all, we also understand really from a transaction monitoring context, what the regulators need, what are some of the risk factors within the private banking space? Whether it be bribery and corruption, tax risk, we can tailor scenarios and tailor transaction monitoring to that. Because quite frankly, most of the transaction monitoring systems on

the market that the private banks are using are not geared towards private banks and not geared towards their customers. So we can help reduce some of the low quality, false positive alerting that's there, and also enhance client experience because you're not asking them questions all the time.

Also, that single client view becomes really good because then you can join the accounts together, get a real holistic view of the relationship, and work with them to ultimately enhance the relationship in that client and understand their needs across a number of different accounts and all the touch points here.

The other thing with Protiviti, that's really great, and coming from a Big Four firm, I didn't have that over there, is that we are one firm. We're not a bunch of different franchises across a number of different markets. We're not as separate from in Germany or a separate firm in Switzerland. We're one firm. We are US-based, but we have a lot of operations over in Singapore, Australia, the UK, Switzerland, Mainland China. Pretty much anywhere you need us, we're there. And we can easily mobilise as a firm quickly to help our clients out. ■

