



## The Cost of KYC and AML

Know Your Customer (KYC) technology and Anti-Money Laundering (AML) compliance are crucial elements of modern banking. Financial institutions are trusted to verify and authenticate customers' identities every time a customer uses their account. However, implementation is costly and ongoing monitoring can be difficult.<sup>1</sup> In a world where a digital data trail is both extremely valuable and extremely vulnerable, protection and authentication of a customer's identity is paramount.

A reported \$5.2 billion in fines were assessed against financial institutions for AML violations from 2009 to 2015.<sup>2</sup> Even without fines, figures from Research and Markets estimate global spending on AML processes to grow to more than \$8 billion this year.<sup>3</sup> To reduce costs, money-laundering, and fines, financial institutions need to upgrade their security. But how?

### The Asignio Solution

Asignio is a handwriting-based biometric authentication system. Rather than use biometrics such as fingerprint or retina scans—which, once compromised, can never be replaced—Asignio uses cutting-edge biometric technology to measure more than 25 unique aspects of a person's "Asignio Signature." Each *Signature* consists of a personalized set of written characters, letters, or symbols that can be changed whenever the user wants. When the consumer signs-in using their *Signature*, Asignio authenticates their identity using a three-factor system in under three seconds.

Asignio's cross-device capabilities ensure that that users can login to their account anywhere at any time, all with a single *Signature*.

<sup>1</sup>World Finance. <http://www.worldfinance.com/banking/kyc-regulations-challenge-the-banks>

<sup>2</sup>Credit Union Times. "AML/BSA Fines Total \$5.2B Over Six Years." <http://www.cutimes.com/2016/04/22/aml-bsa-fines-total-52b-over-six-years-gao?slreturn=1496790726>

<sup>3</sup><https://www.globalradar.com/aml-compliance-costs-how-much-is-enough/>



## **Asignio and KYC**

The Asignio on-boarding process confirms and protects the consumer's identity, providing a layered security system firmly rooted in ID verification.

First, Asignio asks the user for a picture of a government-issued ID. During this one-time verification process, the ID is checked and confirmed independently. The verified ID is then linked to the user's profile. This gives financial institutions a strong baseline identity for their user, as Asignio ties the consumer's real identity to the correct account.

The user then creates their own *Asignio Signature*. This *Signature* is linked specifically to the user's verified ID, thus providing an additional layer of security for both the financial institution and the consumer.

Asignio does more than meet standard KYC requirements. Asignio helps financial institutions know their customers *continuously*. Through machine learning, Asignio's cutting-edge software tracks how the user's *Signature* is written over time. The more the user signs-in, the better Asignio is able to identify and authenticate the user's unique handwriting. Every login helps Asignio strengthen KYC, prevent money laundering, and protect users from fraud!

Asignio also provides a digital data trail of the user proving the financial institution's AML compliance. Asignio tracks the user's activity starting with onboarding and ID verification, and checks each sign-in, authorization, and transaction.

## **Asignio and AML**

Asignio's strong foundation in KYC and authentication helps financial institutions crack down on AML violations. Because each user's *Asignio Signature* is tied directly to their verified ID, Asignio can authenticate the identity of the user during each and every transaction.

Asignio uses a layered security system, utilizing both behavioral biometrics and geo-location. By tracking where the user signs in and how they typically use their account, Asignio can quickly respond to any red flags raised by unusual activity. Taken together, these security factors help financial institutions know their customers and further combat AML fines.

AML regulations are constantly being revised to reflect new challenges to financial security. While many other companies struggle to keep up with brand-new legislation, Asignio is on the leading-edge of money laundering prevention. Asignio's proprietary technology goes above and beyond industry standards and meets the requirements of the new and upcoming AML regulations.

## The Fourth Anti-Money Laundering Directive

Europe is one of the most advanced regions in the world in regards to regulations and protections against money laundering. The Fourth Anti-Money Laundering Directive (AMLD4) went into full effect throughout the European Union on June 26, 2017, creating new standards and requirements that must be met by the financial industry.

One of the changes under AMLD4 regarding customer due diligence (CDD) regulations. While the Third Anti-Money Laundering Directive allowed for simplified CDD, AMLD4 has stricter requirements.

According to the new AMLD4 regulations, CDD measures include: identifying and verifying the customer's identity, identifying the beneficial owner and taking reasonable measures to verify that person's identity, and conducting ongoing monitoring of the business relationship, including scrutiny of transactions.<sup>4</sup>

In Article 14, AMLD4 requires Member States to verify the identity of the customer before the establishment of a business relationship or the carrying out of a transaction.<sup>5</sup> CDD applies to all new customers and "at appropriate times to existing customers on a risk-sensitive basis, including at times when the relevant circumstances of a customer change."<sup>6</sup>

AMLD4 goes on to state: "It should be recognised that certain situations present a greater risk of money laundering or terrorist financing. Although the identity and business profile of all customers should be established, there are cases in which particularly rigorous customer identification and verification procedures are required."<sup>7</sup> In such cases, enhanced due diligence (EDD) is required by law.

Monitoring transactions is an important part of the new CDD and EDD requirements. AMLD4 states that financial institutions must conduct "ongoing monitoring of the business relationship, including scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the obliged entity's knowledge of the customer, the business and risk profile, including where necessary the source of funds and ensuring that the documents, data or information held are kept up-to-date."<sup>8</sup>

While these changes aim to protect financial institutions from money laundering and other fraud, new regulations are always expensive to implement. A report from Consult Hyperion found that the average UK bank currently wastes £5 million each year due to inefficient KYC processes.<sup>9</sup> The report goes on to state that the implementation of AMLD4 and other new regulations is set to inflate operational costs and double the amount of annual waste to £10 million in three years.<sup>10</sup>

Further costs are accrued when failure to comply with the new regulations leads to fines. All institutions effected by these changes need to find a way to quickly meet the new industry standards without amassing high implementation fees and noncompliance fines.

<sup>4</sup>[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2015\\_141\\_R\\_0003&from=ES](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&from=ES)

<sup>5</sup>[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2015\\_141\\_R\\_0003&from=ES](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&from=ES)

<sup>6</sup>[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2015\\_141\\_R\\_0003&from=ES](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&from=ES)

<sup>7</sup>[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2015\\_141\\_R\\_0003&from=ES](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&from=ES)

<sup>8</sup>[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2015\\_141\\_R\\_0003&from=ES](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&from=ES)

<sup>9</sup><https://www.fx-mm.com/news/69679/uk-banks-waste-5-million-kyc-checks/>

<sup>10</sup><https://www.fx-mm.com/news/69679/uk-banks-waste-5-million-kyc-checks/>

## The Fifth Anti-Money Laundering Directive

The Fifth Anti-Money Laundering Directive (AMLD5) offers amendments to the regulations laid out in AML4. Though not yet in effect, AMLD5 will soon compel financial institutions to undergo a new set of changes, including stricter CDD and EDD policies.

AMLD5 adds an additional phrase to the language of AMLD4 regarding CDD. In AMLD4, CDD measures should identify the customer based on information from a “reliable and independent source.”<sup>11</sup> AMLD5 proposes adding language: “including, where available, electronic identification means.”<sup>12</sup>

New measures in AMLD5 will normalize EDD regulations. Rather than allow each Member State to determine their own type of EDD measures, financial institutions will need to follow a standardized set of regulations.<sup>13</sup> Suggested EDD measures for AMLD5 include obtaining the source of funds and the source of wealth from customers, and obtaining information on the reasons for the intended or performed transactions.<sup>14</sup>

## Asignio Compliance with AMLD4 and AMLD5

Asignio is ahead of the competition when it comes to covering the upcoming regulations laid out in AMLD4 and the proposed changes in AMLD5.

Asignio verifies the identity of every user when they first create their account and then authenticates the user’s identity *every time* they sign in. In compliance with Article 13, Asignio continuously monitors the customer’s transactions in order to keep the account secure and ensure that such transactions are consistent with the financial institution’s knowledge of their customer.

Asignio takes security one step further by creating a digital data trail for each user, keeping all data up-to-date and allowing financial institutions to prove AML compliance from the very first moment of onboarding and through every transaction.

## Asignio: Smart, Unique, Secure

Asignio works hard to keep both the bank and the consumer safe through the use of the Asignio *Signature* and layered IDV. Machine-learning and Asignio’s proprietary hand-writing recognition software allows Asignio to know the customer continuously, preventing money laundering and other fraud.

Asignio is ahead of the curve when it comes to global AML regulations. Asignio helps financial institutions meet new and upcoming industry standards in CDD and EDD. With Asignio’s web-based, cross-device platform, consumers and financial organizations are secure in the knowledge that every sign-in is authenticated with the highest level of user validation, simplicity, and durability.

Any account. Any device. One *Signature*.



<sup>11</sup>[https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-\(5amlld\)/](https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-(5amlld)/)

<sup>12</sup>[https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-\(5amlld\)/](https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-(5amlld)/)

<sup>13</sup>[https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-\(5amlld\)/](https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-(5amlld)/)

<sup>14</sup>[https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-\(5amlld\)/](https://www.int-comp.com/ict-views/posts/2017/04/10/five-key-points-of-the-upcoming-fifth-anti-money-laundering-directive-(5amlld)/)