

The Path to Perpetual KYC

An Executive Summary



Background

In recent years, there has been significant emphasis on know your customer (KYC) at onboarding and during periodic reviews. Regulated entities have spent millions of pounds on remediation projects, only to see this boom-and-bust cycle of investment in anti-financial crime (AFC) efforts repeating itself. KYC and customer due diligence (CDD) play a pivotal role in the fight against financial crime. In this summary, and in our full Best Practice Guide, ACAMS explores how embracing a perpetual KYC model can create a sustainable, dynamic AFC risk management framework.



The Traditional Approach

Traditionally, organizations perform KYC checks at onboarding, classifying clients into categories of risk – high, medium, low. Thereafter, client information is typically refreshed periodically, following a one, three, or five-year cycle. The creation of a backlog of periodic file refreshes, or transaction monitoring and customer screening alerts, causes concern to regulators on the basis that it highlights that a firm is unable to manage its controls effectively and might be exposed to unidentified financial crime risks.



Defining Perpetual KYC

Perpetual KYC is the practice of maintaining accurate client data, through updates based on changes in clients' behaviors and circumstances in near real-time. In contrast to cycles of remediation, perpetual KYC is a continuum. It allows sharp focus on the highest risks, while ensuring a high quality of client data is maintained. Perpetual KYC moves the organization to a data-led methodology, allowing client file reviews to focus on the highest risk customers on an "as-often-as-needed" basis. It is a practice of ensuring data is up to date, so any client file reviews that are needed are efficient and effective.



The Benefits

Developing a sustainable perpetual KYC practice provides multiple benefits to organizations, including:

- **Effective risk management:** with the data being as accurate as possible in near real-time, perpetual KYC increases the effectiveness of all financial crime controls
- **Operational efficiencies:** perpetual KYC offers a reduction in direct staff costs through reduced effort and reduced false positives
- **Improved customer experience:** poor customer experience, resulting from long delays at onboarding and repetitive refresh processes, is reduced



Moving on From Legacy Systems

Moving away from legacy systems can be challenging and risky for large organizations. Key steps to consider include:

- Identifying and pooling data
- Infusing data into current processes
- Minimizing operational continuity risks through pilots and phases
- Updating policies and procedures to meet regulatory rules
- Enhancing the risk and control ecosystem



Building a Business Case

Investing heavily in technology may seem expensive in the short term, but the benefits begin to realize very rapidly, allowing for key staff to be diverted to other activities. Furthermore, gaining access to robust analytics and data can significantly increase risk detection and mitigation. Our Best Practice Guide provides an example of a resource estimator that can be tailored to estimate costs and potential efficiencies.

Find Out More

Our full Best Practice Guide: The Path to Perpetual KYC is available to ACAMS Enterprise members. Download your copy [here](#).

You can find out more about ACAMS Enterprise membership by visiting our [Enterprise homepage](#).