

Swift's KYC Registry provides added resource for correspondent banking client due diligence



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Managing Director and Global Head of Financial Services Companies and Governments for Global Transaction Services, Bank of America Merrill Lynch

Key Benefits

High quality, validated KYC data and documents in one place

Standardised data and documentation, fully aligned with Wolfsberg

Reduces cost and risk

Growing fast – more than 4,600 financial institutions already joined

Bank of America Merrill Lynch sees significant KYC time savings using Swift's KYC Registry

Conducting due diligence on customers is a significant challenge for the financial services industry. Banks exchange numerous bilateral due diligence questionnaires with their counterparties - each covering slightly different questions. What is the result? Significantly mitigating the risk of financial crimes, but at the cost of a sizeable operational workload, customer on-boarding delays for banks and major inefficiencies at an industry level. It is because of these challenges and the significant steps forward in making the international financial system stronger that Bank of America Merrill Lynch welcomes The KYC Registry's adoption of the Wolfsberg Correspondent Banking Due Diligence Questionnaire (CBDDQ), a questionnaire that was designed to standardize the due diligence conducted on correspondent banking throughout the industry.

The KYC Registry

The KYC Registry is a global utility operated by Swift that allows banks to upload a standardised set of due diligence and supporting documents. Information is checked and validated by Swift, and can then be shared with approved users. Hence, banks can use the Registry to share their own information with counterparties and obtain due diligence information from other banks. KYC Registry membership is now approaching 5,000 banks in over 200 countries and territories, with Registry users representing about 70 percent of Swift's message traffic.

Stephanie Wolf, Managing Director and Global Head of Financial Services Companies and Governments for Global Transaction Services at Bank of America Merrill Lynch (BofAML) explains: “The KYC Registry is our resource for correspondent banking client due diligence, the goal being that we complete our questionnaire online, our client completes theirs, and we then grant each other access to our respective due diligence data and have the most current and accurate information available at all times. This way, we avoid processing hundreds and hundreds of questionnaires manually every year. Since all questionnaires are standardised to the same format, and with content that is already validated by Swift, our time savings using the Registry can be as high as 50%.”

Gaining efficiency

From the moment Bank of America Merrill Lynch started using the Registry, they quickly started seeing benefits, with an eye to efficiency gains to come. “And where the Registry really adds value is by demonstrating to the industry that there can be one common standard that all banks can align to and that banks can adopt as a single standard,” says Wolf. “This strengthens the financial crimes controls as all banks are then being held to the same level of standards and due diligence and, therefore, have a stronger understanding of each other’s controls.”

Like most banks, BofAML previously created its own due diligence questionnaire, but since adopting the Registry they have used the information provided by clients in the database, while asking additional questions only related to activity undertaken with specific product offerings. “Our hopes are that very soon we won’t need our own questionnaire and will be able to use utilities such as The KYC Registry to source all information,” says Wolf.

Wolf adds that the questions in the Wolfsberg questionnaire are “exactly the questions” they need to ask their clients, so BofAML can rely heavily on Registry data for risk assessments on correspondent banking counterparties – from the smallest to the largest financial institutions. Wolf also points out that additional relationship-specific questions might sometimes be needed – “but if I already have the answers to 110 Wolfsberg questions, that’s a huge step forward in terms of efficiency.”

An ongoing practice

Due diligence processes need to be carried out on a regular basis, and Wolf explains that the bank refreshes its client due diligence for correspondent banks once a year. If changes occur in the meantime, they will change their records accordingly. Certain markets also insist on more frequent updates.

The Registry caters for this requirement and informs its customers automatically if data provided by another bank is changed. With up to 700 data points and more than 40 documents to choose from, the Registry addresses the need for customised monitoring by allowing its clients to define which particular risk point should be

monitored for change. This Advanced Notification feature cuts through complexity, allowing users to customise their risk preferences across client segments and/or countries down to the exact point of relevant data.

Banks’ due diligence requirements continue to evolve – not least because regulatory changes often entail additional questions. “In the US, we had new beneficial owner and controlling party requirements come into force this May,” says Wolf. “That is an enormous change for companies domiciled in the US.” All banks that use The KYC Registry to share their KYC information with other institutions are required to provide detailed ultimate beneficial ownership information down to an ownership level of 25%, thus addressing recent requirements for more transparency in the United States.

Providing closer alignment with Wolfsberg’s required standards

In October 2017 Wolfsberg announced the introduction of the new Due Diligence questionnaire (DDQ) for Correspondent Banks. First issued in 2004, the Wolfsberg DDQ has been updated in response to an increase in regulatory expectations and a call for action from the Financial Stability Board Correspondent Banking Coordination Group (FSB CBCG) and the Committee on Payments and Market Infrastructures (CPMI). Swift has subsequently aligned its Know Your Customer (KYC) Registry with the Wolfsberg DDQ, with KYC Registry members now being able to answer every Wolfsberg DDQ question directly on the KYC platform, increasing transparency and streamlining due diligence processes.

Wolf is enthusiastic about both the benefits of the Registry and its alignment with the new Wolfsberg DDQ. “What the Wolfsberg Group has done to bring the industry together is phenomenal,” she says. “Swift’s adoption of the Wolfsberg questionnaire was music to my ears. With the EU’s Fourth Anti-Money Laundering Directive also requiring enhanced due diligence with correspondent relationships, I see this as a coming together of industry participants, and thought leadership on how we use a single source of data.”

Working with Wolfsberg, Swift has aligned The KYC Registry with the DDQ so Registry members can answer every question directly on the platform. The Registry covers up to 90% of the information correspondent banks typically require for due diligence. “While we have not yet determined what incremental information Bank of America Merrill Lynch will need, it’s safe to say that the Registry will be in that range, once all its clients have uploaded the updated Wolfsberg DDQ” notes Wolf.

Wolf says that the adoption of the Wolfsberg DDQ by the Registry makes the whole process much more efficient. “Having The KYC Registry, which aligns every entity in the database and includes the Wolfsberg questionnaire, is a major plus. I talk to virtually every client about it.” Wolf also asks non-bank clients to look at the questions included in the Registry, so they can see the types of questions the bank is likely to ask

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Further information on the Wolfsberg DDQ and FCDDQ can be found on www.swift.com and on www.wolfsberg-principles.com