Swift

Founding Registry member J.P. Morgan enhances the experience for correspondent banks

"Just start publishing [your KYC data]. It promotes your institution's transparency around it AML programme."

Holly Johnson Stuhr
Executive Director
Global Lead for KYC on J.P. Morgan

A practical roadmap to successfully adopting The KYC Registry

As regulators step up their efforts to tackle financial crime, banks need to hold increasingly detailed information about their counterparties. The result is a significant increase in the time and effort required to exchange Know Your Customer (KYC) documents and data. Obtaining KYC data from correspondents is a well-known challenge, and banks are under strain to respond efficiently to the large number of bilateral KYC requests they receive.

As the banking partner of the world's most sophisticated and complex financial institutions, J.P. Morgan receives a large volume of KYC requests. "Meeting our compliance obligations while providing an excellent client experience is a business imperative," explains Holly Johnson Stuhr, Global Lead for KYC on J.P. Morgan. "We originally had deployed various teams around the world, including Compliance, Legal, Network Management and Onboarding, to address KYC requests for our legal entities, but quickly realised that we needed a dedicated group to manage the overall process. That was the only way we could continue to drive internal efficiency, while leveraging synergies and improving the experience for our counterparties."

This new group focused exclusively on responding to inbound KYC requests. As a centralised team, it implemented a process and tools that enabled employees across the firm to register requests. A core part of this exercise was investigating the use of industry utilities to handle KYC data more efficiently. "As one of the founding members of Swift's KYC Registry, it made sense for us to use the platform to share our standardised set of data and documents with other banks," explains Johnson Stuhr.

Immediate results
J.P. Morgan's structured, proactive approach started with the uploading of KYC data for 92 eligible entities (individual BICs) to The KYC Registry. The next step was integrating the platform into the bank's existing business processes. Centralising J.P. Morgan's KYC information in the Registry eliminated the need to replicate the gathering and response process for each incoming KYC request, which increased control, accelerated response times and deployed resources more efficiently. Previously, agent banks requesting KYC data on a J.P. Morgan legal entity generated a large volume of individual responses. The KYC Registry, instead, enables J.P. Morgan to complete one KYC file for each legal entity and then permission that data for access by the requesting agent bank. The main benefits? Greater operational efficiency and exchange of data that meets Swift standards.

About J.P. Morgan

J.P. Morgan's Corporate & Investment Bank is a global leader across banking, markets and investor services. The world's most important corporations, governments and institutions entrust us with their business in more than 100 countries. With $22.1 trillion of assets under custody and $404.9 billion in deposits, the Corporate & Investment Bank provides strategic advice, raises capital, manages risk and extends liquidity in markets around the world. Further information about J.P. Morgan is available at www.jpmorgan.com.

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The KYC Registry

The KYC Registry is a shared platform developed in conjunction with a group of international banks, including J.P. Morgan. More than 4,000 banks have joined the Registry and use it to exchange their KYC information with counterparties. Swift checks all information in the Registry before publication and works with member banks to ensure that information remains valid and up-to-date.

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J.P. Morgan's roadmap for banks

1. Allocate time to review and update Swift reference data. Paying close and consistent attention before publishing KYC files can help prevent the exchange of outdated data.

2. Build a use case based on which counterparties request KYC data and evaluate utilities on how they meet those needs. Since J.P. Morgan focused on its agent bank population, most of which are Swift-connected, The KYC Registry was an appropriate starting point.

3. Create a governance structure to clarify how specific KYC questions will be answered, by which team and what information should be shared about particular legal entities. This coordination requires careful planning and close collaboration among different teams.

4. Conduct a gap analysis between the Swift KYC utility and your bank KYC standards to determine where additional input from counterparties may be required.

5. Institutionalise the solution as fully as possible, rather than adopting it as a standalone project in order to maximise efficiency, time and cost savings.

Long-term strategy
Not only is full integration an important success factor, but flexibility is also required to build a sustainable KYC operation. For instance, planning how requests received outside the utility will be handled is crucial.

"At first we took a hard line approach to only send the information through the Registry, but this wasn't practical," says Johnson Stuhr. "We quickly adopted a two-pronged approach in which we send the Swift KYC file, and then send the bank an invitation to join the Registry so it can receive the information automatically next time. If the bank has already joined, we remind them to use the Registry in future."

J.P. Morgan has already made considerable progress in centralising inbound KYC requests. Johnson Stuhr's overriding message to other banks embarking on a similar exercise is simple. "Just start publishing [your KYC data]. It promotes your institution's transparency around its AML programme."

Finally, as Johnson Stuhr points out, banks that have started publishing their content can then focus on consuming their counterparties' content via The KYC Registry. "It is a far more convincing argument when you have the KYC files for all of your legal entities published on a KYC utility to then ask clients to publish their KYC files as well. At that point, you can start to derive operational efficiencies on your mid-office client onboarding process," she concludes.

Baseline v.2.0

The KYC Registry continues to evolve. A recent development is the creation of the new baseline v.2.0, which includes additional data and documents so as to meet the most stringent regulatory requirements.

The new baseline also differentiates between basic and extended KYC information, allowing banks to decide which level of information they wish to share with individual correspondents.

Johnson Stuhr looks forward to the bilateral reduction in exchanges that Baseline v.2.0 will deliver via its expanded data set.

For more information, visit www.betterkyc.com or contact your Swift account manager