
Expanded KYC Registry baseline covers over 90% of the industry's most demanding KYC questionnaires

HSBC uses Swift's KYC Registry to streamline processes and improve customer experience

Know Your Customer (KYC) compliance is a major challenge for banks. Banks send and receive numerous bilateral requests for information, creating a significant operational workload. By using Swift's KYC Registry, HSBC is now making its KYC processes more efficient, speeding up onboarding and enhancing customer service for its correspondent banking clients.

The KYC Registry

HSBC began using The KYC Registry to help streamline its KYC processes, says Gretchen Markel, External Utilities Lead, Global KYC Operations at HSBC. "Unlike working bilaterally with vendors or consultants in this space, the use of utilities enables banks to drive standardisation in KYC and Anti-Money Laundering (AML) compliance," she says. "We felt that Swift could bring together different banks' views and negotiate a way forward."

Gary McClure, Global Head of KYC Operations at HSBC, agrees. "Swift was a leader in developing a KYC utility for banks, and The KYC Registry has been the most successful utility in this area."

Using The KYC Registry

Once HSBC decided to join the Registry, it acted quickly to ensure that adoption was as smooth as possible. The first step was to get internal sponsorship. "We had strong support from our financial institutions group, and valuable business sponsorship pushing what we were trying to do," says McClure.

After adoption was successfully completed, the bank promoted the project internally, by ensuring KYC analysts use the Registry as their first port of call, and training dedicated experts in this area.

Centralising KYC requests

Adopting the Registry also meant establishing a number of processes. "On the data consumption side, we have a centralised team, responsible for obtaining data centrally and disseminating it to the KYC teams that support different HSBC entities," says Marian Owczarzy, Transition Manager, KYC Industry Utilities, Global KYC Operations at HSBC. "So instead of having to train a large number of KYC analysts globally, we focus on one central team."

The KYC Registry at a glance

Consistent. Banks provide a single set of data in a standardised format

Efficient. Reduce unnecessary time in collecting due diligence research on counterparties

Self-service. Instead of replying to incoming requests individually, banks can give counterparties access to their data – enabling them to collect information themselves

Centralised. Banks can leverage the Registry to centralise the processing of inbound and outbound KYC requests

Customer experience. New customers are onboarded faster, and existing customers enjoy a more streamlined process for updating their data

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Gary McClure

Global Head of KYC Operations, HSBC.

"The KYC Registry baseline v.2.0 covers more than 90% of our current KYC requirements. We expect to see significant cost savings over and above the existing efficiency gains."

Gretchen Markel

External Utilities Lead, Global KYC Operations, HSBC

For data contribution, the bank has leveraged the Registry to create an internal function – the Central Request Unit (CRU). “We triage all external requests on our affiliates through that function,” says McClure. “We look to direct requests straight to The KYC Registry as a priority.”

Playing an active role

HSBC has also played an important role in the KYC Registry User Group. As one of the Registry’s design partners, HSBC contributed to the evolution of the content baseline, while keeping a clear focus on including different regulatory regimes around the world.

“We felt we were able to implement those requirements into the new baseline – which we wouldn’t have been able to do without being a member of the User Group,” comments Owczarzy.

Membership of the User Group also allows the bank to benefit from other members’ feedback, which is shared with HSBC’s compliance and policy teams.

Benefits of the Registry

HSBC is already seeing the benefits of adopting The KYC Registry. From eliminating hours of research to empowering counterparties to make self-service requests, the Registry has helped deliver improvements in consistency, efficiency and speed.

Consistent

Without the Registry, banks’ individual questionnaires are fairly similar, but different enough that the same answer can’t be copied and pasted every time. The KYC Registry brings consistency, with each bank publishing a single set of answers in a standardised format.

Time efficient

Using the Registry means HSBC’s KYC processes are more efficient. “If a client’s information is fully available in the Registry, we significantly streamline the research phase when carrying out due diligence,” explains Owczarzy. “Our KYC analyst simply sends any additional requirements to the client.” This frees up staff to focus on data analysis and risk assessment. As McClure comments, “Where the

Registry really adds value is by enabling us to look at the risk holistically, rather than spending time collecting information from multiple sources.”

Self-service

By using a centralised operating model for incoming requests, the bank also eliminates the need to respond to each request individually. “Using The KYC Registry lets us give third parties access to the information they need,” says McClure. “This avoids the need for back and forth questions and makes the process more accurate, more efficient and more consistent.”

Further developments

As The KYC Registry continues to develop, HSBC expects to reap further benefits, particularly with the expansion of the Registry’s data ‘baseline’. “Although the v1.5 standard baseline covered up to 40% of our current banking due diligence requirements, the new baseline v2.0 covers more than 90%,” explains Markel. “Once banks contribute the additional data, we expect significant operational efficiency gains.”

Matthew Carter, Director, Financial Institutions Group, Enhanced Due Diligence, Global Banking and Markets at HSBC, says that as the number of contributors to the utility increases, and the scope and breadth of information is enhanced, “the overall client experience should improve, the speed of information exchange should increase and the associated costs of client due diligence should reduce.”

Automation

Meanwhile, HSBC is exploring the possibility of using automation tools (STP, robotics and API’s) to integrate the Registry with the bank’s other systems more effectively. “At the moment, we extract information from the Registry to input into our client due diligence systems,” says McClure. “We’re considering whether automation could provide a better way of pulling that information through.”

Implementation advice for other banks

Swift can help banks looking to set up the right processes by sharing best practices. HSBC’s Markel says it is important to put the right processes

in place. “The processes designed around the use of the Registry aren’t complex,” she says. “But if you want to benefit fully from the tool, you need to spend some time figuring out how best to integrate it into your day-to-day operations.”

Where data contribution is concerned, Owczarzy adds that banks need to build a sustainable contribution process, rather than focusing solely on the initial provision of data. “Banks should immediately establish a process for refreshing the data continuously,” he recommends. “It’s critical that as owners of their data, banks understand that they are responsible for refreshing it on an ongoing basis.”

In terms of data consumption, the Registry is second to none. “I don’t think there is a more effective way of getting information about correspondent banks,” concludes McClure. “For us, it’s the go-to place for getting the right level of information about our counterparties for AML purposes.”

Baseline v.2.0

The KYC Registry continues to evolve. One notable development is the creation of the new Baseline v.2.0, which includes additional data and documents to meet the most stringent regulatory requirements.

Swift has been working with the Wolfsberg Group to align the Baseline v.2.0 with the new Wolfsberg Due Diligence Questionnaire (DDQ). Users of the Registry will be able to answer every question in the Wolfsberg DDQ directly on the platform.

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.

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