THIRD-PARTY DATA PROVIDERS

Transforming Client Experience and Data Quality
For financial institutions, the requirements of Know Your Client (KYC) processes place a heavy burden on clients and relationship managers.

The KYC information requirements are typically rule-based according to client type, product type, and geography, among other elements. Often, relationship managers are uncertain about what information is required, resulting in clients being asked multiple times for additional information. Even more problematic, the information provided can be unreliable without a proper vetting process.

In short, financial institutions are faced with:

1. Unclear requirements for information needed for KYC;
2. Dissatisfied clients resulting from multiple requests for the same information;
3. Unreliable information on hand for compliance purposes.

There are solutions to these problems. For example, third-party data providers offer trusted information on individuals and entities that can alleviate some of the burden of gathering information, while improving the quality of KYC information. In addition, there are KYC technology platforms that can integrate with the data providers’ platforms to make the process more efficient, providing a rules-based engine that drives the requirements.

However, the demand for KYC data has grown exponentially over the past several years and as a result, finding the “right” provider can be difficult. In this document, we will discuss how to effectively identify the “right” third-party data provider for a financial institution and explore the functional and technical implementation and considerations to allow the organization to effectively benefit from utilizing the provider.
Effective Identification of Third-Party Data Providers

Through our work in this space and our analysis of numerous third-party providers, we have seen how trusted third-party data providers can help financial institutions.

The right provider can:

- Enrich and improve the client experience by reducing the amount of information requested directly from a client and sourcing the required data from providers.
- Validate the information provided by clients and thus reduce the institutions’ risk exposure while improving its compliance capabilities.
- Integrate with existing systems and input client data directly for improved efficiencies, and, by helping increase automation, can reduce inputting and human errors even further.
- Reduce the amount of time relationship teams spend collecting client data by having provider manage the activity, allowing the relationship teams to focus their attention and efforts on generating more sales.
Third-Party Data Provider: Selection and Evaluation

Identifying the right data provider can be challenging, as the number of options continues to grow. Many data providers have evolved over recent years, responding to specific market needs. As a result, each provider delivers a series of benefits to better meet targeted needs.

The key steps financial institutions should take to evaluate data providers include:

1. Evaluate the financial institution’s client base to determine what type of data would best suit the organization.

   Third-party data providers specialize in certain types of data that support certain lines of business or address pain points in an organization including:
   - International versus U.S. domestic data
   - Entity versus consumer data
   - Publicly-traded versus privately-held entity data
   - Small and large businesses versus financial institutional data
   - Depth of data (for example, Customer Identification Program (CIP) requirements only versus a full-length report including legal filings)

2. Identify and assess the biggest data related challenges, issues and pain points across the organization to develop the business case.

   Third-party data providers offer different products and services that can support functions within the organization including:
   - KYC data enrichment
   - Identity and verification (ID&V)
   - Beneficial ownership information
   - Anti-money laundering investigations

3. Develop a scorecard to support the vendor assessment process.

   This vendor scorecard can help evaluate and assess which third-party data provider is most capable of addressing the financial institution’s specific needs and should be used when conducting introductory conversations with select providers.
Selection of a third-party data provider is not a “one size fits all” process. Each provider can be geared towards specific types of financial institutions and client bases. Therefore, doing research and conducting demonstrations and trials are important in understanding if the solution being considered can address an institution’s specific needs and requirements.
Among key criteria that should be included in an evaluation scorecard:

**Vendor scorecard**

1. **Market Information**
   - Key benefits delivered
   - Key differentiators, strengths and weaknesses
   - Who does the vendor consider as their key competitor(s)
   - Does the vendor’s roadmap include enhanced solutions and product offerings

2. **Solution Information**
   - List of data providers
   - Access to privately held company data
   - Access to foreign entity data
   - Does the solution provide more entity data or individual data
   - ID&V capabilities
   - Information required for ID verification
   - Source for beneficial owner information

3. **Logistics**
   - Required configuration
   - Timeframe for implementation
   - Trial periods
   - Application programming interface (API) builds (what data is actually fed into other user interfaces (UIs), current integrations, and cost associated
   - Pricing structure (per click, license, or other)

After completing the evaluation and narrowing down the list of potential vendors, the institution should conduct a trial period with the highest ranked provider(s) to test and gain better insight into their capabilities and to properly assess their ability to meet the organization’s needs. A trial can be conducted with one or multiple providers and such trials are typically offered by providers for one to two weeks. Consider using a scorecard for the organization’s users to complete during the trial to provide a quantitative and qualitative assessment.
A trial scorecard

1. Key Capabilities
   - Returns sufficient data to verify the entity
   - Returns data on beneficial ownership/controlling parties
   - Returns data on subsidiaries
   - Shows linkages between associated entities
   - Shows corporate structures
   - Has a unique identifier (UID)
   - Shows legal entity identifier and other official company numbers
   - Shows detailed company description
   - Shows company financials
   - Returns data on reputational risk
   - Returns compliance and financial crime information (such as politically exposed persons, sanctions and adverse news)
   - Shows North American Industry Classification System (NAICS) code
   - Returns entity and individual data
   - Ability to pull reports with sufficient and relevant data
   - Ability to use graphs, dynamic company structures, pivot analyses and other types of visualization tools and analyses to interpret results

2. User Interface and Intuitiveness
   - Ability to easily navigate the UI (intuitive)
   - Ability to customize views
   - Delivers a seamless experience (with no errors and/or bugs appearing)
   - Ability to easily search client information

In addition to the scorecard, research with the support of the financial institution’s Vendor Management teams can help identify any existing contracts that the provider or parent company may have with the organization. At the end of the trial period, there should be enough feedback from users to confirm the suitability of each trial-tested provider. Procurement should be engaged to support pricing discussions and any existing contracts and/or relationships should be leveraged to negotiate more favorable pricing and conditions.
Once implemented, and to get the most value from the new available data, we strongly encourage financial institutions to: 1) automate as much of the data management process as possible through technology integration; and 2) update the institution’s target operating model (TOM), policies and processes to reduce the burden on the front office.

Technology Considerations

There are now KYC technology platforms that can integrate with data providers to make the process even more efficient by providing a rule-based engine that drive the requirements. Additionally, integration should enhance the KYC process by: 1) eliminating manual searches; and 2) maintaining data integrity.

Eliminating Manual Searches

Without the use of an application programming interface (API) to facilitate integration of the provider solution, a user would have to pivot or “swivel chair” between systems to search for client data using the provider’s user interface and then copy/paste that information into the financial institution’s KYC platform. Most third-party data providers have APIs available, at varying cost and capabilities. Financial institutions should inquire with providers on how available APIs can meet their needs.

Maintaining Data Integrity

Another benefit of integration and of using APIs is the ability to monitor changes to client data. Many third-party data providers can send alerts and/or notifications when client information, such as ‘county of incorporation’ changes. With integration, a new case in a KYC platform can be created to process the change in the client’s profile and to adjust for any new risk scoring as needed.
These key benefits of integration are dependent upon the capabilities of both the financial institution’s KYC platform and those of the data providers. As such, this is an element that should be considered when designing and/or evaluating both KYC platforms and data providers.

**Target Operating Model**

By utilizing third-party data providers, KYC roles and responsibilities can be shifted to the institution’s operational support group instead of relying upon the relationship manager. This can be part of an end-to-end re-evaluation of the operating model.

In addition, during the trial assessment, there are opportunities to further enhance the KYC process. Financial institutions should consider undertaking the following initiatives during the trial assessment:

- **KYC Process Evaluation:** Utilize a test case to go through the end-to-end KYC process and identify issues, pain points and quick-win opportunities to enhance the process even further.

- **Time and Motion Study:** While a trial user is conducting a test case, the user can also time the process. This can support the business case for choosing the vendor (for example, noting that approximately 15 minutes of outreach time was saved) as well as supporting capacity assessment evaluations (for example, noting that KYC takes 5 hours x estimated volume/working days = Full-Time Employee required).

- **Staffing Assessments:** Trial users can perform test cases that can be quality assured to support role placement.

- **Policy and Procedures**

Policy and procedures should be updated for the new process. Financial institutions should re-evaluate the ID&V, documentary evidence requirements and event-driven review processes. Detailed desktop procedures—along with appropriate training—should be developed to support users in learning and navigating the new system.
How Accenture Can Help

The third-party data provider landscape is dynamic and continues to grow with the arrival of new entrants and solutions. Accenture offers financial institutions access to a suite of services to assess providers, implement provider solutions and support the overall improvement of KYC Programs.

Accenture supports financial institutions in navigating the continuously evolving landscape of third-party data providers. We have a robust methodology and capabilities, supported by actionable industry insights and knowledge to help institutions make strategic decisions for their organization.

For institutions looking to supplement their KYC function with a new third-party data provider, or for those looking to explore alternatives to their current provider, here are some of the ways in which Accenture can help:

- Extensive third-party data provider ecosystem with capabilities for every type of financial institution.
- Vendor scorecards to support the evaluation process.
- Trial scorecards to help users navigate through the process for each provider.
- Industry contacts with leading providers to help institutions get started.
- Data scientists to support integration with systems.
- Transformation capabilities to secure more value throughout the process.

To find out more on third-party data providers and how Accenture can help financial institutions on their journey to better data and better decisions, please contact one of the authors.
ABOUT THE AUTHORS

Philippe Guiral
Philippe Guiral is a Managing Director with Accenture Finance & Risk and is based in New York where he leads the North America Financial Crime group. Philippe has over 15 years of experience in large-scale change programs, working with some of the world’s leading retail, commercial and investment banks. Philippe can be reached at: philippe.y.guiral@accenture.com.

Blair West
Blair is a Senior Manager with the Accenture Finance & Risk practice. Based in New York, her experience centers around financial services with a focus on investment and commercial banking, BSA/AML in addition to regulatory risk. Blair can be reached at: blair.e.west@accenture.com.

Angela Paderes
Angela Paderes is a Manager with the Accenture Finance & Risk practice and member of the Regulatory & Compliance capability group. Based in Los Angeles, Angela’s focus has been on working with financial institutions on large scale regulatory and strategic transformation programs. Angela can be reached at: angela.m.paderes@accenture.com.

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