

AiteNovarica

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THE 2022 IMPACT AWARDS IN AML

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IMPACT REPORT

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INTRODUCTION

Aite-Novarica Group's 2022 Impact Awards in AML aim to identify and recognize those financial organizations and vendors that are leading the industry with new and disruptive financial crime products and capabilities. Award recipients and their innovations are bringing the financial services industry one step closer to triumphing over fraud, money laundering, and other illicit activity.

Aite-Novarica Group designated the following four individual categories for its 2022 Impact Awards in AML:

- **Best Know Your Customer/Business Innovation:** New solutions, innovations, or datasets streamlining and enriching the KYC processes underlying the onboarding, servicing, and ongoing risk profiling and due diligence of individual and corporate customers.
- **Best Sanctions/Watchlist Screening Innovation:** New solutions, innovations, or datasets that optimize the risk-based checking of individuals, entities, and incoming and outgoing payments and transactions against sanctions, politically exposed persons (PEPs), and adverse media lists, as well as other risk-relevant information.
- **Best AML Transaction Monitoring Innovation:** New solutions, innovations, or datasets that elevate ongoing risk-based AML transaction monitoring to detect suspicious or unusual activity indicating potential money laundering, terrorist financing, or other illicit activity.
- **Best Financial Crime Investigation and Reporting Innovation:** New solutions, innovations, or datasets that transform and modernize the tasks and processes that support prioritizing, decisioning, and documenting suspicious activity and watchlist filtering alert investigations and develop and submit necessary reporting to senior management and regulatory authorities.

QUALIFICATION AND EVALUATION METHODOLOGY

In March 2022, Aite-Novarica Group solicited nominations for its 2022 Impact Awards in AML. All nominated initiatives were required to be in production and must have been implemented within the last two years. Strategic Advisors from Aite-Novarica Group's Fraud & AML practice and an external panel of subject matter experts and industry

thought leaders evaluated the submissions and determined the individual category winners. Each AML nomination was evaluated across several criteria (Figure 1).

FIGURE 1: EVALUATION CRITERIA FOR IMPACT AWARDS

AML Impact Award Evaluation Criteria			
Level of innovation	Competitive advantage assessment	Impact on customer experience	Impact on operational efficiency
Market needs assessment	Financial crime risk mitigation	Integration and scalability	Future roadmap

Source: Aite-Novarica Group

THE AML MARKET: CHALLENGES AND NEED

The world is changing rapidly, and sustaining effective financial crime risk management has become extremely challenging and complex. The breadth and capabilities of AML technology solutions must go beyond traditional offerings to address new market forces, combat financial crime, and achieve regulatory compliance while elevating the customer experience and operational efficiency.

Table A identifies key AML challenges that financial organizations and technology solution providers seek to address with innovative tools and approaches.

TABLE A: AML MARKET CHALLENGES

AML CHALLENGE	IMPACT
<p>Balancing increasing regulatory requirements and demands for superior customer experiences</p>	<p>In today's competitive and complex financial landscape, regulated entities must achieve compliance with KYC and AML requirements while delivering superior customer experiences. Corporate customer onboarding can take days, weeks, or even months, necessitating considerable resource effort. Organizations want tools to help them understand corporate structures and associated risks more accurately and reduce the time and effort required to complete KYC-related tasks.</p>
<p>Managing evolving sanctions risks due to digital acceleration</p>	<p>Digital acceleration has increased the opportunities for organized crime groups and terrorists looking to launder money or evade international sanctions. Capitalizing on the anonymity in digital channels, they can elude detection by presenting as entities other than their own or spoofing their locations with proxy, VPN, or Tor browsers. Organizations need new capabilities and insights to help them manage elevated sanctions risk.</p>

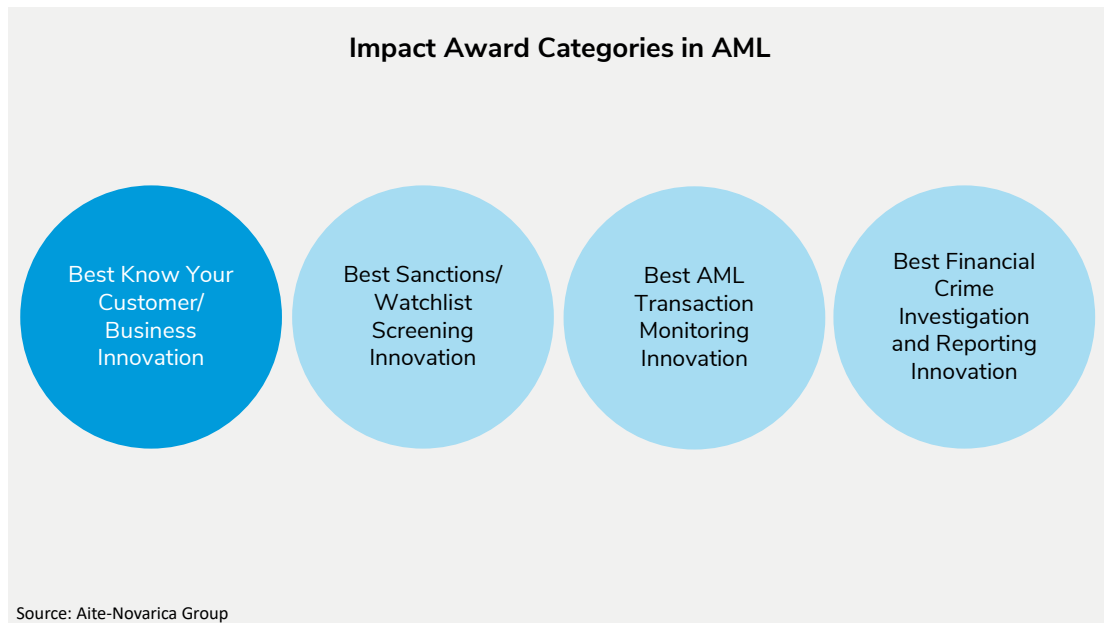
AML CHALLENGE	IMPACT
<p>Going beyond the legacy approaches to AML transaction monitoring</p>	<p>Legacy AML transaction monitoring platforms were built on static rules and tend only to spot unusual transactions when they meet pre-established scenarios. However, even the most detailed set of rules cannot anticipate, adapt to, and detect all relevant financial crime risks. Moreover, legacy approaches can generate a high number of false positives. AML compliance officers must become more effective and efficient. They need dynamic detection tools that can deliver enhanced insights, identify unusual or unexpected behaviors early, minimize false positives, and reduce the total cost of compliance.</p>
<p>Optimizing laborious AML investigation practices and finding unknown unknowns</p>	<p>Financial crime investigations can be a huge expense. The complexity of an organization’s business and operations, increasing volume of transactional activity and transaction monitoring alerts, and intensifying regulatory expectations all contribute to the demands placed on AML operational teams. Financial organizations require tools that can harness massive amounts of available data, often in unstructured or semi-structured formats, to uncover meaningful intelligence more quickly and drive smarter decision-making with better outcomes.</p>

Source: Aite-Novarica Group

ENCOMPASS CORPORATION

Encompass is the recipient of the 2022 AML Impact Award for Best Know Your Customer/Business Innovation (Figure 2).

FIGURE 2: IMPACT AWARD FOR BEST KNOW YOUR CUSTOMER/BUSINESS INNOVATION—ENCOMPASS



BACKGROUND COMPANY INFORMATION

Since its launch in 2011, Encompass has supported global banks and financial institutions in fighting and preventing financial crime, streamlining KYC processes, complying with AML regulations, and reducing enterprise regulatory risk. Encompass automates the KYC processes for gathering, processing, and collating primary and premium information and news discovery to facilitate new customer onboarding, event-driven customer information refresh, or customer due diligence (CDD) remediation. Its intelligent process automation enables its clients to build comprehensive KYC profiles on their corporate customers from multiple sources, empowering fast, informed, and confident decisions.

Table B summarizes information about Encompass and its winning innovation.

TABLE B: ENCOMPASS SUMMARY

CATEGORY	HEAD
Firm	Encompass Corporation
Date founded	2011
Headquarters	Encompass headquarters are in Glasgow, Scotland. It has offices in New York; London; Amsterdam; Belgrade, Serbia; Sydney; and Singapore.
Award category	Best Know Your Customer/Business Innovation
Innovation	Encompass KYC solution
Brief description	The Encompass KYC solution intelligently blends data, technology, and automation and enables organizations to supercharge KYC due diligence and construct comprehensive pictures of corporate structures faster.
Key Features	Strengths include intelligent process automation, ultimate beneficial ownership verification, scalability, and integration.
Value proposition	For financial organizations, corporate customer onboarding can take days, weeks, or even months, necessitating considerable manual research activities. Encompass helps financial organizations drastically improve their ability to understand their compliance risk and the corporate structures of their customers and significantly reduce the time it takes to complete these tasks.
Website	www.encompasscorporation.com

Source: Encompass Corporation and Aite-Novarica Group

ENCOMPASS INNOVATION

By blending data, technology, and automation intelligently, the Encompass KYC solution enables financial organizations to construct comprehensive profiles of corporate structures, their hierarchies, and underlying ultimate beneficial ownership (UBO) faster and supercharge their KYC and CDD efforts. Encompass KYC solution's strengths include the following:

- **Intelligent process automation.** Encompass uses intelligent process automation to verify KYC and AML data attributes quickly and consistently. As a result, Encompass can process corporate customers significantly faster than through typical manual KYC processing.
- **UBO verification.** Encompass allows organizations to streamline unique UBO discovery and unwrap corporate structures effectively and efficiently with less manual intervention. Organizational analysts can receive holistic visualizations of ownership hierarchies and full, nearly instant pictures of corporate customers.
- **Scalability and integrations.** Encompass can easily integrate and scale its platform across existing enterprise Customer Lifecycle Management (CLM) or Customer Relationship Management (CRM) platforms. Encompass allows its clients to ingest and process data from any external or internal source. Additionally, Encompass has established strategic alliances and partnerships that power its platform, making it more inclusive, flexible, and accessible.

KEY VALUE PROPOSITION AND MARKET CHALLENGES ADDRESSED

In today's ultracompetitive and complex financial landscape, regulated entities must achieve compliance with a litany of KYC and AML obligations while delivering superior customer experiences. For financial organizations, corporate customer onboarding can take days, weeks, or even months, necessitating considerable resource effort and expense. Manual corporate research activities are frequently laborious, time-consuming, and costly. They can produce incomplete or inconsistent results, especially from one analyst to another, and are prone to human error. The process can often result in inadequate pictures of corporate ownership and associated risk and, as a result, insufficient KYC and AML operations and poor organizational decisions.

The industry imperative to manage the delicate balance between regulatory compliance and customer experience and onboarding speed was a primary genesis for Encompass's automated corporate KYC due diligence platform. Encompass aspired to help financial organizations drastically improve their ability to understand the hierarchal structures, underlying UBO, and controlling persons of their corporate clients, assess the associated regulatory and reputational risks, and reduce the time and effort it takes to complete these critical tasks.

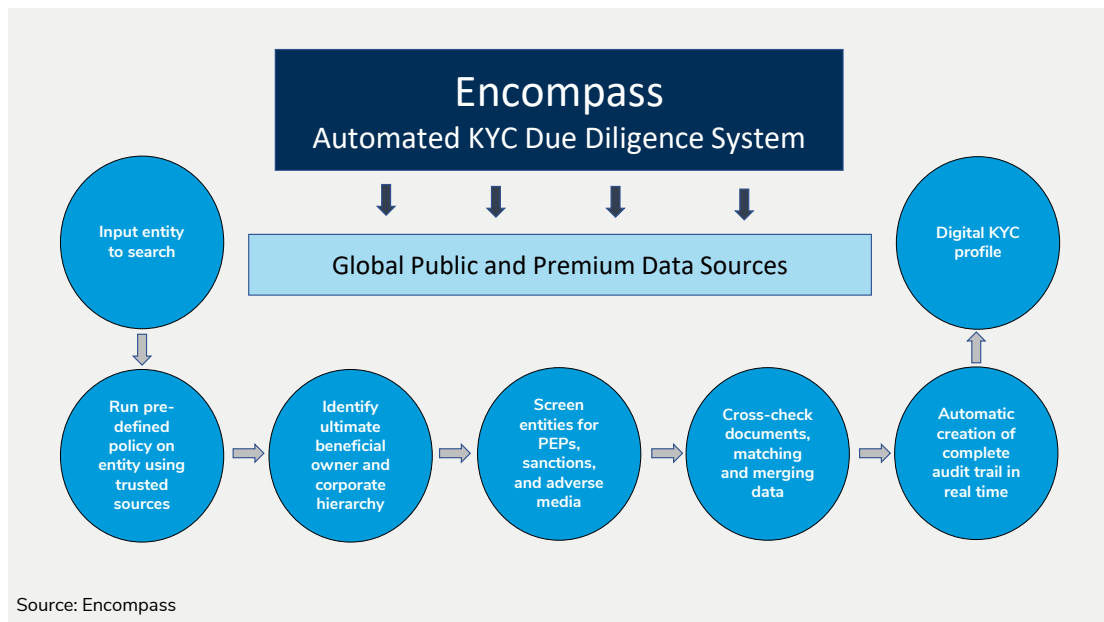
HOW THE INNOVATION WORKS

The Encompass KYC platform provides KYC due diligence on demand powered by intelligent process automation that can advance vetting on individual entities, back-book remediation, and ongoing monitoring. Encompass retrieves and integrates KYC data attributes from an unrivaled range of global sources (covering over 200 jurisdictions) to build out corporate hierarchy. Encompass’s KYC software automatically runs live data searches and document collation against trusted data sources in alignment with relevant requirements and defined corporate policies and procedures. In addition, Encompass can be expanded to suit the customer’s needs.

Flexible delivery options and a wide range of strategic partnerships facilitate integration into existing CLM and CRM systems and enterprise workflows. With Encompass’s automated process, clients can be assured that their internal policies and procedures will be followed and due diligence will be conducted accordingly and appropriately documented.

Figure 3 illustrates a typical workflow.

FIGURE 3: ENCOMPASS AUTOMATED KYC DUE DILIGENCE SYSTEM



- **Step 1: Initiate a corporate entity search.** A KYC analyst creates a corporate entity profile through the Encompass portal or within an existing CLM or CRM system aligned through the Encompass API integration.
- **Step 2: Screen entities.** The Encompass platform screens all entities identified in the corporate ownership structure against global PEP, sanctions, and adverse media risk data as defined by the firm's internal policy and risk-based approach.
- **Step 3: Identify UBO.** Encompass intelligent process automation returns the results to the KYC analyst within minutes. This enables the analyst to visualize the corporate structure, discover the UBO, and evaluate any associated risks, including any possible results identified through PEPs, sanctions, and adverse media screening checks.
- **Step 4: Cross-check documents, matching and merging data.** Encompass dedupes and merges data automatically and presents documents for additional investigation. Encompass can conduct additional searches where more due diligence is required.
- **Step 5: Present completed digital KYC profile.** As the end result, Encompass constructs a digital KYC profile, complete with source documents and an audit trail, that is made available for the analyst to share or download as required.

KEY BENEFITS AND RESULTS

Encompass's core strengths include the solution's scalability and ability to integrate (via API) and its strategic alliances and partnerships. On the technology side, Encompass partners with leading technology providers, including those offering CLMs and CRMs, to power platforms with critical data and automation with a customer's existing workflows. This reduces client outreach to customers for additional inquiries and minimizes the need for users performing KYC due diligence to toggle across multiple systems. On the data side, Encompass provides flexibility, ingesting data from any global data partner of the customer's choosing.

Table C lists the tangible benefits Encompass clients experience.

TABLE C: ENCOMPASS BENEFITS

BENEFIT	DESCRIPTION
Accelerated customer onboarding	Encompass drastically reduces KYC timelines. Encompass has been more than 90% faster than pre-existing KYC activities for many clients.
Improved compliance	Encompass' ability to automate the unwrapping of corporate ownership data can strengthen AML compliance efforts. For many clients, Encompass has been proven to uncover corporate structure hierarchies and the underlying UBO more extensively than pre-existing processes.
Increased KYC analyst productivity	By automating the process supporting KYC data collection and mapping, Encompass allows KYC analysts to spend less time on repetitive and time-consuming tasks and focus on more meaningful compliance and risk mitigation activities.
Evidenced compliance	Encompass allows regulated firms to maintain a complete and accurate audit trail, drastically reducing the time required to build such documentation.
Reduced customer outreach	Encompass provides clients with access to the broadest set of global public and premium data sources, reducing customer outreach inquiries and improving onboarding speed and ongoing customer experiences.

Source: Encompass Corporation and Aite-Novarica Group

FUTURE ROADMAP

Table D identifies key product features that Encompass will focus on throughout the next 12 to 24 months.

TABLE D: ENCOMPASS FUTURE ROADMAP

TIMELINE	KEY FOCUS AREA
12 months	<ul style="list-style-type: none"> Expanding KYC data coverage Improving straight-through-processing rates for customers

TIMELINE	KEY FOCUS AREA
24 months	<ul style="list-style-type: none"> • Building out its data coverage beyond KYC information • Augmenting its business intelligence • Delivering automated risk assessments

Source: Encompass Corporation and Aite-Novarica Group

ATE-NOVARICA GROUP'S TAKE

AML compliance leaders recognize that having the full picture of customers and their associated risks can go a long way to successfully countering financial crime and complying with regulatory requirements. Launched by founders with deep data visualization expertise, Encompass has successfully fused data, technology, and automation to boost corporate onboarding and KYC compliance. Its advanced intelligent process automation streamlines enterprise KYC due diligence and internal client risk rating processes by constructing more holistic corporate ownership structures, discovering UBO, and comprehensively screening entities and persons for sanctions, financial crime, and reputational risk.

The following illustrates the benefits of Encompass:

- Encompass delivers a smoother and more beneficial process for customer onboarding and saves time and effort internally, raising resource productivity.
- Encompass screens for regulatory and reputational risks with greater consistency and accuracy.
- Encompass's digital KYC profiles provide clients with baselines for future remediations or periodic customer KYC refreshes.
- Encompass's data aggregation capabilities can enhance the performance of enterprise CLM and CRM systems.

Encompass's comprehensive KYC profiles, intelligently assembled from multiple data sources, uplift financial crime mitigation and streamline customer onboarding to empower fast, confident decisions and drive operational efficiency.

ABOUT AITE-NOVARICA GROUP

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

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