



KNOW YOUR BUSINESS: Extend KYC Strategies to Business Relationships

Verifying identity and risks associated with customers and suppliers is just good business.

For financial entities seeking to mitigate risk, reduce fraud, and meet compliance requirements, it's critical to have current and correct information about customers and suppliers. Enter KYB, or Know Your Business, a counterpart to Know Your Customer (KYC) processes designed to identify individuals and their associated levels of risk.

KYC alone just didn't cover enough bases – terrorist and criminal organizations were still easily moving funds through front companies. Now, financial institutions are adding another layer of consideration to these transactions, incorporating KYB processes to identify the business owners behind the company name and verify they are not sanctioned or on global watchlists. At the same time, financial institutions must ensure processes are seamless – so KYB strategies must be integrated smoothly, happen in real time, and not hinder business relationships. Smart data tools are required, with financial services providers tapping into sophisticated eIDV (electronic identity verification) tools to meet their needs and ensure an excellent business customer experience.

INCREASING EFFICIENCY AND PERSONAL SERVICE WHILE REDUCING FRAUD

Fake shell companies? Corrupt organizational structures? Yes, these kinds of entities exist and represent real risk for financial organizations working with new and existing commercial clients. KYB checks can help stop corporate fraud, while also working to protect an organization's reputation by preventing financial crime, such as money laundering and terror financing.

In a competitive financial landscape, KYB and KYC processes are not just about minimizing the opportunity for fraud. They can be just as crucial to improving the customer experience, enabling efficient operations featuring personalized communications and services. During times of increased inflation and economic constraint, these are all important and highly competitive factors for acquiring and retaining banking customers.

For a prime example of why KYB is so vital, look no further than the pandemic relief programs issued by the U.S. government, including its entire portfolio of disbursed funds such as loans, grants, and awards. According to the U. S. Small Business Administration, an estimated \$36 billion of \$1.2 trillion pandemic emergency relief funds were fraudulently obtained¹. The U.S. government moved quickly to provide financial relief to businesses across the country, but did not implement sufficient KYB operations as part of its emergency financial programs. KYB operations would not have significantly extended processing timelines for businesses seeking relief – but skipping them helped contribute to aggressive fraud.

KYB EMPOWERS FINANCIAL SERVICES

The main difference between KYB and KYC checks is the type of information needed for identity verification. Both KYB and KYC verify an individual's name, address, and date of birth; however, KYB also cross-checks a company's name, address, business registration number, and operational status. A more costly, yet more in-depth KYB screening process includes identifying any person with significant control – such as a business' beneficial owners, the company's annual returns, or its financial statements. To conduct a more in-depth screening, a financial institution must weigh the benefits against the heightened cost. The scope and value of the business relationship and its associated transactions may warrant the deepest version of KYB operations.

INTEGRATING KYB AND KYC AS PART OF ELECTRONIC IDENTITY VERIFICATION

Using an all-inclusive SaaS (Software as a Service) platform to perform electronic ID verification (eIDV) is an effective way to offer both KYC and KYB checks. These scalable tools are becoming more necessary as fraud continues to be a growing risk.

// KYB checks can help stop corporate fraud //

Simple to deploy, these tools support cross checks of contact data in real time – without negatively impacting the customer's online experience.

KYB tools access trusted global data streams, such as credit bureaus, government agencies, and utility records, pairing data with recognized business registries or regulators like the Securities and Exchange Commission. This insight is used to verify and match the contact's name, address, date of birth, email, or phone number. Mortality screening checks, also offered by the platform, can effectively confirm a person's ID, catching and correcting in real-time any errors in the data, such as typos in the address.

Financial institutions can also avoid violations and costly penalties by maintaining a comprehensive view of business customers across their platforms. It's a new and growing challenge, as sanctions compliance is complex, often involving multiple departments, applications, and commercial contact databases.

1. Input Record

Old Address:	50 Enterprise Aliso Viejo CA 92656-1153
---------------------	---

2. Output Record

✓ Name:	John Wayne Brown
✓ Address:	22382 Avenida Empresa Rancho Santa Margarita CA 92688-2112
✓ Phone Number:	949-858-3000
✓ Appends:	Added Phone Number: 949-858-3000 Household Income: \$38,000-\$42,000 Age: 37 Latitude: 33.637553° Longitude: -117.607415°
✓ Email:	jwbrown@melissa.com

¹ SOURCE: <https://www.sba.gov/article/2023/06/27/us-small-business-administration-releases-report-anti-fraud-control-measures-pandemic-relief>

Yet optimized KYB tools provide access to data on global sanctions and politically exposed persons (PEP). These powerful tools consolidate watchlist screening, verifying players against such lists as PEP and SDN (Specially Designated Nationals and Blocked Persons). They streamline the process for banks by readily accessing data from OFAC (the Office of Foreign Assets Controls), the global economic sanctions entity working to combat the funding of narcotics and terrorism, along with similar sanctions administration entities worldwide.

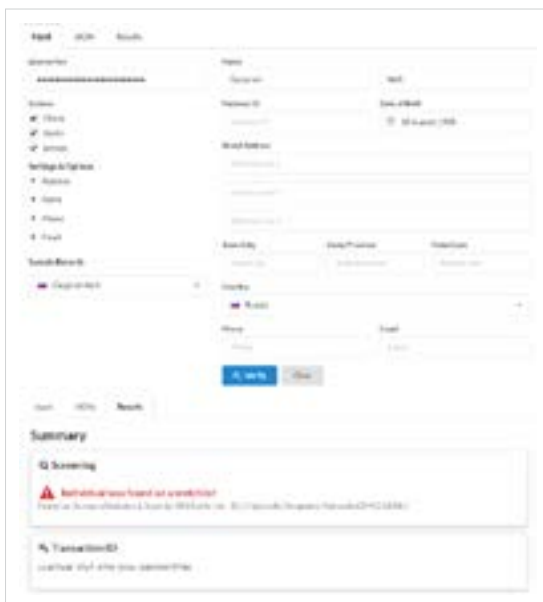
Additionally, KYB tools can offer adverse media checks of both individuals and businesses. Automated adverse media screening is a valuable addition to standard KYB processes, checking for negative news related to an individual or business even if they may not appear on any international watchlist. It's one additional step and is considered critical to developing the most accurate risk profile for customers in the financial sector, as well as markets such as insurance, healthcare, or non-profit – anywhere employees in senior-level roles, prospective clients, or business partners may pose risk to operations or reputation.



DATA COMPLIANCE IS SMART BUSINESS

Many diverse online financial services offer convenience and ease of use, but with this convenience comes increased risk. While scammers and fraudulent individuals have forced numerous institutions to deploy KYC, the business risk is driving greater recognition of KYB solutions. Working in tandem, KYC and KYB fight fraudulent activity – and operate efficiently and cost-effectively in a single software-as-a-service platform. By accessing multiple data streams containing billions of up-to-date global contact records, financial institutions verify and validate their personal and business customers, comply with global sanctions, and determine whether a new or existing client is partnered with or managed by bad actors. It's vital insight available in real-time, removing real threats to business operations by identifying fraud risks early and repeatedly.

Great data in real-time can stop threats at the door, not only protecting any professional reputations but also the legitimate businesses that are putting their trust in your institution. Today's tools make it possible, automating risk assessment and seamlessly empowering best practices in both KYC and KYB.



ABOUT THE AUTHOR

Authored by *Bud Walker*, Chief Information Officer, Melissa. Bud manages the strategic vision and next-generation capabilities of Melissa's data quality tools and services. Connect with Bud at bud.walker@melissa.com or [LinkedIn](#).