

Strong foundations

Testing and compliance continues to underpin all that the i-gaming sector does well. **INTERGAMINGi** hears from those companies leading the line

FOR a sector so dependent on regulation and, by extension, the political climate of the day, 2016 has been a potentially critical year.

In June, the UK voted to leave the EU. The actual moment of departure is yet to be set but consensus is that Brexit *will* go ahead. Meanwhile, Donald Trump is preparing to be installed as the 45th president of the United States.

In i-gaming's most evolved and mature market (UK) and in one of its most promising (US), the sector has seen political change like little else in living memory. So how will i-gaming cope?

The truth is that the sector is, in its regulated markets, as robust and resilient as ever. One of the main reasons for this strength are the high standards the industry sets for itself; upheld by many but underpinned by the work of the sector's testing and compliance labs.

Here, **INTERGAMINGi** asks those responsible for enforcing and setting the standards about the last year – and what the future holds.

INTERGAMINGi: What have been the successes and what trends have emerged in compliance and testing in the last year?

Ingo Ernst, CEO, 4Stop:

"Requirements for know your customer continue to grow substantially both in the type of due diligence required and the level of complexity. Financial institutions, banks and their customers are constantly managing the ever-changing regulatory landscape and trying to find new streamlined and cost-effective methods to integrate changes when they occur. While compliance is not an option but a legal requirement, these businesses must establish a balance between satisfying the regulator and delivering a positive customer experience.

"One of the revised - and more stringent - sets of requirements to prevent money laundering and the financing of terrorism is the implementation of the Fourth Anti Money Laundering Directive, which will be required by no later than the end of 2016. This is partly as a result of pressure from France to clamp down in the wake of the terrorist attacks that shook the country in late 2015, as well as the financial crisis of 2008 and other significant events like 9/11, and partly as a result of pressure for member states to implement 4AMLD before the next round of Financial Action Task Force mutual evaluations.

"The primary focus of 4AMLD protects international financial markets by combating money laundering, terrorist financing and other related threats, while tightening anti-money laundering regulations throughout the EU.

INGO ERNST, CEO, 4STOP:

"4AMLD includes online operators, while it was previously just focused on land-based casinos. What was once 'best practice' is now a regulatory requirement."



"The 4AMLD, for the first time, includes online operators, while it was previously just focused on land-based casinos. What was once 'best practice' is now a regulatory requirement that has a severe impact on online operators everywhere. A good example for the increased scrutiny is a judgement by the UK Gambling commission that had two gaming operators having to set aside £1.7m due to failing the AML regulations and rules. Fines now more than ever have a drastic impact on the overall processing cost and have become a true factor in the overall success of a successful gaming operator.

"That is just one of the many examples of the rapidly tightening and changing regulations in the gambling market. 4Stop is seeing a large demand for hands-on expertise from true compliance specialists that bring together knowledge of the acquiring and processing world, compliance and regulatory background and a vast experience in the gambling market. A rare skill set combination required to keep up with today's compliance regulations and have a future-proof set-up to avoid fines or even worse - being shut down for non-compliance.

Kirk White, executive vice president and general manager at BMM Testlabs:

"Over the last few years, the global gaming industry has seen increasing complexity of games, features, platforms and systems as well as major changes in the way that a player interacts with and accesses a game through various media options. BMM has been meeting and exceeding the needs of this ever-developing market through our enhanced quality of service, specialised tester training programs and our developed industry insight.

"BMM is very proud to maintain the highest level of independent quality testing in the world and we are constantly updating and enhancing our testing methodologies to meet the many

and varying global regulatory standards. This progressive development of testing methodologies and technical expertise continue to ensure that BMM is providing innovative testing solutions to clients around the world, enabling them to reach their goals faster and within budget.

"Additionally BMM is currently in the process of certifying all our engineers in the ISTQB programme. ISTQB is the world's most successful programme for certifying software testers and recognises BMM Testlabs for its demonstrated commitment to software testing training and qualifications. BMM is the first test lab to become an accredited global partner with ISTQB. This partnership not only ensures that our engineers are trained to be top of their field by an externally accredited body, it also ensures that we are staying current with new testing methodologies and trends."

Ernst, 4Stop: "Fintrac (Canada) and FinCEn (US) are also increasing legislations/requirements and following FATF's main recommendations.

"There is now a far greater requirement for regulated entities to understand exactly who they are doing business with including the UBOs behind the legal entities with whom they transact. With 4AMLD, the biggest challenge for most countries in the EU will be to understand the new requirements around UBO and all associated risks.

"This means conducting far more intrusive and rigorous due diligence, which in turn takes more time, more effort, and more resources. There is also a greater requirement to understand the full spectrum of risks posed by all customers, as well as stricter obligations relating to maintaining information on customers and keeping it up-to-date on an ongoing basis.

"Challenges, as such, are adding to the time and costs organisations must allocate to their compliance departments, and regulations are only becoming stricter.

"Without proper management of data, costs and time can quickly escalate. Implementing various data providers to automate KYC and compliance regulations for the different markets of gambling operators is becoming a costly task. Failing appropriate levels of ongoing monitoring and due diligence checks in real time brings many of the patchwork, legacy platforms beyond their function of offering a streamlined customer experience and has a drastic effect on conversion processes. We see the acceptance rates for new customers declining.

"Monitoring customers' transactional activity is an important process that cannot be underestimated. A client can start off operating a pristine business model, but inexorably, over

time, their commercial activity can change - through no fault of their own - and thus become more challenging from a compliance perspective. It is not enough to assume that simply because a client was operating lawfully last year, that he or she will be doing so today.

"This all links back to the adoption of a risk-based approach, which the UK has embraced for many years. This will soon be a greater reality for all EU countries. Essentially, the RBA refers to the development of controls to deter, detect and prevent money laundering and terrorist financing in a way that will commensurate with the actual risks faced by a business. In other words, organisations must fully understand the risks that exist within their firms and, secondly, the controls they introduce must be commensurate with the management and/or mitigation of the actual not theoretical risk.

"This leads to another key theme within 4AML: politically exposed persons. According to the requirements of 4AML, enhanced due diligence is necessary if PEPs are involved in a transaction because they are deemed to carry a greater potential risk merely by virtue of the positions they hold."

ANDREW GELLATLY, EDITOR AND HEAD OF RESEARCH SERVICES, GAMBLING COMPLIANCE:

"The notable US trend for land-based casinos and card clubs to be slapped with eye-watering fines has begun to emerge in Europe."



Andrew Gellatly, editor and head of research services, Gambling Compliance:

"In recent months we've seen trends in certain compliance areas - particularly in anti-money laundering - flow from the land-based industry to online, and some US-style strategies of compliance and enforcement become an everyday reality for online operators.

"In Europe 4AML has brought in a set of obligations for the European Commission, European supervisory authorities, EU member states and other obliged entities with regard to preventing the use of the financial system for the purpose of money laundering and terrorist financing,

"These commitments include the alignment of national legislation with 4AML within a two-year period, which ends on June 26, 2017, although the landmark vote by the UK to leave the EU raises question marks for both land-based and online operators over the time scale and by how much, if at all, the UK may seek to diverge from the directive and its timetable.

"EU member states will have to implement a complete package of measures in relation to KYC requirements, customer due diligence, the

register of beneficial owners and retention of personal data, among others and for the first time this process will apply to all sectors of the industry, online and offline.

"In any case the industry now has the task of arguing which, if any, sectors may be considered low risk enough to be exempted, meanwhile, the EU Commission is carrying out its own risk assessment of the industry.

"The stakes are getting higher for all concerned as the notable US trend for land-based casinos and card clubs to be slapped with eye-watering fines has begun to emerge in Europe.

"Since the start of 2015, the US Treasury Department's Financial Crimes Enforcement Network - or FinCEN - has levied more than \$100m in fines against US state- or territory-licensed casinos, card clubs and sportsbook operators and at least three gaming entities have also either pleaded guilty to criminal AML charges, or entered into formal agreements with federal prosecutors to avoid them.

"In recent months, the UK's own Gambling Commission has dealt out its own series of anti-money laundering and social responsibility penalties, including £280,000 for Paddy Power, more than £800,000 for bookmaker Betfred in June and almost £850,000 for Gala Coral in April.

"The Gambling Commission has collected more than £3.75m in penalties throughout the past 12 months, with the money going to fees and socially responsible causes including victims of the crimes. And the same focus on personal liability (evident in the US since Thomas Haider, the CFO of payment firm Moneygram, was slapped with a \$1m personal fine by FinCEN in 2014) has started to become apparent in the UK and Europe.

"This summer, outgoing Gambling Commission chairman Philip Graf called for more board-level accountability on compliance issues, and CEO Sarah Harrison reiterated that message in November threatening higher fines and licence reviews for firms that neglected their responsibilities and failed to act in their customers interests.

"She pointed to increasing numbers of complaints over self-exclusion, customer funds withdrawal, terms and conditions and advertising and marketing. The messages from the UK's regulators carry enormous weight and raise important questions about the appropriate degree of investigation that needs to be applied to each operator's often most valuable customers.

"As the regulator continues with a stream of consultations, continued guidance from the regulator, and from independent information providers like Gambling Compliance, guidance from the regulator will be key to establishing a successful and workable culture of compliance across the online industry."

Chad Kornett, director of technical compliance, GLI:

"The industry continues to progress down a path of more interactive and immersive gaming content. The supporting technology is becoming more complex and capable month by month, so the need for modern technical standards combined with effective and efficient testing methodologies is becoming more

important than ever. Although the technology is becoming increasingly advanced, the core regulatory objectives have not changed.

Integrity, accountability and player fairness remain the primary objectives of the world's gaming compliance systems. In order to provide regulators with sufficient assurance in those areas, it is essential that the foundation of the technology and supporting operational processes be understood, administered, and operated in a way that is aligned with those objectives. This is especially important in light of a technical environment that is evolving, where more and more function is moving out of gaming machines and placed within server environments, where security configurations, data protection, and control over remote access are of utmost importance.

"The testing laboratory must be ever mindful that it must balance the often competing interests of regulators that demand high degrees of accuracy and risk control in the testing process and manufacturers who value speed to market, cost efficiency and quality control. The goal of the lab is to develop high efficient processes that allow for product to reach the market as quickly as possible while ensuring high quality testing at a reasonable price.

"As an early trend, we have begun to see some regulatory agencies transition towards acceptance of more modern technologies along with a focus on operational auditing as a supplement to laboratory efforts. With tight integration between regulatory and laboratory resources, it becomes possible to create a monitoring program that allows the operational and security vulnerabilities of a specific product to be assessed without excessive efforts that should not apply to that product. As the industry transitions towards technology that is increasingly complex and volatile, this type of coupled approach to laboratory testing and operational auditing is becoming more important.

"However, in order for this approach to succeed, the auditing function must have an in-depth understanding of the underlying technology in order to properly assess and evaluate the risk profile of the product in the field and to avoid high profile incidents that could greatly damage the integrity of the gaming industry."

CHAD KORNETT, DIRECTOR OF TECHNICAL COMPLIANCE, GLI:

"As an early trend, we have begun to see some regulatory agencies transition towards acceptance of more modern technologies along with a focus on operational auditing as a supplement to laboratory efforts."



Rob Hubregtse, managing director, Trisigma: "This year 2016 has been (again) our best year ever. We're very proud to show a continuous and healthy growth since our origin in 2010, with increasing numbers of gaming companies finding and appreciating our services. At the end of 2016, we're moving to a new and much more spacious headquarter location which is a good signal to all of our relations and beyond that we've reached the end of the infancy years and have established a good level of maturity as a company.

"When you're asking about trends, one continuous trend and major focus for us is that we must expand our list of covered jurisdictions by popular demand. So we've added Gibraltar among others this last year and are fully prepared now for Spain where we're very near the end of the necessary administrative procedures. We are confident that we offer an interesting portfolio to our clients and that we can quickly adapt for new markets when needed.

"Another interesting trend is the regulator-driven maturing of compliance confidence for the established i-gaming markets. Where on the land-based side the compliance conformity validation is, for the most, fully regulated for the complete product life-cycle, this is for i-gaming much less the case. For online gaming it is not unusual that after an initial pre-release full product compliance test, there is mostly a grey area for the rest of the life-cycle where it is not clear or not necessary what should be done with changes somewhere in the product or in related system parts. As a trend it is obvious that more regulators are addressing this issue and are drafting additional standards.

"A trend is to address the issue more with an auditing approach rather than just (re)testing only. For Trisigma, we are proud and excited to be an accepted interlocutor by regulators on the subject and to share our experience. Generally auditing is an effective and appropriate tool, by itself or complimentary to other methods, and is a good part of our offered services."

How do you balance working for the industry as well as for the regulators and that potential conflict of interest?

Hubregtse, Trisigma: "We have a very strict and strong opinion on this. In the end all of our work is there for the regulators. Independence is by far our biggest asset. For Frank (Otte) and me - both owners and directors of Trisigma - guarding this drives all of our decisions on every level.

"We have direct lines of communication with regulators on all levels for the jurisdictions we operate in. From daily operational matters to long-term policy discussions. With the growing international exposure of Trisigma we find ourselves being more and more approached and consulted by various regulators, which is a good sign of our recognised independent position.

"Of course there is the clear fact that it is the industry that pays the bills. Potentially there is a root for conflict of interest there. It is a matter of being very clear of your attitude to all parties, having clear internal company policies and to close the loop there is external third-party control by the Dutch Accreditation Council.

"It is my strong belief that in the end the alignment of interest is by far much more

influential than any potential conflict. True independence is the base for full acceptance of test reports by regulators, as it is the base for a sound regulated market with a level playing field, which is in the best of interest for all."

White, BMM: "BMM has been operating as a licensed independent global test lab for over 35 years and we have never experienced an issue related to conflict of interest. Regulators have consistently sought out and used BMM's expertise and experience to provide advice and draft the standards and requirements for effective regulation of gaming markets. BMM has also been providing on-site training to gaming commissions for many years.

"BMM is licensed by more than 420 jurisdictions around the world to test and certify gaming products to the regulator's operational and technical standards. This service is contracted directly with the industry, which, through its own licensing conditions, understands the independence and obligation of BMM to test and certify the products. Test labs are constantly measured and audited by industry regulators to ensure quality and avoid any potential issues.

"Through a programme of regular outreach, regulatory training and our participation in the development of technical standards and requirements for new technology and markets, BMM has created excellent working relationships with regulators all around the world."

Kornett, GLI: "GLI ultimately aligns its testing and consultation approach with the needs of the regulatory agencies that it services and does so in a way that provides manufacturers with an efficient, yet comprehensive testing process. This is done via relentless innovation in our approach, processes, and technology.

"By having local resources in each continent that we serve, our compliance teams develop a keen understanding of the needs and objectives of the regulatory agencies and thus can facilitate the approach and collaboration necessary to achieve product placement while meeting all of the regulatory expectations.

ANOTHER INTERESTING TREND IS THE REGULATOR-DRIVEN MATURING OF COMPLIANCE CONFIDENCE FOR THE ESTABLISHED I-GAMING MARKETS

Rob Hubregtse, managing director, Trisigma

"This coupled with the significant depth of GLI's technical and research teams, we are able to provide effective and efficient testing and offer tremendous consultative value to both manufacturers and regulators through the exposure gained from many decades of being immersed in the details of nearly every regulated market globally."

Alvaro Kurth, CRO, 4Stop: "Implementing regulatory, risk management and anti-fraud requirements is not a new concept but rather has become part of the new norm for regulated firms in the gambling sector and is discussed by regulators and business executives alike. The industry changing regulatory environment, cost of resources, insufficient skilled resources, understanding what conduct risk means to the firm, and establishing and embedding conduct risk appetite as key challenges. There is often no single regulatory definition across markets and no easy solution to manage and implement.

"Within the EU, each country will be required to work towards integrating 4AMLD into their local legislation. If the first, second and third directives are anything to go by, this will present a potential minefield, with widely differing interpretations playing out in local legislation.

"Financial industry players have increasingly come under the regulatory spotlight, and not only the volume but the multi-layered complexity of regulations governing anti-money laundering and counter terrorist financing continue to rise. While these tighter regulations are necessary to maintain the integrity of the global financial system, they have created a plethora of very real challenges for banks, financial institutions and their customers.



4STOP

Future Proofing Your KYC

Leverage hundreds of global KYC verification tools and data sources, via a single API.

LEADING-EDGE
ANTI-FRAUD

GLOBAL DATA
AGGREGATION

HUNDREDS
OF KYC DATA
SOURCES



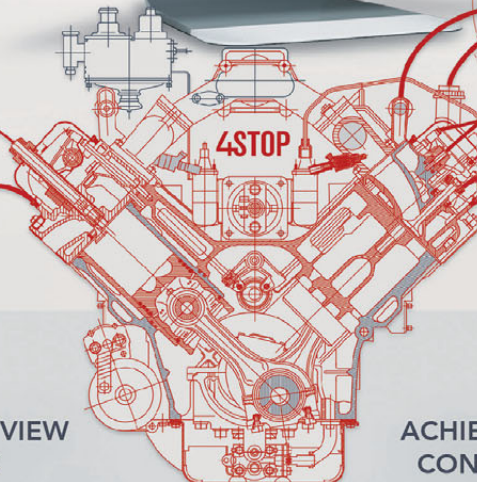
GLOBAL COMPLIANCE

Checkmarks for PSD2, AML4 and 5, while keeping you current with authorities such as FCA, Bafin, Fincen, and Fintrac.



SINGLE VIEW OF RISK

Our single integration provides one consolidated view of risk, layered with advanced anti-fraud tools to streamline operations.



ACHIEVE 100% CONVERSION

KYC waterfall starts with the lowest cost data sources and continues to tier to other KYC sources until 100% conversion is obtained.



FUTURE PROOF YOUR BUSINESS

Stay compliant by adding any new KYC data source and expand configured risk rules as regulatory requirements change.

Don't gamble with compliance.

Stay compliant. Combat fraud. Grow with confidence.

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"Costs, time and effort have spiralled almost out of control. One estimate suggests there are approximately 170 changes to regulation, or regulatory activities, every single day. The demand in verifying customers (i.e. KYC) to the level required for regulation affects all stakeholders. Both banks and end-clients want to spend more time on running their businesses and less time on KYC.

"The result is likely to be chaotic for organisations scrambling to comply with new regulations. Not only is it challenging to keep abreast of different levels and standards across the EU, but it can also slow the pace of businesses and imposes complex obstacles for organisations operating across international borders. These discrepancies complicate trade and hamper the movement of capital, primarily because they impact and extend the level in which due diligence is required. The risks they face and the requirements to manage these risks are all increasing. An organisation's ability to manage growing risk and increasing regulation is more crucial than ever.

"By adopting a risk-based approach to KYC - rather than simply ticking boxes in an attempt to satisfy the regulator - our clients are empowered to identify the real risks hiding in business relationships.

"We help businesses manage every step of the KYC process because we understand the importance of being able to demonstrate a complete audit trail to the regulator.

"4Stop brings together trusted information, managed services, software and expertise - an unrivalled combination that helps businesses confidently anticipate and act on risk across their organisation - so they can accelerate business performance. Our continued investment in robust technology means that senior managers, who now increasingly face personal liability for corporate compliance, can rest assured that they have partnered with an organisation at the forefront of leading-edge compliance solutions.

"Our KYC solution is part of our wider group of offerings - risk management solutions - developed over five years and with its roots in the gambling environment. Bringing together the premium data providers in a single integration together with in-depth knowledge of customer conversion processes within the market makes 4Stop a one-stop solution for future proofing."

What roles are you taking in developing new regulation, and where? Where are the new opportunities for i-gaming operators?

Hubregtse, Trisigma: "Our role in development of new regulations comes in different shapes. For one, we can and are contracted by regulators and by the industry. We also participate in committees and workshops quite frequently. As an independent body we take a neutral position where we share our expertise with the many jurisdictions we work for but we have no goals of our own, other than regulations being testable and verifiable to a sufficient degree of acceptance. Since we are all operating in a completely political driven economic sector, new opportunities are driven by introduction or change of laws.

"These are exciting times for new opportunities with changes happening all

over. Let's take Germany or our home base the Netherlands. We are in the process of introducing (finally) an i-gaming legal framework, opening the lottery market, the casino market, changes to slot machine regulation and changes in sports betting. Exciting times indeed."

KIRK WHITE, EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER AT BMM TESTLABS:

"We have never experienced an issue related to conflict of interest."



Kornett, GLI: "We have seen some regulatory agencies make great strides in updating their technical standards to align with advancements in technology. GLI has played a leading role in supplying the industry with a foundation of technical standards that are often used as a model for regulators globally. GLI incurs significant expense to develop these standards as a value-added benefit to provide greater global efficiency to the testing market.

"As an example, GLI-11, the world's most widely adopted gaming technical standard, has recently been updated to incorporate important emerging technologies, such as skill-based gaming. As a true industry standard, great care was taken to foster collaboration with regulators, manufacturers, and operators to modernise the approach in a way that supports innovation while continuing to anchor core regulatory objectives. An increasing number of agencies that regulate online gaming operations have incorporated content from or adopted GLI's internet gaming standard, GLI-19, as well.

"In the coming year GLI intends to continue to invest in new testing technology, improved processes and developing specialised skills so that it can provide the greatest value to gaming equipment manufacturers, software developers, system providers and regulators."

“WE ARE VERY WELL PLACED TO BRING TOGETHER ACCURATE AND IMPARTIAL CROSS-JURISDICTIONAL RESEARCH, WHICH HAS HELPED BOTH LAWMAKERS AND THE INDUSTRY GAIN A GREATER COMPARATIVE INTERNATIONAL UNDERSTANDING”

Richard Leather, legal and research director, Gambling Compliance

Richard Leather, legal and research director, Gambling Compliance:

"Through our research and advisory work we directly help governments, operators, and investors confront specific regulatory and public policy challenges at state, national and international levels.

"One example of how we are taking part in developing new regulation is comparative research. We are very well placed to bring together accurate and impartial cross-jurisdictional research, which has helped both lawmakers and the industry gain a greater comparative international understanding.

"As the definitive source of information for the global gambling and gaming sector, having strong industry and regulator relationships, and information exchange, is beneficial to both our industry and regulator subscribers."

Ernst, 4Stop: "The 4Stop stance is focused on ensuring that our clients comply to regulatory requirements on a global scale. Hence, a large role for 4Stop is not necessarily developing new regulation, but keeping up with the new regulations and changes, thus allowing for merchants to focus on other parts of their business - such as growth.

"4Stop future-proofs our client's KYC and compliance set-up and is powered with the leading global data sources combined with a highly dynamic and real-time plug-in solution. This gives i-gaming operators comfort, not only in their current jurisdictions, but fuelling expansion on a global scale.



“Key elements include staying up-to-date with the latest technology and data advances while, on the knowledge front, key roles include providing frequent updates on key regulatory developments; having an ‘always accessible’ team, available worldwide, for guidance and supervision; and the ability to translate complex compliance requirements to effective rules and reporting.”

White, BMM: “Online gaming is growing rapidly as a number of favourable factors have come together to enhance its appeal. Details such as mobile access, local, regional and global access to live sports and casino-style games; availability of cashless transaction systems; cross border market operations and, so far, a thinner layer of regulatory controls compared to land-based gaming all seek to expand i-gaming and its reach. Governments are currently trying to formulate legislation and policy for how they want i-gaming to operate in their markets. This is not an easy task as the dynamics can change rapidly in terms of demand, games and products, fads and both positive and negative implications.

“BMM works with many regulators around the world to establish and evolve operational and technical standards for both new and upcoming jurisdictions. We see many jurisdictions adopting common sets of core standards and then adding or modifying those standards to fit in with their own. This can create a unique set of regulations as to how gaming and gambling may occur in a particular jurisdiction. We find that most jurisdictions don’t want to adopt lowest-denominator standards, but prefer to evolve or establish their own standards as to how they want their markets to operate. BMM works with regulators to provide support and achieve the required outcomes in the most practical and efficient ways possible.”

There have been some seismic political changes this year – the vote for Brexit, the election of Donald Trump - how do you see the online gaming sector being affected, if at all?

White, BMM: “President-elect Trump has nominated Alabama senator and strict social conservative Jeff Sessions as Attorney General. It is unclear how Mr Sessions will act; however, while he is likely to be against the expansion of gambling he does respect and is arguably a supporter of state rights. Only time will tell.

“From BMM’s perspective we expect to see a natural continuation in the increase of the number of global markets legalising online gaming in one or multiple forms. Cross-border access to online gaming means that markets need to formulate legislation and policies within their own country, or jurisdiction, regardless of whether the operators are inside or outside of their country.

“This is a difficult challenge for governments and regulators, and we may see some time for all of this to come together.”

Hubregtse, Trisigma: “As contradictory as it may seem, since we are in a completely political driven economic sector, seismic political changes like Brexit or the Trump election may have very little impact if at all on the general level. One reason being that the gambling market is shaped as isolated national markets with little cross-border reach. Though there may and will be local effect the general overall impact is limited by this structuring.

“However, through the state of the economy worldwide, if these political changes would have a strong influence on this there will be an impact on the gambling sector, be it indirectly.

“Additionally, we are very excited about the opening of the Spanish market to our services, Both for i-gaming and for all of the land-based autonomous Spanish jurisdictions. We are very proud to have Esther Ballart join us in 2016. Esther is a gaming approval expert in the Spanish market who brings a wealth of expertise to the team.”

Kurth, 4Stop: “Organisations need to prepare now and build the appropriate solution(s) into their business risk model in order to not only manage current regulatory requirements but to move ahead of the curve and easily cope with the changes ahead. Businesses need to first understand the imminent regulatory changes and their likely impact on their organisation, and prepare by ensuring that the right resources (including staff, budget and technology) are in

place to manage an increased workload. This is particularly important where a firm engages in cross-border activity.

“There is also another important call to action: regulator engagement. One of the most important lessons to be taken from previous directives and regulatory change in this space globally is that consistency across jurisdictions is key. In order to move on and learn from the issues that impacted the implementation of previous regulatory change, a level of uniformity is needed. It is important that all key stakeholders engage now to try to achieve consistency across the EU.

“The issue is further complicated by the extremely tight timetable for implementation. This simply adds to the challenges, because legislation implemented expediently is often fraught with problems and inconsistencies. A case in point is the US Patriot Act, which came into effect in October 2001 in response to the terror attacks of 9/11. The act was understandably rushed through in response to the terrorist atrocities but then became the subject of years of revisions. As in so many instances, a lack of time can lead to hasty regulatory decisions and ultimately a host of other issues.

“The most critical message to organisations is: don’t delay - you need to future-proof your organisation now. As a result of 4AMLD, new regulations across the EU are imminent, so it is important to act now. Key stakeholders need to be heard if they wish to contribute towards positive outcomes. Keeping quiet will simply translate into a missed opportunity to bring a level of consistency and uniformity to the KYC landscape at a time when this is absolutely crucial. Regulators responded by introducing a plethora of ever more complex regulations governing the financial community.

“Compliance is not an option. It is a requirement.”

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Alvaro Kurth, CRO, 4Stop

