

Financial Transparency & Inclusion Survey

Summary of Findings for
Germany



Background & Methodology

- **Background/Objectives:** LexisNexis Risk Solutions wanted to gauge interest in a *global customer due diligence utility* focused on Know Your Customer (KYC) compliance and increased financial transparency and inclusion via a global survey of financial services executives.
- **Methodology:**
 - LexisNexis Risk Solutions designed and conducted an online survey, roughly 10 minutes in length
 - Email invitations were sent to financial services senior managers with Anti-Money Laundering (AML) Compliance responsibilities
 - 8 countries* were included in this survey: U.S., U.K., Germany, Brazil, Mexico, China, Hong Kong & Singapore
 - LexisNexis Risk Solutions was not identified as the sponsor of this research
 - Data were collected between August 17th and 25th, 2016
 - In total, 305 survey responses were collected

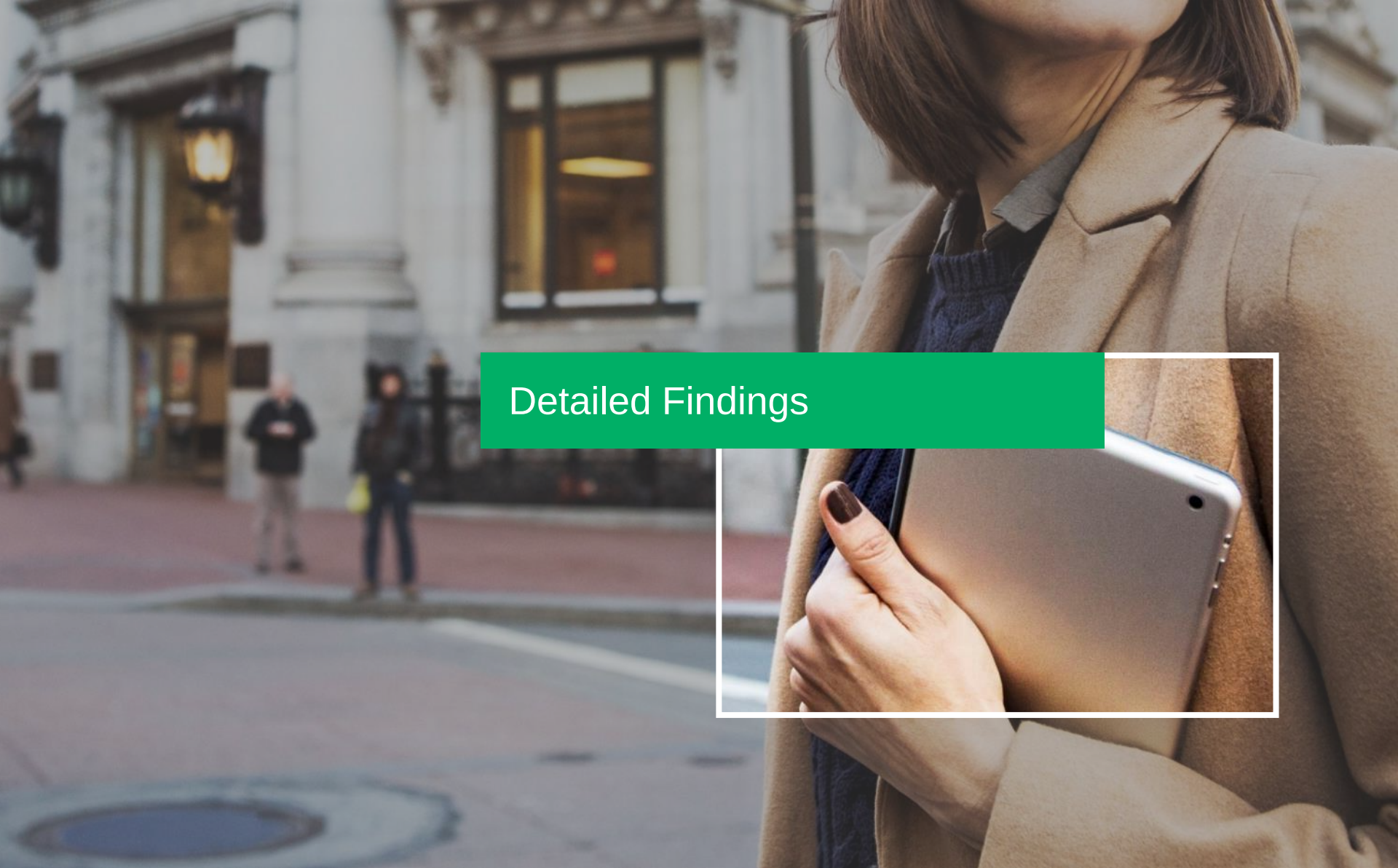
*While each country is represented by at least 30 responses, caution should still be exercised in drawing conclusions by country based on these fairly small sample sizes.

Executive Summary

- There is clearly strong interest in *financial transparency and inclusion*, as respondents indicate high levels of agreement with most related statements presented to them.
 - Mexico, China and U.S. respondents generally indicate the strongest levels of agreement with these statements, across the board.
- Respondents cite the greatest likely benefits of participating in a *global customer due diligence* utility as institutional reputation protection, compliance cost reduction, improved efficiency and having more data to enable better decisions.
 - It is also notable that only one of the 299 respondents to this question said their institutions would not benefit at all from being part of this type of utility.
- Most institutions allocate between 11% and 30% of their AML Compliance budgets (most of which are well over \$1 million per year) to CDD.
 - Institutions in Brazil tend to allocate considerably more of their AML Compliance budgets to CDD than do those in other surveyed countries.

Executive Summary (continued)

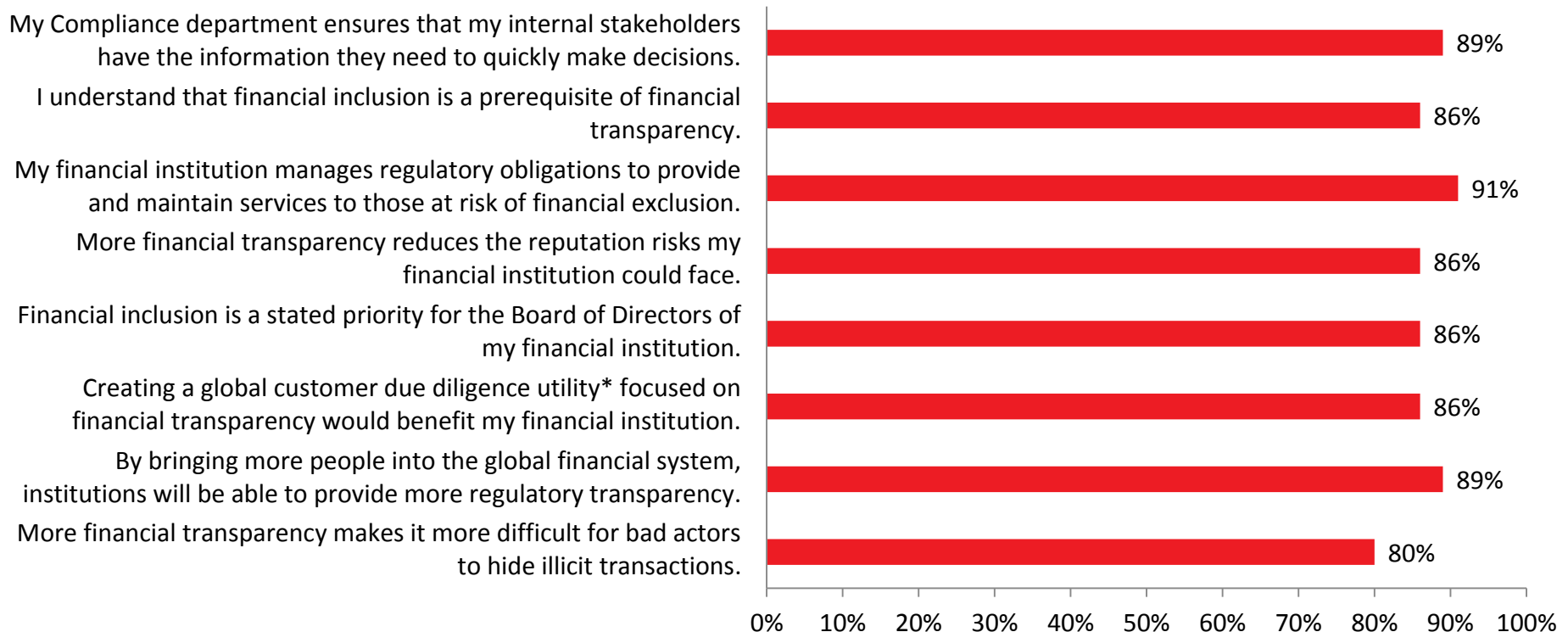
- Roughly half of respondent institutions turn away between 6% and 15% of both individual and small business potential customers due to their current KYC or credit risk decisioning processes.
 - Here again, Brazil tends to stand out as turning away the most potential customers – both individuals and small businesses.
- The most challenging customer onboarding hurdle institutions currently face tends to be the effort required in order to verify information – and this is true for both individuals and small businesses.
- Respondents typically agree that their onboarding processes are important for both compliance and yielding true insights.
 - However, the U.K. is the only survey country where respondents tend to see onboarding as yielding true insights more so than as just a compliance activity.
 - The vast majority of respondents also tend to view their onboarding processes as a competitive advantage – while many, concurrently, acknowledge that their customers would likely describe these same processes as slow and complicated.

A woman with short brown hair, wearing a tan coat over a dark blue sweater, is holding a silver tablet. She is standing on a city street with a red brick sidewalk. In the background, there is a white building with large windows and a street lamp. Two other people are visible in the distance. A green rectangular box with the text "Detailed Findings" is overlaid on the image.

Detailed Findings

Respondents indicate strong agreement with most *financial transparency and inclusion* statements presented to them – with respondents in Germany indicating high levels of agreement across the board.

Agreement Level with *Financial Transparency and Inclusion* Statements (Top-2 Box %)
[Statements 1-8 of 16]

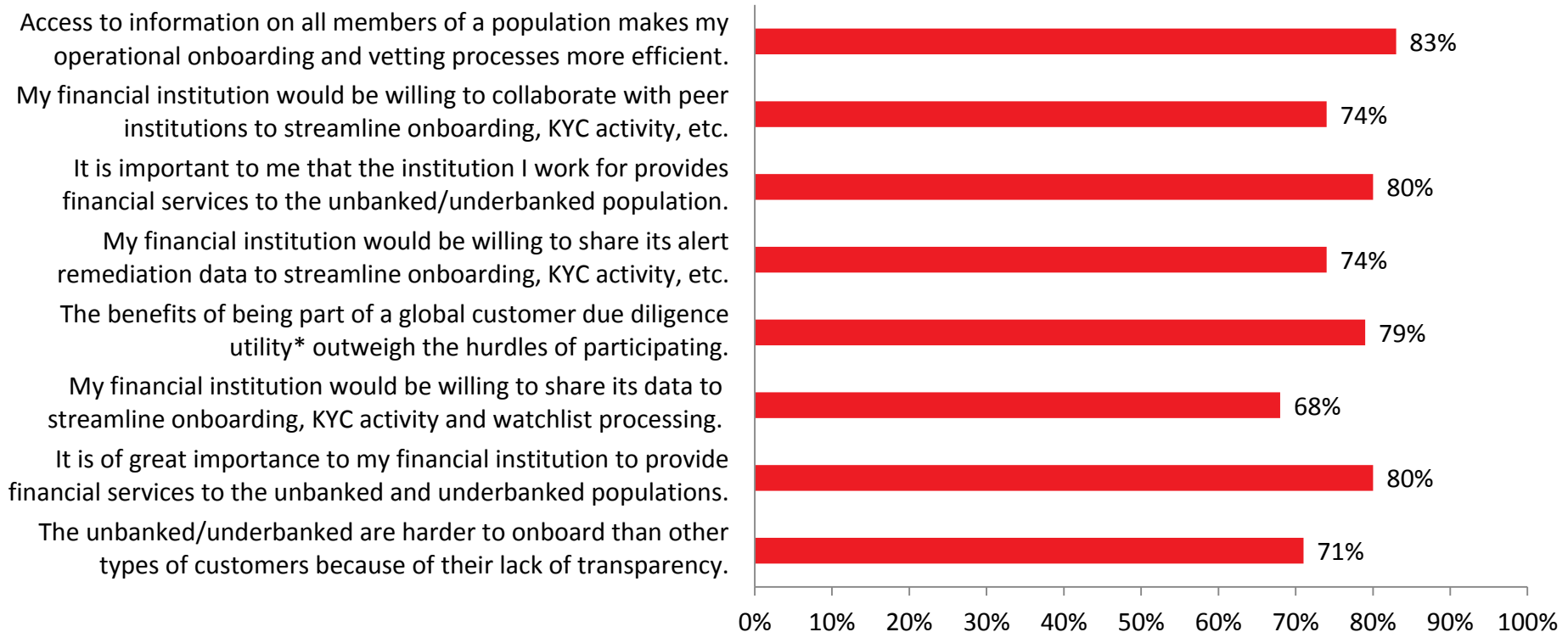


Q. Using a 5-point scale where 1 means "strongly disagree" and 5 means "strongly agree," please indicate how much you agree or disagree with each of the following statements. (Top-2 Box scores)
(n=Total Answering; 35)

**Global Customer Due Diligence Utility* definition provided: A service shared by financial institutions to efficiently obtain, manage and utilize due diligence collected from common customers to achieve lower compliance costs and improved risk management for both the institutions and their customers.

Respondents indicate strong agreement with most *financial transparency and inclusion* statements presented to them – with respondents in Germany indicating high levels of agreement across the board.

Agreement Level with *Financial Transparency and Inclusion* Statements (Top-2 Box %)
[Statements 9-16 of 16]

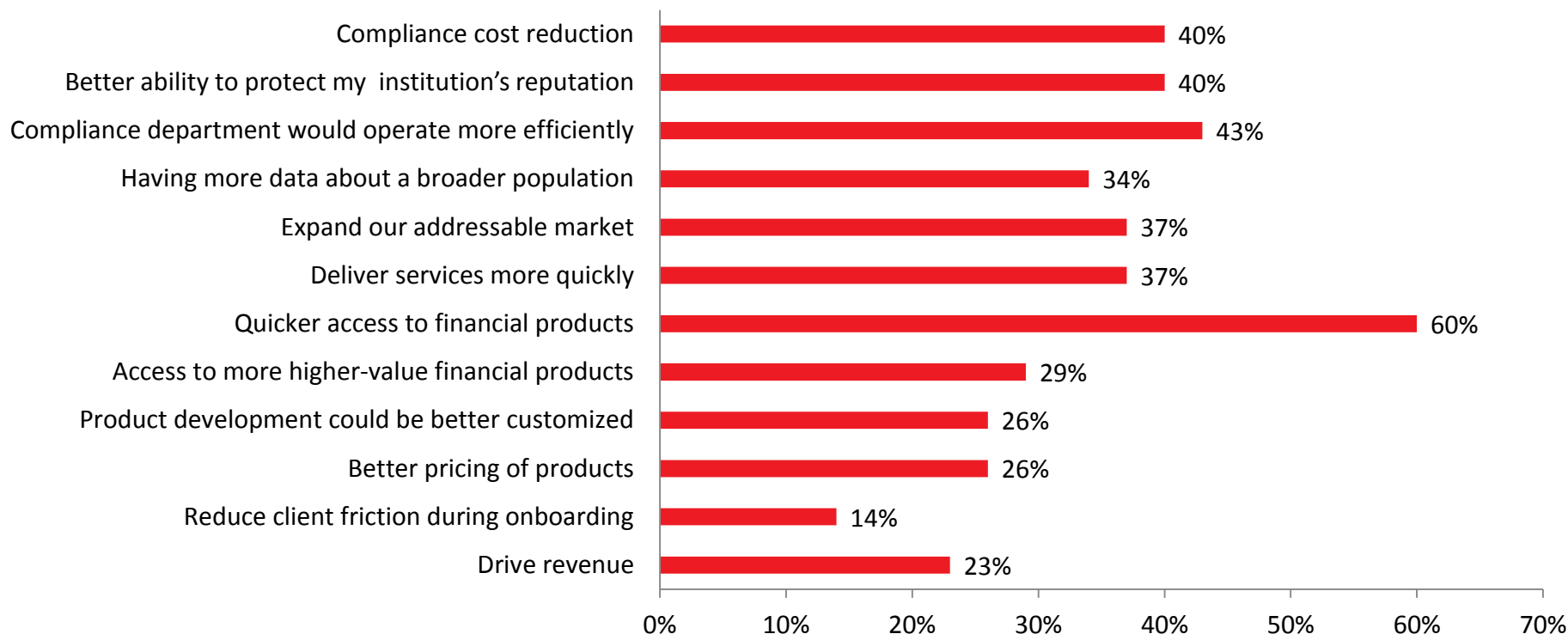


Q. Using a 5-point scale where 1 means “strongly disagree” and 5 means “strongly agree,” please indicate how much you agree or disagree with each of the following statements. (Top-2 Box scores)
(n=Total Answering; 35)

**Global Customer Due Diligence Utility* definition provided: A service shared by financial institutions to efficiently obtain, manage and utilize due diligence collected from common customers to achieve lower compliance costs and improved risk management for both the institutions and their customers.

Quicker access to financial products, Compliance cost reduction/efficiency, and better reputation protection are noted by Germany bankers as being the most likely benefits of joining a *global customer due diligence utility*.

*Global Customer Due Diligence Utility** Potential Benefits



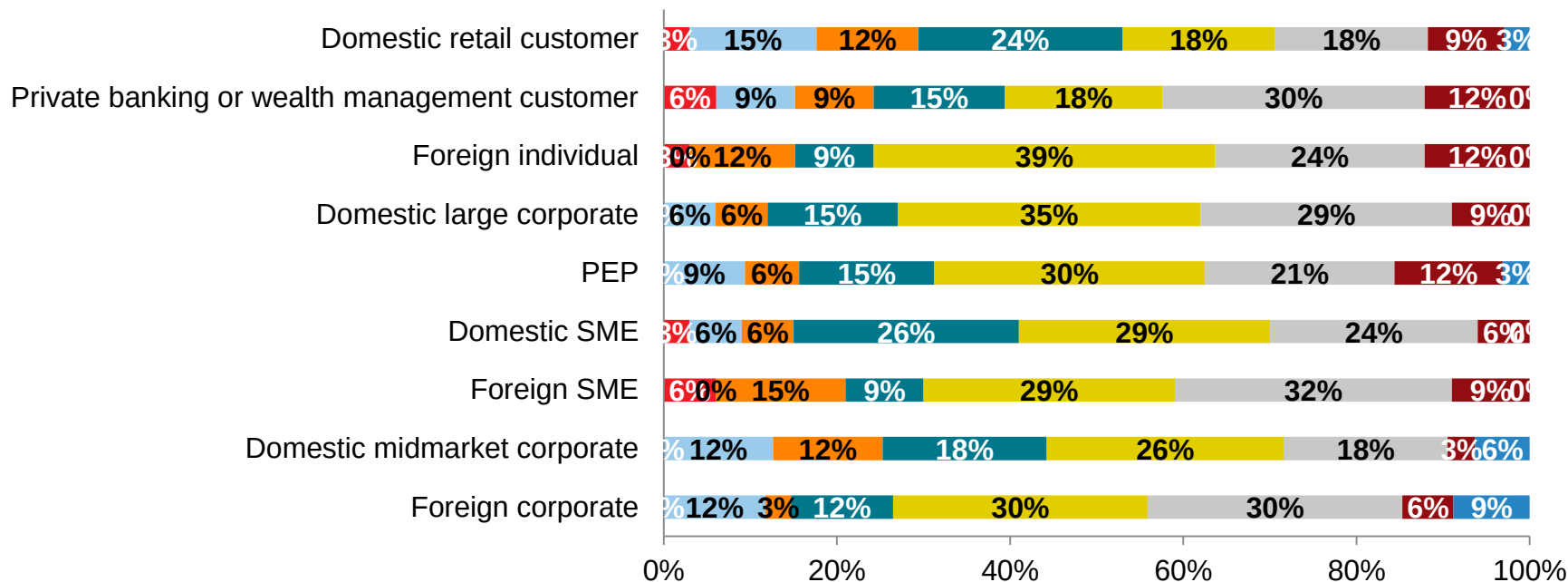
Q. From the list below, please select the top 5 benefits you feel your financial institution would experience from being part of a global customer due diligence utility. (n=35)

**Global Customer Due Diligence Utility* definition provided: A service shared by financial institutions to efficiently obtain, manage and utilize due diligence collected from common customers to achieve lower compliance costs and improved risk management for both the institutions and their customers.

Customer Due Diligence time requirements in Germany vary markedly by customer type – with foreign corporations and SMEs typically requiring the most time.

Time Required for Customer Due Diligence (CDD)

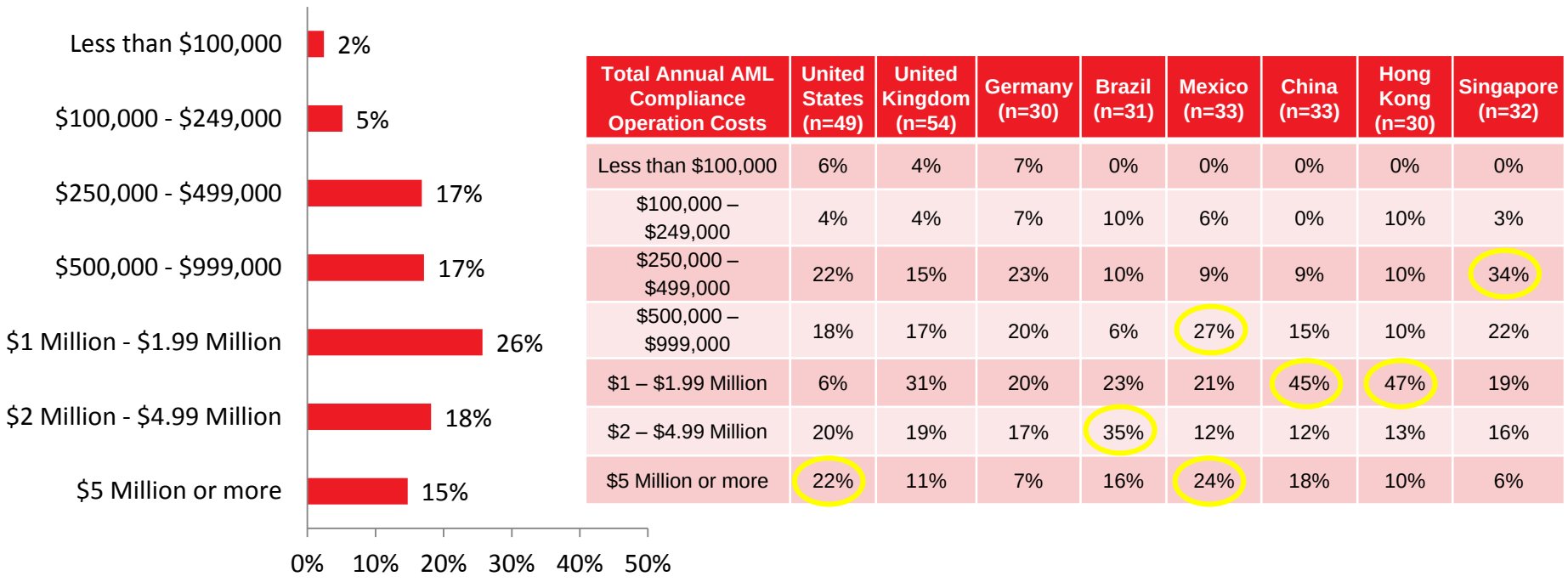
■ Less than 1 hour ■ 1 - 2 hours ■ 3 - 4 hours ■ 5 - 8 hours ■ 2 days ■ 3 - 5 days ■ 6 - 10 days ■ 11 days or more



Q. What would you say is your institution's average time required for completing customer due diligence on each the following? (n=Total Answering; 35)

Institutions in the U.S. and Mexico are the most likely to have annual AML Compliance operations costs above \$5 million. The majority of represented institutions in the U.K., Brazil, China and Hong Kong, however, also average well over \$1 million per year in AML Compliance operations costs.

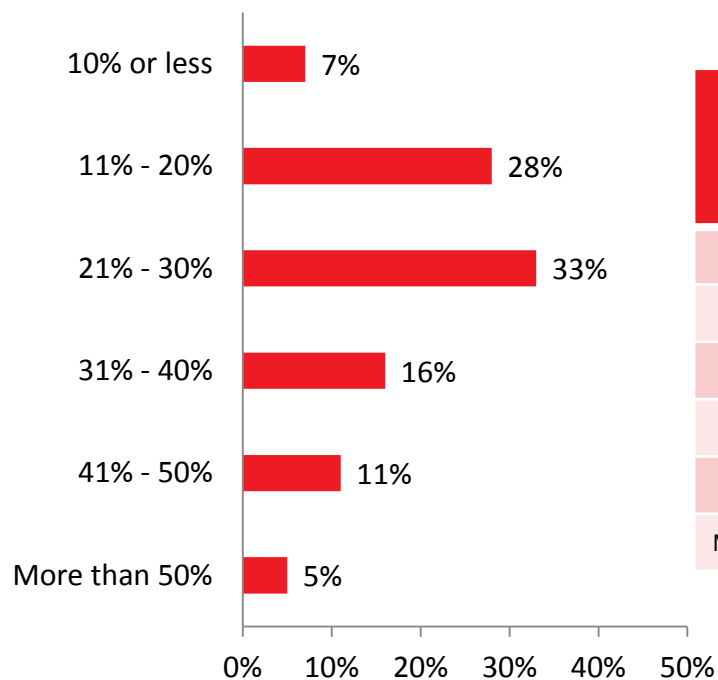
Annual AML Compliance Costs



Q. Please indicate your best estimate of your institution's total annual cost of AML Compliance operations (in USD). This would include things such as people costs for onboarding, document collection, analysis and reporting, subscriptions for external KYC data, compliance systems licenses, technology infrastructure and support for compliance systems, internal and external audits, model governance and validation, etc. (n=292. "Not sure" responses excluded.)

Most institutions allocate between 11% and 30% of their AML Compliance budgets to CDD, with those in Brazil typically allocating considerably more.

AML Compliance Budget Allocated to CDD (%)

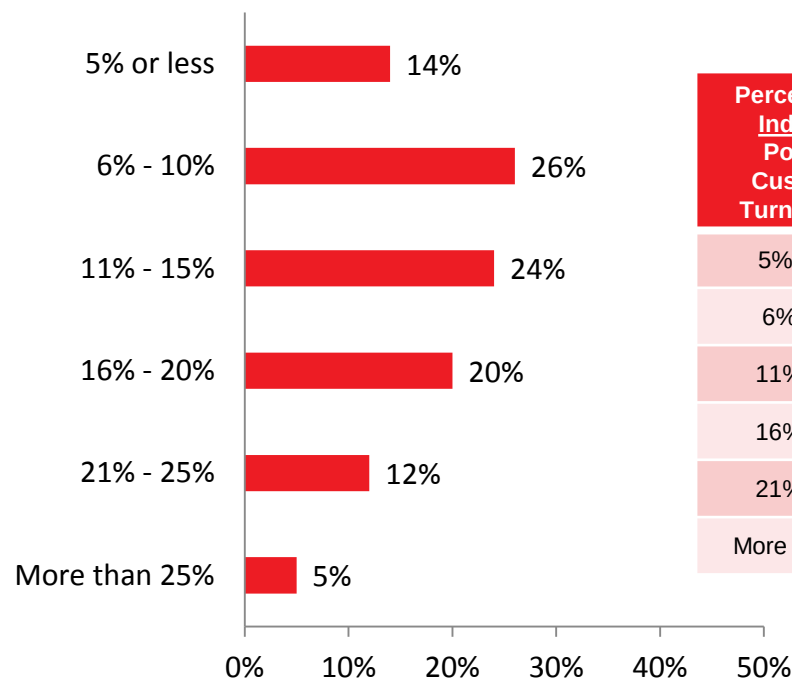


AML Compliance Budget Allocated to CDD	United States (n=49)	United Kingdom (n=53)	Germany (n=31)	Brazil (n=31)	Mexico (n=33)	China (n=33)	Hong Kong (n=29)	Singapore (n=32)
10% or less	8%	13%	10%	3%	3%	6%	3%	3%
11% - 20%	33%	21%	32%	23%	42%	15%	17%	44%
21% - 30%	33%	32%	35%	13%	24%	42%	55%	34%
31% - 40%	12%	17%	16%	26%	15%	21%	10%	13%
41% - 50%	4%	17%	3%	16%	12%	12%	14%	6%
More than 50%	10%	0%	3%	19%	3%	3%	0%	0%

Q. What percentage of your institution's AML Compliance budget is allocated to customer due diligence (CDD)? (n=291. "Not sure" responses excluded.)

Half of respondent institutions turn away between 6% and 15% of individual potential customers due to current KYC or credit risk decisioning processes, with those in China tending to turn away 11% to 20%, the second most after Brazil.

Individuals Turned Away Due To Current KYC or CRD Processes (%)

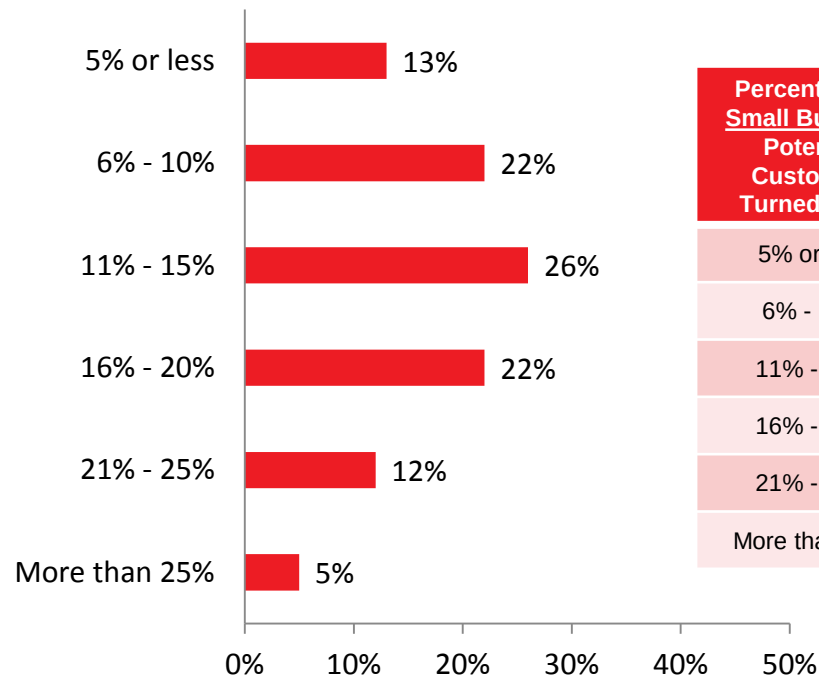


Percentage of <u>Individual</u> Potential Customers Turned Away	United States (n=53)	United Kingdom (n=54)	Germany (n=31)	Brazil (n=31)	Mexico (n=33)	China (n=33)	Hong Kong (n=30)	Singapore (n=31)
5% or less	23%	17%	16%	23%	6%	0%	0%	10%
6% - 10%	28%	22%	13%	19%	42%	24%	27%	32%
11% - 15%	26%	19%	26%	3%	21%	42%	27%	29%
16% - 20%	2%	19%	32%	19%	9%	27%	37%	26%
21% - 25%	9%	19%	13%	16%	18%	6%	10%	3%
More than 25%	11%	6%	0%	19%	3%	0%	0%	0%

Q. What percentage of potential customers who are individuals does your institution turn away due to current KYC or credit risk decisioning processes? (n=296. "Not sure/Not applicable" responses excluded.)

Roughly a quarter of respondents say their institutions turn away 11-15% of small business potential customers due to current KYC or credit risk decisioning processes – very similar to the individual turn-away percentages.

Small Businesses Turned Away Due To Current KYC or CRD Processes (%)



Percentage of <u>Small Business</u> Potential Customers Turned Away	United States (n=52)	United Kingdom (n=52)	Germany (n=31)	Brazil (n=31)	Mexico (n=33)	China (n=33)	Hong Kong (n=30)	Singapore (n=31)
5% or less	15%	19%	3%	16%	15%	6%	3%	23%
6% - 10%	27%	19%	16%	13%	21%	27%	20%	26%
11% - 15%	19%	25%	26%	19%	24%	42%	30%	26%
16% - 20%	17%	17%	42%	10%	24%	18%	33%	19%
21% - 25%	10%	17%	10%	23%	12%	6%	13%	3%
More than 25%	12%	2%	3%	19%	3%	0%	0%	3%

Q. What percentage of potential customers that are small businesses does your institution turn away due to current KYC or credit risk decisioning processes? (n=293. "Not sure/Not applicable" responses excluded.)

The most challenging individual onboarding hurdles tend to be the effort required to verify information (particularly in Hong Kong) and the time it takes to collect that information (particularly in the US).

Most Challenging Individual Onboarding Hurdles

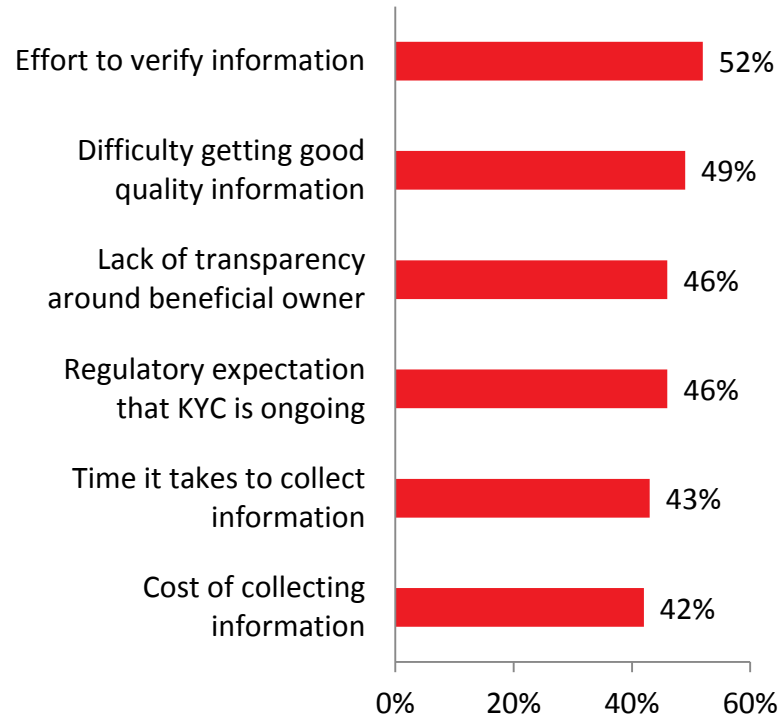


Individual Onboarding Challenges	United States (n=51)	United Kingdom (n=53)	Germany (n=32)	Brazil (n=31)	Mexico (n=33)	China (n=33)	Hong Kong (n=31)	Singapore (n=32)
Effort to verify information	57%	57%	50%	32%	58%	58%	61%	50%
Time it takes to collect information	59%	49%	47%	55%	42%	52%	35%	41%
Lack of transparency around beneficial owner	43%	47%	53%	39%	55%	36%	48%	47%
Difficulty obtaining good quality information from different jurisdictions	47%	47%	44%	58%	45%	33%	32%	50%
Increasing regulatory expectation that KYC is no longer an event, but a continuous process	47%	36%	28%	48%	33%	45%	48%	56%
Cost of collecting information	29%	47%	50%	32%	42%	42%	45%	38%

Q. From the list below, please select the top 3 most-challenging hurdles your financial institution faces when onboarding customers who are individuals. (n=296. "Not applicable" responses excluded.)

The most challenging small business onboarding hurdles tend to be the effort required to verify information and difficulty in obtaining quality information – particularly in Germany and the US, in both cases.

Most Challenging Small Business Onboarding Hurdles



Small Business Onboarding Challenges	United States (n=51)	United Kingdom (n=51)	Germany (n=32)	Brazil (n=31)	Mexico (n=33)	China (n=33)	Hong Kong (n=31)	Singapore (n=32)
Effort to verify information	61%	57%	69%	39%	42%	48%	35%	56%
Difficulty obtaining good quality information from different jurisdictions	59%	41%	59%	52%	45%	48%	52%	34%
Lack of transparency around beneficial owner	47%	51%	44%	45%	30%	48%	48%	50%
Increasing regulatory expectation that KYC is no longer an event, but a continuous process	43%	43%	38%	42%	64%	48%	45%	44%
Time it takes to collect information	47%	51%	28%	42%	42%	33%	42%	47%
Cost of collecting information	35%	45%	34%	42%	45%	33%	48%	53%

Q. From the list below, please select the top 3 most-challenging hurdles your financial institution faces when onboarding customers that are small businesses. (n=294. "Not applicable" responses excluded.)

Respondents tend to believe, for the most part, that customers find the onboarding process to be slow and complicated.

Onboarding Process Descriptions (Word Cloud)



Selected Verbatims

“They think that the process and the procedures are too complicated, and they want to do it quickly and simply.” (China)

“A bit of a hassle but worth the security that it provides.” (United States)

“Different for each product which can be frustrating.” (United Kingdom)

"I think most of the customers don't care about that, as long as their wishes were fulfilled."
(Germany)

"It's a slow process that requires many documents." (Mexico)

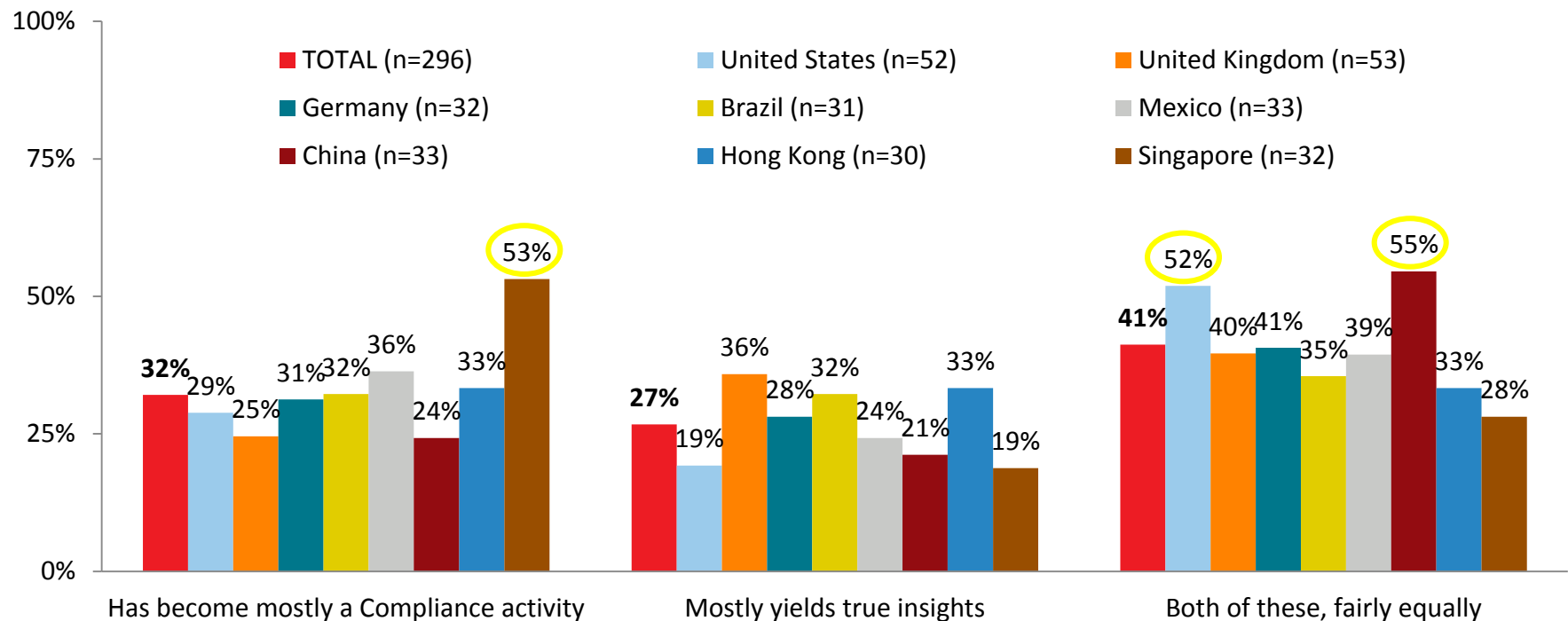
“Our larger corporate customers are more appreciative of the effort required and are therefore more tolerant...retail customers expect a much more rapid onboarding process than we can currently deliver.” (United Kingdom)

“Slightly cumbersome. Often feel unclear as to why we need to collect so much information. Sometimes customers feel offended by the number of different verifications needed.”
(United States)

Q. How do you think your customers would describe the onboarding process at your financial institution? Please be as detailed as possible. (n=299)

Respondents typically agree that onboarding is important for compliance while also yielding true insights, particularly in the U.S. and China. The U.K., however, is the only country where respondents tend to see onboarding as yielding true insights more so than as just a compliance activity.

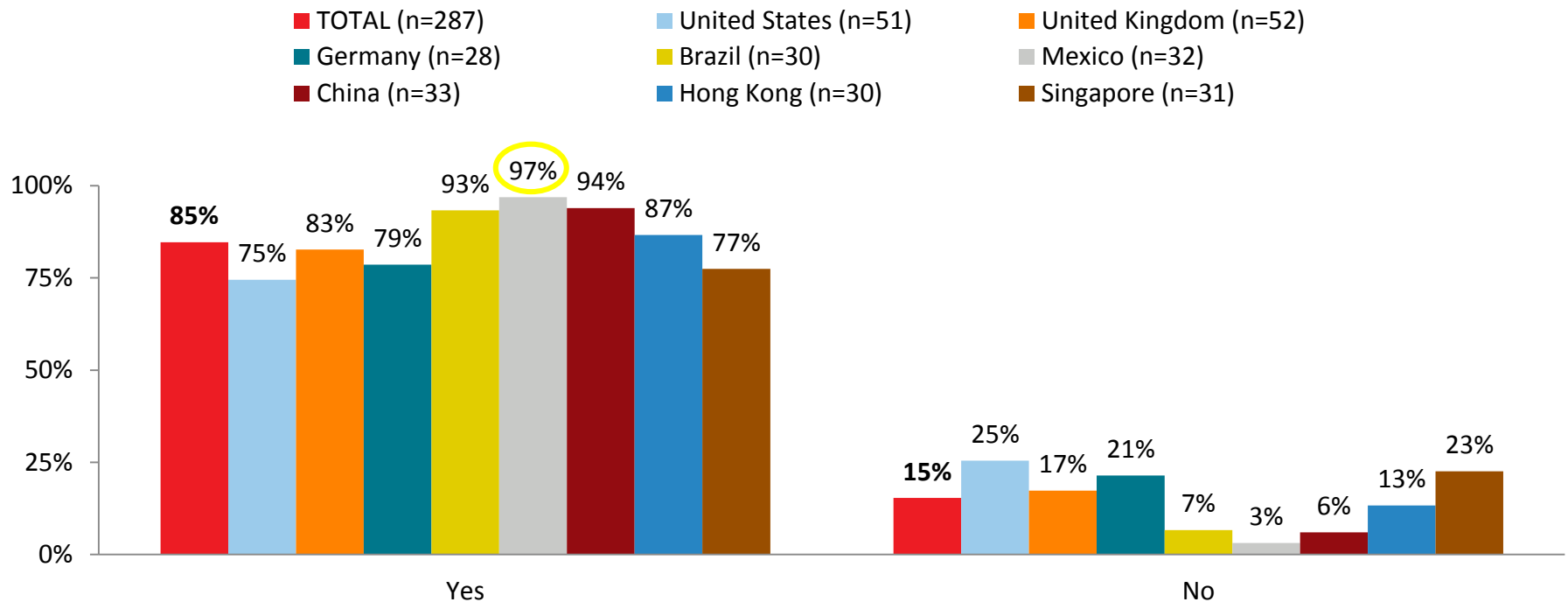
Onboarding Process Statements



Q. Which of the following statements would you say is most accurate? At your financial institution, customer onboarding... ("Don't know" responses excluded.)

The vast majority of respondents, particularly those outside of the U.S., view their onboarding processes as a competitive advantage. Chinese institutions ranked second highest with level of agreement.

Onboarding Process – Competitive Advantage?



Q. Do you view your institution's customer onboarding process as a competitive advantage? ("Don't know" responses excluded.)

Respondents indicate a wide range of opinions towards balancing financial transparency and managing risk – although most seem to feel that the two are somewhat inseparable.

Right Balance Between Financial Transparency & Managing Risk? (Word Cloud)



Selected Verbatims

"Being able to understand all factors which clarify the dependency upon both aspects." (Singapore)

"Having a clear and robust information structure is the best factor to have this right balance." (Singapore)

"I don't see how these two are mutually exclusive. Transparency leads to smarter risk management." (United States)

"It is a matter of the cost of managing risk and the benefit of financial transparency. In my opinion, a financial institution would try to lower down the cost of risk management as much as possible but still provide the optimum financial transparency ideally." (Hong Kong)

"Managing risk should be higher priority than transparency. At the end of the day, it is your reputation and name at risk." (United States)

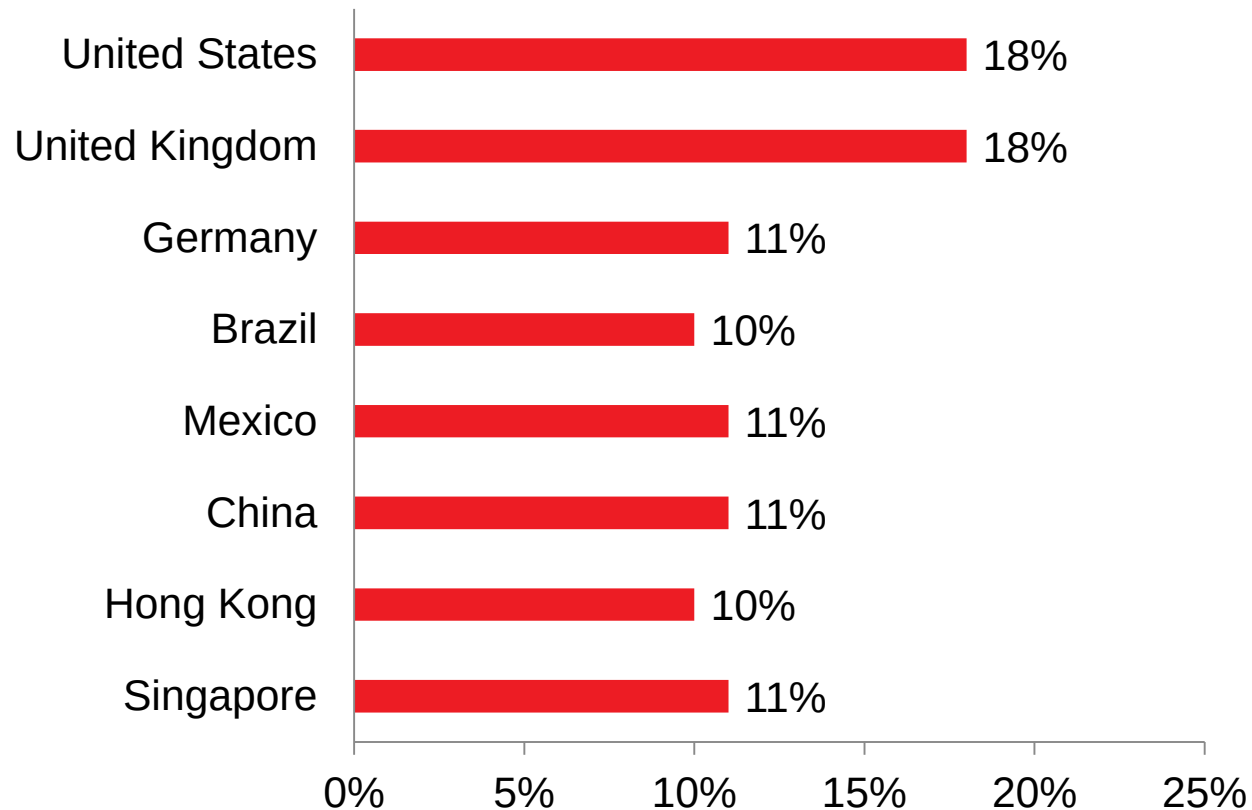
"As a bank we definitely err on the side of caution, given the increasing levels of sophisticated fraud being perpetrated, so we are putting much more emphasis on financial transparency even if it means we risk losing potential valuable customers." (United Kingdom)

Q. In your opinion (which will remain anonymous), what is the right balance between financial transparency and managing risk? Please be as detailed as possible. (n=299)

A woman with short brown hair, wearing a tan coat over a dark blue sweater, is holding a silver tablet. She is standing on a city street with a blurred background of a building and other pedestrians. A green rectangular box is overlaid on the image, containing the text "Respondent Profile".

Respondent Profile

Respondent Country



Q. Please indicate the country in which you work. (n=299)

Industry/Institution Type & Job Title/Level: Respondents in China tended to be senior-level executives.

Institution Type	TOTAL (n=299)	United States (n=53)	United Kingdom (n=54)	Germany (n=32)	Brazil (n=31)	Mexico (n=33)	China (n=33)	Hong Kong (n=31)	Singapore (n=32)
Bank	78%	60%	74%	78%	81%	76%	85%	87%	94%
Non-Bank Financial Services	17%	38%	17%	13%	19%	21%	0%	10%	3%
Insurance	6%	2%	9%	9%	0%	3%	15%	3%	3%

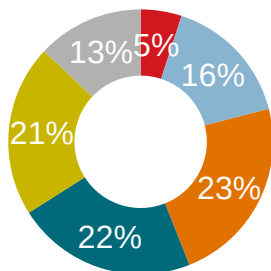
Job Level/Title	TOTAL (n=299)	United States (n=53)	United Kingdom (n=54)	Germany (n=32)	Brazil (n=31)	Mexico (n=33)	China (n=33)	Hong Kong (n=31)	Singapore (n=32)
President/Chairman	13%	11%	9%	19%	16%	18%	30%	6%	0%
VP / C-Level Executive	35%	45%	43%	19%	19%	24%	45%	26%	47%
Director	31%	25%	20%	22%	61%	48%	9%	48%	25%
Senior Manager	21%	19%	28%	41%	3%	9%	15%	19%	28%

Q. In which of the following industries would you say your current employer best fits?

Q. Which of the following best represents your job title or level?

Assets Under Management (Banks)

- Under \$1 Billion
- \$1 – \$10 Billion
- \$11 – \$50 Billion
- \$51 – \$100 Billion
- \$101 – \$500 Billion
- Over \$500 Billion

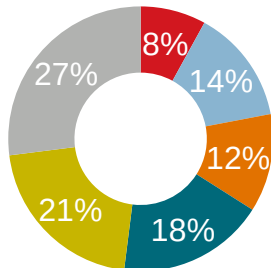


Assets Under Management	United States (n=32)	United Kingdom (n=38)	Germany (n=22)	Brazil (n=25)	Mexico (n=24)	China (n=27)	Hong Kong (n=25)	Singapore (n=30)
Under \$1 Billion	9%	5%	0%	8%	8%	0%	0%	7%
\$1 – \$10 Billion	44%	16%	27%	12%	0%	0%	8%	17%
\$11 – \$50 Billion	13%	13%	18%	32%	25%	26%	52%	13%
\$51 – \$100 Billion	13%	18%	27%	24%	17%	41%	16%	27%
\$101 – \$500 Billion	9%	32%	14%	12%	38%	7%	16%	33%
Over \$500 Billion	13%	16%	14%	12%	13%	26%	8%	3%

Q. Finally, for classification purposes only, which of the ranges listed below best reflects your institution's total assets (in USD)? (n=232. "Bank" respondents only.)

Annual Revenues (Non-Bank Financial Services)

- Under \$5 Million
- \$5 – \$49 Million
- \$50 – \$99 Million
- \$100 – \$249 Million
- \$250 – \$499 Million
- Over \$500 Million



Annual Revenues	United States (n=20)	United Kingdom (n=14)	Germany (n=7)	Brazil (n=6)	Mexico (n=8)	China (n=5)	Hong Kong (n=4)	Singapore (n=2)
Under \$5 Million	10%	14%	14%	0%	0%	0%	0%	0%
\$5 – \$49 Million	20%	7%	29%	0%	25%	0%	0%	0%
\$50 – \$99 Million	10%	21%	0%	17%	0%	0%	25%	50%
\$100 – \$249 Million	15%	21%	0%	17%	13%	80%	0%	0%
\$250 – \$499 Million	5%	21%	43%	33%	38%	20%	25%	0%
Over \$500 Million	40%	14%	14%	33%	25%	0%	50%	50%

Q. Finally, for classification purposes only, which of the ranges listed below best reflects your institution's annual revenues (in USD)? (n=67. "Non-Bank Financial Services" and "Insurance" respondents only.)

About LexisNexis® Risk Solutions

LexisNexis Risk Solutions (<http://www.lexisnexis.com/risk/>) is a leader in providing essential information that helps customers across all industries and government assess, predict and manage risk. Combining cutting-edge technology, unique data and advanced analytics, LexisNexis Risk Solutions provides products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy. LexisNexis Risk Solutions is part of RELX Group plc, a world-leading provider of information solutions and analytics for professional and business customers across industries.

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