



Client Management Special interest group (CMS)/ RegTech Council
CMS 14: FCA TechSprint Winning UBO solution
10 Harewood Avenue, London NW1 6AA
26 September 2019, 16:00-17:30

In attendance (* indicates dial in):

Chris Collins*	Altergaia	Peter Drake	Citi
Luma Zitani*	Barclays	Pavle Avramovic	FCA
Phillip Triggs*	Barclays	Chris Beevor	GAM
Anna De Winton	BNP	Myles Baxter	pTools
Arturas Grigonis	BNP	PJ Di Giammarino	JWG
Basit Riaz	BNP	Mary Grace Parker*	JWG
Jonathan Cachacou	BNP	Samantha Sheen	RegTech Council
Sahib Phull	BNP	Stephan Niermann*	RegTech Council
Suneel Bhandari	BNP	Karan Jain	WestPac
Anna De Winton	BNP		

The meeting was held under the Chatham House Rule

Meeting materials

CMS members can access to the 35-page PowerPoint presentation in the members' area.

Meeting objectives

The group discussed the outcome of the FCA TechSprint's August TechSprint and how the industry might leverage the outcomes of use case 4 (Team Citadel). The group discussed potential paths forward agreed next steps required in advance of the RegTech Council plenary Meeting on October 17th.

Key points of discussion

- ▶ AMLDV 10 January 2020 status. The group began by discussing the status of AMLDV implementation. As noted by the EU Parliament, there is a lot of concern in the industry surrounding the implementation timeline. While some concern has been picked up on the continent, this is especially true in the UK where many are waiting on standards from HM Treasury and results from the Companies' house consultation in August. It was noted that despite being only 77 days away from AMLDV becoming law, very little about the Article 30 implementation is being done, primarily due to the absence of technical standards. There is, however, an appetite from within the group to pursue this issue. Some noted that it would be particularly helpful if the large UK banks are at the table helping to define a UK-focused solution.

- ▶ FCA TechSprint background. There was high-level of engagement in the latest TechSprint with 180+ active participants tasked with solving global money laundering and financial crime challenges. The FCA is currently working with TechSprint teams to help bring together banks and technology suppliers to help develop the concepts via half day workshops with 'lite agreements'. The goal is to take approximately half a dozen of the concepts through to a 'checkpoint and demo day' to assess solution readiness and discuss next steps. The overall



view is that the FCA will further develop its policy on TechSprint commercialisation from Q3 20 onwards.

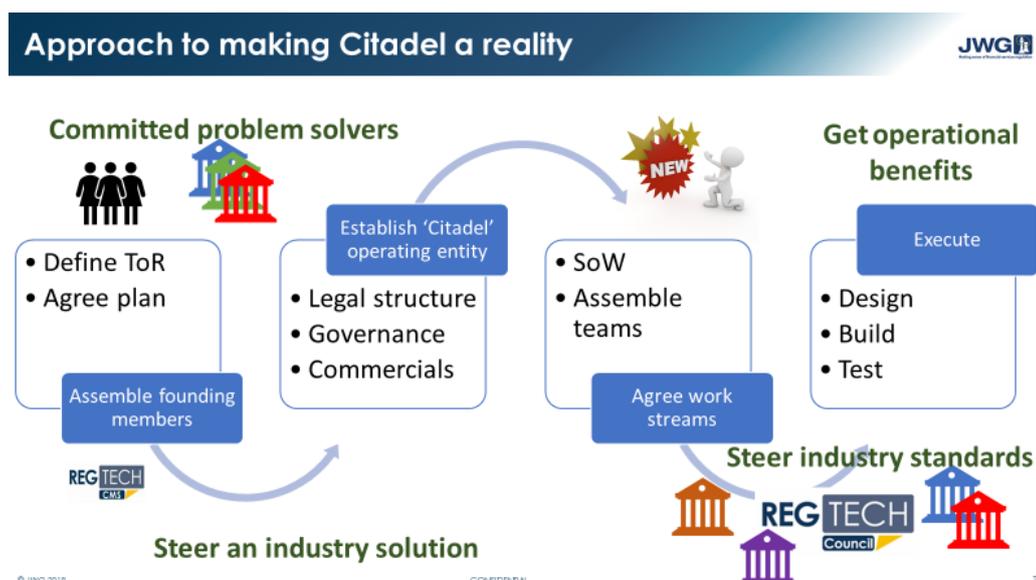
- ▶ Usecase 4 Background. Team Citadel was the winning solution in the TechSprint out of ten teams. JWG described the background to the fourth use case on Beneficial ownership which the CMS group and the RegTech council helped develop for the FCA in conjunction with the survey and response to [Corporate transparency and register reform](#) on 5 August. A few of the members of the meeting that had been involved over the last 18 months of discussions recapped how the collaborative action had resulted in this win and expressed their hope that it would result in meaningful benefit for the implementation of AMLDV.
- ▶ Team Citadel. The group came together to meet the AMLDV obligation which asks firms to reconcile their customer data with that on the companies' house and report discrepancies. Individuals from banks, law firms, information security and technology SMEs developed a method that banks could share information on 4 million UK companies in a safe and sensible manner. Citadel's vision is to use homomorphic encryption, fuzzy logic and machine learning to identify discrepancies between firms' datasets which are held in different places on the same customer. Once these differences are identified and judged to be materially significant, Citadel can then work with Companies' house via an API to reconcile information. This will drastically reduce the number of times a customer is contacted and reduce the need for millions of emails between customers house and the industry. It was noted that this same approach is currently being taken in the UK medical system for even more sensitive data. [Citadel \[video\]](#)
- ▶ Citadel design principles. The group discussed the boundaries of Citadel and agreed that the objective was not to do an entire 'back book' review of all customers. This was viewed as a requirement over and above what is needed to satisfy Article 30 and if it is baked into a solution it potentially places a burden on the regulated sector that is not intended. Questions were also posed around the scalability downward for smaller firms and upwards for the largest firms. It was also noted that the UBO data quality policies and procedures each firm would develop internally would need to be aligned to Citadel's data quality rules. There was a general agreement that although there is an obvious opportunity to expand the scope later, that for now the focus must be rigorously contained to Article 30 requirements.
- ▶ RegTech Council collaboration needs. The group noted the need to share some of the intellectual property developed in Citadel more broadly with the industry to help create similar solutions for other regulatory needs. It was suggested that the RegTech Council could play a vital role in helping to establish these along



with a series of artefacts to support them which are described below:

Focus area	Proposal	Objectives	Benefits
Reference business flows	Develop a reference enterprise model and common BRD for beneficial ownership data	<ul style="list-style-type: none"> Define user stories and actor stories for 'compliant' update of ownership data 	<ul style="list-style-type: none"> Efficient and more effective implementation Common CDM-like artefact for future use
Back book	Develop guidance and protocols for 1-time reconciliation of a firm's data with a registry	<ul style="list-style-type: none"> Meet AMLDV objective of notifying registries of 'day 1' discrepancies in beneficial ownership data 	<ul style="list-style-type: none"> Common approach to a problem 59,000 firms have in the UK with Companies House + + +
Information exchange protocols	Work with standards bodies to define a common glossary for the information exchanged and the protocol for it	<ul style="list-style-type: none"> Implement New Initiatives working group methods to define a repeatable and transparent method of mapping rules to data Develop the messaging protocols and get them standardised (e.g., dispute flags) 	<ul style="list-style-type: none"> Lower cost business analysis Downloadable schemas to map to policies, procedures and controls Assist registries in collecting and disseminating notifications
Data model and data set	A sandbox environment that can provide a common data model and synthetic dataset which is representative of the real world. Community driven framework with industry business experts and technology providers can help define business scenarios without sharing confidential information.	<ul style="list-style-type: none"> Business scenarios with significant operational inefficiencies Common data model representing banking eco-system and registers Synthetic dataset that is representative of real world Governance for continuous feedback and improvement Provide feedback to registries to enhance completeness and accuracy 	<ul style="list-style-type: none"> Test new vendor solutions Model new AML business scenarios Leverage dataset and framework for the future tech-sprints or hackathons Framework to test AML policy effectiveness Common business language (e.g. SBVR) to build inter-operability of AML activities
Technology design principles	A working group of KYC and data practitioners to define 'what good registry reconciliation' looks like	<ul style="list-style-type: none"> Define principles for including CH data as part of KYC requirements Data quality guidelines In-house reconciliation policy guidance Firm to CH data reconciliation policy and control guidance 	<ul style="list-style-type: none"> Lower cost business analysis Downloadable policies, procedures and controls Feedback loop for firms and registries

- Making Citadel a reality. An approach was put forward and discussed with the group who broadly agreed it as logical. As illustrated in the plan below, the next step to make Citadel a reality begins with a handful of firms getting together and working out exactly what Citadel will look like. The group suggested that a meeting to define the terms of reference and high-level plan should be held before the 17 October RegTech Council Plenary meeting at the FCA. JWG agreed to help convene this meeting and **Citi agreed to host a Citadel planning meeting on 9 October**. The FCA reiterated that it was able to work with anyone involved in team Citadel and was happy to host a meeting to follow-up. Pavle agreed to share the outline of the PoC agreements with JWG in early October. **All interested financial institutions were asked to confirm to pj@jwg-it.eu if they would like to attend the next Citadel planning meeting.**





Next agendas

The group agreed that a firm-only meeting on Citadel would be organised on the 9th October at Citi (see below).

The next CMS meeting (CMS 15) will be held in early November and focus on the lessons learnt from the AML TechSprint which can be directly applied to upcoming regulatory challenges identified by JWG's research into 12+ new regulatory obligations' thematic requirements for firms (see below).

Citadel Terms of Reference (ToR) – Firm only meeting:

Date: 9 October 12:00-14:00

Host: Citigroup Canary wharf

Virtual protocol: Dial in for out of towners

Agenda:

- 12:00 Introductions
- 12:10 Citadel opportunity recap
- 12:30 Opportunity assessment
 - Problem statement
 - Scope (in and out)
 - Deliverables
 - Benefits
 - Priorities
- 13:30 Engagement options and plans
- 13:45 Next steps
- 14:00 End

CMS 15: Leveraging FCA TechSprint outcomes to fill 2020 RegTech gaps

Date: 12 November 16:00-17:30

Host: TBC, London

Agenda:

- 16:00 Introductions
- 16:10 FCA thematic review TR19/4 + 12 international 2019 AML regulatory papers
- 16:20 New thematic requirements for:
 - Business risk assessment
 - Enhanced due diligence
 - Behavioural monitoring
 - SAR/STOR Standards and data Access
- 16:40 FCA AML & Financial Crime TechSprint lessons learnt
- 17:10 Potential areas to leverage industry collaboration in 2020 solutioning
- 17:20 Next steps
- 17:30 End