

White Paper

Closing the gate: KYC, client onboarding and the future of financial crime prevention

Unlock a stronger position with regulators and institutional investors

Financial crime is no longer a peripheral risk. It sits at the center of every client relationship, every onboarding decision and every jurisdiction a firm operates in. Yet many compliance functions are still working with fragmented tools, manual processes and data that can't keep pace with the speed or sophistication of today's threats.

This white paper examines how KYC and client onboarding have become the first and most consequential line of defense against financial crime, and why the architecture firms use to deliver them is now a strategic differentiator. Drawing on analyst findings from Chartis Research's KYC Data and Solutions, 2025 Quadrant Update (November 2025) and the CLM Solutions, 2026 FIS Vendor Spotlight, the paper explores the regulatory forces reshaping compliance expectations, the specific pressures facing alternative asset managers and institutional onboarding teams, and the technology stack that separates firms managing risk from those absorbing it.

Key themes include:

- The convergence of individual identity verification (KYC) and business verification KYC
- The rise of perpetual KYC (KYC) as a continuous monitoring standard
- The role of AI and entity resolution in closing beneficial ownership (UBO) gaps
- The growing complexity of sanctions and geopolitical risk

The paper closes with a view of what a future-ready compliance architecture looks like – and how firms can assess where they stand against the 2025-2026 regulatory standard.

1. Financial crime at scale

Compliance leaders are being asked to do more with less: under greater scrutiny, across multi-jurisdictional regimes, pressure for faster onboarding timelines with smaller tolerance for error. Financial crime has become a systemic threat that exploits precisely the gaps that fragmented, manual compliance programs leave open – gaps in onboarding coverage, beneficial ownership transparency, ongoing monitoring and cross-border data continuity.

The way your firm handles the client lifecycle from onboarding to KYC to ongoing monitoring doesn't just determine its regulatory exposure. It shapes its competitive position. Investors notice onboarding friction. Counterparties notice remediation delays. Regulators notice control failures. Each of those audiences draws conclusions about operational maturity from how you manage the front end of the client relationship.

This paper covers four interconnected questions:

- What does the current regulatory environment demand?
- Where does onboarding break down – particularly for alternative asset structures?
- How does technology close the gap?
- What does a future-ready compliance architecture actually look like?

2. The regulatory landscape: Rising expectations and converging frameworks

The most significant shift in regulatory posture over the past three years isn't a single piece of legislation. It's a directional change in how regulators approach supervision. Globally, the movement is from retrospective oversight to preventative supervision: regulators now expect firms to demonstrate that controls are in place before a breach occurs, not explain what went wrong after one and across all major frameworks, the regulatory focus is shifting from point-in-time due to continuous customer understanding. Firms are increasingly expected to identify changes in ownership, risk profile, sanctions exposure and control structures throughout the client lifecycle.

That shift is playing out across every major jurisdiction simultaneously.

EU Anti-Money Laundering Authority (AMLA) represents the EU's most consequential structural change to financial crime supervision in a generation. A centralized EU-level supervisor carries direct implications for cross-border KYC consistency: the era of divergent national interpretations as a compliance strategy is ending. Firms operating across EU member states will need to align their onboarding standards to a single, more demanding baseline.

The U.K. Economic Crime and Corporate Transparency Act expands registered beneficial ownership requirements and extends personal liability for senior compliance officers. The message to compliance leadership is direct: the firm's obligations and your own are converging.

The U.S. Corporate Transparency Act (CTA) continues its phased implementation of beneficial ownership reporting under FinCEN, creating new obligations for fund structures with U.S. nexus – including many alternative investment vehicles that previously operated below the regulatory waterline.

The Egmont Group's longstanding focus on international financial intelligence sharing reinforces a growing regulatory expectation that firms maintain accurate, connected and auditable customer and ownership data and firms must be ready to support effective investigations and facilitate information sharing across jurisdictions.

FATF mutual evaluations in the 2025 cycle are raising the floor for beneficial ownership transparency and correspondent banking controls. For alternative asset managers in particular, FATF's increasing focus on opaque fund structures and nominee arrangements signals that the scrutiny of complex ownership chains is intensifying, not plateauing.

What unites these frameworks is a single expectation: that firms know who their clients are and whether that profile changes over time. Compliance leaders can no longer manage each regulatory regime as a separate silo. The technology architecture has to match that integrated expectation, or it creates gaps that regulators will find.

3. Why KYC is the first and most important line of defense

KYC is no longer a checkbox exercise. It's the mechanism by which a firm decides who it does business with, and under what conditions. Get it wrong at the point of onboarding and you carry that error through the entire client relationship – through AML monitoring, sanctions screening and fraud detection – compounding exposure at every stage.

Chartis Research noted in November 2025 KYC Data and Solutions quadrant update that the KYC vendor landscape is "crowded and maturing, shaped by advances in AI, growing regulatory scrutiny and an expanding focus on the integrity and interoperability of data." The market has moved past debating whether technology matters in KYC. The question now is which capabilities actually close the risk.

Three failure modes account for most of the downstream exposure firms carry from weak KYC programs.

Incomplete beneficial ownership data. Layered corporate structures, nominee arrangements and offshore holding vehicles are designed, in many cases, to be hard to follow. If your onboarding process doesn't have the resolution depth to trace ownership chains to the ultimate beneficial owner, you're not completing KYB – you're completing the paperwork version of it.

Weak entity resolution. Firms with inconsistent entity matching across their data estate can hold relationships with the same legal entity under different identifiers, missing cross-entity exposure. This creates false confidence: clean records that mask connected risk.

Stale risk scoring. Treating KYC as a one-time event is one of the most consequential mistakes a compliance program can make. Risk profiles change. Ownership changes. Sanctions lists change with a pace that has accelerated sharply since 2022. A client who was low-risk at onboarding may not be six months later – and a periodic review cycle leaves a wide window of undetected exposure.

KYC is the standard that forward-looking firms are moving toward: continuous, event-driven monitoring rather than scheduled refresh cycles. Chartis describes a "KYC model combining continuous monitoring with automated data refresh" as best-in-class in its November 2025 assessment. Firms that achieve that standard carry a materially lower exposure to financial crime risk and regulatory action. Those that don't are absorbing risk they can't fully see.

4. Client onboarding: Where complexity meets opportunity

Alternative assets and the onboarding challenge

The alternative asset space presents a structural onboarding problem that most compliance platforms weren't designed to solve. Funds-of-funds, special purpose vehicles, family offices and co-investment vehicles create layered beneficial ownership chains – chains that standard onboarding workflows handle poorly, if at all.

Chartis highlighted in November 2025 that enterprise-level KYC vendors are "increasingly integrating document verification, liveness detection and ID credential verification into their workflows," driven by the convergence of digital identity verification and KYC. That convergence matters for alternative asset managers because the investor base often spans multiple legal entities, jurisdictions and ownership tiers simultaneously. A single LP position can require verification at the individual, entity and structure level before the beneficial ownership picture is complete.

The commercial cost of getting this wrong is direct. Slow onboarding delays capital calls, strains investor relationships and creates operational backlogs that resource-intensive remediation can't fully clear. In a competitive alternatives market, friction at onboarding is a retention risk – not just a compliance problem. The FIS® Investor Services Suite addresses the multi-entity, multi-jurisdiction complexity that generic platforms struggle to handle, providing a purpose-built environment for the structural requirements of alternative asset onboarding.

Digital onboarding: From paper to perpetual

Rather than being a modernization aspiration, digital onboarding is now a baseline investor expectation and a regulatory facilitator. Paper-based or semi-manual onboarding processes create the kind of data quality gaps – including incomplete records, unvalidated documents, inconsistent entity identifiers – that compound into financial crime, sanctions and regulatory risk exposure over time.

Digital-first onboarding enables faster data and document collection, automated AML/KYC screening and real-time validation, reducing time-to-fund and compliance backlogs at the same time. The capability requirements are well-established: e-signatures, self-service investor portals, dynamic risk tiering based on entity type and jurisdiction, and centralized document repositories that support both operational efficiency and audit readiness.



The firms getting this right are doing more than just reducing onboarding friction – they're building the data foundation that KYC depends on.

The cost of slow onboarding

Compliance friction that slows onboarding only moves the cost downstream. Delayed capital calls, investor attrition and the resource intensity of remediation are all symptoms of an onboarding architecture that front-loads friction instead of intelligence. The goal isn't faster onboarding at the expense of rigor. It's onboarding that's thorough and efficient because the technology is doing the heavy lifting that manual processes can't.

5. Technology as the compliance multiplier

AI and machine learning in KYC

Chartis noted in November 2025 that "AI is increasingly becoming a differentiator in KYC," with the vendor landscape splitting between two strategies: building proprietary models and embedding third-party AI capabilities. The distinction matters because it determines the model governance approach and the explainability obligations a firm inherits when it deploys AI-assisted KYC decisions.

Agentic AI is beginning to have a measurable impact. Chartis observed that "agentic AI" is beginning to act as a force multiplier in compliance operations," automating document generation and acting as workflow co-pilots in ways that reduce manual review time without removing human in the loop oversight from material decisions. In practical terms, AI accelerates document verification, adverse media screening, sanctions matching and risk scoring – each at a scale and speed that manual review can't touch. The compliance team's time shifts from data gathering to judgment, which is where it should be.

Perpetual KYC: From periodic review to continuous monitoring

KYC replaces the periodic review cycle with event-driven, continuous monitoring. Drivers such as Registry changes, sanctions updates and adverse media signals trigger immediate reassessment, rather than waiting for the next scheduled review. Chartis described this FIS model, combining continuous monitoring with automated data refresh, as best-in-class in its November 2025 KYC assessment.

The operational implication is significant. KYC doesn't just reduce the window of exposure between a risk event and your awareness of it. It changes the architecture of your compliance program: from batch processing to a live, responsive system that tracks the client as they evolve rather than as they appear onboarding.

Data quality and entity resolution

The output of any KYC process is only as good as the data that feeds it. Poor data quality – stale corporate registry information, inconsistent beneficial ownership records, unstructured adverse media – creates false confidence. Records that look clean may be masking connected risk that a stronger data model would surface.

Chartis highlighted what good looks like: deep entity resolution capability that uncovers hidden associations in complex corporate hierarchies, allowing firms to map cross-entity linkages – common directors, intermediaries and circular ownership structures – that simpler matching approaches miss entirely.

For alternative asset managers managing complex LP registries, this is the critical mechanism by which your beneficial ownership data becomes accurate enough to rely on.

RegTech integration and the partnership ecosystem

Chartis observed in November 2025 that "API-first architectures and SaaS delivery models allow vendors to embed registry data, sanctions and IDV capabilities from multiple providers," with partnerships acting as "an important engine of market growth." The KYC market is fundamentally componentized: the firms that gain the broadest coverage are those that can orchestrate multiple data and technology relationships rather than depending on a single vendor for everything.

That integration layer – covering registry automation, adverse media, entity intelligence and workflow orchestration – is increasingly embedded into unified compliance stacks. The FIS® AML/KYC Lifecycle Manager (LCM) operates within this ecosystem, supporting connectivity to specialist data providers and regulatory reporting infrastructure required for institutional onboarding across multiple jurisdictions.



6. Sanctions, geopolitics and beneficial ownership: The expanding risk perimeter

Sanctions lists are changing faster than manual compliance teams can track. The pace of new designations, sectoral expansions and secondary sanctions has accelerated materially since 2022 and hasn't slowed. For firms relying on periodic manual review, that pace creates exposure gaps that are, by definition, invisible until they're consequential.

Chartis' November 2025 assessment established that sanctions and watchlist data capabilities require "entity-level granularity including subsidiaries, trading names and vessel ownership" and "structured metadata enabling automated screening and contextual scoring." That's a high bar. It reflects the reality that sanctioned parties don't present themselves simply: they operate through subsidiaries, intermediaries and trading names that make entity-level screening inadequate without structural transparency.

The beneficial ownership dimension compounds this. Multi-jurisdictional structures, nominee arrangements and opaque intermediate holding companies are the primary mechanisms used to obscure sanctioned or high-risk beneficial owners. Fund structures with offshore holding vehicles, co-investment arrangements and LP registries spanning multiple jurisdictions demand a level of structural transparency that most firms aren't currently equipped to provide.

Two specific risk surfaces deserve particular attention:

- First, the intersection of trade finance, vessel tracking and sanctions exposure creates monitoring obligations that extend beyond traditional customer due diligence into supply chain and counterparty risk.
- Second, beneficial ownership isn't a point-in-time disclosure. It changes – deliberately or otherwise – and firms that treat it as static are carrying risk they can't see.

The geopolitical environment isn't going to simplify. The compliance architecture has to be built for the volatility that's already here, not the stability that isn't coming back.

7. Building a future-ready compliance architecture

The integrated compliance model

Compliance architectures built on siloed point solutions carry a structural liability. Each gap between systems is a gap in coverage, a manual handoff and a potential failure point. Because fragmentation is inherently costly, the market is moving toward integrated models that unify onboarding, KYC risk scoring, perpetual monitoring and AML screening in a single operational environment.

Chartis identified in November 2025 that category-leading CLM vendors are defining agentic strategies covering co-pilots and documentation summaries, while platform-plus-data combinations are demonstrating the integration standard that regulators increasingly expect. The direction of travel is clear: unified, data-rich, AI-augmented compliance environments that reduce the manual touchpoints where errors and delays accumulate.

Platform evaluation criteria

When assessing your current compliance stack or evaluating a new solution, six dimensions carry the most weight for KYC and KYB:

- **Beneficial ownership resolution depth and jurisdictional coverage:** Can the platform trace ownership chains accurately across the structures your clients actually use?
- **KYC capability and event-trigger automation:** Does the system monitor continuously, or does it batch-process on a schedule?
- **AI explainability and model governance:** Can you demonstrate to a regulator how an AI-assisted decision was reached?
- **Integration with existing systems via API-first architecture:** Does the platform connect to the data providers and internal systems you already rely on?
- **Multi-jurisdictional AML rules, reporting and audit trail completeness:** Does the platform support the AML rules and reporting obligations you carry across every jurisdiction you operate in?
- **Scalability for alternative asset structures and institutional clients:** Was it designed for the complexity of fund-level KYC, or adapted from a simpler use case?

Generic platforms built for retail or commercial banking onboarding don't address the structural complexity of fund-level KYC. Vertical depth matters – and it's increasingly what separates adequate compliance from defensible compliance.

FIS Investor Services Suite and FIS AML/KYC Lifecycle Manager: Purpose-built for complex onboarding

FIS® Investor Services Suite addresses the multi-entity, multi-jurisdiction onboarding requirements that alternative asset structures demand. The platform brings together AML/KYC checks, beneficial owner screening, tax (AEOI-CRS and FATCA) classification and reporting and a centralized document repository – reducing the operational fragmentation that creates both compliance gaps and onboarding delays.

FIS® AML/KYC Lifecycle Manager is a RegTech compliance platform for institutional onboarding, supporting multi-jurisdictional AML/KYC, FATCA/CRS regimes, addressing regulatory and operational challenge at scale. Flexible configuration supports tailored workflows and controls aligned to your firm's policies and risk appetite, supported by API first architecture delivering entity intelligence and visibility into complex ownership structures.

Chartis' November 2025 assessment scored FIS 4.3 for customer onboarding and 4.1 for customer maintenance – both in the advanced-to-best-in-class range in the KYC solutions quadrant. In the February 2026 CLM Solutions Vendor Spotlight, Chartis named FIS a Category Leader in the RiskTech Quadrant® for CLM Solutions in Corporate and Investment Banking, with a best-in-class score of 4.4 for policy management – reflecting breadth of coverage across the full customer lifecycle workflow.

Chartis Research analyst Phil Mackenzie observed: "FIS' CLM offering is built on its verticalized CLM capabilities in investor services, with key strengths around data models and workflow automation. Crucially, this gives firms a uniquely focused solution for complex onboarding and enables them to manage the lifecycle requirements of alternative assets."

Sector-specific depth as the new standard

Chartis noted in November 2025 that "the horizontal KYC platform model is being replaced by more industry-specific depth," with vendors developing targeted modules for asset management, broker-dealer onboarding and institutional banking. The February 2026 CLM report reinforced this theme: the market is shifting away from horizontal platform procurement toward sector- and business line-specific solutions, and the current phase is defined by continuous renewal rather than rip-and-replace transformation.

For alternative asset managers, this means the question of evaluation isn't whether a platform can be configured to handle your needs. It's whether it was designed to handle them – with data models, workflow logic and entity management built for the structural reality of fund-level KYC.

8. Conclusion: The compliance advantage

Compliance has historically been positioned as a cost of doing business. The firms winning in 2026 and beyond are positioning it differently: as a source of competitive advantage. Faster onboarding, cleaner data, lower remediation costs and a stronger position with regulators and institutional investors alike – these are the commercial outcomes of getting KYC right, not just the regulatory ones.

The convergence of tighter frameworks (EU AMLA, U.S. CTA, U.K. Economic Crime Act, FATF), more complex client structures in alternatives and rising geopolitical volatility means the cost of compliance inaction is no longer theoretical. Regulatory action, capital delays, investor attrition and reputational damage are the measurable consequences of a compliance architecture that can't keep pace.

Chartis observed in November 2025 that "vendors' success will depend less on breadth of coverage and more on an ability to combine high-quality data with effective automation in specific verticals and geographies." The same logic applies to compliance programs. The advantage goes to the firm that combines data integrity, automation depth and regulatory precision.

As agentic AI enters compliance workflows and KYC becomes an industry baseline, the gap between firms with integrated architectures and those still managing fragmented stacks will widen. Will you modernize proactively or reactively?

Connect with FIS to assess your current onboarding and KYC architecture against the regulatory standards. Our team can help you identify gaps in your current program and how technology can close them.

Learn more

Money at rest. Money in motion. Money at work.™

Our technology powers the global economy across the money lifecycle.

Money at rest

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.

Money in motion

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.

Money at work

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

fisglobal.com/contact-us linkedin.com/company/fis x.com/fisglobal

This material is for information purposes only of the intended recipient. We have taken care in the preparation of this information but will not be responsible for any losses or damages including loss of profits, indirect, special or consequential losses arising as a result of any information in this document or reliance on it (other than in respect of fraud or death or personal injury caused by negligence). Terms and conditions apply to all our services. The content of this material may not be reproduced without prior consent of FIS.

© 2026 FIS. FIS and the FIS logo are trademarks or registered trademarks of FIS or its subsidiaries in the U.S. and/or other countries. Other parties' marks are the property of their respective owners. 4989584

Advancing the way the world pays, banks and invests™