the regulation, institutions have the ability to launch "safe harbor" loans that are attractive to consumers and less risky to lenders.

KNOW YOUR CUSTOMER/CUSTOMER IDENTIFICATION PROGRAM

Know Your Customer (KYC) screening is a critical and often required process designed to not only monitor transactions, but ensure that financial institutions invoke an effective and comprehensive Customer Identification Program (CIP) at all stages of the Customer Life Cycle (account opening through transaction and account management). The 2001 enactment of the USA PATRIOT Act added more weight, accountability and urgency to the requirement that banks stand up to effective KYC procedures. The Federal Trade Commission passed the Red Flags Rule in 2008 and enacted enforcement policies in 2010. Based on the Fair and Accurate Credit Transactions Act (FACTA) of 2003, the Red Flags Rule adds yet another set of identity authentication and risk-assessment requirements to a wide variety of institutions that offer services under a broad definition of "creditor."

The Red Flags Rule requires institutions to establish a program that identifies Red Flags — a pattern, practice or specific activity that indicates the possible existence of identity theft — applicable to its account-opening activities, existing account maintenance and new activity on an account that has been inactive for two years or more.

From an operational perspective, Red Flags Rule and KYC compliance procedures often generate costly and unnecessary referral or out-sort volume that negatively impacts customer experience. To streamline these processes, Experian recommends a robust risk-based approach that encompasses four main elements.

1. **BROAD-REACHING AND ACCURATELY REPORTED DATA SOURCES**
2. **TARGETED ANALYTICS**
3. **DETAILED SUMMARY-LEVEL CUSTOMER AUTHENTICATION RESULTS**
4. **FLEXIBLY DEFINED DECISIONING STRATEGIES**

With its many controls, KYC and Red Flags Rules procedures are critical to protecting consumer identities and mitigating fraud losses. When implemented efficiently, however, these operational efforts also can create competitive advantage and revenue opportunities. Institutions can drive improvement in customer experience with seamless and frictionless KYC processes that expedite the customer onboarding process and usher through existing account, credit and contract decisions more quickly. At the very least, a fraud compliance program that promotes a positive and nonintrusive consumer experience can leave organizations with a competitive advantage that will help drive higher customer acquisition and retention rates.