Commentaries

The need to know of customer onboarding

By Scott Longley

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The current consultation on high-value customers throws into stark relief the regulatory pressure is being applied to the gambling operators to provide compliant customer onboarding processes. More than just with VIPs, the need to know about your customer is evolving into a requirement to understand your customer and that is destined to change the nature of customer relationship management within the online gambling sector.

When it comes to the UK Gambling Commission's attitude toward customer interactions, there can be no doubting the direction of travel.

As is obvious from its recent comments with regard to VIPs, or what the Commission now likes to call "High-Value Customers (HVC)," the UK's gambling regulator has made it plain it expects operators to do their utmost to determine who their customers are, including their financial circumstances.

Thus, says David Clifton from legal consultancy Clifton Davies, customer interaction is now "at the root of all that the Commission is demanding."

He says, "As the enhanced checks requirement in the new HVC industry guidance has underlined, KYC (Know Your Customer) has moved on to UYC (Understand Your Customer) with more of the same to come when the Commission reveals the content of its forthcoming consultation on customer interaction that, amongst other things, will require more in terms of assessment of affordability and identifying vulnerability."

More than just an alteration to a well-known acronym, this is a significant shift and it signals where the regulator wishes to see more change.

Moreover, it points to a greater understanding of the nuances of customer identification and engagement, says David Pope, marketing director at ID-verification firm HooYu. "In this era where operators are getting driven to knowing more about their customers, it means there is even more weight on KYC," he says.

"What the regulator wants to see — and what they are really asking for — is that the operator understands the different risks in a customer based on various metrics. That can be geography, transaction value, payment type, and various other measures that can all signify differing levels of risk."

Kirsty Caldwell, gambling compliance expert with Betsmart Consulting, notes that the Commission is increasing the focus on the undertaking of enhanced due diligence.

"This includes obtaining information around source of funds and the customer's personal situation. For example, are they vulnerable due to a recent bereavement; have the experienced problem gambling issues in the past; are they gambling and losing with other operators; do they have a history or criminality, etc."

Safety net

This isn't just about more paperwork. Where regulatory pressure over customer interaction can have the most impact is in the onboarding process.

Pope makes the point that changes to the licence conditions and codes of practice (LCCP) will often result in higher abandonment rates. As an example, he points to the changes with regard to free-to-play games where new age-verification controls were introduced to ensure they couldn't be accessed by children.

"It changed the shape of the sign-up funnel," he says. "It involved better planning on the

part of the operators, not just following the easiest route. The whole process encompassed a lot more what-ifs."

According to Wes Himes, executive director for standards and innovation at the Betting and Gaming Council (BGC), the changes in the spring of 2019 "encapsulated" the efforts being made by the operators to more accurately identify onboarding customers.

"The increased availability and utilisation of new software such as real-time ID check and two-factor authentication give operators the comfort that the customer is who they say they are," he says.

This has the benefit of making the process more consumer-friendly and can lower the chances of customers dropping off from the registration. "The new procedures therefore protect players by enabling them to sign up to services and not drop off into the unregulated market," he adds.

Crisis management

Customer interaction was in the spotlight earlier this year with the flurry of regulatory activity at the start of the COVID-19 lockdowns. In anticipation of a rise in possibly problematic online gambling activity, the Commission issued additional guidance, particularly around affordability assessments, an area where ID-verification is central.

As Clifton points out, even if the initial fears didn't play out as was feared, the additional guidance remains in place. It hammers home the point that the regulatory rachet when it comes to this area works only in one direction. Or as Clifton concludes, "We can expect more of the same" in the years to come.

But operators shouldn't be too fearful. "The greater level of checks being demanded can actually lead to better outcomes," says Pope.

Himes agrees. "You cannot do anything without reliable input data from registration and robust verification," he says. "It is also crucial to trial and test all solutions to identify their confidence and tolerance levels. How these are set is critical to accuracy and the ratio of successful checks versus false positives. This is where new innovations in KYC and onboarding have rapidly improved over time. "

Says Pope: "One signal is inherently risky, but if you use multiple sources and cross-check and reference across multiple sources, you get something much stronger. It is moving from 2D to 3D, an extra dimension of identity."

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