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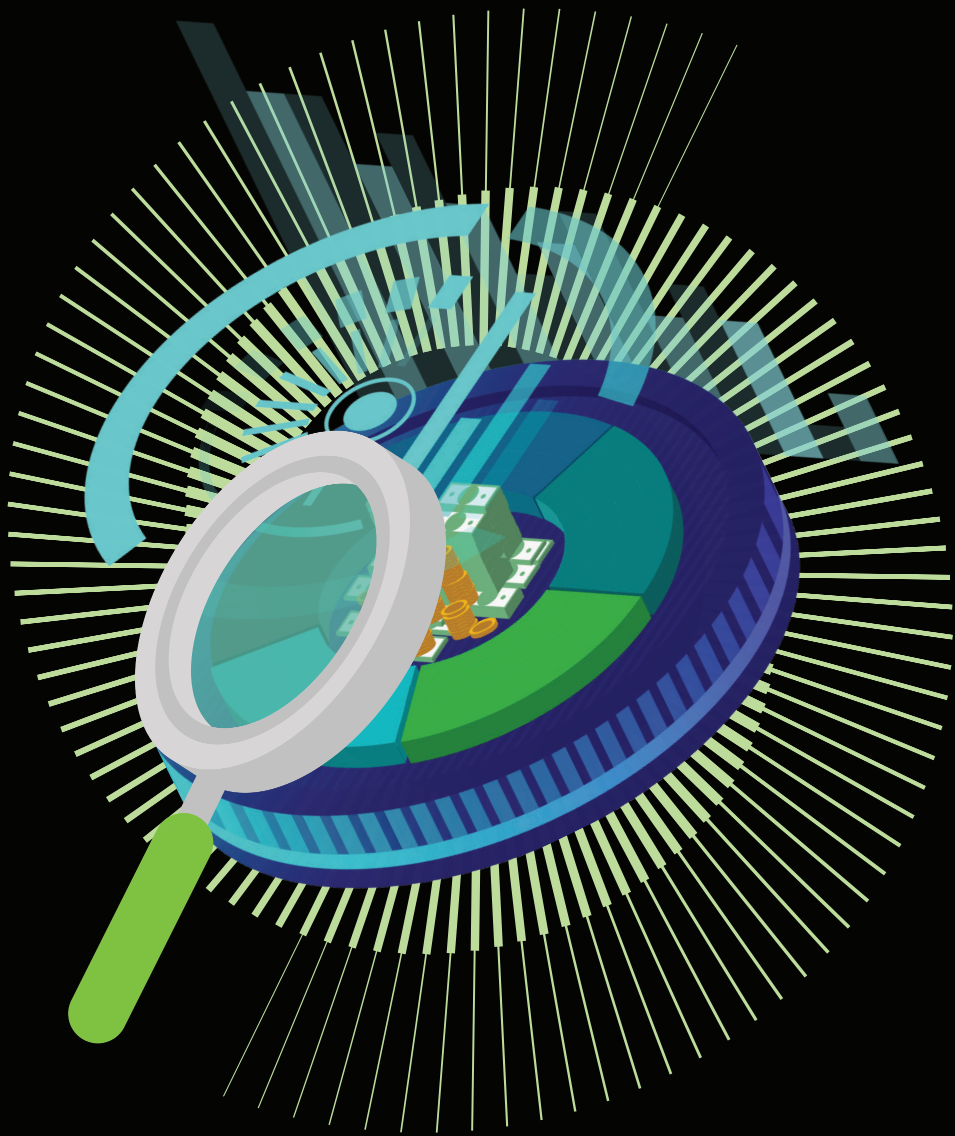


# Rethinking Source of Wealth:
## Bringing the risk lens back into onboarding

The recent MAS circular on risk-proportionate Source of Wealth (SOW) establishment has generated significant discussion across the financial services industry.

At first glance, the regulatory direction appears straightforward: apply greater proportionality, avoid one-size-fits-all approaches, and reduce unnecessary friction for legitimate customers. However, there is an interesting paradox at the heart of this discussion.

Efforts to introduce greater flexibility and risk-proportionality into SOW frameworks can increase operational complexity if not supported by appropriate governance, operating models, and technology, additional customer segmentation, differentiated corroboration standards, materiality assessments, governance checkpoints, and exception pathways can all make onboarding processes more difficult to operationalise consistently at scale. In some cases, this can inadvertently increase onboarding friction rather than reduce it.

At the same time, many financial institutions (FIs) recognise that aspects of their existing SOW frameworks have become increasingly difficult to justify through a purely risk-based lens. Following years of heightened regulatory scrutiny, firms have accumulated evidentiary requirements, approval layers, and governance processes designed to improve consistency and defensibility. While understandable, these measures can sometimes result in lower-risk customers being subject to requirements that may be more appropriately applied to higher-risk or more complex relationships.

Deloitte’s experience working with FIs suggests that opportunities to improve SOW processes extend beyond documentary requirements alone and into the design of the underlying policy, operating model, and customer experience.

The challenge is therefore not simply how much information firms should collect. Rather, it is how institutions can reintroduce a genuine risk lens into SOW assessments while building operational frameworks that are efficient, scalable, defensible, and capable of delivering a better customer experience.

Viewed through this lens, the MAS circular should be seen not merely as an opportunity to reduce onboarding requirements, but as an opportunity to rethink how SOW is assessed, evidenced, and operationalised across the customer lifecycle.

# The other challenge: Operational complexity

At the same time, policy requirements are only part of the story. In our experience, onboarding delays are often driven as much by operational complexity as by the underlying control requirements themselves. Many institutions continue to face challenges arising from fragmented workflows, duplicated requests for information, siloed systems, repeated manual reviews, and multiple handoffs between front office, operations, compliance, and risk teams.

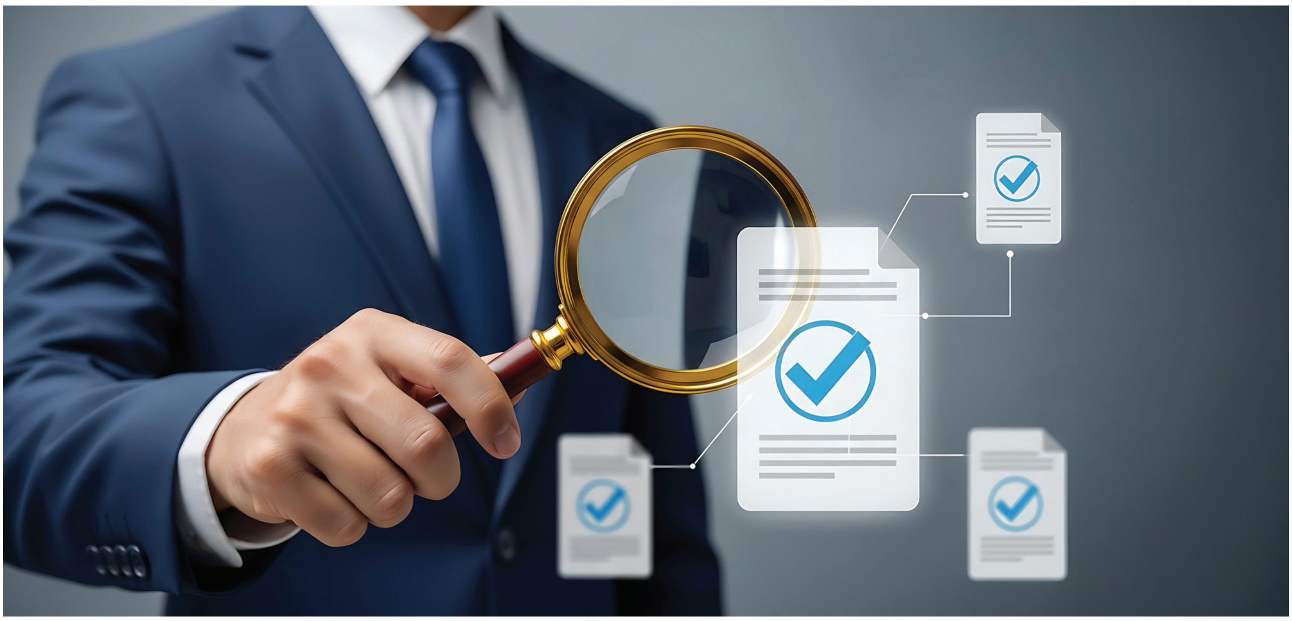
Client engagement models can further exacerbate these challenges. Trust is a critical but often overlooked component of effective onboarding and ongoing due diligence processes. Customers are far more likely to engage with requests for information when they have confidence in the authenticity of the request, understand why the information is being sought, and can respond through trusted channels.

However, most institutions continue to rely on operating models where customers receive requests for sensitive personal or financial information from unfamiliar offshore teams, email addresses, or telephone numbers. In an environment where awareness of financial scams is increasing, customers may understandably be reluctant to engage. Similar challenges can also arise within transaction monitoring investigations, where institutions often struggle to obtain timely responses to requests for information because customers are hesitant to engage through unfamiliar outreach channels.

Deloitte's perspective is that trust should be viewed as a core component of the onboarding operating model rather than simply a customer experience consideration. Onboarding friction is often influenced as much by the channel through which information is requested as by the information itself. As FIs continue to invest in digital channels and customer-facing platforms, there is an opportunity to embed trust directly into information-gathering processes. For example, requests for SOW information could be delivered through a bank's secure mobile application or authenticated digital channels, allowing customers to provide information through environments they already trust. Such approaches have the potential to improve response rates, reduce operational delays, enhance customer experience, and strengthen information security without necessarily changing the underlying information requirements themselves.

This highlights an important point: onboarding friction is not solely determined by what information is requested, but also by how that information is requested, collected, and managed throughout the process.

Through our work supporting a financial institution implementing AI-enabled SOW corroboration capabilities, we have seen how significant efficiency gains can be achieved while maintaining robust risk management standards. The lesson is that meaningful improvements often come from modernising the execution of controls, not simply reducing them.



# How did we get here?

Over the past decade, FIs have faced increasing regulatory scrutiny, evolving financial crime risks, and heightened expectations around customer due diligence. The result has been stronger controls, but also increasingly complex onboarding processes.

Importantly, there are cases where firms are genuinely asking for more information than may be necessary. Some institutions may inadvertently have adopted a one-size-fits-all approach to SOW corroboration, applying similar evidentiary expectations across customer populations with very different risk profiles.

For example, a senior executive with a long employment history at a global bank, big four firm, or other reputable multinational organisation presents a fundamentally different SOW challenge from an entrepreneur whose wealth is derived from privately held businesses supported by limited independently verifiable information.

Yet in practice, both customers may find themselves subject to broadly similar information requests and corroboration expectations.

Part of the challenge is that SOW assessments are inherently subjective. First-line teams, compliance functions, internal audit, compliance testing teams, and external auditors may all have different views on what constitutes sufficient corroboration.

In response, many organisations have gradually added evidentiary requirements, approval layers, and governance checkpoints designed to improve consistency and defensibility. While understandable, this has sometimes resulted in frameworks that are calibrated as much around demonstrating compliance as they are around assessing risk.

Importantly, many institutions had already begun recognising these challenges before the publication of the MAS circular. Through Deloitte's work with FIs, we have observed organisations proactively undertaking customer remediation programmes aimed at enhancing the quality, completeness, and consistency of SOW records across their existing customer base.

These initiatives are often driven by a recognition that effective risk-based frameworks depend on strong underlying customer data and documentation. Before firms can confidently introduce differentiated corroboration standards, materiality thresholds, or customer segmentation approaches, they must first ensure that existing records provide a sufficiently robust baseline.

For many organisations, remediation is therefore not simply about addressing historical gaps. It is increasingly viewed as a foundational step towards establishing more sustainable operating models and enabling a more risk-proportionate approach to ongoing customer due diligence and periodic refresh activities.

Viewed through this lens, the MAS circular may reinforce a direction of travel that some institutions had already begun pursuing, rather than creating an entirely new one and presents an opportunity to rebalance the equation of demonstrating compliance versus risk-calibrated application of controls.

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# A more risk-based and customer-centric approach

The MAS circular provides firms with an opportunity to revisit SOW frameworks through a more explicitly risk-based lens.

One area for consideration is the use of materiality thresholds. Rather than seeking equivalent corroboration across all aspects of a customer's wealth profile, firms may focus their efforts on the most material sources of wealth while adopting proportionate approaches for less significant components.

Customer segmentation also has an important role to play.

The level of scrutiny applied to ultra-high-net-worth individuals, complex family office structures, politically exposed persons, and customers with opaque wealth sources is unlikely to be appropriate for lower-risk retail, affluent, or salaried customer segments.

Well-designed tiered onboarding frameworks can enable firms to apply differentiated corroboration standards based on customer risk, wealth profile, product usage, and jurisdictional exposure. This can improve customer experience for lower-risk customers while ensuring enhanced scrutiny remains focused where risk is genuinely elevated.

Importantly, this is not about weakening controls. It is about ensuring that compliance effort is directed towards the areas that contribute most meaningfully to risk mitigation.

## Looking ahead

The most successful institutions are unlikely to view the MAS circular as a choice between reducing controls and maintaining controls.

Instead, they will see it as an opportunity to restore a genuine risk lens to SOW assessments while building onboarding processes that are efficient, scalable, and capable of delivering a better customer experience. In our view, leading institutions should now focus on three priorities.

1. **Recalibrating SOW policies around risk and materiality**
Many firms have accumulated evidentiary requirements and governance layers over time in response to heightened scrutiny and differing stakeholder expectations. Institutions should take the opportunity to revisit customer segmentation models, materiality thresholds, and corroboration standards to ensure that compliance effort is directed towards the areas of greatest risk.

2. **Modernising onboarding operating models and workflow orchestration**
Reducing onboarding friction requires more than policy change. Firms should examine how information is collected, assessed, and managed across the customer lifecycle, with a particular focus on workflow design, customer engagement models, trust, and end-to-end process orchestration.

3. **Embedding intelligent data and AI-enabled corroboration capabilities**
As customer due diligence requirements continue to evolve, institutions will increasingly need scalable ways to gather, assess, and corroborate information. AI-enabled document review, intelligent data extraction, automated corroboration, and reusable customer intelligence can help reduce operational burden while maintaining robust risk management outcomes.

Ultimately, the opportunity presented by the MAS circular is not simply to collect less information. It is to collect, assess, and operationalise information more intelligently.

Viewed through that lens, the circular is not merely a policy development. It is an opportunity for firms to rethink how SOW is assessed, evidenced, and operationalised across the customer lifecycle.

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