Introductory Guide

The Digitising of Trust Deeds

For businesses to link trusts to trustees

Context & Purpose

The digital revolution and subsequent rise of big-data has changed the modern business environment forever. In order to grow, but also to protect themselves, businesses need to be better equipped and prepared to navigate this new landscape.

Commercial credit lending, risk management and compliance with government legislation are constantly evolving to keep pace with market demands and industry developments. One such development is the recent focus on the long-running institution of trust entities and the identities of the individuals behind them.

The opaque nature of trusts can give rise to some important questions: Do you really know who you're doing business with? Do you know who your customer actually is?

Key takeaways

This document will help you to:

- Understand the nature of trusts
- Learn what it means for your business when dealing with trust accounts
- Learn about the illion Trust Registry and how we can help businesses identify and link trust accounts to their respective individuals
- See illion's Trust Registry in action
- Learn about smart new technologies like 'optical character recognition' and 'machine learning' and how they make trust linking time efficient and achievable for businesses of all sizes

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Solving the Enigmatic Nature of Australia's Trusts

The landscape of trust entities

An overview of trust entities in Australia illustrates the challenges businesses face when engaging in trade with trusts.

By design, trusts are not legal entities in the same way as people and companies. Trusts represent a 'relationship' between a trustee and one or more beneficiaries who may be companies or estates and settlors.

The two primary issues when looking at trusts from a data and analytics perspective are as follows:

1. **A registry of trusts does not exist publicly.**

   The lack of a dedicated trust registry means there is no comprehensive and centralised data on trusts. Failure to link trusts to their beneficiaries/ trustees or settlors presents a slew of problems, including putting businesses at risk of unwittingly breaching compliance requirements, such as anti-money laundering, or indirectly funding terrorist organisations.

2. **A trust's point-of-truth; qualifying the identity of the true financial controller and the worthiness/risk assessment of engaging with them in business.**

   When determining the point-of-truth with legal entities such as companies, public information like ABNs and ACNs make it easier to determine not only that the business is genuine but that it is subject to conditions and compliance standards. Trusts are not subject to the same standards.

Some examples of trusts and their primary purpose:

- Managing charitable donations
- Ring-fencing employee pension plans
- Safeguarding family assets for children

Trust entities aren't required to publicly disclose trustee/ beneficiary/ settlor information, therefore businesses might only have a view of the trust name, possibly the name of the trustee, but not know the identity of the settlors and beneficiaries involved in the trust.

Australia is a a signatory to the international agreement to force greater financial transparency as part of The Financial Action Task Force (FATF).

In 2016, Pascal Saint-Amans, Head of Tax in the Organisation for Economic Cooperation and Development (OECD) called on countries, including Australia, to establish new registers of company and trust ownership.

"It is clearly important we recognise the important differences between companies and trusts. This means that the solution for addressing the potential misuse of companies – such as [ownership] registries – may well not be appropriate generally."

The Four Vs of Big-Data

The initial challenge when compiling a trust data registry is to identify how many already exist in the marketplace from a 'big-data' perspective:

- **Variety**
  What variety of information does a business own on its accounts versus what is available?
- **Volume**
  As of June 2018, there were 2.2 million operating businesses in Australia – much of the data relating to these existing businesses lies below the water line. Of these, 545k (one-quarter of the entire business community) are established trusts, most of which lack the necessary data and information to adequately assess the risk of doing business with them i.e. credit lending.
- **Velocity**
  It is crucial to be abreast of the ever-changing and growing landscape of 'big-data'. About 15% of data in the business landscape changes every year e.g. a new business is formed every few minutes.
- **Veracity**
  Data must be accurate. Accurate matching, accurate scoring, accurate predicting makes data meaningful.

Analogue Trust Deed Data in the Digital World

In the mid-1990s, the digital revolution went into overdrive. The advent of household internet and the general public's comprehension of the two-digit language that is binary code are just two things that changed the way we consume information forever.

The consequence, however, is an ever-increasing division between existing analogue data, like handwritten paper documents, and cloud-stored, aggregated and organised digital data.

Decades on, this division still presents a significant problem when dealing with trust deeds, as they are virtually always manually produced and filed away without a digitised version.

Deeds as data

Up until the 1950s, data was completely analogue. It came in the form of documents produced by typewriter or handwritten, which were stored in physical filing systems. This is where trust deeds and the problem they present come in.

Trust deeds have been in existence since the 1200s in medieval England and are growing in number as a means of financially structuring a business. As a result, trust deeds can range from analogue technologies from pieces of paper to PDF documents - which are either partially or entirely scanned.

This creates pressure on businesses to manually investigate and link a trust to the trustees to establish who they are actually doing business with. The time and human resources this requires are high overheads and often businesses forgo the process as it is difficult and expensive.

Digitising trusts

The nature of technology and the data produced and stored, needs to evolve in order to function in a modern world.

Just as analogue photographs became obsolete by the advent of digital cameras in 2003, and digital cameras were largely superseded by smartphones in 2010, so is the form and medium of the trust deed evolving.

While a lot of trusts created in the past decade are at least produced in PDF format, they are still not a part of any centralised database nor complete with extensive mapping and thorough identification of trustees. On top of this, they still require further digitisation so they can be integrated with other systems when necessary.

More so, many trusts produced in previous decades remain as the most recent version of the document and exist only in paper or scanned form.

In order to bring the analogue trust deed into the twenty-first century, the involvement of 'machine learning' and optical character recognition is required.

Optical character recognition

Optical Character Recognition (OCR) is the innovative software technology which allows analogue records such as scanned paper documents, PDFs or digital images like a JPEG to be captured and converted into data. OCR instantly converts information that would otherwise have had to be reviewed by a human and manually transferred into digital data that is recognisable, editable and searchable.

The ability to recognise characters, like letters of the English alphabet, in a static image and convert into digital data means the manual entry process is rendered obsolete. Businesses are able to optimise this technology to convert information previously held in their paper records.

For trust deeds, this is specifically critical.

Machine learning

The concept of machine learning is where a computer will gain a higher level of capability over time after being exposed to ever more data.

New digital technologies are continuing the progression of data conversion, and with it, the difficulties of the past are becoming simplified, manageable and streamlined.

In the process of converting analogue data into digital data, machine learning is a great opportunity to increase efficiency when dealing with trusts.

As more trust deeds are scanned by computerised technology using OCR, we can learn about what pieces of data are more important than others such as:

Account name

ACN

ABN

Trust name

Trust type

Settlor

Trustees

Beneficiaries*

* Requirement of consent by the trust beneficiary:

- The disclosure of their personal information (in the trust deed) to illion
- The collection and use by illion of that personal information

We can also begin to search and identify common patterns to be applied to the software's ever-evolving algorithm.

Case Study: The illion Trust Registry in Action

The problem every business faces

At some stage every business will deal with trusts in the form of clients, business partners or investors.

The key issue here is the risk of negative exposure for the businesses that engage with trusts without being fully informed. Because trusts regularly lack comprehensive information regarding their point-of-truth - who created it, who manages it as the trustee and who the beneficiaries are - the risk to businesses engaged with them is unknown and therefore unacceptable. Some organisations even decline to trade with trusts, and could be turning away profitable business.

To solve the problem this lack of information presents, illion has built Australia's first Trust Registry, where businesses can compare and append their trust records against those stored in our database.

Knowing who's along for the ride

The Australian division of a leading global transportation company sought an efficient way to identify the trust accounts in its portfolio of customers.

Historically, the company had to perform their linking processes for trusts accounts manually, taking an exceptional amount of time and resources to achieve. The process took around six months to complete, and not every trust account was identified.

Businesses, over time, accumulate hundreds of trusts in their portfolios each year and each trust account in the business' portfolio represents a significant security risk.

Fully automatic: providing the answer

Providing the solution the business needed, the illion Trust Registry offered results using an automated and streamlined process. The client was required to provide data sets which covered public information needed to identify the individual as well as business information such as their ABN and ACN.

The Trust Registry works initially as a 'data wash' by matching and appending a business's existing data sets against the existing data in the registry.

The information is matched and, where applicable, missing information is added to the client's datasets. The process enriches the value of the client's database, allowing them to link trust accounts with the individuals behind them.

Using illion's network of business databases & sources, the Trust Registry reviews millions of customer files using matching intelligence engines. Using ABN and ACN details the Trust Registry links trustees to trusts using its comprehensive datasets drawn from numerous sources.

Lifting the fog and keeping their eyes on the road

To test the ability of illion's Trust Registry, the client used our data washing capability by supplying illion with 5,000 records, including over 400 trust accounts, from four of their accounts portfolios.

Because many trusts only exist in original or scanned paper form. To solve instances where data cannot be compared against illion's Trust Registry electronically, illion used optical character recognition technology to digitise the information in each trust deed, subsequently appending the newly digitised data into the client's data sets.

Because illion's Trust Registry is an automated and time efficient procedure the client is relieved of laborious, manual work, saving staff hours and valuable company resources.

illion's Trust Registry team were able to apply the data supplied for the purpose of:

- Linking trust details
- Linking trustee details
- Flaging any file where the trust/ trustee matches information provided by the client

A task the company believed would take six months to achieve was accomplished within hours and procured an 81% match rate.

- Total records provided: 5k
- Trusts provided: 408
- Links established: 329 (81% linkage rate)

Portfolio	Total	Trusts	Linked to Trustee	% Link Rate
VIC	125	121	98	81,0%
QLD	2,105	190	147	77,4%
NSW	741	15	12	80,0%
ROAM	1,990	82	72	87,8%
Grand Total	4,951	408	329	80.6%

The Trust Deed Reader

Built by illion's partner, SimpleKYC, the Trust Deed Reader is subscription software which employs machine learning and optical character recognition to digitise scanned analogue documents, such as trust deeds, and convert them into digital information. The information can then be integrated into digital platforms.

The reader's ability to be applied to trust deeds, which is scanned and converted to PDF, means its potential use is extensive.

It works seamlessly with other Simple Know Your Customer (KYC) onboarding tools, enabling the visualisation of the Trust Structure to create a comprehensive, one-stop-shop KYC/AML solution.

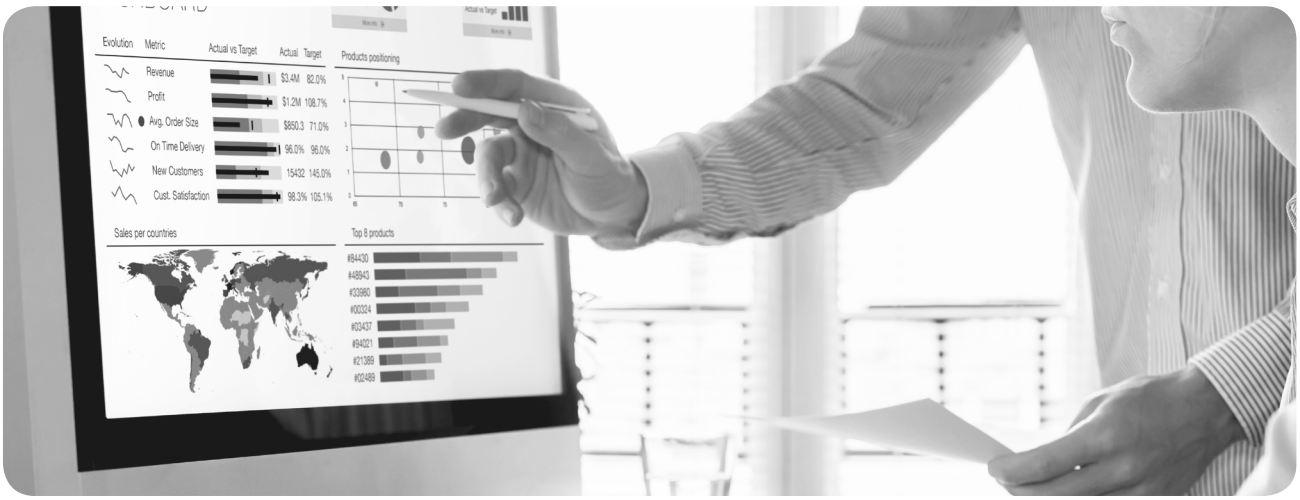
The OECD called on countries, including Australia, to establish new registers of company and trust ownership.

"It is clearly important we recognise the important differences between companies and trusts. This means that the solution for addressing the potential misuse of companies – such as [ownership] registries – may well not be appropriate generally."

What does the trust reader do to help businesses?

Despite digitisation, trust deeds are still in analogue form. From legacy documents, which were created in the past, to documents that still require analogue data input, like a signed contract, they still need to be digitised for seamless integration into a business's system.

The trust deed reader automates the process for extracting key information from unstructured legal documents with accuracy and time efficiency. To do this, the Trust Deed Reader leverages artificial intelligence technologies and machine learning capabilities.



The Trust Deed Reader functions:

- Automate machine learning technology for Natural Language Process of third-party data to a 99-100% accuracy level
- Integrate third-party information systems that accumulate financial, trust, and individual data for customer identification and processing
- Consolidate manual on-boarding processes to an automated platform for complex system architectures, thereby eliminating the requirement for PDF forms and manual data entry
- Develop an automated comparison engine that translates disparate PDF data to a consistent format, thereby filtering and compiling information to a single format for comparison

Trust deeds are usually long, unstructured, and disparate, requiring hours of manual labour and time to extract key information needed for KYC procedures.

Information can also be complicated by subsequent amendments, given the nature of these legal documents. Being able to extract, match, and update the relevant information is complex and vulnerable to human error.

Trust Deed Reader capabilities

Ability to complete KYC processes in a very short timeframe (measured in seconds), achieve greater conversion rates of 85%+

Third Party API/data integration of a wide range of external customer identification data sources

High fill and high accuracy rate. No readily available solution in the market does multilayered processing with 80% conversion

The illion Trust Registry: Providing the Solution

illion's approach to solving trust data in Australia covers linking trusts to trustees, product delivery and document storing. All built within the Trust Registry, using technology like the Trust Deed Reader, it will finally resolve the enigma that trusts represent to businesses.

- The Trust Registry's primary function is to 'wash' a business's existing data by matching their data with that stored in the Trust Registry database.
- Information is matched and, where applicable, missing information is appended; based on beneficiary consent. This process enriches the value of the client's database, allowing them to link trust accounts with the individuals behind them.
- Using illion's network of business databases & sources, the Trust Registry reviews millions of customer files using matching intelligence engines. Using ABN and ACN details the Trust Registry links trustees to trusts using its comprehensive datasets drawn from numerous sources.

The illion Data Registry aims to solve the trust issue by:

- Building and enriching data to capture all 545k+ operating trusts through phone interviews, illion logs, natural language processing and analytics and data matching
- Trustee data expanded to include bulk washing capability for matching and appending customer's datasets
- Trust Deed document store to supplement illion data with point-of-truth information extracted via optical character recognition. Clients will be able to upload via application programming interface (API), Decisioning or Web Channels. Any non-digital text can be matched and appended via optical character recognition technology

With the gap caused by this trust data frontier closing, businesses can now safely navigate the digital landscape by taking control of their data, making informed decisions, opening themselves up to new opportunities and ensuring increased organisation and data security.

About illion

illion is the leading independent provider of trusted data and analytics products and services in Australasia, with the company's consumer and commercial registries representing a core element of the region's financial infrastructure.

We leverage consumer and commercial credit registries, which comprise data on over 24 million individuals and over 2 million commercial entities, to provide end-to-end customer management solutions to clients in the financial services, telecommunications, utilities and government sectors.

Trusted Insights. Responsible Decisions.