accenture consulting

THE BEST DEFENSE IS GOOD COMPLIANCE

Know your customer transformation – lower costs and greater sustainability

THE TIME FOR CHANGE

In today's compliance landscape, regulators are continuously adjusting Anti-Money Laundering (AML) requirements, leaving financial institutions struggling to keep up with the pace of change.

Large financial institutions are routinely spending between $900 million and $1.3 billion per year on compliance-related ventures.[1] Despite the massive increase in AML investments, roughly one-third of financial institutions cite a lack of resources as the primary issue related to the failure to satisfy AML requirements.[2]

Due to increased regulatory pressure, financial institutions have committed large capital investments and important senior management attention to the Know Your Customer (KYC) process. However, KYC regulatory compliance remains an area of concern for most financial institutions. To address the growing number of challenges in this space, institutions are actively looking to transform their KYC processes.

SIX PHASES TO AN EFFECTIVE KYC TRANSFORMATION

Transforming a KYC process requires financial institutions to address key challenges and risks posed in the constantly evolving financial world. Some of these challenges include data inconsistencies across various processes; lack of a well-defined target operating model; poor processes for quality assurance; and manual-driven process designs.

The following six-phase transformation methodology can support financial institutions in evolving their KYC function (see Figure 1). Implementing all six phases allows institutions to address a number of challenges including rising costs, regulatory compliance, and customer experience.

Figure 1. Accenture's six phased KYC transformation approach

1

Data-Driven Process Design

Data-driven process design to address gaps and areas for standardization and to streamline processes and procedures.

—

Deployment of enhanced and simplified tactical (pre-target operating model) **processes and procedures** across all customer segments to reduce handoffs and to streamline model for client outreach.

2

Target Operating Model

Capacity and productivity assessment to determine resources needed for ongoing operations based on performance level.

—

Design of **new target operating models** with roles and responsibilities, service level agreement (SLA), governance structure and operational location strategy, including sites consolidation.
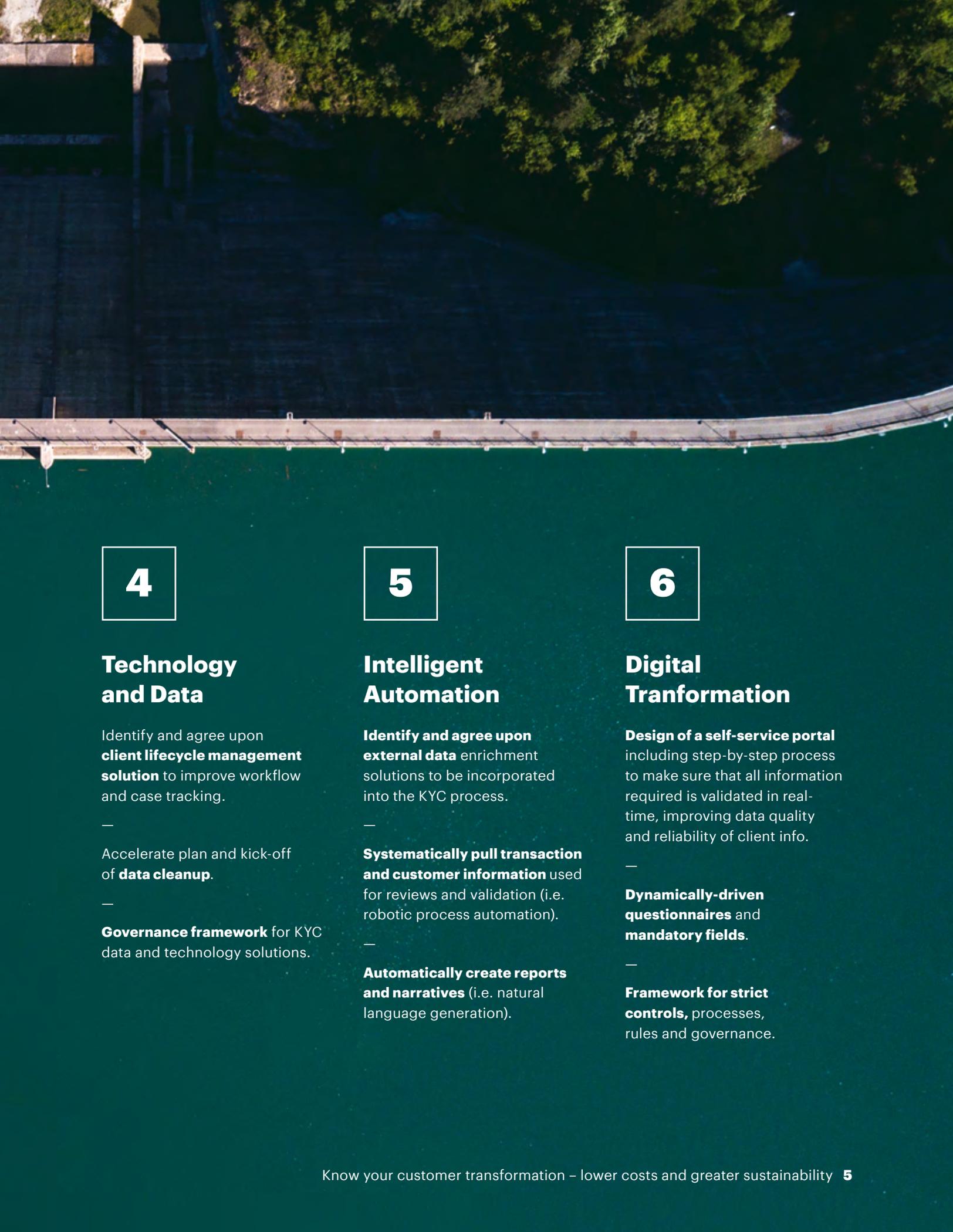
3

Quality and Productivity

Design of in-line quality processes and tool to support identification of defects real-time and drive continuous improvement to 90% pass rate.

—

Design of operational analytics solution to measure, monitor and manage performance against key performance indicators and key risk indicators (KPIs/KRIs).

Source: Accenture, August 2018

4

Technology and Data

Identify and agree upon **client lifecycle management solution** to improve workflow and case tracking.

—

Accelerate plan and kick-off of **data cleanup**.

—

Governance framework for KYC data and technology solutions.

5

Intelligent Automation

Identify and agree upon external data enrichment solutions to be incorporated into the KYC process.

—

Systematically pull transaction and customer information used for reviews and validation (i.e. robotic process automation).

—

Automatically create reports and narratives (i.e. natural language generation).

6

Digital Tranformation

Design of a self-service portal including step-by-step process to make sure that all information required is validated in real-time, improving data quality and reliability of client info.

—

Dynamically-driven questionnaires and **mandatory fields**.

—

Framework for strict controls, processes, rules and governance.

1

DATA-DRIVEN PROCESS DESIGN
FOR GREATER EFFICIENCY

To increase operational efficiency and customer satisfaction, financial institutions are encouraged to begin their KYC transformation by using data-driven process design to address gaps and inefficiencies within the KYC framework.

Data-driven process design involves reviewing current state KYC process metrics to identify areas for improvement and that will guide the transformation process. In doing so, they should focus on creating consistent and streamlined end-to-end KYC processes to reduce re-work and possible overlap between business units.

Immediate results can be achieved by decreasing the number of handoffs between business groups and creating consistent processes across multiple lines of business and geographies. This can also help reduce the frequency of customer outreach. In addition, organizations should continue developing short-term tactical enhancements while also developing a long-term strategic roadmap.

Transformation steps:

1. Standardize processes and reduce handoffs

2. Re-engineer end-to-end KYC processes aligning client onboarding and refresh across the enterprise

2

SIMPLIFY THE TARGET OPERATING MODEL

Once the KYC process has been re-engineered, it is essential to define and simplify the operating model.

First, financial institutions should define the KYC roles and responsibilities across the organization including confirming the KYC owners, the operational roles, the control units and compliance roles. And finally, institutions should conduct productivity and capacity assessments to determine an appropriate operating model. The technology architecture should be structured to serve as the basis for the entire process.

Key considerations:

- Onshore/offshore model based on volumes and complexity with appropriate SLA

- Implementing an ongoing capacity assessment program to meet variations in operational demand

- Creating global KYC governance forums to continuously improve and streamline the operating model

Transformation steps:

1. Enhance operations and simplify based on a robust capacity and productivity assessment

2. Enhance location strategy (e.g., offshore resources, consolidate locations, etc.)

3

QUALITY AND PRODUCTIVITY IN REPORTING

Many financial institutions struggle to maintain transparency in their processes, but this issue can be alleviated with relative ease by embedding proper reporting capabilities and reimagining key metrics.

Reporting and visualizing key metrics is essential to an effective KYC transformation. An institution should develop dashboards to track the SLAs and KPIs of each area of the business and keep a watchful eye on how smoothly they operate.

Financial institutions should especially focus on timeliness and quality of KYC reviews (e.g., onboarding, periodic reviews). It is imperative for institutions to deploy a robust post-quality process to detect anomalies in the KYC process, and to remediate and measure overall process efficiency. Institutions, depending on risk tolerance, may also want to consider some level of in-line quality assurance to prevent defects.

Additionally, there should be a focus on reporting the number of client interactions necessary to satisfy each requirement since client satisfaction is a priority for all financial institutions. For example, if reporting identifies that the capturing of beneficial ownership consistently requires multiple client interactions, the document itself may need to be altered to provide additional clarification. Effective reporting provides management teams with the key information needed to identify and address issues more proactively, as well as a clear and concise audit trail. Finally, the clear view into operations that effective tracking and reporting supply can help improve data quality and end-user experience.

Transformation steps:

1. Create dashboards to track metrics and SLAs
2. Deploy real-time performance monitoring of oversight

4

TECHNOLOGY AND DATA ARCHITECTURE
FOR STREAMLINED PROCESSES

Within a new target operating model, financial institutions can expect to reach optimal levels of efficiency if they utilize a data and technology architecture which allows their processes to be simplified and improved.

First, institutions should focus on reviewing their existing data and performing data cleanup for greater accuracy and consistency. They should then deploy a Client Lifecycle Management solution and import cleaned data to track workflow and gain visibility while also using intelligent analytics to make business decisions. In addition to client lifecycle management, this transformation may warrant implementing other cost-effective, innovative solutions (e.g., third-party KYC data integration) that layer onto a firm's existing technology landscape.

Transformation steps:

1. Initial KYC technology re-platforming for high impact processes
2. Expand, enhance and integrate new KYC technology platform
3. Further rationalize and modernize system and KYC tools

5

INTELLIGENT AUTOMATION
TO STAY ONE STEP AHEAD OF COMPLIANCE CURVE

Financial institutions can reduce the time it takes to execute KYC processes (e.g., onboarding and refresh) by employing newer technologies such as Natural Language Processing (NLP) and Machine Learning.

Automating highly manual processes is a quick win opportunity that institutions should take advantage of to stay ahead of the compliance curve. Both NLP and Machine Learning can be used to conduct third-party searches, gather documents and enrich customer profiles as well as many other traditionally manual processes.

Transformation steps:

1. Quick win automation solutions for data gathering and data enrichment

2. Deploy automation at scale including Machine Learning, NLP and Data Extraction

3. Expand Intelligent Automation and cognitive computing capabilities

CLIENT-CENTRIC DIGITAL TRANSFORMATION

Finally, financial institutions should create a client-centric digital KYC form with system-driven capabilities. This gives them the capability to act as a client self-serve portal for greater convenience and responsiveness.

This can also help them reduce the effort required for client outreach and ongoing due diligence. Such a capability limits the need for back and forth communication between the customer and the institution's outreach teams, decreasing KYC client engagement time, removing the human error element, and increasing overall customer satisfaction. An organization can operationalize an online and mobile digitized KYC solution by building processes, controls, IT governance, and customer support, thus marking a complete and effective transformation (see Figure 2).

Transformation steps:

1. Define business requirements and design digital onboarding functionality

2. Build and implement digital onboarding functionality, conduct change management

3. Implement enhancements to functionality

Figure 2. Benefits of an effective KYC transformation
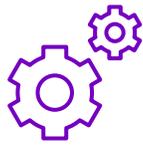
Productivity

Increase workforce alignment
to enable enhanced process execution
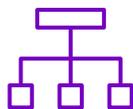and generate increased productivity

Cost

Decrease both direct capital requirements
and opportunity costs associated with meeting
regulatory requirements

Customer Satisfaction

Quicker customer onboarding and
reduce subsequent outreach, improving
customer experience

Operational Control

Gain transparency into processes
employed in AML endeavors

Quality

Clearer insight and with intelligent automation
increase data quality and system throughput

Source: Accenture, August 2018

A CLEAR WAY FORWARD

A KYC transformation gives financial institutions the opportunity to expand their technological capabilities in an efficient manner, while meeting regulatory requirements. The key to an effective KYC transformation is establishing and utilizing industry disruptors including Machine Learning, unstructured data analysis, NLP, and cloud-based KYC tools.

Financial institutions should find that transforming their KYC operations into a more streamlined, efficient and technologically sound capability can result in multiple positive effects outside of meeting legal and regulatory obligations. Institutions may also discover that because of the greater ease in tracking and responding to regulatory requirements, they are better positioned to expand their product offerings. Overall customer satisfaction should improve due to quicker onboarding times, fewer client interactions, and easy document provision. With an effective transformation, financial institutions can expect to earn the trust that reputable firms require to conduct business, and avoid the reputational hazard linked to audits, fines and negative publicity.

Finally, due to improved and accurate reporting, institutions can expect to capture greater knowledge of their own risk portfolio, facilitating their ability to maintain the proper clientele for their business. What was once viewed as a crippling requirement has now become an opportunity for institutions to protect themselves, provide brand distinction, and build a smarter and more sustainable business.

HOW ACCENTURE CAN HELP

Rather than focusing on short term solutions, such as increasing headcount or adding manual processes, Accenture encourages financial institutions to take a more long-term and sustainable approach to transforming their KYC programs. An effective KYC transformation can achieve regulatory compliance while helping to reduce operational costs.

Accenture has an industry leading Financial Crimes and AML group that is well versed and positioned to assist with every aspect of a KYC transformation. Accenture's demonstrated methodology, extensive experience in AML/KYC remediation and transformation engagements, global operational reach and capabilities, allows us to engage clients from the transformation start to finish. Accenture is also an industry thought leader, and innovative firm deeply involved in "New" technologies and approaches for capturing business value in a digital world.

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