EVOLVING AML JOURNEY

OPERATIONAL TRANSFORMATION OF ANTI-MONEY LAUNDERING THROUGH ROBOTIC PROCESS AUTOMATION
The regulatory burden on financial institutions (FIs) has increased dramatically in recent years. In the crucial area of Anti-Money-Laundering (AML) compliance, FIs have stepped up their spending on headcount to support Know Your Customer (KYC) activities and other key functions that require manual processing such as AML Customer Screening and Transaction Monitoring.

FIs are spending, on average, $60 million per year to meet their AML compliance costs, but some larger firms are spending up to $500 million annually to comply with KYC and Customer Due Diligence (CDD) rules. Back in 2015, we were estimating a 50 percent increase in costs related to AML over a three-year period.

Firms that fail to make the changes to meet regulatory demands run the risk of major reputational and financial losses (from 2010 to 2015, banks paid over $300 billion in fines related to non-compliance). The combination of high transaction volumes and increased regulation places a premium on an organization’s ability to streamline operations and maintain appropriate levels of control.

FIs are searching for new ways to reduce the costs of operational processing while remaining compliant in their AML programs. They have explored solutions across the Operational Transformation journey (Figure 1) including standardization, centralization, outsourcing and automation with varying degrees of success. However, experience has shown that leveraging a combination of centralization and automation alongside outsourcing solutions has resulted in significant cost reduction, as much as 15 to 35 percent across the enterprise.

Within the category of automation, the implementation of Robotic Process Automation (RPA) is showing potential for reducing costs and increasing the effectiveness of key AML and KYC activities. While RPA is not a silver bullet solution, if used with the right processes and avoiding common pitfalls, it can be quite beneficial.

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**Figure 1. The Operational Transformation Journey in AML**

<table>
<thead>
<tr>
<th>STANDARDIZING</th>
<th>CENTRALIZING</th>
<th>OUTSOURCING</th>
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<tbody>
<tr>
<td>• End-to-end Operational Process Design</td>
<td>• Offshoring</td>
<td>• Managed Services</td>
<td>• Robotic Process Automation</td>
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<td>• Technology Enhancements</td>
<td>• Center of Excellence</td>
<td>• Vendor Solutions (e.g. KYC Utilities)</td>
<td>• Machine Learning</td>
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Source: Accenture, September 2017
THE CASE FOR RPA IMPLEMENTATION IN AML

Banks that leverage RPA can help lower costs, increase throughput and improve quality, while remaining compliant across the AML ecosystem. Our experience indicates that Robotics help deliver payback on investment in about three to six months when implemented at scale.

Additional key advantages and benefits can be found in Figure 2 below.

Figure 2. Key Advantages and Benefits of RPA Implementation

- Increased productivity with the potential to operate 24/7 – less FTEs needed to complete repetitive tasks
- One “bot” equates on average to 3 – 5 FTEs at about 1/3 the cost of an offshore resource
- Consistent quality delivered as human error is eliminated
- Approximately 6 – 8 weeks required for a cost-effective implementation
- Higher staff satisfaction by eliminating monotonous tasks and allowing individuals to focus on higher value work

Source: Accenture analysis, September 2016
SIX KEY CONSIDERATIONS FOR AN RPA IMPLEMENTATION

For an effective RPA implementation, FIs should be aware of six key considerations, which can help them avoid the pitfalls and mistakes that commonly occur during automation.

1. ANTICIPATED BENEFITS

The benefits derived from automating a specific process can vary greatly depending upon the FI and the process in question. Elements to consider include the potential FTE (full-time equivalent) savings (or avoiding the need to hire more FTEs); the time required for payback or break-even point on the investment; the expected increase in operational throughput and/or quality; and qualitative benefits such as improvements in the customer experience or faster realization of revenue.

2. VENDOR ALIGNMENT

The process being automated should align with offerings available from current or potential robotics vendors used by the firm. Potential differentiating factors that influence the vendor decision include cost, compatibility, ramp-up speed, capacity to scale up, and ability to provide ongoing maintenance. In addition, some vendors have areas of specialization which should be taken into account during the vendor selection process.
In addition to being high volume and repeatable, processes selected for automation should be stable and operating effectively. Attempting to automate a poorly-designed process often results in a failed or prolonged implementation. In some cases, it is beneficial to perform some re-engineering to address process opportunities before attempting to automate. All processes should be identified, assessed and prioritized using a consistent intake methodology across the firm. Additional process selection considerations include the number of stakeholders/owners within a process (less is better) and the sustainability of the process.

Robots also require ongoing maintenance as data sources (internal and external) and key systems change. This maintenance is essential as it allows bots to continue to perform consistently and accurately. It is also essential to have a robust incident management process, including root cause analysis for RPA defects. Subject matter specialist involvement from the lines of business (LOBs) is also crucial before, during and after bot implementation.

The automation of a process utilizing strategic target state platforms is less burdensome and in our experience, requires less ongoing maintenance than a process dependent on multiple legacy systems and offline data sources (such as spreadsheets). Additionally, firms should hold off on automating any processes impacted by an in-flight technology transformation, as this delays a robot going to production or may render a newly developed robot obsolete.

There is a common perception that robots will eventually take away most human jobs, but this is misguided. Robots will never replace the need for human oversight, judgement and problem solving. It is essential for firms to communicate this to employees as the utilization of robotics impacts morale. Ways to keep employee engagement high include: participation in the identification, assessment and prioritization of processes for automation and training employees to support configuration of robots as well as the ongoing maintenance of those robots. Employees should not feel threatened by robots, but rather, empowered to support the firm in this step of the transformational journey.
THE APPLICABILITY OF RPA FOR AML

Most processes within the AML ecosystem involve a similar set of activities based upon the research, validation, evidence and upload of customer information.

RPA-based solutions are well-equipped to incorporate these activities into an overall AML operational transformation program. Some of the key use cases within AML include CDD, client screening, transaction monitoring and client offboarding. These are all well-suited to benefit from the implementation of RPA capabilities.

1. Customer Due Diligence. Use cases within CDD include client setup, onboarding, refresh and enhanced due diligence. During refresh, for example, RPA can be used to validate existing client information, pulling client data from various internal repositories to verify the client’s information or to hand off to an associate for review. With several internal and external sources available for client verification, RPA can be leveraged to search internal data repositories as well as approved third-party data sources for client information. RPA can also automatically send emails to frontline staff and clients, requesting necessary KYC documentation.

RPA can also be used to capture screenshots of the client information that was collected and verified, and based on the information received during the onboarding or refresh processes, it can manage further due diligence based on the customer’s risk level.

2. Client Screening. RPA use cases in client screening include sanctions/OFAC, Politically Exposed Persons (PEP) and adverse media screening. For example, RPA can help compile and consolidate customer information from multiple databases and hubs and send to screening vendors or compare directly to watch lists. RPA can also perform first level reviews and determine if screening results are "hits" or "false positives" based on predetermined business rules. As is the case with CDD, RPA can manage screening based on the client’s risk level.

3. Transaction Monitoring. The most important use case in transaction monitoring is alert review. Screening systems can generate thousands of duplicate alerts that are then closed by investigators using previous case closure evidence. RPA can identify repeated alerts, check for changes in status, and take action to close without involving the investigator. RPA can also manage the data collection process for suspicious transaction alerts, handing off to associates to review or closing the alert on its own, based on predetermined business rules.
This eliminates mundane reviews and data gathering for associates, leading to fewer human errors and a clearer focus on the highest risk customers and transactions.

Many FIs struggle with a lengthy alert backlog. An analytics-based method can be used to detect and aggregate false positives, with RPA taking output from this analytics solution to update and close cases in bulk.

4. Offboarding. Institutions determining when to close accounts or when to place a customer on a Do Not Do Business (DNDB) list can use RPA to check the client’s account status and provide insights on account activity. RPA can take over the manual process of updating restriction and/or closure codes to help eliminate human error and automate routine tasks. Based on business rules, RPA can proactively monitor and prevent transactions with specific clients on the DNDB list.

This table shows specific RPA capabilities and how they can be applied to key AML functions.

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Source: Accenture, September 2017
**NEXT STEPS**

RPA is an important step in the operational transformation journey of AML, but newer technologies, such as Machine Learning and Artificial Intelligence, are expected to build upon and expand the horizons of automation.

Transaction monitoring, for instance, currently relies on the development of hundreds of business rules to detect patterns in the deposit, transfer and withdrawal of funds from an FI. Machine learning can be utilized to analyze large quantities of transaction data to detect anomalies and patterns, without having to work within the confines of business rules that are often outdated. Machine learning can also support the auto-triage and enrichment of alerts with information from internal sources. This information may be retrieved more efficiently than it can by investigators manually running online web searches.

Poor data quality or a lack of useable data can affect decisions made by machine learning models, as can a lack of information-sharing between regulators and banks. Another hurdle includes the lack of trust regulators have in decisions made by machine learning models. Unlike RPA, which can be implemented quickly and inexpensively, there may be difficulties in integrating machine learning solutions with existing systems and tools. For more information on machine learning applicability for AML, please see our thought leadership piece titled “Leveraging Machine Learning within Anti-Money Laundering Transaction Monitoring.”
CONCLUSION

As FIs continue to transform their operations to keep up with the ever-changing AML landscape, RPA should be a key part of that transformation. Through RPA, we are seeing organizations drive down their operational costs, while meeting or exceeding throughput targets, maintaining high quality, and remaining compliant. With proper leadership and governance, and through the selection of processes that are well-suited for automation, FIs are realizing a major operational uplift from RPA in a relatively short amount of time.
HOW ACCENTURE CAN HELP

Accenture has a leading Financial Crime and AML practice with an integrated global network of deeply skilled professionals. Accenture is an industry thought leader, possessing proven methodology and extensive experience in AML/KYC remediation and transformation engagements working with major banks and technology company in Canada, the US and Europe.

Accenture is also well positioned to provide integrated RPA solutions with over 1000 robotics specialists across the globe, key relationships with the top 5 RPA providers and an ecosystem of collaborative alliances.

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REFERENCES


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