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Optimizing KYC Client Reviews for Efficiency & Control

Global Investment Bank achieves up to 37% efficiencies in KYC client review and remediation process with Fenergo Client Lifecycle Management

The Client:

- Provides investment banking, asset management and wealth management services
- Operates globally

The Challenge:

- Manual inefficient KYC client review process
- 27 hours for medium-risk client reviews
- With 2,500 to 3,000 medium-risk clients, this totals 67,000 to 81,000 hours

The Client Profile:

Considered the world's largest manager of private wealth assets, this financial institution provides investment banking, asset management and wealth management services to private, corporate and institutional clients worldwide.

The Challenge:

The KYC client review process is an essential ingredient in achieving lifecycle compliance with anti-money laundering (AML) and know your customer (KYC) regulations. As part of this process, specialist regulatory analysts are responsible for reviewing each client in light of their current risk rating to ensure that they remain in compliance with local and global regulations.

The KYC client review process enables financial institutions to:

- Reconfirm the client's existence and active relationship with Sales Manager;
- Validate KYC information of their clients to ensure continued compliance with Bank Client Identification Programs in line with AML, KYC and other local regulations;
- Confirm the correct entity type and risk classification for the client;
- Perform basic and additional due diligence depending on entity type/ risk classification;
- Ensure the compliance process is evidenced with appropriate and up-to-date client data and documentation;
- Collect and capture additional data and documentation, as required.

For our global investment banking client, the KYC client review process was manual, cumbersome and inefficient, culminating in thousands of hours of interactive (fully engaged) time to complete. In fact, it took on average 27 hours to complete the KYC review process for one medium-risk client. (This calculation does not take into account additional elapsed time for review i.e. the time it takes for clients to respond to the financial institution's request for additional or updated data and documentation).

Siloed systems

Lack of visibility

Manual case assignment and tracking

Highly interpretive risk assessment process

Lack of access to data and documentation

Increasing regulatory volume and costs

With 2,500 to 3,000 clients classified as medium risk, this means that the KYC client review process for medium-risk clients took between 67,000 to 81,000 hours to complete.

Low	Medium	High
7,000	2,500-3,000	1,200-1,500

There were several reasons attributed to the time it took to complete this process:

- The prevalence of multiple, unconnected systems and repositories made the identification, location and verification of all client data and documentation held within the financial institution a protracted and onerous process;
- Such disparate and siloed systems meant there was no ready visibility of previously-collected documents, necessitating the re-attachment of data and documentation to the case if located, valid and applicable;
- Manual assignment and tracking of cases created a lack of visibility on real-time progress of cases, with cases having to be manually prioritized;
- A heavily subjective and interpretive risk assessment process was built on risk ratings being based on risk factors derived by the documents sourced and responses received from the client;
- The due diligence process on documents and data was extremely lengthy and effort intensive involving the consolidation, validation and preparation of all data and documents into a single location / folder. Our global investment banking client traditionally responded to this challenge by throwing as many people at the problem in an effort to complete the reviews and reduce the risk to the institution.

However, the increasing volume and associated costs of regulatory obligations forced the Bank to explore alternative options to solving this challenge.

The Solution:

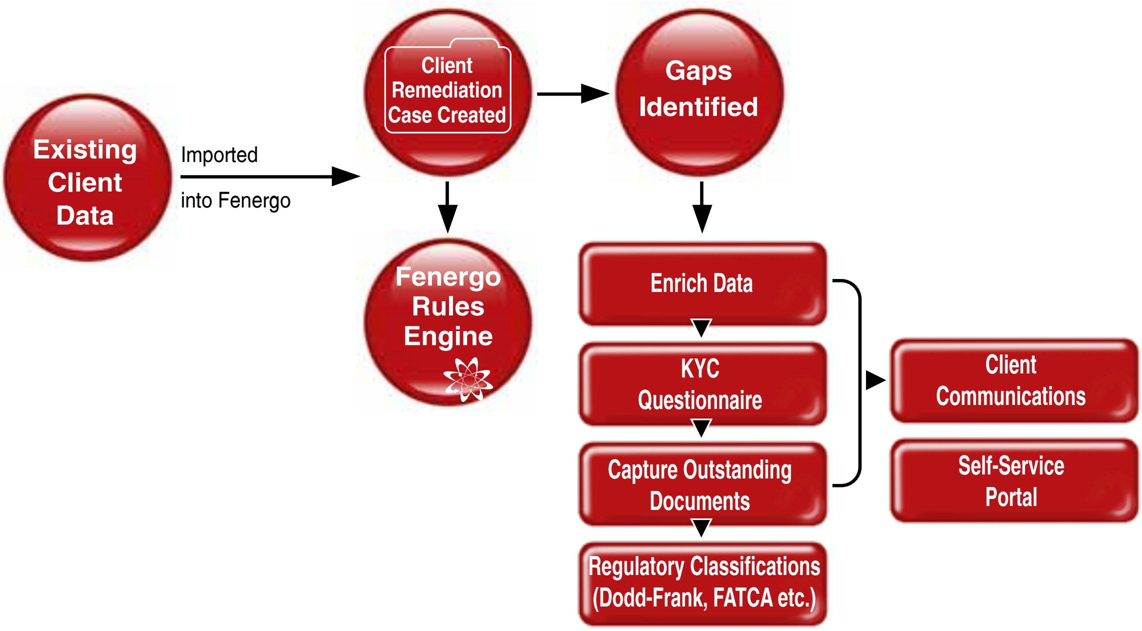
- Implemented Fenergo's KYC Remediation solution
- Automation of KYC Client Review Process
- Regulatory Rules Engine

The Solution:

The global investment bank selected Fenergo's KYC & Remediation solution to help automate the KYC client review process and alleviate some of the stress placed on the process through streamlined compliance workflow process that allowed them to gain as much efficiencies and control over the KYC client review process.

The Bank decided to maintain reviews of high risk clients as a manual process, providing the much needed expert four-eye process required. However, they wanted to automate as many of the medium and low risk clients as possible. To do this, they brought the clients initially classified as medium or low risk into the Fenergo solution. This process involved ensuring all fields were mapped to and contained the correct data. This data was fed into the Fenergo Regulatory Rules Engine, which identified all of the regulations that had to be complied with, the KYC questions that needed to be asked and all the classifications that had to be performed, thereby removing the interpretation normally involved. In addition, it determined all of the data and documents required to comply with these regulations and identified if these attributes were held by the financial institution already (collected under a previous regulation e.g. AML or KYC). The solution also tracked for expired documents.

For all outstanding pieces of data and documentation identified as necessary to comply with the stated regulations, the financial institution performed an outreach program to clients to request submission. The ability to re-use existing data and documentation streamlined and expedited the collection of the outstanding required data and documents. The KYC client review was performed by analyzing all of the data and documentation and comparing the risk ratings from the previous review, ensuring a single view of all client risks and information.



The Outcome:

- 37% improvement of case handling time
- 27,380 hours were shaved off
- Improved transparency and control

The Outcome:

The end result of this project culminated in the creation of more comprehensive client records and a speedier client review process. Fenergo's rules-based workflow platform, which supported the end-to-end cycle time for KYC remediation case handling, resulted in a sizeable 37% improvement on case handling time and efficiencies for the medium client risk category alone. This reduced average handling time for each case down from 27 hours each to 16.47 hours, shaving off a cumulative average of 27,380 hours in total for the medium risk client category. In addition to reducing the average cycle time to perform the reviews, Fenergo's KYC Client Review capability also enabled the Bank to:

- Improve transparency of in-process status of cases already commenced but not yet completed to identify means of reducing or avoiding bottlenecks in the system (the system automated the ability to select specific cases for accelerated KYC remediation completion);
- Increase control over the end-to-end KYC remediation process through automation, resulting in the reduction of human interpretation, error and data input issues;
- Reduce the number of non-value add, manual steps and processes;
- Improve transparency of aggregate KYC remediation portfolio demographics and trends by increasing and automating MI available;
- Enhance visibility of status of individual cases and portfolios throughout the entire remediation process, including exceptions and escalations.

The table below dissects the efficiencies gained in each area of the KYC reviews.

Processing Stage	Efficiency
Case Assignment	13%
KYC vetting drivers	40%
Documents sourcing	27%
Email to IT	47%
Preliminary risk assessment	20%
Perform due diligence and final risk assessment	20%
Perform non-CIP review	60%