

Regulatory Compliance, Repeatable Processes and 40%–50% Lower Costs

Enabling an efficient, modernized approach to enterprise-wide onboarding and know your customer standardization.

Business need

Our client, a large European bank, had developed processes that were manually intensive and siloed under each of its lines of business. A mandate in the European Union (EU) Fourth Anti-Money Laundering Directive required the bank to review its existing customer base and revalidate its know your customer (KYC) findings while applying a risk-based approach to its customer due diligence.

Solution

NTT DATA Services delivered a cost-effective, end-to-end customer onboarding and KYC solution that included fully integrated applications, KYC processes operations and security assurance services.

Outcomes

- **Reduced costs by over 40%** for onboarding customers while ensuring regulatory compliance.
- **Achieved 30% improvement** in relationship managers' bandwidth due to automated risk assessments.
- **Achieved more than 90% straight-through processing** rates for retail customer onboarding, completing account opening in a matter of minutes rather than almost 24 hours.
- **Reduced onboarding time** for medium-complexity customers from six days to six hours.

Client profile:

A large retail and commercial bank in Europe

Services:

- Provided end-to-end onboarding and KYC solutions
- Used an as-a-service delivery model across all the bank's lines of business
- Selected and implemented best-in-class KYC and screening platforms
- Integrated the bank's internal data

“NTT DATA Services had the industry expertise, technological acumen and real-world experience to get it done.”

— Large European Bank

Scrutiny and complexity in banking industry processes

Regulators around the world have increased their scrutiny of existing onboarding and anti-money laundering (AML) processes within banks. Compliance officers are now grappling with these new regulations, and their impact, while ensuring that standards and traceability are maintained in their organizations. The good news is that the recent punitive actions of significant fines levied on several banks for breaches and negligence in their KYC and AML processes have led most organizations to allocate more funding to identify the threats posed by identity theft, money laundering, terrorist financing and politically exposed individuals.

An internal bank procedure for new customer onboarding, KYC processes are usually performed by relationship managers and the KYC operations team (with compliance and business oversight). The same team also periodically reviews the bank's existing high-, medium- and low-risk customer bases.

An inconsistent, duplicate and siloed process for onboarding and KYC led to long onboarding times and a poor customer experience.

These processes become more complex when different groups across a bank's multiple products, lines of business and country-of-business operations build their own teams and procedures. Such complexity results in a siloed approach that can, at the group level, lead to inefficiency due to duplication and cost versus value conversations taking a backseat. To combat this, banks must take a tactical view to completing reviews rather than initiating a strategic board discussion on ways to standardize processes and operate in a consistent, repeatable and traceable manner, at the most efficient price point, without compromising the customer experience.

European bank seeks better processes and regulatory compliance

A leading retail and commercial bank in Europe was encumbered by onboarding and KYC processes that were manually intensive and siloed under the control of each line of business. Due to the EU's Fourth AML Directive, the bank also had to review its existing customer base, revalidating and rerecording all KYC findings while applying a risk-based approach to customer due diligence.

The bank wanted an enterprise-wide solution to establish a consistent, highly automated and comprehensive customer onboarding process. This solution would streamline and digitize its onboarding, customer due diligence and KYC requirements. The bank also needed a solution that would ensure the appropriate levels of discovery and risk assessment were undertaken and recorded at the outset of every new customer relationship while helping to remediate the back book of existing customers to comply with the new AML requirements.

After careful evaluation of several options and extensive due diligence the bank selected NTT DATA to develop an end-to-end customer onboarding and KYC solution. The bank chose this option: a suite of fully integrated best-in-class applications, KYC processes, and operations and security assurance services delivered from a cost-effective location because it met the needs of all its lines of business (corporate, small business and consumer customers).

Identifying the bank's business challenges

Previously, the bank took a traditional approach to KYC and onboarding. Relationship managers were primarily responsible for completing these tasks as part of the customer acquisition process.

The process itself was manually intensive and included document collection as well as customer correspondence, identification, verification, screening and initial risk assessment. It was also very expensive, as all onboarding operations were performed in high-cost locations. In addition, the process was inconsistent and customized for individual lines of business, and each business unit had a separate team, process and risk assessment methodology. The bank lacked a standardized risk-based approach across all customer segments and products, too. Instead, risk assessment depended on each relationship manager's own assessment of the end customer.

Relationship managers and compliance teams carried out the manual and tedious task of identifying the ultimate beneficial owners of corporate entities and sources of funds, among other things, as well as manually searched external databases for information verification of the same customers. The result was significant process redundancies, excessive onboarding timelines and frequent regulatory oversights. Against this backdrop, the bank decided to invest in a major AML transformation program to effectively address its identified business challenges and to develop a robust process for streamlining and standardizing its onboarding and KYC operations.

Implementing an end-to-end solution

NTT DATA assumed overall responsibility for designing and developing an end-to-end onboarding and KYC solution for the bank and delivered it as an as-a-service model for all lines of business. This included the selection and integration of certain best-in-class partner components — a KYC platform, screening platform and Companies House information — to address the requirements of the bank and its regulators while effectively remediating the bank's existing customer back book.

The outcome was a fast, simple, intuitive and easy-to-use self-service-enabled onboarding process for consumers. It allowed the bank's relationship managers to quickly onboard complex corporate customers with automated pre-risk assessments as well as the necessary customer due diligence. The process also included enhanced due diligence tasks and the ultimate beneficial ownership identification tasks completed based on stringent service-level agreements. As a result, the bank established a standardized, consistent internal onboarding and KYC utility that covered all lines of business, products and customer segments.

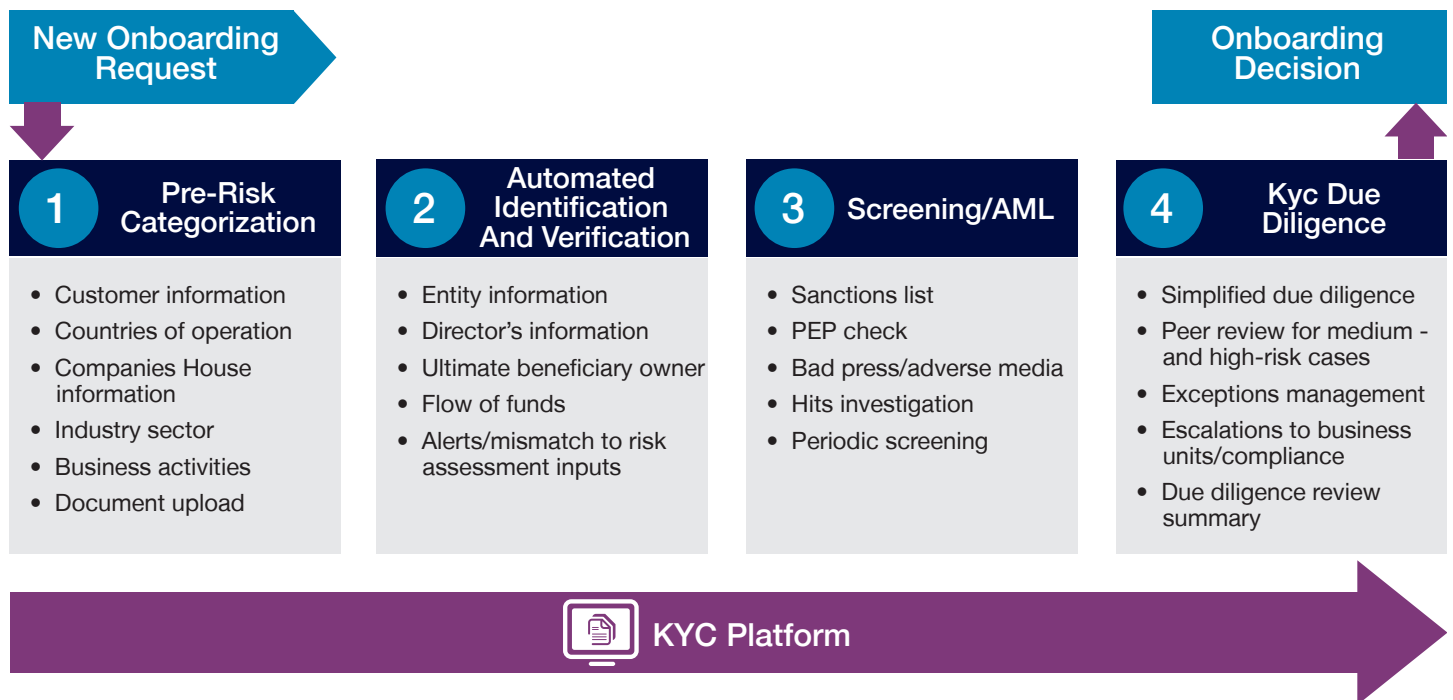


Figure 1: Business banking and the onboarding and KYC process flow

The solution was customized in close collaboration with the bank. It started with an assessment of both business requirements and regulatory requirements. A new target operating model was also defined. This included developing new business processes, configuring the KYC platform to support the new processes, provisioning the KYC platform as a cloud service, ensuring data security and designing interfaces to company registration offices and the bank's internal applications.

Standardize business processes and define a target operating model

NTT DATA's lead banking consultants, solution architects and Six Sigma business process experts worked collaboratively with the bank's business, group compliance and technology teams to:

- Baseline existing business processes and define the ideal end state
- Define the end-state target operating model and the service delivery and technology support model
- Document the bank's standard operating procedures
- Establish a robust governance framework

Adopt a cloud-hosted KYC platform and security assurance

One of NTT DATA's key solution requirements was to support a rapid services deployment by provisioning the KYC platform on the cloud while ensuring complete data privacy and security. NTT DATA's security consulting teams worked alongside the bank's group technology team and the KYC platform partner teams to ensure the cloud-hosted KYC platform and access methods met the bank's information security policies and

requirements. This involved completing multiple formal risk assessments, including detailed business continuity and recovery scenarios, before formal approvals and sign-off were obtained.

Utilize best-shore operations and establish service delivery, technology support and governance

Teams from NTT DATA worked with the bank to establish a robust global service delivery and technology support model to provide onboarding and KYC operations in the most cost-effective and efficient manner.

The NTT DATA service management team worked with the bank's business and group technology service managers and other partners on demand planning, service review, change management and overall governance operations. These processes were undertaken from a secure offshore facility in India for basic due diligence activities and from nearshore in Europe for enhanced due diligence activities.

Data in transit and data at rest were secured via encryption and access control, and offshore analysts used a solution based on a virtual desktop infrastructure to carry out tasks in adherence with the bank's data privacy and security requirements.

Application programming interface-based access was used for aggregated Companies House information, and it covered multiple jurisdictions. Operations analysts at NTT DATA were responsible for completing a holistic risk assessment by identifying the ultimate beneficial owners, sources of funds, share-holding patterns and adverse media as well as sanctions screening and politically exposed person screening.

High-risk cases were identified and forwarded to the head of business and group compliance so the bank could make onboarding decisions.

How NTT DATA's solution helps the bank

The bank's new customer onboarding and KYC solution provides a complete, flexible, secure, enterprise-scale KYC utility, delivered as an efficient service for quick onboarding. It supports automated risk assessment, complete due diligence and remediation of the bank's existing customer back book. The solution also helps the bank meet its regulatory obligations. New customers appreciate the speed and simplicity of the bank's underlying process.

NTT DATA helps the bank:

- Ensure regulatory compliance
- Reduce by over 40% the cost of onboarding customers
- Achieve 30% improvement of relationship managers' bandwidth due to automated risk assessments
- Reduce onboarding time for a medium-complexity customer to six hours from more than six days
- Achieve more than 90% straight-through processing rates for retail customer onboarding, completing the account opening process in a matter of minutes rather than almost 24 hours

NTT DATA provided the bank's onboarding and KYC services using a managed services model under stringent service-level agreements, as shown in figure 2.

Service-level Agreement	Definition	Influencing Factors	Benchmark	Current Achievement
Turnaround time (financial penalties apply)	Time to complete customer due diligence from the time it reached the processing center (exceptions include cases with insufficient data, cases that require escalation)	Process, automation	Personal: 2 hours Subject matter expert (SME): 4 hours Corporate: 4 hours (emergency), 16 hours (standard)	Personal: 2 hours SME: 4 hours Corporate: 4 hours (emergency), 16 hours (standard)
Quality (financial penalties apply)	Cases completed with no human error	Automation	98.5%	99.5%
Average handle time	Time required to handle a case from the time an analyst starts working to the time the analyst completed the customer due diligence	Process, automation	Personal: 20 minutes SME: 1 hour Corporate: 4 hours	Personal: 20 minutes SME: 1 hour Corporate: 4 hours
Business process outsourcing infrastructure availability	Percent uptime on systems in control of vendor (desktop, network)		99.8%	99.8%
Timely and accurate reporting	Weekly and monthly reports delivered on time		99%	100%

Figure 2: Services are provided at the highest level

Visit nttdataservices.com/banking-and-financial-services to learn more.

NTT DATA Services partners with clients to navigate and simplify the modern complexities of business and technology, delivering the insights, solutions and outcomes that matter most. As a division of NTT DATA Corporation, a top 10 global IT services and consulting provider, we wrap deep industry expertise around a comprehensive portfolio of infrastructure, applications and business process services.