NOVEMBER 2020

Next generation client onboarding and CLM

Key considerations for 2021 and beyond

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Client onboarding and CLM have become a key strategic focus

Regulation, digital transformation and cost reduction are driving huge changes across financial services. As a result, effective risk management, operational efficiency and increasing revenue are now critical strategic imperatives. Client onboarding and client lifecycle management (CLM) sit at the very heart of enabling an organisation to achieve these objectives.

Strategic areas

For many organisations, there are three key strategic areas that need to be addressed within their client onboarding and CLM functions.

STRATEGIC AREA 1

Greater customer focus

STRATEGIC AREA 2

Increasing efficiencies and reducing costs

STRATEGIC AREA 3

Reducing risk

However, how can financial institutions achieve these goals? In this report, we share our thoughts on some of the key areas that are driving organisations to develop "next generation" client onboarding and client lifecycle management capabilities, supporting them to achieve these strategic goals.

STRATEGIC AREA 1

Greater customer focus

1.1

Developing a single view of the customer

The idea of a single client view is not a simple one, but one which can provide significant benefits to the customer (they only have to onboard once for example) as well as to Operations and Compliance through better re-use of data, higher quality of data, and improved risk-based decisions.

However, this is a multi-faceted challenge that has grown over time as the requirements of KYC have expanded. Data on customers is often held in three distinct silos: external data; customer-provided data; and transaction data. Furthermore, each of these datasets may be held across multiple different systems and across multiple business lines in the organisations. Finally, because of the manual nature of record keeping in the past, records for the same entity (or individual) are likely to exist multiple times, with potentially different spellings.

Financial institutions need to consider how they can effectively bring together internal data (such as customer information, account information, transactions, and cases) with external data (such as company information, UBOs, and screening watchlists) to enable this single entity view. Their approach needs to incorporate key principles around scalability, high levels of accuracy, transparency and permission-based security.

It should also drive measurable changes to specific target use cases, for example reducing the time spent on KYC and AML investigations. While some organisations are investing in complex multi-year 'data lake' projects, others are looking to external vendors to help them deliver this single customer view. Speed of implementation and return on investment are key decision-making factors influencing the chosen approach.

1.2

Creating sophisticated digital customer journeys

The digitalisation of customer experiences generally means that customer expectations have risen quickly. Customers can now open retail and corporate bank accounts in minutes, rather than days or weeks (jurisdiction dependent), raising the expectation for fast, slick, digital-first onboarding processes wherever they go (on both a personal and business level).

Traditional processes like paper-based forms, in-branch visits, wet signatures, and paper copies of identity and address documents will become further consigned to the past. Next year will see continued investment in the development of digital onboarding processes to meet the demands of a highly efficient onboarding experience. We will also observe the continued development of an ecosystem of products (mixing in-house and vendor solutions) to help accelerate this process.

Financial institutions should look at both the long-term vision and short-term wins when evaluating how to deliver improved digital journeys for their customers. An overall vision is critical to ensuring that the approach is deliberate and joined-up - one that not only covers the front-end customer experience, but also covers the supporting operations and compliance processes. With this in place, it is then possible to break the vision into specific programmes of work and prioritise the changes which can deliver immediate benefits to customers.

STRATEGIC AREA 2

Increasing efficiencies, reducing costs

2.1

Automating KYC processes

To some degree, KYC has become a huge data gathering exercise, supported by 'throwing more people at the problem' to ensure compliance with regulations and avoidance of huge fines. As a result, the 'cost of compliance' has soared as these departments have continued to grow.

In response, many organisations have already started the journey to automating the manual parts of the data collection process - processes like data collection, identity and address verification, and internal workflows. This is a must-have for organisations who are yet to tackle this challenge. We have seen the automation of KYC processes help deliver significant benefits: increased speed of onboarding (and remediation / refresh), reduced time to revenue, and reduction in file touch times. This can also provide your teams with more time to conduct meaningful due diligence rather than focusing on data gathering.

Process automation is a key priority for delivering reduced operational costs and releasing team members to focus on value added work and exceptions processing. Done well, automation can be incredibly powerful and drive significant ongoing benefits.

2.2

Investing in a single CLM backbone

Establishing an effective case management system to manage client onboarding and the front-to-back client lifecycle is not new. The challenge faced by organisations could be one of many, from legacy CLM systems that are no longer fit for purpose, having multiple CLM systems across the organisation, to new systems that don't deliver what they promised.

It is critical that organisations get the backbone of their client onboarding and CLM right in 2021. This could include replacing legacy systems, migrating to a single CLM system, or enhancing the current system. When done right, a CLM system can provide a single system for managing each of the client events across business lines and functions. This would enable a single view of the customer, support incorporation of 3rd party data, integrate with other key internal systems, and ensuring compliance to relevant regulations. Importantly, due to the ever-changing requirements and differences across business areas, it is critical that organisations invest in solutions which can be configured and adapted quickly and at low cost.

2.3

Driving value from your partners

The success of the organisation or department is very rarely dependent only on full-time employees, but on an ecosystem of technology and data partners, consultancies, outsourcers, contractors and recruitment firms. Some firms may be over-reliant on partners to effectively run their business, while others may use external parties sparingly. Whichever camp your organisation falls into, it is critical to ensure you are getting 'value' from your partners.

Effective allocation of your resources will be more critical than ever with limited budgets, so it is important that your expenditure returns the greatest possible value. From a practical point of view, this means getting excellent service from your providers and asking them to demonstrate their return on investment. For a technology or data provider, you may look at how quickly they provide enhancements, what volume of enhancements they are able to deploy, the frequency and smoothness of new releases, and license costs if you're approaching renewal. Consider the key metrics that can help you evaluate the service you are getting from your partners. For consultancies and contractors, you may look at individual projects and people to determine whether they have delivered what they said they would, when they said they would, and then asking whether they have the right skillset do deliver your agenda going forward.

STRATEGIC AREA 3

Reducing risk

3.1

Taking steps to move towards more 'real-time KYC'

There is a huge burden placed on financial institutions with the requirement to regularly review the KYC of their customers. The periodic review cycle, typically 1, 3 and 5 years for high, medium and low risk customers respectively, places a significant burden on organisations to keep on top of their KYC refresh populations, resulting in huge costs. There are often spikes in this population as it is not linear, and while there is a correct focus on ensuring that high risk reviews are conducted, often backlogs build up.

The need to establish a more 'continuous' KYC process is now critical, removing a large population of clients from the periodic review process and lowering the operational burden and improving risk monitoring. For most organsations, moving to a more 'continuous' process is highly aspirational, however now is the right time to start addressing this challenge. Critical steps on this path will include automating data collection, breaking down data silos in the organisation (between customer record, external data and transaction data), developing more contextual transaction monitoring approaches, as well leveraging client touchpoints to refresh and update records.

3.2

Digitising policy management and policy rules

The development of policy and operational procedures (or guidance) by Compliance and Operations teams has almost exclusively to date been developed in Word documents and shared around the organisation in PDF format, following sign-off. These documents often sit on an analyst's desk and support them as they conduct their KYC reviews. Case management systems and 4-eye processes provide some level of control within the process to ensure quality, but overall, there is still a general lack of control to demonstrate easily to Compliance and Internal Audit that their regulatory obligations and policy is being carried out consistently and accurately on all cases.

The need to create a more robust control framework is a critical next step for financial crime compliance. There are two important steps to this process. First, digitising policy management processes supporting collaborative working, granular mapping between regulation, policy and procedure; and providing a fully auditable view of all changes. Second, in conjunction with Operations, ensuring better quality by digitising policy rules in the onboarding, CLM, or KYC systems, helping to ensure higher levels of "right first time" KYC, as well as greater control. These initiatives can provide significant benefits from both a risk and compliance perspective – improving not only controls, regulatory and policy change processes - but also in operational efficiency, reducing file touch times.

3.3

Evolving financial crime compliance to meet the demands of today's environment

Is your policy clear, effective and well understood by the organisation? Have you got the right team structure to meet the demands of today, and tomorrow? The demands on financial crime compliance are greater than ever, with new and old threats evolving rapidly.

Many financial crime compliance teams will need to re-evaluate numerous areas of their function, which could become key initiatives in 2021. This could include re-assessing policy (is it concise and clear?), re-assessing whether lines of defence are effective, re-assessing risk across their customer base and within their operations and re-assessing organisational structure. For instance, many organisations are starting to look at bringing previously separate teams around AML, ABC, Fraud and Cyber closer together in order to have a more joined-up view of FinCrime risk.

By ensuring that the FCC and Operational functions have shared objectives and clear lines of communication, it is possible to generate a high performing, cross-functional team - one capable of maintaining the high pace of decision making necessary to meet the needs of the business and to deliver against volume targets.

ENABLERS

Key enablers for change

Ensuring you have a reliable delivery function

The pace of change is not slowing down, organisations now need to embed the ability to coordinate continuous change. This is going to be an even greater challenge as many 'change' budgets are limited and only reserved for the most important initiatives in 2021. Leaders will need to create a strong business case to demonstrate the return on investment achievable with the right investment.

We see this as a significant challenge in most onboarding and CLM functions due to the inherently cross-functional nature. All parties involved in the processes must be aligned, engaged and managed carefully to deliver change successfully. The delivery team must drive the projects forward in order to realise the strategic objectives. Done badly, this can lead to a heavy management overhead and cause these programmes to either fail or be significantly delayed.

Here organisations need to build a flexible, high-quality change capability able to deliver co-ordinated, continuous change to meet the needs of their business. Highlight successes, build confidence in the ability of your team to deliver on strategic priorities and enhance your reputation for change excellence.

Selecting the right partners to support your business

The Fintech and Regtech landscape has grown rapidly over the last 10 years, and particularly in the last 5-7 years with the entry of many new providers. This has led to a particular challenge for people working within financial institutions in keeping up with which providers are out there in the market, what they do, and how their product is different (from other similar sounding products).

Selecting the right partner who best suits the needs of your business and will be able to support you over the next 5-10 years (or more) requires a detailed understanding of your requirements and in-depth due diligence of vendor solutions. Too often we see decisions being made without the requisite checks taking place, meaning that there can often be problems during implementation and beyond, as the expected benefits are not realised. It's important to go through the right due diligence stages as well as plan for implementation to ensure that integrating and deploying these capabilities are successful.

DID YOU KNOW?

Our Fintech Innovation Netwok (FIN) is a platform designed to demystify the many fintech solutions available on the market by showcasing and explaining new technologies, evaluating vendors and demonstrating how they've helped financial institutions.

Find out more here: beyondfs.co.uk/fin

LOOKING AHEAD

Underpinning the development of next generation client onboarding and CLM is a set of capabilities which optimise technology, data, processes, organisational structures, partnerships and more.

These capabilities are not necessarily "quick wins" - and your organisation's respective area of focus will be closely tied to your strategic objectives and where you are on your respective journey.

Some organisations will be further ahead and will have already developed some of these capabilities, possibly some years ago. But for others, some of these areas will still feel 'years out'. Wherever you sit on the curve, the pace and volume of change feels as fast and big as ever. The challenge – as ever – will be to prioritise the most important initiatives which will help provide the biggest return on investment, and then ensure you successfully deliver.

WHO WE ARE

Beyond helps Financial Institutions design and deliver client onboarding and CLM functions to dramatically increase speed, reduce risk and ultimately accelerate time-to-revenue. Speak to us if you would like to make change happen.

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