

## Finally, a client onboarding solution that addresses the recurring costs of managing overlapping regulations.

**Introducing Client Onboarding powered by KPMG *for those who cannot afford errors***

**Traditional low-cost labor and legacy data workflow tools fall shockingly short of today's complex regulatory reporting demands. Yet the market continues to perpetuate these decades-old approaches using new automation that only speeds up the work without substantially improving the results.**

Inadequate automation in client onboarding and regulatory compliance is arguably one of the biggest challenges facing the financial services industry—and certainly top of mind with regulators. As an example, between IT and operations, tier 1 banks can spend \$80 million or more annually on client onboarding. Yet this is a largely manual, error prone and time consuming process. Well-publicized lapses have led to fines in excess of \$1 billion<sup>1</sup>. Innovative solutions providing quantum leaps in the front office simply have not translated to back offices which still rely primarily on workflow tools and low-cost labor.

And while popular business process management (BPM) workflow tools may increase control points, the manual work is only marginally more efficient. Regulatory reporting data associated with client onboarding compliance<sup>2</sup> can require upwards of 40 million unstructured documents such as PDFs and emails. Most of these cannot be read directly by a computer and must be examined and cross checked to electronic files largely by hand – a daunting task that challenges even the most efficient operations.

**Until now.** Client Onboarding powered by KPMG is our client onboarding solution (COB) that re-imagines the “document and data problem” as a “big data solution”. Our COB solution transforms traditional data-reconciliation/ paper-and-people based processing using intelligent capture, content enrichment and metadata structures that produce a faster, cheaper and better data source ready for regulatory scrutiny. COB helps aggregates structured and unstructured data holistically into a common repository that provides search, query and analysis capability that can be employed across the enterprise. And that more



### Questions the C-suite are asking about client onboarding compliance:

- **CEO:** Do we have a consistent way to ensure business strategies are incorporated into our client monitoring and selection?
- **CFO:** Can we substantially reduce the cost of manual, paper-based processing required to validate and maintain regulatory compliance?
- **Chief Compliance Officer:** Are our compliance and risk management governance programs robust enough for this era of heightened regulatory scrutiny?
- **Audit Committee:** Are we satisfied that important processes are effective in ensuring efficient and compliant operations?
- **Chief Information Officer:** Are we positioned to leverage the vast technological advantage we have stored in our client and reference data?

<sup>1</sup>HSBC to Pay Record U.S. Penalty, *wsj.com*, December 11, 2012

<sup>2</sup>Know Your Customer (KYC), PUBLIC LAW 107-56—OCT. 26, 2001 and Foreign Account Tax Compliance Act (FATCA), as part of Hiring Incentives to Restore Employment Act (HIRE), Public Law 111-147

complete data leads to fewer exceptions and therefore more accurate and faster “straight-through processing” for regulatory compliance. With COB, data are routinely validated against multiple sources to improve the data quality more and more. This creates a sustainable drop in operating expense associated with errors without escalating labor cost.

COB is not only faster and cheaper than traditional BPM but it is also better. KPMG brings to bear extensive regulatory and tax domain knowledge that is codified and regularly updated in the solution. As business policies change in response to regulations, COB helps keep pace with both business and regulatory policy changes as information is processed – and reprocessed – in each new context.

**There had to be a better way.** Early in 2013 KPMG invested in the belief that the next generation compliance solution must combine large data needs relating to the expanding demand for regulatory reporting with regulatory and tax consulting know-how. Today we provide this patent-pending solution to leading market participants and are moving well beyond the initial vision. Our unique perspective on the big data solution to compliance offers several non-traditional components that improve operating efficiency:

## Enterprise “noSQL” Database

Unlike traditional databases, the enterprise “noSQL” database does not depend on a centralized data model and is capable of ingesting huge amounts of structured and unstructured data. Via ontology models and natural language processing, reference data is intelligently extracted from the unstructured data as it is captured for a specific regulatory need and then reuses this intelligence on the next “read” of the same data. In this manner, the totality of relevant data enterprise wide is aggregated and normalized into a centralized repository which can be searched and queried via the same “inverted index” structures popularized by Google. Suddenly the evolving demands of regulators are met with sustainable sophisticated reporting capabilities not previously available<sup>3</sup>.

## Consistent and Dynamic Policy Execution

Using metadata based policy models, KPMG provides an initial set of policies for various regulations, which are then augmented and enhanced according to unique and company-specific policies. Drawing on deep domain experience with regulatory matters, KPMG updates and refreshes the initial set of models as the regulatory landscape changes. Execution of the data against both regulatory and company-specific policy models produces consistent and auditable results among multiple uses of the same data across the enterprise. Successful outcomes provide classifications or regulatory

“Our new solution is unlike other regulatory ‘tools’ because it operates across multiple regulations. That means common data and policies can be leveraged across the enterprise to unleash the inherent multiple regulation economies of scale in a way disassociated tools and workflow alone cannot. We can now combine data aggregation and search, policy automation and reporting, and efficient workflow processes using deep domain knowledge, with the speed, accuracy, completeness and unit price no other solution can.”

Bill Cline, KPMG Partner, Capital Markets Advisory and Financial Services Innovation



“The ability to manage regulatory obligations and organizational processes in a connected, simplified way can equip an organization to better manage its risk appetite.”

“Regulatory Change Management – The Critical Compliance Competence,” *Compliance Week*, September, 2013

<sup>3</sup> KPMG market and patent research February 2013 - April 2014

ratings. Failures are routed to an exception queue where, upon request, KPMG's managed services can investigate and remediate the origin of the failure where appropriate.

As missing data are obtained and contrary evidence is resolved, the reference data becomes ever more complete, and an ever higher percentage of client onboarding and associated regulatory compliance becomes a straight-through process.

## Electronic Audit Trail: *in-context viewing of decisions*

Different from other solutions, the COB solution automatically maintains an electronic audit trail detailing company efforts to comply with regulatory mandates, including every process step undertaken, data source examined and the associated policy decision made. The audit trail assists with a reporting hierarchy by people, structure or information that enables enterprise wide global governance. As a result, an "electronic client file" is now readily attainable and available for regulatory examiners and internal governance reporting.

## Managed Services

But no process as complex and diverse as client onboarding can be fully automated so KPMG's solution complements the automated solution with support services to handle exceptions. Experienced teams seamlessly support exception processing, point in time and periodic remediation and account reviews as well as follow up with retail and institutional clients. The managed services help move non essential IT and operations expense to a more scalable and efficient operation, allowing you to focus on more essential activities. KPMG uses the

solution to provide a scalable managed service for exception handling, client follow up and form remediation, so we can offer the benefits of cross-industry scale made possible by our innovative approach.

## Meeting the Challenge

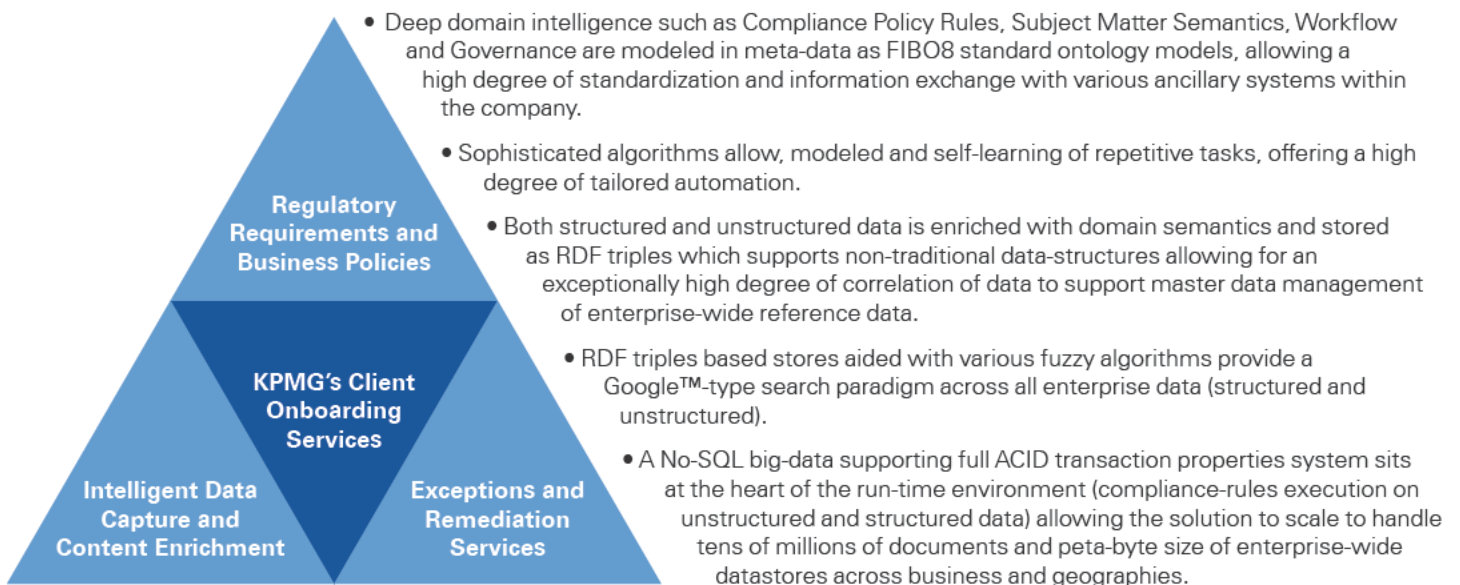
With about half of the Dodd-Frank regulations yet to be written<sup>4</sup>, and unprecedented tax change under way in the US<sup>5</sup>, more regulations are coming<sup>6</sup>. The COB solution can accommodate metadata models and policy automation for *multiple regulations*—so economies of scale and operational improvements can continue to expand across functions.

KPMG has decades of experience serving the tax, audit, and advisory needs of the world's leading financial institutions. That experience provides relevant insights to help you move from simple workflow tools to innovative technology with confidence that your operational solutions appropriately reflect your business strategies. KPMG's solution offers companies a new and innovative way to lower costs while realizing improvements that meet regulatory and compliance challenges as well as support operational efficiencies.

### KPMG's COB can help companies:

- 1. Deliver a more complete, accurate, and cost effective client onboarding and compliance review process**
- 2. Derive reporting from an electronic tracking mechanism suitable for review by internal compliance and external regulators**
- 3. Reduce the cost of ongoing operations, maintenance, and potentially on-premise infrastructure.**

## COB Technology: Intelligent – Expansive – Innovative



Source: KPMG Client Onboarding Managed Services, KPMG LLP (U.S.), 2013

<sup>4</sup>Of the 398 total rulemaking requirements, 207 (52.01%) have been met with finalized rules, Davis-Polk Progress Report, April 2014, [davispolkportal.com](http://davispolkportal.com)

<sup>5</sup>Business Tax Reform is Coming, [kpmginstitutes.com/tax-governance-institute](http://kpmginstitutes.com/tax-governance-institute)

<sup>6</sup>Evolving Banking Evolution, KPMG, LLP, March 2014





# Contact Us

To learn more about KPMG's Client Onboarding services and see a live demonstration, contact your local KPMG office or any member of your client service team.

**Prabhakar (PJ) Jayade**

Principal  
Financial Risk Management  
212-954-3548  
[prabhakarjayade@kpmg.com](mailto:prabhakarjayade@kpmg.com)

**Bill Cline**

Principal  
Advisory Lead Capital Markets  
704-335-5552  
[wcline@kpmg.com](mailto:wcline@kpmg.com)

**Scott Marcello**

Partner  
National Leader Financial Services  
212-954-6960  
[smarcello@kpmg.com](mailto:smarcello@kpmg.com)

**Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates.**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2014 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. NDPPS 283098

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.