



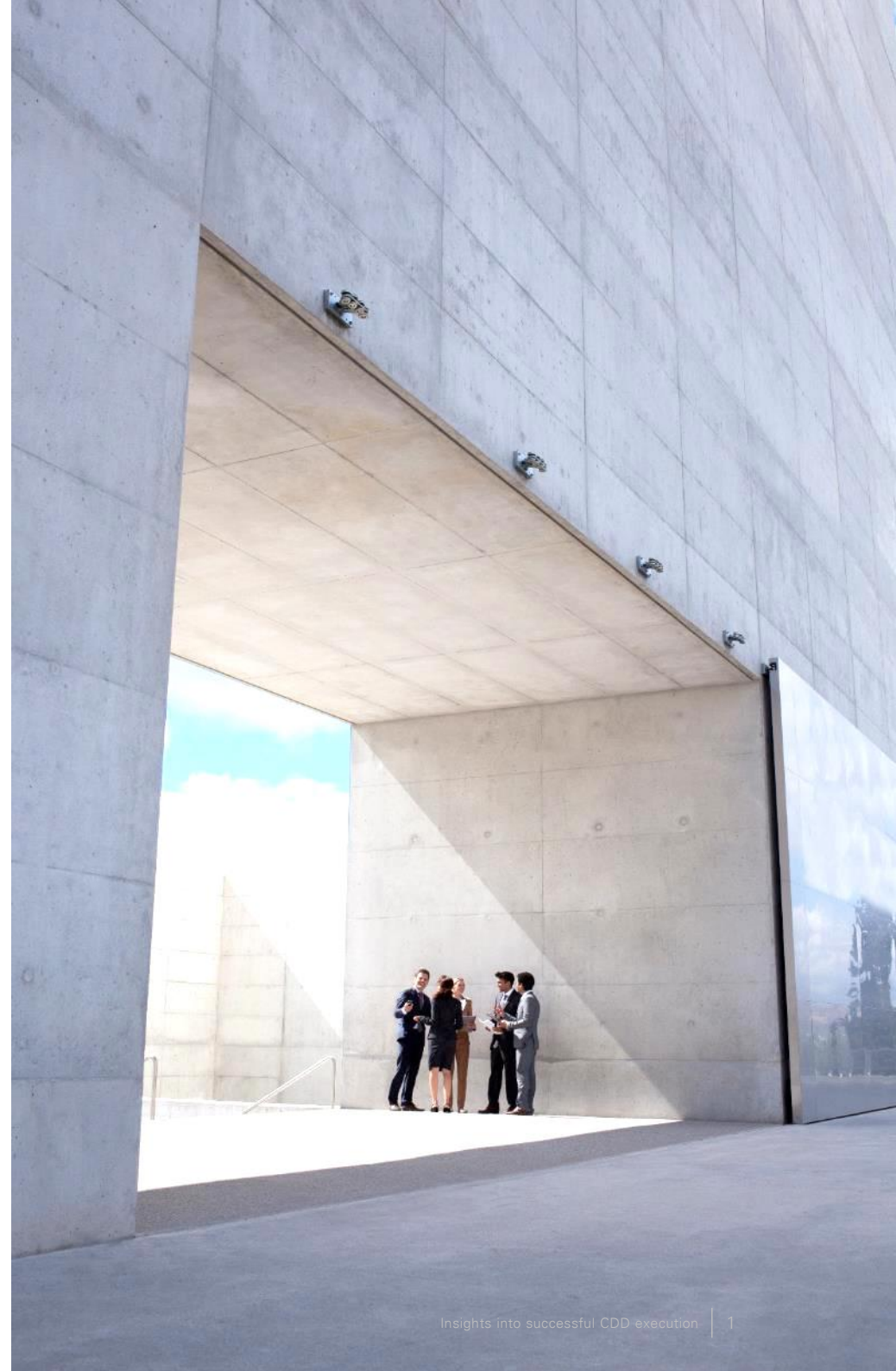
Insights into successful CDD execution

Smart data and technology

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Contents

01	Introduction	2
02	Technology for effective CDD	3
03	A Smart CDD future	5
04	A 360-degree view of the customer with Salesforce	6
05	In summary	7
06	KPMG's firms' alliance with Salesforce	8
07	Contacts	9



Introduction

For financial institutions of all sizes, fully enhanced Customer Due Diligence (CDD) to satisfy Financial Crime requirements remains elusive, with significant cost, risk and resource pressure, pitted against the need for greater automation and a more digital customer experience. For financial institutions in the UK, the cost of anti-money laundering (AML) compliance is approximately £28.7 billion per year, with over 50% of that spent on satisfying customer due diligence.¹

This is set against the backdrop of highly publicized large regulatory fines and significant financial losses from theft and fraud, which has seen huge spikes during the pandemic (UK loan and mortgage fraud was up by 675% in 2020).² It remains to be seen how much of this can be attributed to pauses in CDD programs, which created backlogs of cases that were put on the backburner while banks administered mortgage payment holidays and COVID loans. Meanwhile start-up fin-techs may need to rectify CDD shortcuts taken as they quickly scaled up.

Financial institutions are looking for delivery models to run their compliance programs including CDD onboarding, periodic and event driven reviews, and remediation more efficiently. They are seeking a CDD program that complies with regulatory requirements, supports effective operations, offers a better customer experience, helps to implement technology, and enhances data for improved decision making.

This report, we will explore the role technology and automation has to play in building a CDD program fit for the financial institutions of today.



¹ LexisNexis, 'Cutting the costs of AML compliance' report

² Fraud Barometer January 2021 (kpmg.uk)

Technology for effective CDD

Technology has always been integral to the CDD process and has predominantly been used to record the collection, collation and updating of CDD data points and documentation, often using large teams and manual processes to maintain the information held. When executed well, the combination of technology and process has enabled Financial Institutions to accurately assess financial crime risks associated with customers in order to make the correct risk-based decisions to on-board, retain, and where necessary, exit them.

However, we know that the world of CDD does not stay static; financial institutions are struggling to keep pace with their obligations to maintain customer CDD records in the face of changing regulations, more sophisticated criminal behaviors and inflexible systems, all at a time when there is a shortage of skilled resources to perform the work and costs are rising. A perfect storm you might argue!

Today, this report will explore the use of technology commonly used in the CDD process, how it might look in the future, and how KPMG professionals, working with a global technology leader, is balancing present and future requirements.

Today's technology landscape

Technology in the CDD process varies from organization to organization. There are a variety of tools and systems available, ranging from simplistic tools which address specific components of CDD to advanced tools which look to fully enhance wide-ranging processes.

For many organizations, legacy CDD systems and processes commonly lack automation, they require multiple, and often disconnected components to be used in conjunction with each other, in order to complete the full end to end process and ultimately do not provide a 360-degree view of all customer information. Legacy systems tend to have issues in the data model sitting behind them, which aren't based on case processes and lead to reporting or processing errors, as well as a lack of agility and inability to develop and make required changes after implementation. The availability and quality of both quantitative and qualitative management information varies enormously, but more often than not is limited in value to organizations. The same can be said with respect to the analytics capability currently available through CDD systems which are sub-par, resulting in poor data and failure to provide good reports and insights. Analytics should give an insight into the business and bring together the broader organizational strategy.

“In my experience, the more thought given to thinking about a financial crime program being an integrated and interconnected program of processes that has data flowing through it, with appropriate feedback loops between the various elements, aiming to ensure information is kept as up-to-date as possible, the more effective and efficient an organization will be.”

Geraldine Lawlor,
Global Head of Financial Crime,
KPMG International

Core CDD activities such as QC, QA, escalations, and customer outreach tend to be completed outside of CDD systems and therefore add additional time to processing, result in negative customer interactions, which can often lead to duplication of effort for CDD teams. Outreach is typically the least technologically advanced activity in the CDD process. Outreach tends not to be multi-channel enabled (i.e. email, SMS, telephony and letter) and requires significant manual intervention and repeated attempts to contact customers.

Other core financial crime processes which require access to CDD information, such as transaction monitoring are rarely integrated into the same suite of technology solutions. This typically results in sub-optimal processes which take longer to perform and at greater cost.

But all is not lost. There are new and emerging technology platforms out there which do provide answers to common operational CDD challenges which affect organizations daily.

How can you accelerate optimization now?

Innovation is key to managing costs and effort within the CDD environment with several areas of advancement on the horizon. The immediate future is focused on a future proof CDD system that offers a seamless digital journey for financial institutions and their customers. It must connect the front and back offices with customers, while integrating data from internal and external sources (using Application Program Interfaces – APIs) to automatically update information.

The use of Natural Language Processing can enhance document validation and interpret CDD standards into a series of rules or algorithms. This can help optimize analyst and QC average handling times, reduce resource requirements and improves the quality of cases.

Sophisticated screening tools that use machine Learning and AI to analyze potential sanctions and PEP matches or adverse press articles should be integrated into the CDD process. This can have potential benefits of improved accuracy and consistency when auto-decisioning matches / alerts for obvious false positives, allowing CDD teams to focus their attention on the matches / alerts that really matter.

The right CDD system can also help reduce manual work by delivering automated transaction review processes, creating an overview of customer account activity. It can look for risk factors such as high-value payments, unusual inflow versus outflow of cash, and cross-border payments, for example, making sure that CDD teams focus on the transactions that really matter.

The leading systems should have powerful analytics capability to provide insightful and meaningful management information to both financial institutions about their customers and to the CDD teams themselves to manage the CDD process. The ability, for example, to analyze the impact of a change to country risk ratings to your customer base, or being able to determine which aspects of the CDD process your teams struggle to get right should be available on a near real time basis. Just think how much better your decision making would be if you had this information at your fingertips!


The right CDD technology can support with:




A reduced cost of compliance



Increased process efficiency and risk management




Reduced repetitive manual work so that analysts can focus on higher value tasks



An improved digital journey from onboarding to reviews for the customer



Process certainty by selecting an out-of-the-box solution which is pre-configured to industry standards



Fast and simple configuration of the technology for quick uptake

A Smart CDD future

To help organizations overcome the challenges of CDD covered in our CDD insights series, KPMG firms have developed a solution powered by Salesforce, called Smart CDD.

This solution offers a wide-ranging solution which has been built with KPMG's professionals' deep understanding and experience of CDD processes and regulatory requirements. Coupled with KPMG's firms' managed services support model to take on and run the service, this addresses CDD backlogs, BAU onboarding processes as well as periodic review cycles.

Smart CDD is run on the Salesforce Service Cloud and leverages Salesforce Customer 360 data capabilities to bring customer data into one unified 360-degree view. It offers multi-channel communication options including email, telephony, and Digital Portals for uploading documentation, with information stored centrally.

Integrated with third parties for data enrichment, the platform is underpinned by a policy lineage tool to ingest CDD policy and standards and turn them into CDD requirements, allowing for clear and auditable decision making throughout the CDD process with full lineage back to policy. A fully configurable risk engine calculates the customer risk rating and when combined with policy rules engines, enhances processes for faster and more accurate collection and recording of CDD information. The result provides CDD teams, Relationship Managers and importantly the actual customer with a simple and effective user experience. Other potential Smart CDD benefits include:



Capacity planning and scheduling optimization drawing on forecast demand



Data insights and analytics for visibility into key metrics to help improve operations and customer satisfaction



Collaboration across teams to help solve issues



Process automation with guided workflows, real-time updates and alerts, automated document generation, AI recommendations and in-context guidance





A 360-degree view of the customer with Salesforce

The COVID-19 pandemic has changed the way that people work and live. This presents an opportunity for organizations to accelerate their efforts to build direct and trusted relationships with their customers and deliver success from anywhere. However, a challenge is that those relationships are no longer in person, but are now digital. Every business, B2B or B2C, across every industry, should deliver connected digital experiences that are trustworthy.

A key driver of this is having the right technology in place. Smart CDD is built with several Salesforce components including Service Cloud, which provides Smart CDD's Analyst workflow, processes, risk and policy rules engines and has been reported by companies to provide 30 percent higher customer satisfaction and 28 percent increase in Agent productivity,³ by providing Analysts with a 360-degree view of the customer in a single, powerful console.

Having a Customer Relationship Manager platform which promotes cohesive internal operations is key for bringing in up-to-date customer sales data during the onboarding process into Smart CDD. Salesforce's CRM platform, Customer 360, is a completely digital-first platform to meet the digital needs of any business size in any industry. Should an organization already have Customer 360, integration is seamless, although Smart CDD can integrate with other CRM systems if required. Customer 360 empowers organizations to meet the customer where they are, across applications in Sales, Service, Marketing, Commerce and all other touchpoints. It gives all teams a shared view of their customers, so they can work together to build lasting, trusted relationships and deliver the personalized experiences their customers expect. The system is also flexible and scalable and helps employees to be more collaborative and productive.

“Financial crime still continues to challenge and catch-out even the most mature organizations. Smart CDD offers a powerful wide-ranging solution with the Salesforce Customer 360 at its core, designed by KPMG subject matter professionals, delivered as a full managed service to help reduce time-to-value and rapidly deliver on key KPIs such as caseload reduction, reduction in cost of compliance, improved customer experience, and data-led regulatory compliance.”

Christopher Schyma
Senior Regional Vice President - Managed Services, Salesforce

³ Salesforce Customer Success Metrics Survey, conducted 1st May – 15th June 2021.

In summary

A successful CDD program not only uses automation to drive efficiencies by collating data on its customers and aligning policy with CDD rules, but along the way, helps to ensure that the customer journey is as pain free and as straightforward as possible. Automation should be underpinned by dynamic policy rules and decision-making processes, with clear auditability and reporting capability. Firms that make the leap to a centralized broad solution which gives a view of the customer can ultimately reduce the risk of non-compliance, become more cost and time effective and realize high quality outcomes.

To explore this topic further please get in touch via

www.kpmg.com/uk/smartcdd.





KPMG firms' alliance with Salesforce

Modern customers expect exceptional, and personalized experiences at every interaction. Whether you serve businesses or consumers, your customers require efficient, secure transactions across all channels, responsive and transparent service and support, rapid and accurate results, and high-quality products and services.

To meet these expectations—and do it profitably—you should align front, middle, and back-office operations across enterprise functions – a connected experience.

With a shared vision for connected enterprises that are hyper customer focused and aligned, KPMG firms and Salesforce help digitally transform your business to compete and succeed in today's world while being prepared for the future. KPMG's professionals' experienced driven approach to enterprise-wide digital transformation—Connected.

Powered. Trusted.—provides industry-focused, cross-cloud solutions and accelerated business results that can align with how companies operate their business on a day-to-day basis. By tying the front office to the rest of the organization, KPMG firms and Salesforce help you to deliver exceptional customer experiences.





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