



Customer Due Diligence/Know Your Customer

Know Your Customer as a Managed Service

KPMG's KYC/CDD Managed Service provides a leading approach which combines domain/subject matter expertise, technology and data, and operational excellence to help deliver scalable and cost effective services

1 Domain/subject matter expertise

- Regulatory experts are embedded into member firm operations in training, floor support and QC/QA roles to help ensure quality remains at the highest level
- This reduces the learning curve, time to achieve competency and re-work of cases



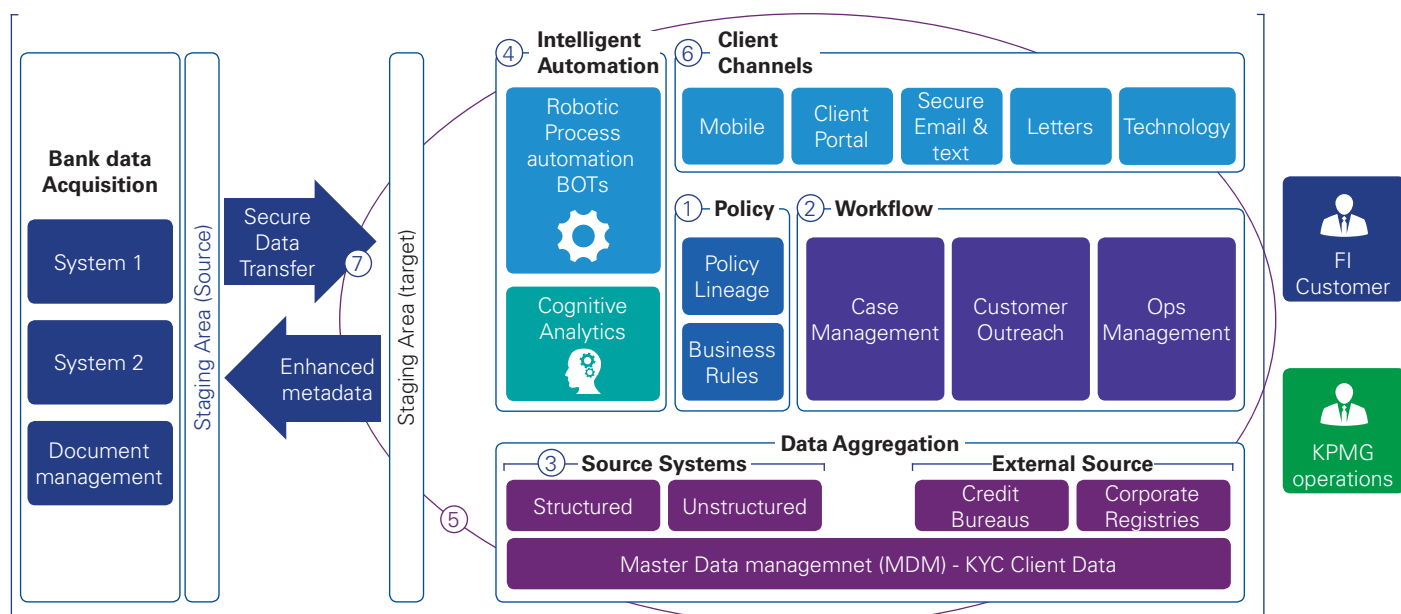
2. Technology and data

- KPMG firms have portfolios of IP and technology assets (e.g., Intelligent Automation, RPA, Machine Learning) that automate and digitize client processes to reduce the case handling time, increasing production
- KPMG firms leverage tools and data analytics to drive an efficient and effective managed service operations

3. Operational excellence

- KPMG firms are able to rapidly mobilize operations with consistency, quality and pace
- KPMG firms have run multiple large-scale and complex managed service operations and have proven that they can scale to meet client needs/SLAs and deliver quality services (QA scores typically exceed 95 percent)

KPMG's KYC/CDD solution includes state-of-the-art technologies (e.g., Policy Lineage/Rules, Case Management, Data Aggregation) that provides world-class KYC compliance capabilities



① Policy lineage/rules

- **Policy lineage** and **traceability** to determine the **right set of questions** to be asked based on customer type
- **Complex** policy **rules engine**

② Workflow — case management

- Automate business processes to support **end-to-end process orchestration**
- **Event based processing** and role **based assignments**

③ Data (internal/external)

- Obtain data **from internal and external sources** (e.g., Credit Bureaus, US corporate registries)
- Harvests **public information** direct from primary sources

④ Intelligent automation

- **Automation** of highly repetitive **manual tasks**
- **Leverage NLP** to **extract data** from documents
- Implement **intelligent interactions** leveraging AI to **facilitate customer interactions**

⑤ Cloud

- **Cloud** will provide the ability to **scale the infrastructure** to align with **volume increases**

⑥ Client channels

- Enable online channel for **self-service capabilities**
- Provide **omni-channel experience**
- **Integrate** with the bank's **existing infrastructure/ channels**

⑦ Integration layer — secure data/documents exchange

- **Exchange data and documents** with bank's systems in a **secure way**

Challenges

Background

Failing to adhere to Anti-Money Laundering (AML) regulatory requirements or falling short of the expected standards in Know Your Customer (KYC) can result in large fines and reputational damage for financial institutions. Many financial institutions are evaluating various business models.

Potential challenges

- **Regulatory deadlines:** Tight regulatory deadlines for remediation of certain client populations
- **Process inefficiencies:** Limited end-to-end automation and non-standardized global KYC processes lead to decreased staff productivity
- **Fragmented data:** Data is often siloed, duplicative and inconsistent. Limited ability to search & access internal and/or public sources to satisfy compliance needs
- **Minimal technology investments:** Continuous investment in technical capabilities (e.g., RPA) is necessary to adequately scale operations while minimizing the human capital investment

- **Negative customer experience:** Cumbersome systems and disjointed onboarding and periodic customer refresh processes result in redundant customer outreach to collect and verify KYC data

Business impact

- Inefficient KYC operations can result in:
- Lower productivity with increased re-work and poor client experience
- Increased government scrutiny, possibly leading to lengthy investigations
- Reputational harm which can affect a financial institution's bottom line and overall growth prospects
- Costly remediation to fix the identified deficiencies minimizing the investments for other customer focused initiatives

Sustainable benefits

Identified benefits vary by client, but operational efficiencies of **20–35 percent** are not uncommon.

Levers to drive sustainable benefits:

Process enhancements

- Drive process simplification through the KYC lifecycle (e.g., onboarding, client refresh)
- Reduce average handling time
- Improve first time resolution of cases
- Eliminate non-value added effort

Automation

- Implement Policy Lineage with customizable business rules
- Implement case management/workflow
- Introduce data aggregation service
- Scale via Cloud
- Leverage RPA & AI
- Migrate customers to self-service channels

Organizational discipline

- Improve training and staff on-boarding
- Enhance performance management/ scorecards
- Adjust management layers
- Introduce performance incentives
- Clarify roles and accountabilities

Labor arbitrage

- Leverage an offshore-first mentality to scale additions to staff
- Consider scaling contact-center staff offshore in later years

KPMG's KYC Managed Service aims to provide:

- Optimized KYC business operations with a reduction in total cost of KYC compliance
- Enhanced customer experience for onboarding and client refresh
- Improved risk management/financial crimes compliance to assess and monitor KYC client information for critical insights

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