

Cognizant Technology Solutions - Achievement in Outstanding Value Creation or Innovation Execution Project: KYC e-2-e transformation for Periodic Reviews (CLM)

Financial institutions in Banking & Financial Services industry in the recent past have exponentially increased their time, effort and money spending to manage Stringent global regulatory obligations. This means collection, processing and evidencing of more client and counterparty data than ever before to stay in compliance with a range of regulatory frameworks. This not only lengthens the time it takes to achieve compliance and onboard clients, but also impacts the overall client experience and time to revenue.

Client Lifecycle Management process within Banking or financial Services industry tracks and manages a legal entity's (clients) journey during its lifetime with a financial institution, including every event the client goes through. The key events include:









- New Client Onboarding & KYC Regulatory Compliance
- New Product Onboarding (Entitlements)
- Ongoing KYC Periodic or KYC event based Reviews and Client Maintenance
- Client and Account Off-Boarding and deactivation

To enable the above events teams in Front Office, Client Onboarding, Periodic Reviews and support Operations staff support hundreds of processes and sub-processes adding huge amount of complexity to the task of managing the client lifecycle in its entirety. All the teams collect client specific data from entity data providers like Avox, to AML data providers like World-Check, RDC and Lexis Nexis. This data is traditionally delivered to the front door of the financial institution through different data providers/ Data management organizations and is **manually consumed, processed and distributed** to a huge number of internal systems.

“At every single stage of the client’s lifecycle, client and counterparty’s data and documentation needs to be sourced, processed and distributed to drive these processes and to evidence the result of each decision process.”

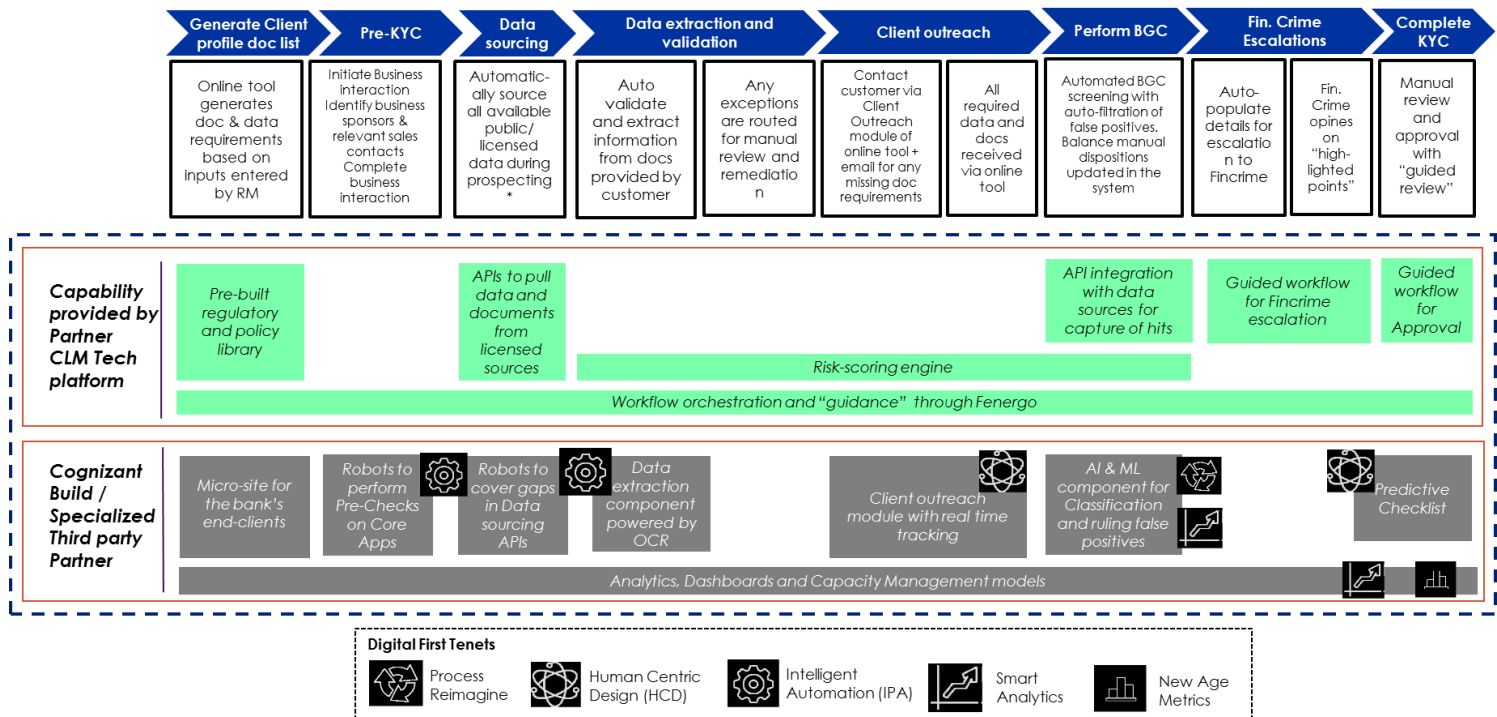
This calls for the need to have streamlined processes amalgamated with technology solutions which can read, analyze and Process data from legacy and Banking applications enabling analysts to efficiently perform day to day activities.

One of Cognizant’s key focus areas is to cater to Cognizant partner’s need to deliver consistent customer experience on every customer interaction and enhance their experience through digital transformation and operational excellence. Below is the footprint of Cognizant’s credentials in Client Lifecycle and AML Operations space.

500+ FTE in CLM and AML operations globally	15+ Clients serviced	15,000+ reviews per annum for KYC refresh	2,500 entitlement requests per month for new jurisdictions / products	2,600+ W8-W9 remediation for FATCA	
Client Lifecycle Management (CLM) services supported			AML monitoring services supported		
Onboarding	Periodic KYC reviews	Credit Vetting / Entitlements	Remediation	AML Transaction monitoring	Fraud detection
<ul style="list-style-type: none">Document management Client Master Updates Account openingPeriodic KYC reviews of existing accounts Risk classification of clientsEscalation of true positives to the clients Financial Crime Compliance team Enhanced Due Diligence for High risk customers covering profile + transaction reviewReview client's eligibility to trade in new geographies Notify account/relationship managers on additional AML/KYC requirementsKYC remediation Executive dashboards				<ul style="list-style-type: none">Review and disposition of transaction monitoring alertsCompile customer account and transaction data Analyze transactionsScreening for Politically Exposed Persons (PEPs), sanctions and negative NewsEscalate true positives with narrative to Level- 2Draft and file Suspicious Activity Report with Financial Intelligence Units (FIUs)AML data managementReview and disposition of fraud alerts generated by transaction monitoring system	
Client Coverage	Trusts, private companies, subsidiaries/affiliates, General/Limited Partnership, Foreign Financial Institutions, Professional Intermediaries, Central Banks, National Monetary Authorities, Supranational Organization, Fund Managers, Funds, Individuals				
Platforms experience (RtB + CtB)	<div>fenergo:• dun&bradstreet</div> <div> NORKOM TECHNOLOGIES</div> <div> LexisNexis®</div> <div> WORLD-CHECK™ REDUCING RISK THROUGH INTELLIGENCE</div> <div> AVOX</div> <div> DOW JONES FACTIVE</div> <div> NICE-ACTIMIZE</div> <div> rdc Smarter Screening</div> <div> GOLDTIER</div>				

Scope of the Project: CLM – KYC Reviews: Process View & Transformation footprint

The KYC Periodic reviews team as part of Client Lifecycle management function undertook Transformation journey to reimagine end to end life cycle management with the objective of developing seamless solution leveraging digital technology, Work flows, RPA, Analytics and point/Mini automation solutions. The diagram below visually depicts the various solutions implemented since Q1 of 2017 and the different digital tenets leveraged at different phases.



"From the huge transformation success in KYC reviews the client has initiated the replication of key transformation ideas to be Lift –Shift within its Client Onboarding Process leading to additional benefit to be accrued in 2019"

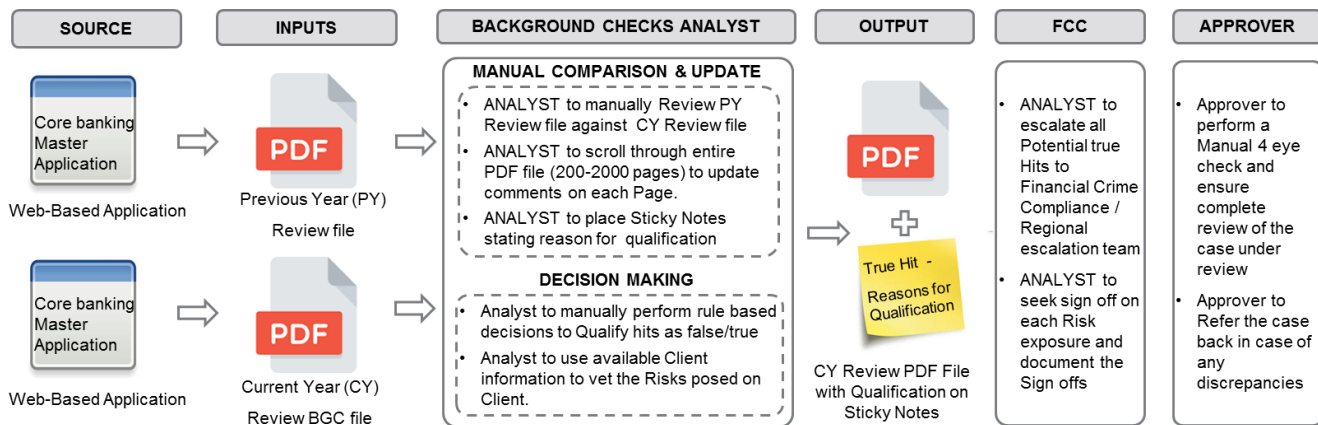
CLM – KYC Background Checks: RPA + Analytics (R/Python) Automation Project Implementation

One of the key transformation projects within the Cognizant transformation journey for KYC reviews process for a leading Investment bank was initiated in Q2 2018 with the purpose of streamlining the end to end Background verification process. Cognizant carries out ~7,000 periodic KYC reviews annually for institutional clients of the bank. As part of these reviews, client names, ultimate beneficial owners, directors and controllers are screened for sanctions, negative news and PEPs. As a part of the additional due diligence process, the counterparty names identified are required to be run on **RDC GRID** (External Data Management Provider) & **Clients Internal Data management application** for the purpose of evidence gathering.

Each of the risks identified by the Data Management Application are then scrutinized carefully to mitigate/highlight any risk posed by the Counterparty on the client under review. This being highly complex process was having a direct impact on Process Cycle time and was posing huge risk on Cognizant delivery.

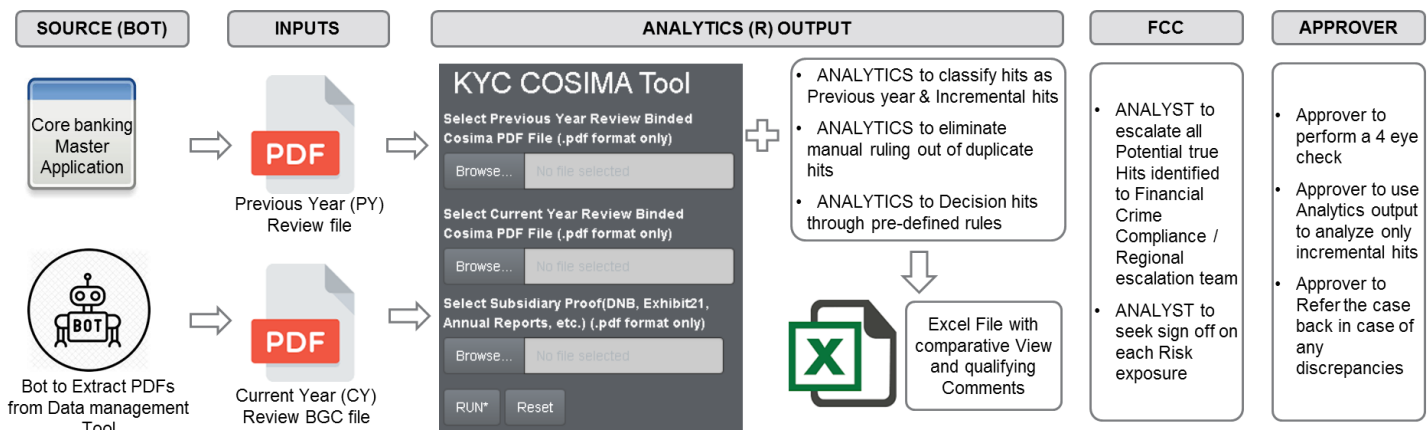
To identify the core problems, we performed the Front to back process review by mapping Customer and Case journey through VSMs which has led to identification of key Problem areas and helped in identifying the desired future state of process. Below process map is a high level representation of Background checks (Sub- process of KYC Reviews).

❖ Background Checks AS-IS Process View & Key Pain Points identified.



- Data Management Application throws 90% false hits leading to additional non value-added effort to qualify false positive hits.
- At present ~40-50% hits are duplicate hits with No automated process of identifying hits which are duplicated from Previous year review and reviewing those was cumbersome and time taking process
- Highly manual process where analyst reviews and qualify Hits on PDFs (200—2000 pages) which are extracted manually from Internal and External Data Management application
- Average Cycle time for Background check process is high (1 -3 days/case) leading to increase in overall lead time
- Analysts manually paste's Sticky Notes to rule out hits on every page leading to error & Data quality issues
- No Automation to perform Rule based decision making on Hits identified

❖ To-Be Process Re-imagined View



The end state Process is the right mix of achieving future state through Process re-engineering Multiple digital levers.

- **RPA Extraction Bot (AA):** The Bot performs the first stage of Background Checks which is bulk extraction of all the PDF Review files corresponding to all the connected parties of the client from Data Management Application for Current year Review.
- **R Analytics tool:** Performs Advanced text mining on PDFs highlighting comparative view of 2 PDFs and classifies data(Hits) into 3 Categories
 - Hits duplicated under previous year review
 - Incremental hits in Current Review
 - Previous year Hits with Updated News
- **R Analytics tool:** Performs Decision making through Pre defined Rules built in the Analytics Solution and Qualifies Hits as True hit or False Positives with Qualifying comments against each of the hit.
- **Process Re-engineering:**
 - Re-imagined the entire process by enabling analyst to perform only on incremental hits.
 - Transformed the Qualification process into excel instead of cumbersome Sticky notes.

- Ways of working: Taken exclusive sign off from Financial Crime (FCC) & Quality team to include this new process as part of SOP

❖ Challenges associated with Size, Scale and complexity of Project

Following measures were taken as we progressed through the transformation Journey

- Aligning the new To-BE process in line with Financial Crime compliance (FCC) guidelines
- Engagement with customer was paramount to assess risks and support the project relevant clearances
- Process (domain) and technical experts formed the core team to analyze the multiple scenarios within the Process
- Each activity was mapped at a key stroke level to identify the most optimal automation solution, and variations from client to client Review were documented
- Multiple cross functional teams Intelligent process automation, Analytics and Data Management Application owners worked together to achieve and finalize the design of the Solution.
- Modularized Design by features keeping options open for replication to other Processes.

❖ Business Outcomes from the Project



20+ FTE Reduction

FTE Reduction (Approx. 33% of Team Size)
~ \$ 600 K Hard saves to Client



30-50% Effort Reduction

Per Case



0% Error Rate

Missing Hit Error Rate -
Reduction from 3% / Case



10% improvement in QC

Quality Score from approvers on BGC



Re-Usability

Design thinking to ensure replicability in Client Onboarding