



CASE STUDY

Brodies LLP



building and operating
digital governance risk and
compliance at Scotland's
leading law firm

STRATEGY-DRIVEN GROWTH IN THE LEGAL SECTOR

A key element of the success to date of Brodies has been the rigour applied to its strategy.

The strategic plan is the bedrock against which the firm's performance is judged. This rigorous discipline of establishing strategic direction, planning and governance helps ensure Brodies achieves its goals while establishing a satisfactory rate of growth and building a strong balance sheet. Within this strategic plan is a strong underlying compliance ethos. Everyone at the firm understands what they plan to achieve over the next three years across the main business areas of Real Estate, Corporate and Commercial, Litigation, Personal and Family and Banking.

FIRMS OPERATING IN THE LEGAL SECTOR PLAY A CRITICAL ROLE IN GUARDING THE NATIONAL ECONOMY AGAINST FINANCIAL CRIME.

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 - commonly referred to as MLR2017 - introduce increasingly stringent obligations on financial services firms and those operating in the legal and accounting sectors.

[Brodies website](#) communicates the firm's adherence to its regulatory responsibilities:

Brodies is fully committed to fulfilling its obligations under the Money Laundering Regulations 2017, the Proceeds of Crime Act 2002, the Terrorism Act 2000 and other relevant legislation, for the purposes of combating money laundering and terrorist financing. The firm carries out client verification checks at the stage of client take on and on an ongoing basis, as well as seeking to establish, where appropriate, the source of wealth and source of funds used in transactions in which we are involved. Procedures and policies are in place to ensure compliance with the relevant legislation. Brodies' staff and partners are trained in how to comply with the legislation and we may refuse to act if we have concerns.

Through their strategic discipline, Brodies is confident it can turn the challenges of compliance into a business advantage. As explained by David Edwards, Finance Director, "We saw the 2017 regulations as a catalyst for our firm to invest and become a better business from a compliance and general business perspective. This comes back to what we try to do as a business; we are client-focussed, investment led and planning for sustainable, profitable growth. The only way you can do these things is by combining strong internal processes that are clearly defined and rigidly adhered to by well-trained people using best-of-breed systems".

David's view is consistent with that of financial services research and advisory firm Celent. [In a recent report](#) Cubillas Ding and Neil Katkov recommend, "Firms must execute to ambitions to govern well and operate resiliently not merely because they 'have to' under regulatory compulsion, but rather because they 'want to' since it makes good business sense. This will increasingly differentiate winners from losers".

Brodies' highly structured approach to compliance involves what could be viewed as three lines of defence: first, the partner responsible for the business relationship with a client; second, a team of 'Know Your Customer' specialists who report via their manager to David; third, Brodies' Anti Money Laundering Reporting committee.

“

our aim is to establish best practice for compliance in our sector, and we saw working with **Encompass** as a way to create advantage from a change in regulations

AT THE MOST SENIOR LEVEL, PARTNER JOYCE CULLEN SERVES AS BRODIES' MLRO (MONEY LAUNDERING REPORTING OFFICER).

Joyce heads the Anti Money Laundering Reporting committee which is responsible for evaluating Brodies' AML obligations and how these are best fulfilled by the firm's detective and preventive controls and in its processes.

Compliance starts with Brodies' partners at the time a new client requests a business relationship with the firm or when an existing client requests a new service. Each partner is responsible for collecting documents necessary to verify the identities of clients and communicating this information to the Compliance team.

Compliance is driven through the Finance function and David Edwards is the Director responsible for the firm's KYC / AML processes. MLR2017 and the new GDPR (General Data Protection Regulation) has galvanised Brodies' focus on compliance and record keeping. "Success with these regulatory challenges comes down to resourcing, we have to comply and our goal is to do these things properly so we are spending money," says David. "Brodies is intent on being at the forefront, to make sure we get these things right, we want to be seen as leading the way".

The firm's investment in governance, risk and compliance covers processes, IT systems, people and their training. Reporting to David is Senior Compliance Manager Veronica Trench who manages a team responsible for operating AML checks to ensure compliance with legislation. Brodies' uses **Encompass** to automate the work of KYC. As David explains, "All our processes are digital. We have clear processes that the business must follow and we maintain follow-up processes to help mitigate against anything slipping through and exposing the firm to the risk of money laundering. Our aim is to establish best practice for compliance in our sector and we saw working with **Encompass** as a way to create competitive advantage from a change in regulations".

Once Veronica's team complete their work they communicate results back to the Partner who is ultimately responsible for signing off a decision to take on a new client or extend a service to an existing client, and for complying with AML regulations.

To ensure governance the MLRO convenes regularly and leads a meeting of the Anti Money Laundering Reporting committee. The MLRO will ask if there are any issues that should be brought to the committee's attention. Veronica and David present to the committee and report on the number of files opened, progress with checks, any files still requiring clarification and follow-up from Partners, including warnings to stop work for a client in cases where further information is required to complete a KYC check and assess risk.

..... //

with **Encompass** we use a
fuller suite of data to gain a
deeper understanding of the
client so we are more robust
in our compliance

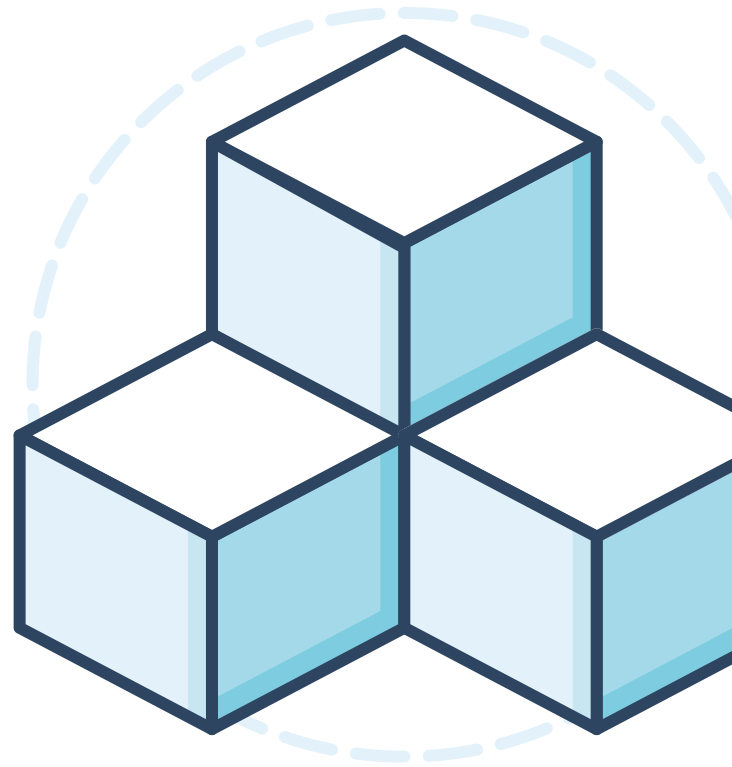
IN THE FUTURE OF RISK MANAGEMENT IN THE DIGITAL ERA , MCKINSEY & COMPANY IDENTIFY SEVEN BUILDING BLOCKS OF DIGITAL RISK.

Drawing on his experience at senior levels in the financial services industry, and working with his colleagues and team David has equipped Brodies with digital, automated KYC processes.

DATA MANAGEMENT

KYC is a data hungry process. Brodies take advantage of the UK Government's open data initiatives that have seen information sources including PSC (people with significant control) registers published and made publicly accessible. Additionally, Brodies use the services of vendors of trusted company and regulatory information to establish and verify facts required by KYC.

Encompass searches and brings together all the data required for compliance regardless of where the data is sourced. As David observes, "With **Encompass** we use a fuller suite of data to gain a deeper understanding of the client so we are more robust in our compliance".



PROCESS AND WORKFLOW AUTOMATION

Although new regulations inevitably create new work, David and his team focus on trying to minimise the impact on the firm's lawyers. "At the support level the changes are by necessity greater", says David. "Encompass Customer Success has done a great job in training Veronica's team to use Encompass. As a result we get the benefit of a better, more diligent process that allows Brodies' to comply with the new regulations while reducing change for the lawyers at the front line whilst achieving better compliance with minimum disruption to client work".

One of the major changes introduced in MLR2017 is the requirement for professional services firms to mitigate risks through ongoing monitoring. "This made us pause for thought to consider how we could best fulfil our firm's obligation," recounts David. "We looked at the regulations, considered their impact on our firm and then considered how we could best redesign our processes and our technology. Instead of considering the minimum we needed to do we asked what is the right thing for our firm to do, by which I mean how do we achieve ongoing monitoring that is maybe a bit more than we need just by following the regulations. We are getting invaluable help from Encompass".

ADVANCED ANALYTICS AND DECISION AUTOMATION

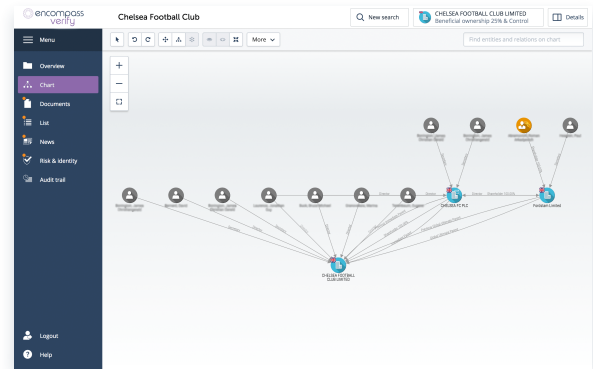
Finding multiple instances of the same legal entity recorded in multiple different data sources is an inevitable consequence of KYC work. In older, manual processes the work of matching and merging multiple records into a single coherent view is difficult and time consuming. By applying advanced analytics Encompass automates most decisions and creates a straight-through process freeing KYC specialists from the lower value work of synthesising information to focus on understanding risks.

"With Encompass, the job of the KYC analysts at our support level is far easier, the richness and quality of our data is far better and more accessible, and the process of KYC is accelerated" says David.

COHESIVE, TIMELY AND RELIABLE INFRASTRUCTURE

At Brodies all documents collected and generated by Encompass in KYC processing are passed into a document management system which is integrated with the practice management system (PMS).

“The PMS forms Brodies bedrock system”, says David. “Integration of Encompass with the PMS allows the firm to maintain one version of the truth about its clients, including results of our KYC checks”.



Encompass' chart view, showing beneficial ownership of at least 25%

SMART VISUALISATION AND INTERFACES

Facts about companies, their subsidiaries and parents, their directors, major shareholders and beneficial owners and how all these interrelate can be difficult to communicate with clarity. Encompass uses smart visualisation to create charts that greatly simplify the comprehension and communication of complex situations.

“Encompass makes it easy for the Compliance team to identify additional questions or checks that fee earners must ask of their client” explains David. “The system presents information in a

means that is simple to understand making it easy for us to act. Having our Compliance team use Encompass simplifies the work of the lawyers by providing them with rich and clear information”. Smart visualisation also promotes clear communication when Veronica and David present to the firm’s Anti Money Laundering Reporting committee. Encompass promotes understanding across Brodies.

EXTERNAL ECOSYSTEM

As observed by McKinsey & Company, "Risk will partner with external providers to vastly improve customer onboarding, credit underwriting, fraud detection, regulatory reporting, and many other activities. Two-thirds of respondents see fintechs more as enablers than disruptors". Brodies partnering with **Encompass** is fast-tracking the firm's progress to digital and automated KYC.

TALENT AND CULTURE

People are at the heart of Brodies' strategy and as leaders in the sector this focus is apparent in the KYC team that David has assembled and leads. "I meet with Veronica, our Senior Compliance Manager almost every day", explains David. "Veronica has a deep experience in KYC and is a very hands on manager".

Brodies' team of KYC specialists sit around a single bank of desks directly outside Veronica's office. This proximity between team members means they can see what one another are doing. "We have intentionally created a work environment that fosters open communication and learning", says David. With Veronica nearby



in her office the team can immediately seek advice and direction should anything be unclear or be misunderstood. "Having a team work in close proximity is a great advantage for firms putting in a new system", advises David. "Some people pick-up details faster than others, and can quickly share their insights with colleagues. Veronica and her team have embraced the **Encompass** system. They have all been on the journey together of putting **Encompass** in and this closeness and familiarity makes supervision and governance far simpler".

“

with **Encompass**, the job of the KYC analysts at our second line of defence is far easier, the richness and quality of our data is far better and more accessible, and the process of KYC is accelerated

SUMMARY

As Finance Director, David looks to add value to Brodies through an innovative and pragmatic approach to business decision making. David is aligning governance, risk and compliance technology with the firm's regulatory obligations and its business strategy.

"I want to make sure that Brodies is seen as a leader in everything we do", says David. "We have an enviable reputation for the quality of our legal work, and we do everything we can as non-fee earners to best support this business. Innovation may be a bit painful initially because you must break new ground and change things, but long term innovation becomes a far less painful approach to compliance and will always make your business a better place. You must be brave and prepared to make the investment, train your people and all do the hard work. That is the way support functions can ensure they stay ahead".

ABOUT BRODIES LLP

Brodies LLP is Scotland's largest law firm, delivering legal services of the highest quality to Scottish, UK and global organisations. With offices in Edinburgh, Glasgow, Aberdeen and Brussels, the firm offers legal advice to private and public sector clients both in the UK and internationally in its core business areas of corporate and commercial; energy (both renewables and oil & gas); property; litigation; banking and financial services; employment, pensions and benefits and trust and tax.

The achievements of Brodies and its partners have been recognised with numerous independent awards in recent years. These include Brodies being named Scotland Law Firm of the Year at the Who's Who Legal Awards 2017, UK National/Regional Law Firm of the Year at the Legal Business Awards 2017, UK Regional Law Firm of the Year at the Lawyer Awards 2016, UK Law Firm of the Year at the British Legal Awards 2014, and Legal Advisor of the Year at the Business Insider Deals and Dealmakers Awards 2014.

For more information, please visit brodies.com.



t +44 (0) 333-772-0002
e info@encompasscorporation.com
w encompasscorporation.com

GLASGOW

Level 3, 33 Bothwell Street,
Glasgow, G2 6NL

LONDON

1 Mark Square, Hackney,
London, EC2A 4EG

SINGAPORE

9 Straits View,
Marina One West Tower, 05-07,
Singapore, 018937

SYDNEY

Level 4, 65 York Street,
Sydney, NSW, 2000