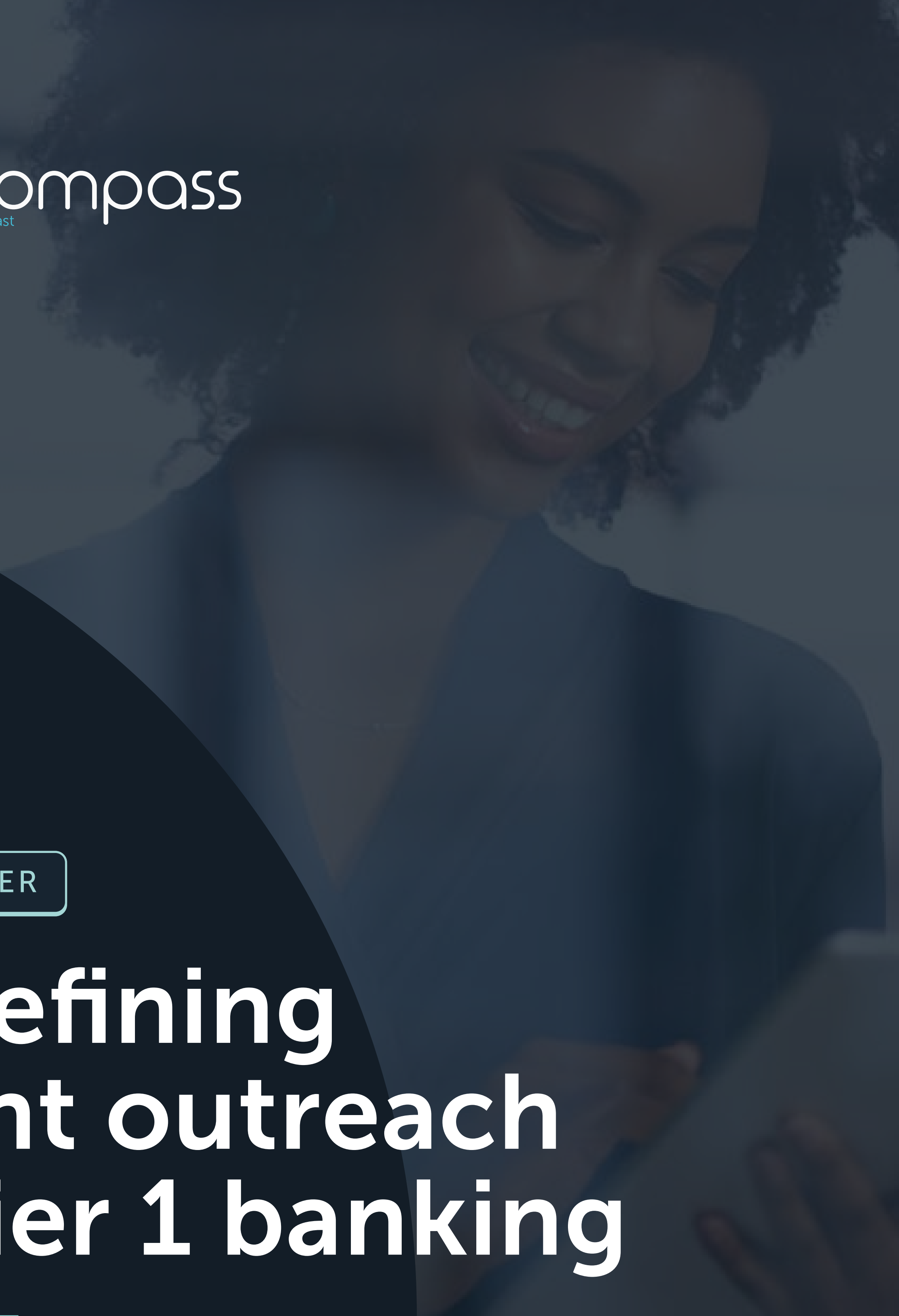

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WHITEPAPER

Redefining client outreach in Tier 1 banking

encompasscorporation.com

Contents

Executive summary

Tier 1 banks are proactively exploring avenues to optimize their operational workflows. The acceleration of client onboarding and refresh not only acts as a catalyst for growth but also contributes significantly to boosting profitability.

Despite strides in the digital adoption for onboarding retail customers, the corporate sector continues to grapple with prolonged onboarding and refresh processes, primarily attributed to the intricacies of Know Your Customer (KYC) regulations and suboptimal practices.

This whitepaper leverages insights from primary research to comprehend, and articulate, the challenges and frustrations confronting institutions and corporations in client outreach. It particularly emphasizes the operational inefficiencies arising from manual processes and their extensive implications on customer satisfaction, retention, and adherence to regulatory compliance.

Looking to the future, the paper explores solutions tailored to address the persistent challenges associated with KYC outreach, paving the way for streamlined customer refresh processes.

Introduction

The financial industry's push for rapid customer onboarding and refresh is met with several challenges, particularly in the corporate, commercial and investment banking sectors with multi-entity corporations that operate across several geographies and have multiple banking relationships.

The intricacies of KYC regulations, including complex corporate structures, obscured entity ownership layers, varying jurisdictional requirements, and the absence of standardized identification methods, contribute to protracted KYC processes.

Corporate, commercial and investment banks have a consistently large customer base of corporate clients and entities. Conducting KYC outreach for regular customer refresh to comply with regulatory requirements for a substantial number of customers can be a daunting task. The sheer volume of outreach efforts required can strain resources and time.

Consequently, assembling a comprehensive, consistent, and up-to-date customer profile demands a vast array of data and documentation. A task that proves both arduous and costly for internal technology teams. As a result, many institutions continue to rely on manual processes, leading to inefficiencies and heightened risk.

The arduous process, or often, lack of data obtainable from public sources often sees banks repeatedly leaning on their clients for information, subsequently contributing to client dissatisfaction, internal operational friction, delayed onboarding, and, in some cases, lost business.

Despite the growing demand for corporate, commercial and investment banking services to mirror the digitally oriented personal banking experience, these banks have been slow to implement technology solutions that streamline the documentation processes required for Anti-Money Laundering (AML) compliance.

From legacy to leading edge client outreach

Banks are compelled to adhere to increasingly stringent KYC requirements during customer onboarding and client reviews, persisting throughout the entire banking relationship for various trigger events such as the introduction of new products or services.

Consequently, banks find themselves in frequent communication with customers to solicit KYC information. This pivotal phase in the overall KYC process, known as client outreach, proves to be time-consuming, cumbersome, and an expensive endeavor for both banks and their customers.

In instances where the initial public data is found to be incomplete or inaccurate, banks are compelled to address and rectify these issues. The operational procedures involve thorough data assessment, verification, identification of gaps or discrepancies, as well as compliance and risk management.

However, the banks face challenges in maintaining a single point of contact for clients, often relying on fragmented ecosystems and the absence of inter-system communication.

Reasons for client outreach

Limited public data accessibility

In certain jurisdictions, public data on corporate entities may be limited or non-existent.

Variable quality of public information

Publicly available information often varies in quality, particularly in specific regions, leading to reliance on customer-provided data.

Privately held data

Certain pertinent data, such as internal financial details, is exclusively held by the customer.

Challenges in data consolidation

Diverse data formats

Inconsistent formats and field naming conventions from different sources.

Data conflicts

Discrepancies and conflicts in data from multiple sources.

Data recency

Ensuring the most current and up-to-date information is used.

The operational process

According to participants in our research, the number of outreach instances is, on average, two or three times, taking up to 90 days. Following the initial information request and the consumption of data received, the process typically unfolds in the following manner:

1. Data assessment and verification

The data received from the client is thoroughly assessed and verified. This step involves cross-checking the information with internal records and external databases to ensure accuracy and completeness.

2. Identification of gaps or discrepancies

During verification, banks often identify gaps, inconsistencies, or outdated information in the client's data. This can be due to several reasons, such as changes in the client's corporate structure, operations, or compliance status that were not captured in the initial information request.

3. Compliance and risk management

If the initial data is insufficient for compliance purposes or raises potential risk flags, further clarification and additional information are required.

4. Identified gaps during quality control

A lack of documented or ambiguous instructions, combined with an inconsistent application of the bank's KYC policy and desk processes, are detected at the control stage.

Despite the persistent challenges faced by treasurers around KYC, **banks seem to have made little progress in addressing the long-standing issues.** Lack of consistency, intrusive requests for personal data, and haphazard scheduling continue to be major pain points.

Who is reaching out to the customer?

Among the research participants, and in corporate and investment banks more broadly, the methods of client outreach vary significantly, reflecting the diverse operational structures and technological sophistication of these institutions. These methods can include outreach efforts such as email, often conducted manually by one or more representatives, or even third-party agents of the bank. However, there is little consistency within the bank's own divisions, let alone between the wider banking community.

Behind the scenes

In some banks, the operating model features separate centers of excellence, detached from the frontline revenue-generating staff. While the intention behind these centers of excellence is to enhance specialized functions and expertise, the unintended consequence is a fragmented customer experience.

According to one of the Corporate Treasurers who were interviewed most banks will claim to have a single point of contact (usually a relationship manager). The reality however, is far from it in their experience.

Customers often prefer a streamlined and cohesive interaction, desiring a single point of contact for their inquiries or transactions. The presence of distinct centers can lead to a disjointed customer journey, causing frustration and potential dissatisfaction. Striking a balance between specialized expertise and a seamless customer interface is crucial for optimizing the bank's operating model and ensuring a positive customer-centric experience.

Further research has shown that **treasurers are looking at their options**. As an example, one treasurer has been shown to have a Plan B – a backup bank to go to if KYC issues get out of hand.

> My best practice would be clearly something like one touch point. One coordinator or one relationship manager. If banks want to really add value, that is the sort of business model they need to aim for.
>
> **Corporate Treasurer**

Interview insight from Tier 1 global institution

Fragmented technological ecosystems

Tier 1 corporate banks often utilize a fragmented set of technologies for KYC data management, with each cluster operating in isolation. This segregation impedes holistic client data analysis and efficient information retrieval.

Cluster for static client data

One technological cluster is dedicated to storing static client data, such as basic client demographics, corporate structure, and regulatory classification. While crucial, this data often remains siloed, disconnected from other dynamic client-related information.

Documentation storage systems

Another technology cluster focuses on document management, storing critical client documentation, including legal agreements, compliance forms, and transaction records. However, the lack of integration with other systems hinders a comprehensive view of the client's profile.

Absence of inter-system communication

A significant challenge in this technological setup is the lack of interoperability among these systems. This disconnection results in a piecemeal approach to client data management, leading to potential gaps in client understanding, delays in information processing, and increased likelihood of outreach redundancy.

Onboarding clients in multiple jurisdictions

The challenge of onboarding and reviewing clients in multiple jurisdictions exacerbates the issue, leading to redundant requests for the same information. Factors such as the lack of a unified customer view, separate regional teams, inconsistent data management practices, and diverse regulatory requirements contribute to inefficiencies in cross-border onboarding.

Interviewees highlighted that onboarding clients in multiple jurisdictions was the "main reason" why institutions request the same information twice. There are several factors at play here.

Lack of unified customer view

Institutions often request the same information multiple times due to the absence of a single, comprehensive view of the customer. This is particularly problematic in new business development.

Separate regional teams

Institutions typically have distinct teams for different regions, such as the US, UK, and Asia, leading to segmented and uncoordinated client onboarding processes.

Inconsistent data management practices

The absence of a unified data management strategy results in inefficiencies, where data collected in one jurisdiction may not be readily accessible or transferable to another.

> Often clients will want to onboard in more than one location simultaneously. We do not have central teams which look at all their data in one go, which is a problem. We have one team in each jurisdiction who handle onboarding in silos. If you are onboarding a client in seven different countries, the likelihood is they all have differing compliance requirements. The complexity is too great for it to be a straightforward process.
>
> **Tier 1 global bank**

From friction to flow: The negative impact of client outreach

Manual processes

Our research highlights that manual and frequent customer outreach requests have negative impacts on the banking industry, including customer dissatisfaction and misaligned initial expectations.

> I think the quality of onboarding does influence our perception. Something as fundamental as onboarding can give one an accurate picture of how the bank themselves will treat you going forward.
>
> **Large corporation**

More recently this has been highlighted as a specific challenge for merger and acquisition events. These challenges can lead to delays in gaining operational control, communication inefficiencies, varied responses to Know Your Business (KYB) requirements, and frustration with inadequate preparatory measures.

Vulnerability to human error

The process of manually uploading client information is also highly susceptible to human errors. This includes inaccuracies introduced during the re-keying of data – sometimes known as 'fat finger'. These errors can compromise the integrity of client data, leading to potential misrepresentations or omissions in client profiles.

Compliance risk

A manual and error-prone KYC process is more likely to attract scrutiny from regulators as it raises questions about the bank's ability to manage client information accurately and effectively. Inaccuracies in client data can result in non-compliance with stringent regulatory standards.

> KYC onboarding is the first look through the window, we're the first interaction with the bank.
>
> **Tier 1 global bank**

M&A deal: get off on the right foot

Insight drawn from commentary made by a large corporation.

The interviewee provided insight based on experiences during mergers and acquisitions (M&A). In previous roles, they encountered challenges in onboarding processes following the acquisition of companies, which involved inheriting existing banking relationships.

Delays in gaining operational control

Despite being the legal owner post-acquisition, the interviewee's company faced difficulties in executing basic banking operations like payments. The transition of control from previous owners to new owners was often slow, sometimes taking months to establish.

Lack of bank responsiveness prior to acquisition completion

The interviewee noted that despite proactive efforts to inform banks about impending acquisitions, banks typically did not engage in the onboarding process until the acquisition was finalized. This lack of preemptive action by banks led to delays and operational inefficiencies.

Inconsistent onboarding

While some banks attributed delays to the KYB process, others managed the process more efficiently. This variation suggests that the challenges are less about regulatory requirements and more about the bank's internal processes.

Perceived lack of proactive planning

Expressing frustration, the interviewee recalled instances of informing banks about upcoming changes well in advance. However, there seemed to be a lack of initiative from banks to prepare or manage necessary documentation proactively, leading to post-acquisition onboarding delays.

Regulators expect better

Faced with regulatory scrutiny, one of our interviewee's organizations was compelled to implement rapid improvements due to limitations of existing technology and processes. The interviewee was hired specifically to improve the entire filing system:

"We got hammered by the regulators in terms of quality of file, quality of our whole KYC program, AML, and financial crime program" **Tier 1 global bank.** The institution has since been working on developing a KYC engine. While the immediate efficiency gains from this new system may be limited, its primary advantage will be in establishing a single, consolidated view of the client, unifying static data, and centralizing the client database. This initiative is particularly vital as the institution, like many others, currently operates with multiple, disparate client records and databases."

Human resource challenges

Compliance departments battle significant resourcing challenges (recruitment, training, and workload) with the current scale of client outreach efforts proving difficult to sustain.

The reliance on manual processes results in wasted time, redundancy, and risk-screening delays. This not only impacts time efficiency but also poses a significant resource burden on operations teams with the intensity and volume of work negatively impacting staff morale.

There is also an increased risk of losing experienced staff, which could lead to a loss of institutional knowledge and expertise within the bank, posing a real risk to operational efficiency through the loss of experienced staff.

Security of data

Ensuring the security of KYC outreach via email is paramount for the bank as well as the customer, considering the sensitive nature of personal information exchanged during the onboarding and ongoing review or refresh process. Transmitting personal documents over email introduces inherent risks with a breach in email security not only jeopardizing the confidentiality of customer data but also posing a significant risk to the overall KYC process.

There is also the difficulty of maintaining a standard structure and follow-up cadence. Managing the deletion of personal information from emails becomes crucial post-verification, together with stringent data retention and erasure policies to align with privacy regulations.

Redefining client outreach

Exploring the competitive advantage

Efficient onboarding processes are considered a commercial benefit, with speed and client experience becoming a key criteria in the selection of banking partners. Institutions must aim to reduce onboarding times, streamline outreach processes, and leverage technology for improved customer experience.

Onboarding processes, are they a dealmaker?

Elimination based on onboarding capabilities

Among the three banks shortlisted, one was immediately disqualified due to its inability to effectively demonstrate its onboarding process, encompassing people, documentation, processes, and technology.

Expectations of transparency and efficiency

The interviewee emphasizes the importance of banks being able to clearly articulate and demonstrate their streamlined onboarding processes. A well-defined and efficient onboarding procedure is increasingly viewed as a significant positive factor.

Onboarding as a decision-making factor

The ability of a bank to present a coherent and efficient KYC process is often a differentiator in RFP decisions. This underscores the growing importance of KYC procedures in the evaluation and selection process of financial institutions.

> I've been on many a Request for a Proposal (RFP) where the KYC process is challenged as one of a differentiator in whether an organization is selected in an RFP.
>
> **Large corporation**

Digital profiles to overcome the scalability challenge

Manual processes hinder scalability and cost efficiency, creating bottlenecks in the institution's ability to adapt and respond to market opportunities which drive up demand and promote growth. Instead, integrating technology can achieve a fully automated KYC data discovery process that seamlessly connects to the Client Lifecycle Management (CLM) system, directly accessing data sources through a unified platform. The potential to conform data across various formats and naming conventions, as well as resolve data conflicts, is there for the taking with data normalization and entity resolution capability.

With this level of automation, a holistic, comprehensive view of the customer is possible. The creation of comprehensive digital customer risk profiles, that include complete data attribute lineage and source documents, can also provide a complete audit trail.

> Nirvana, as I say, should be a single view of the client, one utility, one workflow, one document repository.
>
> **Tier 1 global bank**

Utilizing automation to construct a Corporate Digital Identity (CDI), facilitates not only improved straight through processing (STP) rates but also lays the groundwork for perpetual KYC (pKYC) adoption.

pKYC relies on the reusability of verified customer data, which is contingent on the accuracy and completeness of initial onboarding efforts. Without this foundational element, banks may find it challenging to progress in their digital transformation journey.

Enhance KYC data strategy and processes

Adopting a risk-based approach is pivotal in optimizing KYC processes, emphasizing the importance of gathering only essential information to establish a robust foundation. To enhance data accuracy and currency, it is crucial to leverage external data sources by regularly reviewing and seamlessly integrating them into the KYC framework. This ensures access to the most up-to-date publicly available information.

Furthermore, a focused data collection strategy is advocated, emphasizing the limitation of data and document collection to elements deemed critical for KYC purposes. This targeted approach not only ensures relevance but also enhances the accuracy of the information gathered during the KYC process.

> If you designed onboarding processes around efficiency and data, they would be designed in a totally different way. Instead, they would be focused much more on upfront consumption from publicly available sources. Then you would just reach out to the client to plug the gaps. You could probably get about 85% of the data upfront.
>
> **Tier 1 global bank**

Single reusable view of the customer

In addition to real-time data collation and streamlined outreach, the concept of reusable corporate digital profiles stands out as a key driver for optimizing efficiency in banking operations. The emphasis here is on breaking down silos and fostering a collaborative approach to information management. This approach not only minimizes redundant data requests to clients but also allows the bank to present a unified and cohesive understanding of the client's needs and preferences, thereby enhancing the overall customer experience.

This practice of reusable profiles serves as a strategic advantage, as it enables the bank to capitalize on existing data assets, promoting a more personalized and targeted engagement with clients. It aligns with the broader goal of creating a comprehensive and interconnected ecosystem within the bank, where information flows seamlessly, promoting a holistic understanding of client relationships. Ultimately, this approach not only contributes to operational efficiency but also positions the bank to unlock new avenues for revenue generation through strategic upselling and cross-selling initiatives.

One interviewee referred to the importance of providing good services around customer outreach processes, even if they are currently manual. "Ask for things politely with a single point of contact, providing tools for the client to upload, accepting digital versus wet signatures. These are all critical to not overcomplicate the journey for the client."

> A single repository for any organization is what you should be achieving and aiming for so that all documentation related to a client is held in one place, creating a single view of the client. This can be used by product or enablement teams for the purpose of renewals, trigger or lifecycle events.
>
> **Tier 1 global bank**

Ten benefits of technology to reduce KYC outreach

Implementing technologies that automate KYC processes significantly reduce the manual workload and minimize errors, but more importantly reduce KYC outreach. Advantages include:

1. Seamless integration

Seamless integration with external data sources, such as government databases and credit bureaux, combining real-time public data with private information to deliver ready-made customer profiles on demand. This integration reduces the need for frequent client outreach for data validation.

2. Single customer view

Delivery of corporate digital profiles that incorporate real-time data and documents from authoritative sources and private information from the customer, delivered directly into internal systems.

3. Reduced human error

Eliminate time spent gathering information and the risk of human error, allowing banks to focus on business growth and revenue.

4. Reduced workload

Streamline the data collection process and accompanying manual and repetitive tasks to reduce the KYC workload.

5. Improved security

Improved data security, removing the need for vulnerable email exchanges of sensitive data and documentation.

6. Scalable and flexible

Software as a Service (SaaS) solutions provide scalability and flexibility, allowing banks to adapt quickly to changing demands. These solutions enable efficient storage, retrieval, and processing of data, reducing delays in client onboarding.

7. Secure solution

Secure integration with CLM systems that provide a unified view of customer data helps eliminate silos and ensures consistency across various banking processes.

8. Intelligent document processing

Automating the extraction of relevant unstructured information from documents with intelligent document processing, reducing the time and effort required for manual data entry and verification.

9. Automated MI

Increased control and oversight with enhanced integration and reporting with automated management information systems, dashboards, and reports for real-time progress monitoring.

10. Agile to changing regulations

RegTech solutions automate compliance processes, ensuring that banks can respond with agility to changing regulations.

By integrating these technologies strategically, commercial banks can transform their client outreach processes, streamline onboarding, and create a more efficient and satisfying experience for both clients and internal teams.

04 Conclusion

This whitepaper has highlighted the hurdles faced by Tier 1 banks and their corporate clients, shedding light on the operational inefficiencies stemming from insecure manual processes. The challenges extend beyond mere inconveniences, intertwining with customer satisfaction, retention concerns, and the ever-watchful eye of regulatory compliance.

The paper has unfolded the frustrations inherent in client outreach, echoing the need for corporate banks to make a paradigm shift in their onboarding methodologies.

In the relentless pursuit of streamlined business processes, Tier 1 banks must navigate the intricate landscape of client onboarding to promote growth and bolster profitability. The juxtaposition between retail and corporate banking, however, unveils a divergence in the pace of digital adoption.

While the digital wave has revolutionized personal banking, the corporate landscape continues to grapple with the multifaceted nature of KYC regulations, manifesting in elongated onboarding processes. And yet, digital adoption within this arena has proven results. As we conclude, it becomes evident that the transformation of client onboarding processes within corporate banking is not merely an operational upgrade but a strategic imperative.

The call for integration of advanced technologies - RegTech solutions, APIs, intelligent document processing systems, and SaaS solutions - resounds as the path toward efficiency and client satisfaction. The strategic adoption of these technologies stands poised to bridge the gap, providing a unified, seamless experience like those witnessed in personal banking.

In envisioning the future, the whitepaper underscores that the onus lies not merely in expediting onboarding but in reshaping client outreach. The transformational potential of scalable solutions, digital profiles, and reusable identities beckons, promising not only efficiency gains but also renewed client experience. This marks a critical juncture where technology, strategy, and client-centricity converge to remove the single, largest frustration corporate clients experience.

Reduced outreach with Encompass

Encompass revolutionizes the KYC outreach landscape by replacing manual processes, reducing human error, and delivering rapid and precise identity validation for corporate customers.

The Corporate Digital Identity (CDI) platform not only streamlines client outreach, thereby cutting down onboarding times, but also employs strategic data management, hierarchy unwrapping, and seamless integration with internal systems to establish a singular source of truth. This approach drives operational excellence, enhancing overall efficiency and accuracy.

1. Automated public data search process

Encompass automates the KYC search process, consolidating and analyzing global public data from a single platform. Standardization of the KYC search process ensures adaptability across jurisdictions, simplifying compliance with regulatory changes.

2. Private data collation

Privately held customer information is efficiently gathered by uploading documents directly for data extraction or by automating client outreach requests.

3. Strategic data management

Encompass employs data primacy rules, normalization, and entity resolution to resolve data conflict and executes multiple searches simultaneously.

4. Corporate hierarchy unwrapping and UBO identification

Encompass delves deep into the ownership structure and hierarchies of clients or entities within minutes. This in-depth analysis allows for the identification and visualization of ultimate beneficial owners (UBOs).

5. Digital profiles

Digital profiles serve as the foundation for KYC refresh, remediation, and pKYC. They include comprehensive data attributes, source documents, and audit trail. These profiles offer reusable identities for sharing across internal systems and business functions as needed.

Access to more complete and accurate customer information minimizes internal friction and removes unnecessary client outreach. Deeper customer insights and the reuse of valuable customer data result in significant efficiency gains, an improved customer experience, and, ultimately, new business growth opportunities.

About the author

Alex Ford

President, North America | Encompass

Alex drives business growth in North America, working with customers, partners and the Encompass team to transform KYC with automation in financial institutions and other regulated entities. Joining in 2012, Alex has held Executive responsibility for business functions including Customer Success, Operations, Marketing, Product and Delivery. From 2015 to 2020 Alex was based in Glasgow with the launch and expansion of the UK operation, before taking up leadership of the North America business.

Alex also serves on the board of The RegTech Association and works with the Business Information Industry Association.

Notable industry accolades include being named on Innovate Finance's Women in FinTech Powerlist, as well as the NYC FinTech Women Influential FinTech Females list. Alex is also a co-founder of Women in RegTech New York.

LinkedIn

encompass
the full picture, fast

Encompass enables fast, accurate identity validation and verification of corporate customers, and a gold standard approach to KYC. Our award-winning corporate digital identity (CDI) platform incorporates real-time data and documents from authoritative global public data sources and private customer information, to create and maintain digital risk profiles.

Utilizing the expertise of a global transformation team of KYC and banking industry experts, as well as strategic data, technology and consulting partnerships, enables seamless integration of Encompass into existing workflows and systems. With Encompass the world's leading banks improve customer experience and increase business opportunities through consistent regulatory compliance and risk mitigation.

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