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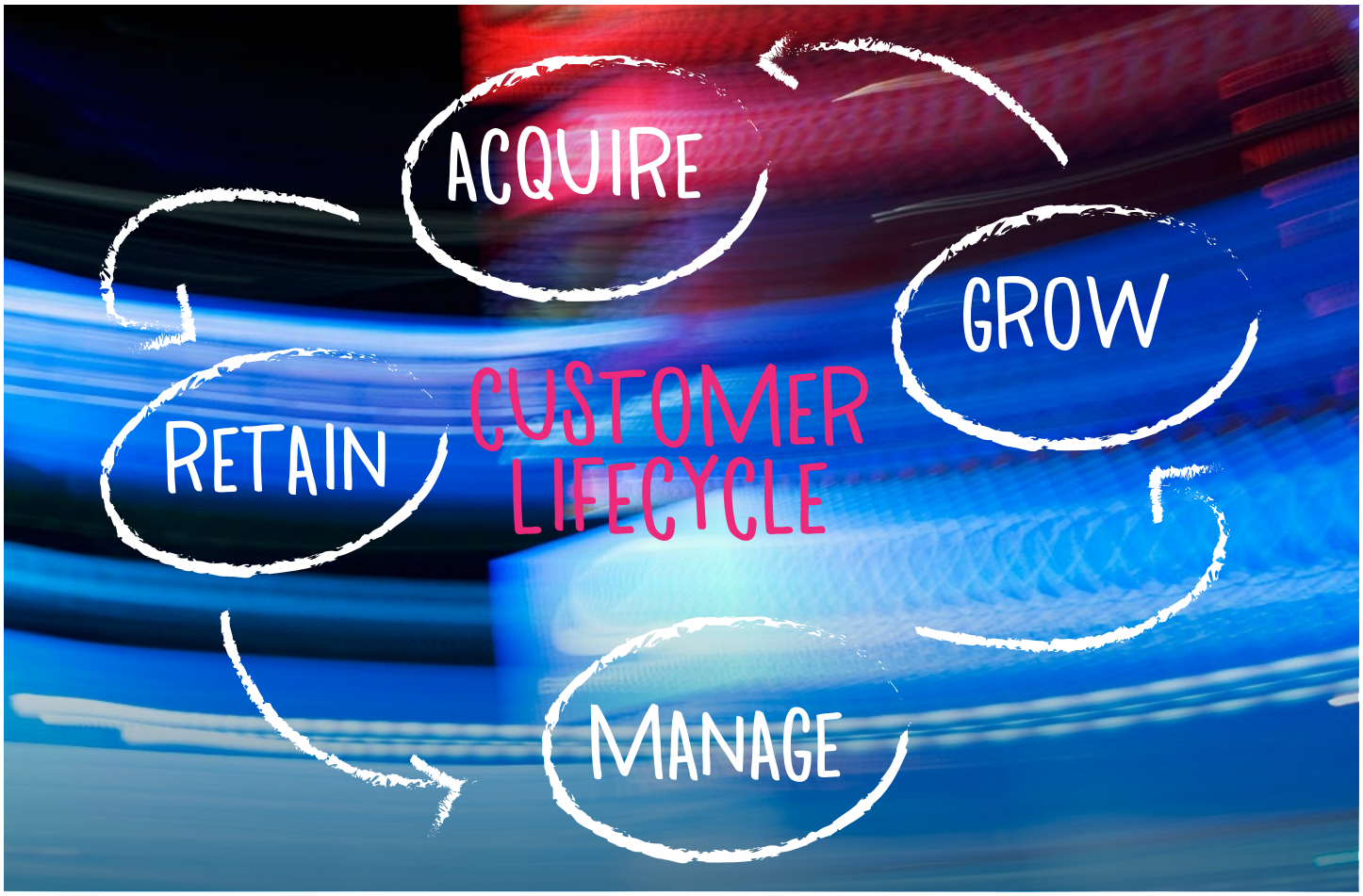
TRANSFORMING THE CLIENT LIFECYCLE: BRINGING CUSTOMER AND PRODUCT ONBOARDING INTO THE DIGITAL AGE



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CONTENTS

01
INTRODUCTION: TRANSFORMING THE CLIENT LIFECYCLE

Since the 2008 financial crisis, the pressures on banks have consistently escalated. There has been a near-constant expansion of regulatory requirements, a dramatic growth in regulatory oversight, and skyrocketing fines. The focus on regulation is intense, as is the emphasis on improving cost-to-income efficiency. To make life even tougher for the banks, they face growing competition from other players implementing customer-centric technology globally.

Because of this, however resource-intensive the regulatory compliance challenge becomes, scaling down efforts to ensure the highest standards of customer service is simply not an option. On the contrary, implementing client lifecycle management (CLM) technology – a unified platform for automating and optimising all aspects of onboarding and the customer journey – becomes a priority.

This paper explores the challenges banks face in the area of onboarding, the opportunities created by CLM technology to help them address these challenges, improve customer experience and protect and grow their businesses, and the next steps they can take to move forward.

02

IS REGULATION MAKING YOUR CUSTOMER ONBOARDING SLOWER AND MORE EXPENSIVE?

The increasing regulatory obligations on banks – from AML, FATCA, CRS and Dodd-Frank to EMIR and MiFID II – is impacting both onboarding times and customer centricity. A particular issue is the growing burden of KYC and customer due diligence rules driven by regulation. In a recent survey carried out by Finextra on behalf of Pegasystems, banks said the aspects of their onboarding capabilities with which they were most dissatisfied were KYC-required customer data gathering and the level of integration with third party data providers. KYC is the biggest painpoint for customers during onboarding – and though onboarding is just the first experience customers have with their banks, the majority say it does impact lifetime value.

In fact, the survey showed that 90% of big corporates would consider switching to a different financial institution for better client service around onboarding among other aspects.

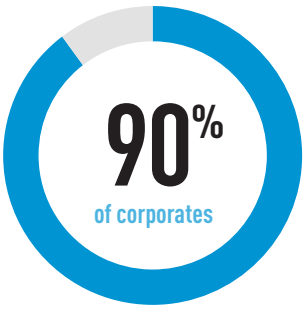
Another issue is that whereas historically compliance was siloed and manual and was created and managed locally, today enforcement is both global and local – making a single view of the customer essential. Consistency is key – and is no mean feat when you consider that banks must manage the complexity of periodic refreshes, remediation and having to service the same customer in multiple jurisdictions with multiple products and different rules. Nonetheless, regulators expect banks to have a holistic view of each customer and their associated risks. And they are more and more often evaluating financial institutions across borders and working with their counterparts at other regulatory agencies to do so.

The recent Finextra/Pegasystems survey showed that 90% of big corporates would consider switching to a different financial institution for better client service around onboarding among other aspects

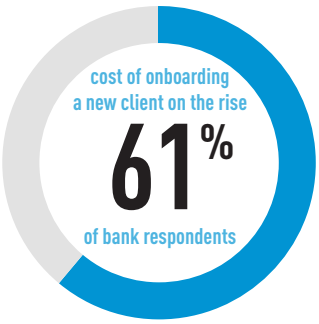
Already most if not all banks are struggling to manage and maintain compliance with regulations – as one group treasurer quoted in the Finextra survey said, “Banks are sloppy, siloed and disjointed organisations as they are. Additional layers of compliance will only make them worse.” Now the complexity of rules that are geography, customer type, line of business and product specific is creating longer onboarding times for institutional clients.

Part of the problem is that banks have limited time to put in place new systems or remediate existing accounts to accommodate regulatory action – which means they start the journey with a sub-optimal approach and then compound the evil by continuing to reuse that information and those processes on an ongoing basis.

One thing is for sure, as the Finextra survey showed: customer onboarding is definitely not getting faster – it’s just getting more expensive. The weighted average time for onboarding shown by the survey was four weeks, although this process can take more than six months – and 61% of bank respondents said the cost of onboarding a new client had risen since an earlier survey in 2010. Estimates suggest it costs around USD30K to onboard a corporate customer. And of course, if the process is too cumbersome a bank could miss out entirely on new revenues as the corporate opts to stay with its existing provider.



would consider switching to a different financial institution for better client service around onboarding, account maintenance, service requests and inquiry handling



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03

ARE YOU FAILING TO DELIVER SIMPLICITY, CONSISTENCY AND CONVENIENCE TO YOUR CUSTOMERS?

Changing customer expectations – fuelled by the digitalisation of other industries and by customers' need for transparency – represent another challenge for banks. Gone are the days when corporate customers expected to have multiple banking relationships in multiple geographies: relationship managers now frequently have international remits and demand to have a consolidated view of their activities globally. Where they might formerly have tolerated the complexity of navigating their bank's internal workings, and managed with a rolodex, they now want to access services easily without needing a contact database. Banks and customers alike want to transact quickly.

Streamlined process entices new customers

They also want to be treated in the same way by each part of the bank, rather than being faced with different requirements depending on the business line with which they have the account – and being asked for the dame due diligence repeatedly. If a customer is an underlying party (for example a director or majority shareholder) at a corporate and then comes in as a customer through another channel (for example wealth), he or she will want to be treated as an existing client.

From a product perspective customers' requirements are also growing more complex: increasingly multinational corporates want to transact in multiple jurisdictions and product sets. In fact, the majority of corporate clients are existing customers which just want to extend their relationship to incorporate new products, services and jurisdictions.

A singular customer journey keeps existing customers happy

Critically, the past in which corporate customers had limited interest in the channels via which they could reach their banks, or in self-service, has been replaced by an environment in which customers expect to be able to communicate with their banks in the way – and at the time – that is most convenient for them.

04

ARE SILOS AND LINEAR PROCESSES SUCKING UP YOUR SALES PEOPLE'S TIME?

The efficiency and effectiveness of onboarding is also being undermined by operational and process weaknesses in the banks' own silos. International banks typically have different onboarding approaches – and legacy systems – in different jurisdictions and for different products, and indeed the prevalence of product-centric onboarding models can lead to a multiplication of effort (the number of products times the number of jurisdictions). Linear processes – and processes that are repeated every time for every customer and/or product, with no reuse of the information collected – also elongate onboarding time.

All of these inefficiencies lead to higher cost of onboarding, not least because a lack of automation demands the involvement of expensive personnel in the process. In addition, if relationship managers and front office staff are being dragged into more and more operational activity around onboarding, they are spending less and less time on sales activities, which has an obvious impact on revenues.

Inefficient processes also result in a lack of transparency on the progress of onboarding for relationship managers – but critically for customers as well. In fact, customer-centricity is negatively impacted again and again as a result of multiple inconsistent onboarding processes within a single bank, as banks are forced to interact repeatedly with customers to gather the data they need. This is inefficient, damaging to the customer relationship, and completely incongruous given digitalisation and customers' expectation of being able to engage rapidly, cleanly and differently with their banks.

Free up relationship managers to sell and grow business

05

DOES YOUR ONBOARDING PASS MUSTER IN THE ERA OF TRANSPARENCY AND DIGITAL TRANSFORMATION – THE AGE OF UBER?

In the context of this changing environment, the fact that banks' onboarding of customers is typically less than optimal is a clear problem – both for banks and of course for their customers. In this digital age most banks' current onboarding processes are simply not good enough. Regulatory obligations must be met of course, but so must customers' requirements for smooth, transparent, omni-channel experiences. As a pre-requisite for successful digital transformation, banks must reduce the cost and increase the efficiency of onboarding – and everything that follows – and automating CLM is key to this.

CLM technology solutions available today enable the automation of due diligence globally, across multiple lines of business, from the relationship manager to the middle office through to the back office. Underpinned by a true omni-channel experience for customers, these solutions reduce the need for customer contact and serial requests for information. Information obtained from and about the customer is centrally stored with the customer profile, meaning that data can be reused from front to back office.

In addition, these solutions source information from the market to expedite data gathering, and they automate KYC rules, workflow, complex entity onboarding and STP to back office systems. Linear processes are replaced by parallel processes, and management across lines of business (for example, retail, commercial, corporate and investment banking) is enabled. The technology – rather than the relationship manager – drives the process.

The technology – rather than the relationship manager – drives the process

06

CLM: A SILVER BULLET FOR COMPLIANCE, OPERATIONAL EFFICIENCY AND CUSTOMER CENTRICITY?

A clear benefit of CLM automation is easing regulatory compliance. Consistency on a global basis – across products and jurisdictions – can be increased: these systems give the bank a global view of each customer. Automation also enables banks to prove to regulators that the appropriate enforcement and controls are in place. CLM systems can reliably manage which rules apply in which instances based on the unique driver data (customer-type, product, risk, booking location). The systems also enable banks' compliance experts to easily and quickly update requirements based on regulatory changes. In addition, in the case of remediation and look-backs, the systems allow for automatic case creation and routing, and reuse of the remediation work on an ongoing basis.

From an operational efficiency perspective, CLM automation enables the streamlining of the onboarding process. A piece of information can be captured once and once only. Business users can control the process – and the due diligence rules. Sales people can sell. Overall, customer onboarding costs are reduced.

Perhaps most critically of all, customer experience is improved. The time it takes to onboard is reduced from 100 days to between 10 and 30 days. Customers – along with the banks' relationship managers – benefit from greater transparency on the onboarding process. The banks appear "joined up" to their corporate customers – and those customers are able to see all their service requests across all regions. In short, banks can achieve competitive advantage through CLM automation, and in an environment of increasing competition from new entrants and existing players, the importance of this outcome of automating CLM cannot be underestimated.

CLM enables banks to appear 'joined up' to their corporate customers

07

SO WHERE DO YOU START ON YOUR CLM JOURNEY?

The biggest challenge for a major global bank embarking on CLM automation is likely to be that the plethora of legacy systems and disparate processes in different jurisdictions can make it very difficult to determine where and how to begin the project. Some banks will start with KYC, with a strategy for end to end CLM transformation. Some banks will start in retail, others in wholesale. In many cases, banks will choose to start with corporate and investment banking because the customer complexity is greater in this line of business, and the problems to solve are bigger. Once the value is proven, there is then a need to radiate and scale the solution to the rest of the bank. In this context, a solution that is truly scalable and can be used on an enterprise-wide basis is clearly a prerequisite.

While it is essential for credibility and buy-in that success is achieved – and value demonstrated – quickly, it is also vital to develop and maintain a complete CLM vision for the entire bank across lines of business. In order to be able to sustain that vision but to address first the biggest problem areas, it is critical to select a solution that can scale globally, can be extended across lines of business– to unify rules, process, case management and digitalisation

Once the value of CLM is proven in one area, there is then a need to radiate and scale the solution to the rest of the bank

in one application suite, and has the ability to wrap and renew across multiple legacy systems. The ability to simplify complexity and ensure the agility needed to manage change as part of a global digital transformation strategy is also essential for this type of investment: one customer, one view, across channels and devices.

Another critical factor is that the solution selected is backed by a proven implementation methodology and approach. Look for a track record to provide reassurance that the transformation programme will not get stuck in limbo – and that an efficient implementation can be relied upon to ensure the transformation takes place in a timely fashion, and brings rapid returns. In short, in order to select the right application, banks should ask three important questions:

1) DOES THE PROVIDER HAVE A PROVEN TRACK RECORD OF SUCCESSFUL IMPLEMENTATIONS IN THE REQUIRED TIMEFRAME?
2) IS THE APPLICATION ABLE SCALE TO THE REST OF THE BANK AND BECOME A TRULY ENTERPRISE APPLICATION?
3) GIVEN THE CONSTANTLY CHANGING LANDSCAPE, HOW QUICKLY CAN RULESETS BE UPDATED TO ADDRESS REGULATORY CHANGE?

An efficient implementation will bring rapid returns

08

WHAT ARE THE NEXT STEPS TO AUTOMATE AND DIGITALISE CLM?

For banks that have decided to automate CLM in order to ease regulatory compliance, improve operational efficiency and – crucially – improve customer experience, there are some steps to take to maximise the chances of success.

THEY ARE:

1) SELECT A PROVIDER WITH PROVEN, SCALABLE TECHNOLOGY THAT ALLOWS FOR MULTI-JURISDICTIONAL AND MULTI-PRODUCT ONBOARDING AND RAPID AND TIMELY UPDATES IN RESPONSE TO MARKET CHANGES;
2) VIEW IMPLEMENTATION PLANS AS GLOBAL, WHILE RE-USING AND DRIVING SPECIALISATION BY JURISDICTION;
3) ROLL THE SOLUTION OUT ACROSS MULTIPLE JURISDICTIONS AND BUSINESS LINES AND FROM FRONT TO BACK OFFICE;
4) ENSURE THE SOLUTION ALIGNS WITH DIGITAL TRANSFORMATION INITIATIVES VIA WHICH CUSTOMERS AND RELATIONSHIP MANAGERS HAVE END TO END TRANSPARENCY AND A TRUE OMNI-CHANNEL EXPERIENCE; AND
5) GO BEYOND ONBOARDING, TO ADDRESS THE COMPLETE CUSTOMER LIFECYCLE (INCLUDING ACCOUNT MAINTENANCE AND "OFFBOARDING") – WITH A VIEW TO EXTRACTING EVEN MORE VALUE BY EXTENDING THE SOLUTION TO CRM AND SALES AUTOMATION.

> "CLM automation enables the streamlining of the onboarding process. A piece of information can be captured once and once only. Business users can control the process – and the due diligence rules. Sales people can sell. Overall, customer onboarding costs are reduced."

09 ABOUT

Finextra

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Pegasystems

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Pega's applications streamline critical business operations, connect enterprises to their customers seamlessly in real-time across channels, and adapt to meet rapidly changing requirements. Pega's Global 2000 customers include many of the world's most sophisticated and successful enterprises.

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