

KNOW YOUR CUSTOMER: HOW BANKS AND FINANCIAL INSTITUTIONS CAN REDUCE WASTE & IMPROVE BUSINESS OUTCOMES

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KNOW YOUR CUSTOMER

Banks and Financial Institutions are no strangers to risk and compliance regulations. While advancements in technology have improved the processes in place to avoid common activities such as data breaches and money laundering, fraudsters are still able to slip through the cracks which poses the question, “how well do you really know your customer?”

In the financial world, knowing your customer is not related to customer needs or experience. Instead, Know Your Customer (KYC) refers to control processes that are put in place by Financial Institutions (FIs) to identify and verify a customer’s identity when opening an account and periodically over time. Furthermore, it provides a way for FIs to identify and avoid customer risk while also ensuring that they are legally complying with Anti-Money Laundering (AML) laws. Not complying with KYC-AML laws is financially reckless and potentially could lead to reputational damage. In fact, between 2008-2018, the [global fines and sanctions](#) FIs were issued was over \$27.2 billion. While heavy fines and sanction amounts should be enough to comply with these regulations, by adhering to these laws there is an added bonus of reducing waste and improving business outcomes to prove to internal and external stakeholders that there is reduced risk and refined control.

*A culture of compliance
must begin from the top
and filter down to the lower
echelons of the financial
institution.*



*--Nasdaq, “5 Lessons from AML Bank
Fines of 2021”*



As the vital first step to improving internal process and business outcomes, KYC requires several specific checks and actions during the customer onboarding process to not only be effective, but also to protect FIs from costly financial activities. These measures include establishing the customer's identity, identifying the nature of the customer's business and assessing money laundering risks associated with that customer. While onboarding new customers is the most important component of KYC-AML, the problem is that despite many things being automated, there are still too many manual activities and an extensive customer due diligence that is needed. Because of this, it takes almost all FIs too much time, between 90-120 days, to onboard new customers. And despite automations, there is still too much human interaction needed which leads to too high of costs therefore wasting time and money. Effective time management and cost are not only a reality for FIs, but they are also the number one reason why customers take their business elsewhere.

According to [Thomson Reuters](#), 85% of customers have not had a good KYC experience and 12% have changed banks as a result. KYC-AML is directly correlated to operational excellence and to have the most cost/time efficient and effective processes, FIs should investigate solutions that provide Governance, Risk, and Compliance (GRC) management software.

TECHNOLOGY AS A SOLUTION (AND THE VALUE OF MAVIM)

GRC is a management that focuses on governance, risk and compliance, and while KYC-AML does have a heavy focus in risk and compliance, governance plays a bigger role than might be expected. This is because understanding how the governance of processes and activities behind KYC-AML are put into place defines what needs to be done, why and specifically how. GRC is a sweet spot of the Mavim platform--facilitating BPM/BPA with operational excellence and governance themes to ensure cost and time effectiveness and efficiency. Mavim focuses on organizations with hundreds, if not thousands, of processes which define, assess, and give insight into the risks and corresponding controls related to these processes and based on the requirements of specific laws and regulations.

More specifically, because Mavim provides solutions for both GRC and BPM, users can gather insights on how processes run and why, not only by design, but also based on facts by process mining functionalities which shows deviations and/ or ways for improvement. Therefore, the level of Straight Through Processing (STP) can be raised and the definition of requirements of what can be automated, either by RPA or in designated systems is also possible. Finally, defining what needs to stay as manual activities and why also ties back to the governance of processes which can be visualized within Mavim.

By utilizing a software as a solution, FIs can refocus their efforts in a more streamlined approach, ultimately reducing risk and improving business outcomes. This will ensure significantly less worry about fines, sanctions, and costs of refunds while also reducing the workforce needed for KYC-AML. Additionally, the costs and time associated to customer onboarding will be reduced, which will in turn raise retention rate and reduce churn due to improved KYC processes. Perhaps the ultimate goal has also been achieved, in which internal and external stakeholders will be able to see that the right processes and measures have been taken to put controls in place, proving a higher level of compliance and an overall improved organization of processes.

CUSTOMER SUCCESS STORY

Challenge

A well-known financial institution in North America with over 9,000 employees across all branches, was struggling to maintain the cost of its workforce with the cost of onboarding new clients. On average, they were spending \$12 million annually to manually onboard and check customer's information to ensure that they met all the rules and regulations of KYC-AML compliance. Moreover, processes varied across different branches and states, making it difficult to know how much cost was associated with the actual onboarding, or with the cost of the workforce itself. To avoid the potential for heavy fines and sanctions, they recognized that they needed to introduce a timely and cost-effective standard across all branches.

Approach

Mavim was used for Risk and (Multi)-compliance as this organization has thousands of processes that need to be defined, assessed, and give insights into the risks and corresponding controls related to these processes. These processes are based on a myriad of corresponding laws and regulations, from ISO, ISA3402, COBIT, Sox, Basel etc. With Mavim, the financial institution could visualize their processes and procedures and connect them to the related risks across each branch and state, while also reducing cost and manual labor. They were also able to have a better visual on the overall customer onboarding experience both from an internal process and customer experience standpoint.



Results

Thanks to this programmatic approach, this financial institution was able to lower annual onboarding costs from \$12M to \$7M while also shortening the length of customer onboarding from 90 days to 60 days. Through increased visibility and a standardized approach to KYC, each branch was able to effectively improve the amount of manual labor needed during the onboarding process. Moreover, not only was employee retention improved, but customers had a better overall experience leading to a reduced customer churn rate.

HOW TO GET STARTED WITH MAVIM

It can be daunting to contemplate where to begin with a new Risk and (Multi) Compliance initiative. The good news is that technology like Mavim already exists to support you on your journey. Because FIs run more risks than only the risks of KYC-AML, Mavim not only supports the issues around compliance, but also supports solving these by redesigning and optimizing the processes and procedures through our BPM (Operational Excellence) tooling.



Why You Need A Platform

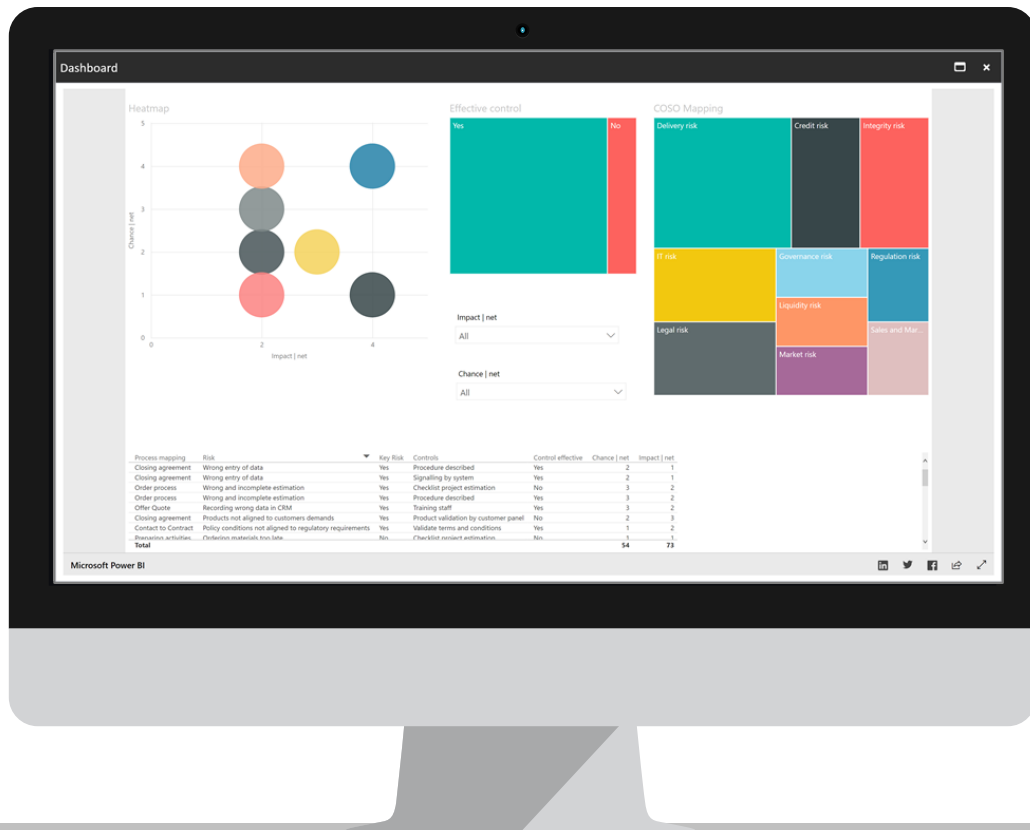
Platform technology is necessary in order to support sustainable transformation and to assist with change management at scale. A lack of a single source of truth hinders the ability to analyze and further leverage the data collected. Additionally, platform technology like Mavim helps the workforce understand where to find the information they need and the metrics they are being measured upon, which has proven extremely effective in bringing about the desired behavioral changes.

MULTI-COMPLIANCE (PROOF OF COMPLIANCE)

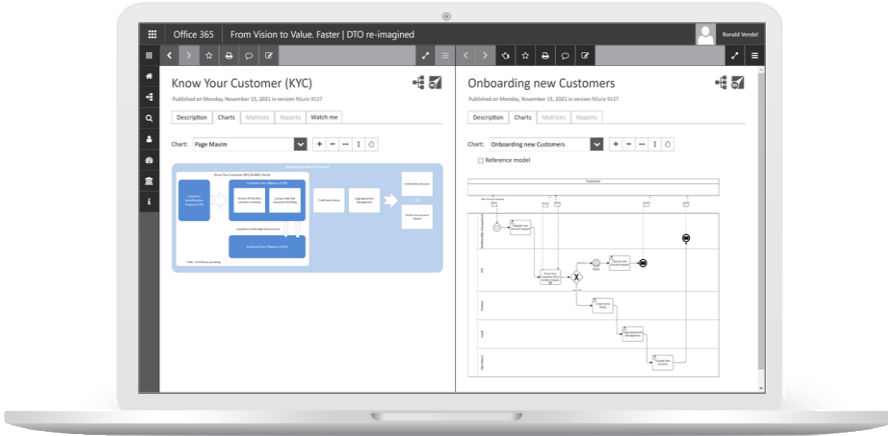
HOW MAVIM SUPPORTS THIS:

To share, communicate, optimize, and improve (continuously) by facilitating:

- Being able to easily show proof of compliance, thus reducing cost of compliance.
- Introducing "one way of working", by harmonizing and standardizing with SOPs and WIs of processes and procedures.
- Managing and steering on KPIs and PPIs defined.



ONE WAY OF WORKING: DEFINE AREAS FOR IMPROVEMENT



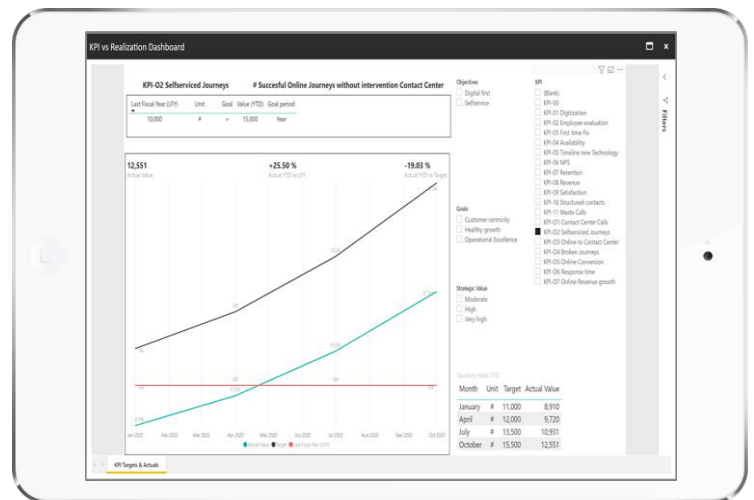
HOW MAVIM SUPPORTS THIS:

- Identify the actual current state of your business and IT processes by connecting to your source systems.
- Create fact-based insights in how your customer journeys and the related onboarding processes actually run vs how you have designed them.
- Analyze the variations among different departments or roles and compare those to the KPIs per team.

HOW MAVIM SUPPORTS THIS:

- Accelerate the design of the future state by leveraging Mavim's KPI dashboard to identify and steer risks.
- Leverage the dashboard to check and determine if your organization is on track with processes in real life and if not, how can you steer these into the right direction.

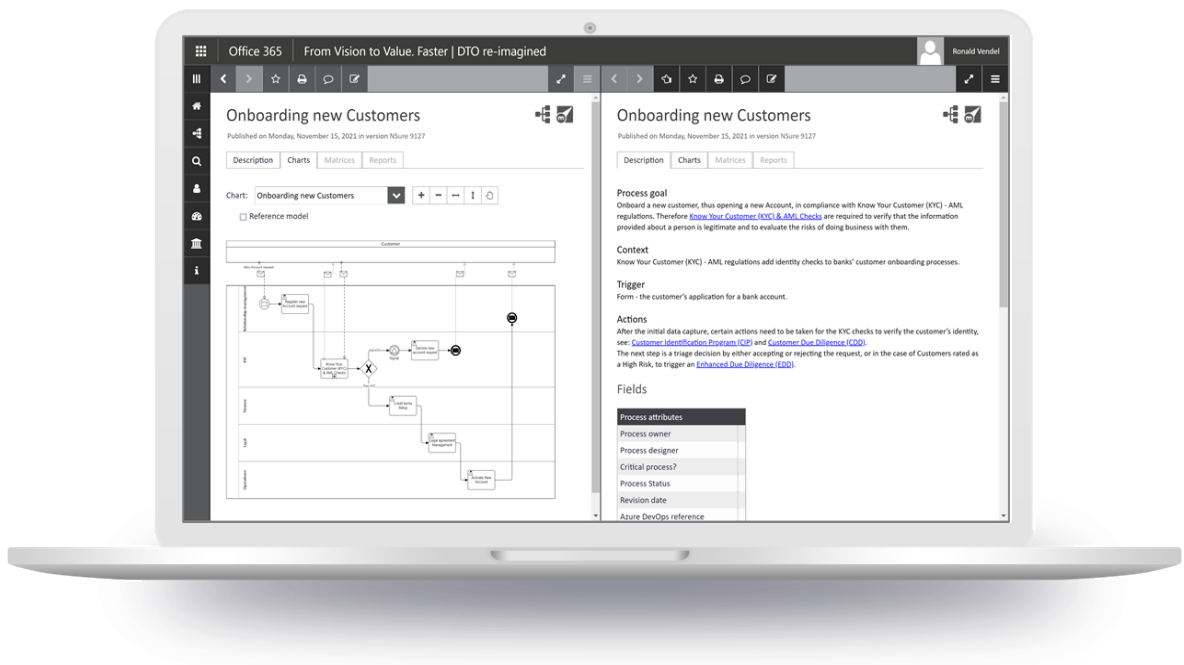
MANAGE AND TRACK RISKS AND PROCESSES IN REAL LIFE



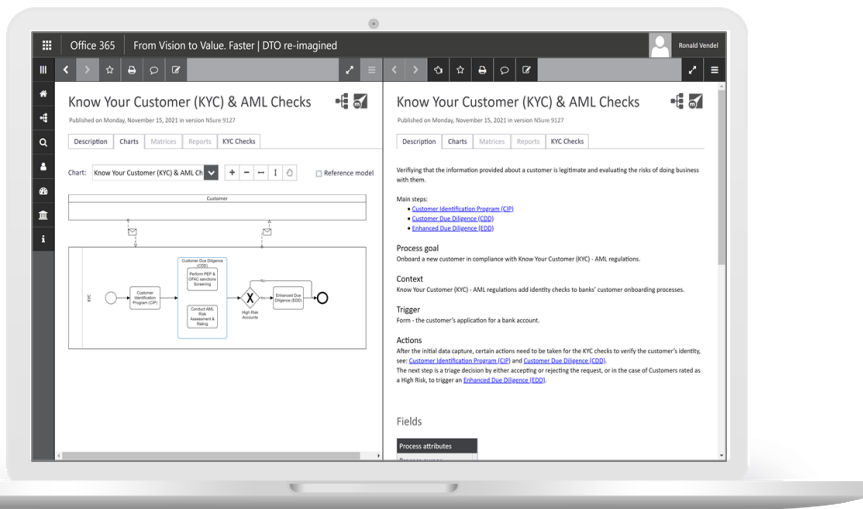
KNOWLEDGE SHARING WITHIN AN ORGANIZATION

HOW MAVIM SUPPORTS THIS:

- Knowledge sharing & improving skills and training of new hires across different departments and roles within the organization.
- By driving results and value through 1st class operations, thus running less risks and spending or losing less time and money by becoming the "best in class".
- Providing insights and value into the impact of change (what, why, where, how) and how that will impact the organization at different levels.



IDENTIFY A DEEPER LEVEL OF THE ORGANIZATION MODEL



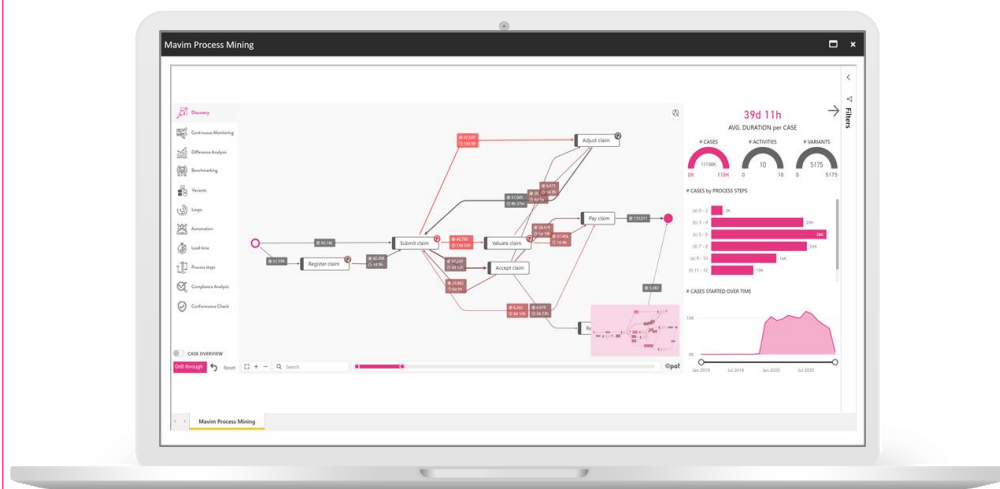
HOW MAVIM SUPPORTS THIS:

- Provide a deeper level of all details on what should and must be adhered to at the organizational level.
- Leverage Mavim to have a fact-based discussion with the relevant roles about the work they are doing to ensure the proper checks for KYC are occurring.
- Use Mavim to explain and understand the deeper levels of process goals and contexts to understand actions.

HOW MAVIM SUPPORTS THIS:

- Mine the core transactional systems for fact based on process conformance, compliance and prediction.
- Monitor your core systems in real time to visualize current process performance and anticipate potential risks or bottlenecks
- Intervene where necessary when pattern detection indicates an issue of noncompliance or other performance driven issue.

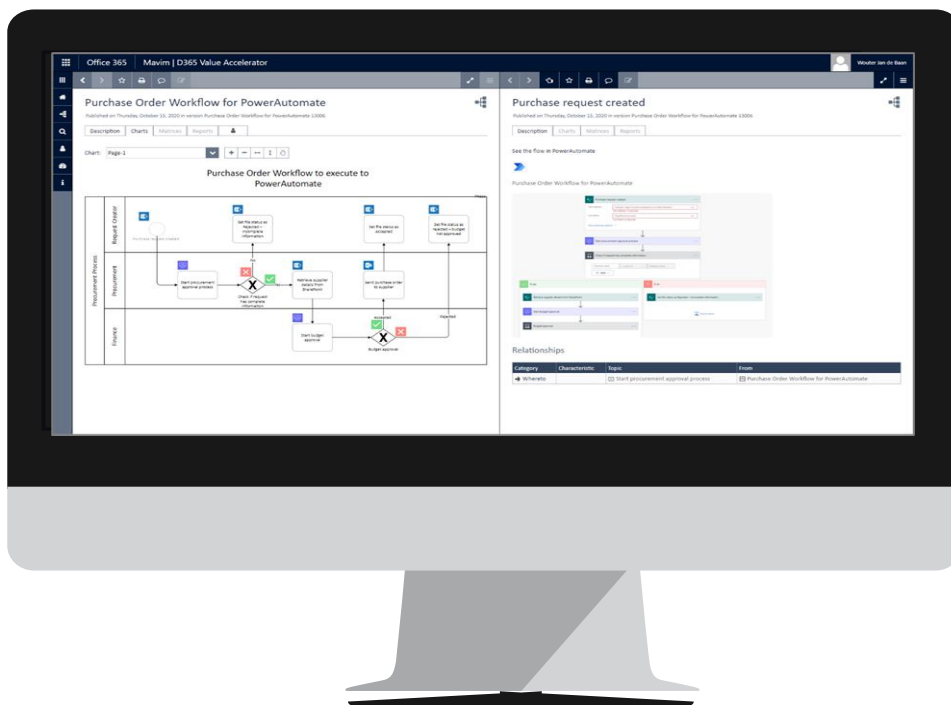
MONITOR & PREDICT PROCESS PERFORMANCE



CREATE A BASIS FOR AUTOMATION AND FACT-BASED BUSINESS OUTCOMES FOR STAKEHOLDERS

HOW MAVIM SUPPORTS THIS:

- Analyze the level of automation in current processes to determine where automation can be leveraged to have the greatest impact on the desired outcomes of process execution.
- Utilize Mavim to make it easier to establish the governance and definition of requirements needed to implement RPA and other forms of automation at scale.
- Communicate a fact-based conversation with stakeholders around manual work and what can and should be automated.
- Establish a governance structure around a definition of requirements for any new form of process automation to facilitate knowledge sharing related to automation.



For complex global organizations that are changing or re-inventing their operating models, Mavim provides software that enables major business transformation. Mavim offers a Microsoft-based platform that empowers the visualization, alignment, and prioritization of innovation initiatives with a company's strategic vision. By connecting and managing strategy, projects, personnel, processes, technology, risks, architecture, customers, and infrastructure in one platform, Mavim increases the success rate of major transformation.

Headquartered in Amsterdam and Boston, Mavim has a global customer base of a million end-users worldwide. Our extensive partner network spans 27 countries and includes such familiar names as Accenture, Microsoft, Wipro, Infor, and Eclipse, a DXC Technology Company.