



Digitizing Customer Onboarding for Capital Markets and Banks

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Introduction

The purpose of this white paper is to document the details of customer onboarding process using Pega and highlight the typical pain points in digitizing the customer onboarding process in the banking and capital markets domain. It touches upon the functional overview of a client on-boarding platform, together with answering key questions around why customer drops out of the onboarding process, problems affecting onboarding and digitizing the process and where will the improvements come from. I will also highlight the compliance management process, and how Pega delivers a unified, global rules-driven platform for managing KYC requirements, including FATCA, suitability, product and country-specific due diligence requirements.

Intended Audience:

The following are the intended readers of this document:

- Business Decision Makers in Banking and capital markets domain
- Technology decision makers in Banking and Capital markets domain
- Business managers and users in Banking and Capital markets domain
- IT Management in Banking and Capital markets domain
- Pega Centre Of Excellence teams

Definitions, Acronyms, and Abbreviations

Term	Description & Remarks
BCM	Banking and Capital Markets
FATCA	Foreign Account Tax Compliance Act
KYC	Know Your Customer
STP	Straight Through Processing
SOP	Standard Operating Procedure
LOB	Line Of Business
AMC	Annual Maintenance Contract
EMIR	European Market Infrastructure Regulation
MiFID	Markets in Financial Instruments Directive
AML	Anti-money Laundering
FINRA	Financial Industry Regulatory Authority

Typical pain points in client onboarding

Before we dwell into digitizing the client onboarding process and how Pega enables a seamless onboarding, I want to mention few of the typical pain points that are prevalent in a client onboarding process.

- Manual : The onboarding process has multiple manual touch-points – benefits of straight through processing (STP) do not accrue
- Paper-based : The paper based nature of the process causes inefficiencies (waiting time before each step of processing)
- Error-prone : The manual and paper based nature of the process leads to the introduction of errors, and consequent rework and client dissatisfaction
- Lack of Metrics : It is difficult to capture accurate operational metrics on an ongoing basis – opportunities for process improvement might potentially be lost
- Process Status : Tracking and reporting of status (internal / to client) of every onboarding request is ad hoc, which requires additional follow-ups and might lack details and / or accuracy

- SLA Compliance : Monitoring of onboarding requests for performance against SLAs (and related escalations) has to be done manually and is post-facto in many cases, leading to penalties and client dissatisfaction
- Process Knowledge : Adherence to business policies (“rules”) and process SOPs is dependent on individuals, and may not be uniform
- Rigid : Business rules might be “hard-coded” – even minor changes to process or business policies might require significant lead time to bring to market
- Single LOB : The solution might be targeted to the needs of a single LOB, leading to multiple instances of the platform being implemented within the same organization
- Cost : The opportunity to reduce maintenance / AMC costs might be lost, especially with products that are built on non-standard proprietary technologies

Why a customer drops out of the onboarding process?

Following are some of the key reasons why a customer drops out of onboarding process

S.No	Key Reason	% age of customer drops
1	Response time on key decision	58
2	Lack of coordination	52
3	Poor communication support	45
4	Too much information required	42
5	Outdated methods	42
6	Repeating information	38
7	Lack of offline support	22

The data above shows that response time required for key decisions is one of the leading reasons customers drop from an onboarding process, while lack of offline support is at 7th position with a staggering 22%. Other reasons prominent within the organization due to which these drops are happening are lack of co-ordination between various entities/team, followed by poor communication support provided to these clients. Asking customers to fill in a lot of data, using outdated technologies and systems which do not provide end-to-end visibility and asking same information multiple times is also having adverse effect and causing drops out of the onboarding process.

Process problems affecting onboarding

Some of the key problems affecting the onboarding process are:

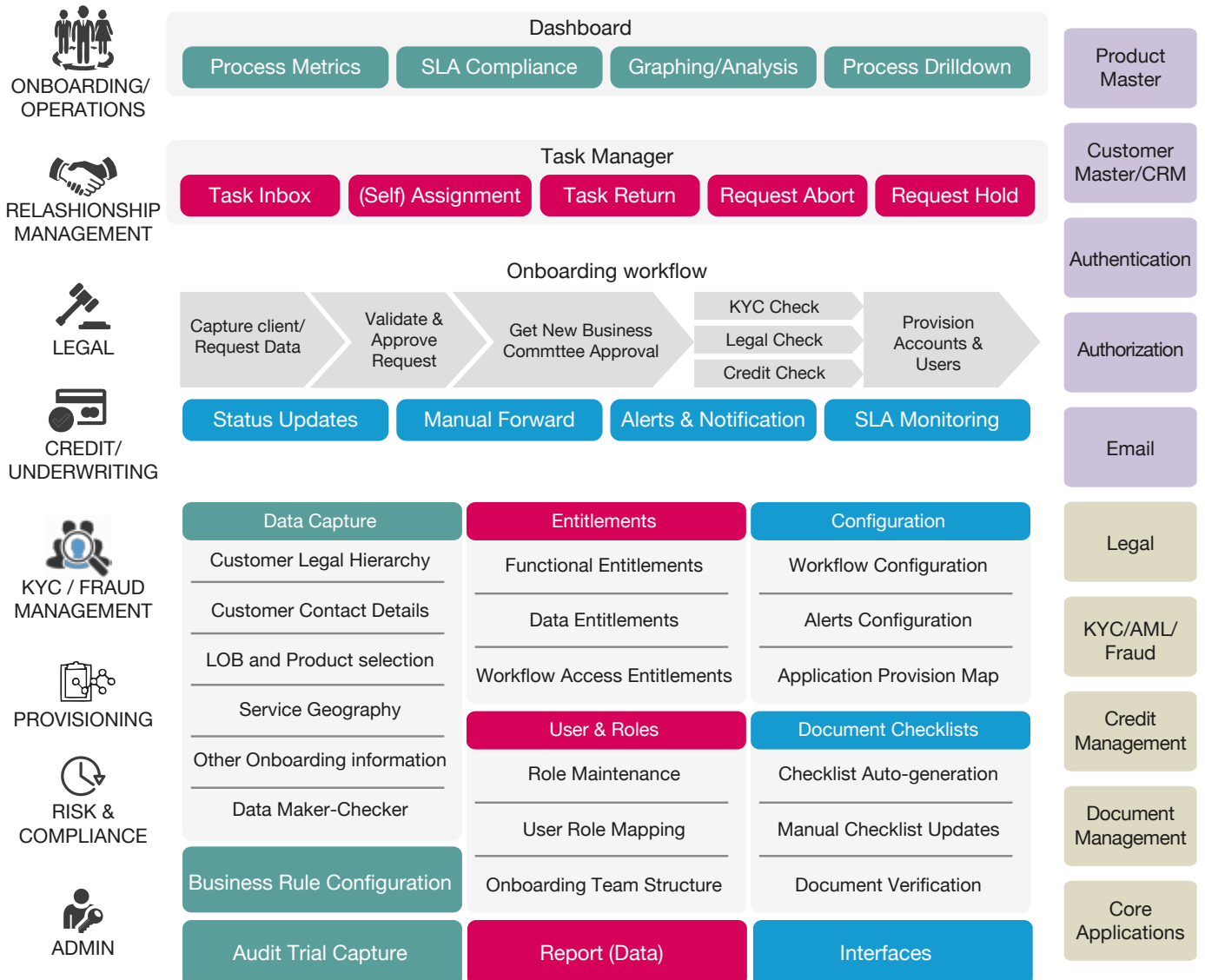
- Collecting the right information while maintaining customer experience
- Presenting the right information to clients at the right stage in the process
- Too complex process for assigning and managing system permissions for customers
- Re-keying or wastage of time coordinating various systems of records, core systems, and packaged apps
- Operational Reporting/Key Performance Indicators, Poor response and escalation mechanisms for issues

Where will the improvements come from?

Typically we will see improvements coming in for customer onboarding processes through the following areas:

- 22% of improvement will come from the provider of BPM or case management tool, where inherent changes to the product and its behaviors can make a lot of difference to the customer experience, thus eliminating drops from the onboarding process.
- 36% of improvements will come from new applications developed in-house (e.g., java programming, packages applications,) by the enterprises, which will directly or indirectly impact the on-boarding process and make it efficient and reliable in one manner or the other.
- 36% of improvement can be seen if built-for-purpose onboarding application/packaged solutions are used for on-boarding needs, wherein the product is aligned to the specific on-boarding requirement and can execute the needs better -solution from leading
- 31% believe that core system providers e.g. loan origination, core banking etc. can add to the improvements in the on-boarding process.
- 63% believe that revenue is lost, and 61% believe deals are lost due to problems in onboarding process.

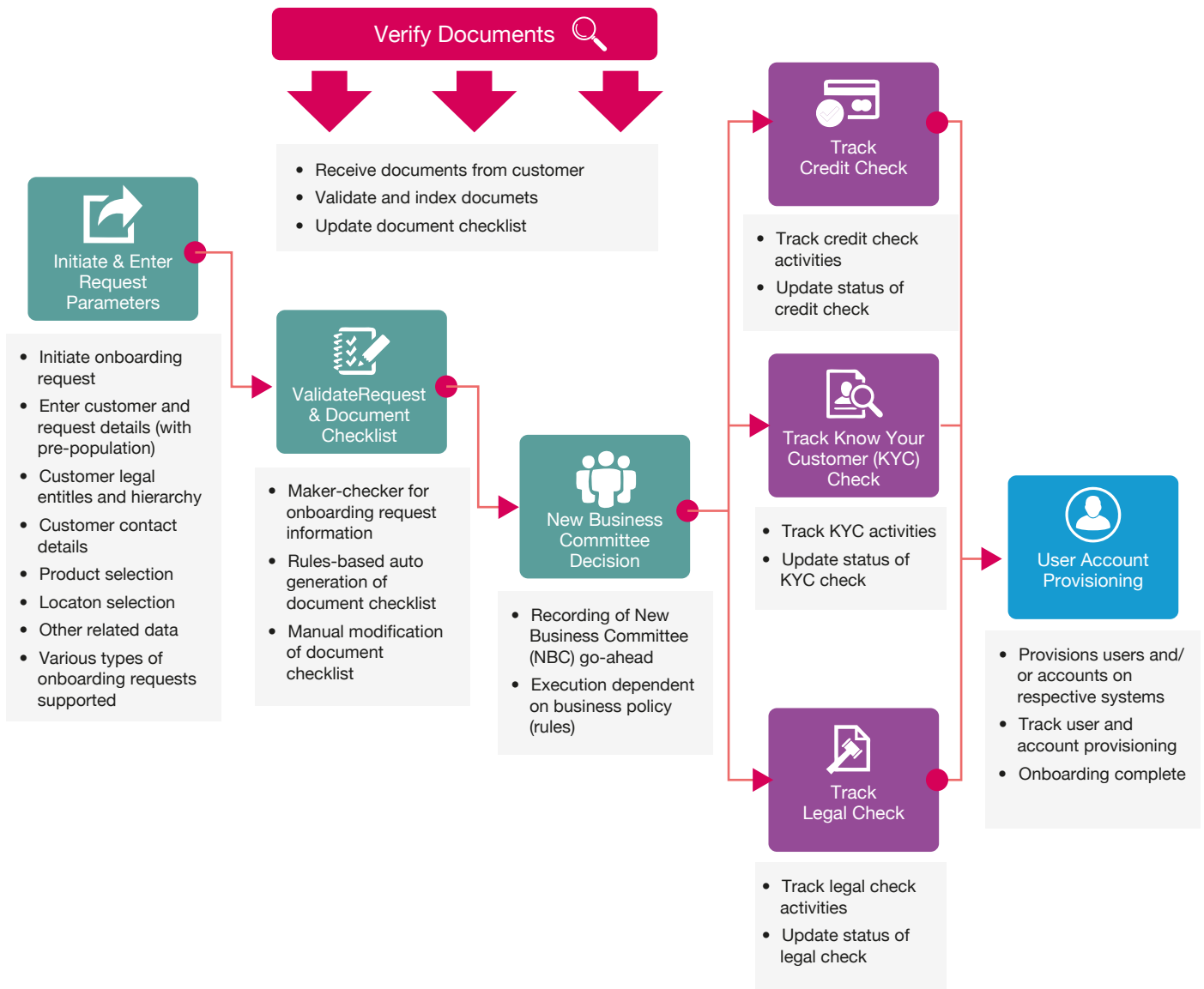
Functional Overview of a Client Onboarding Platform



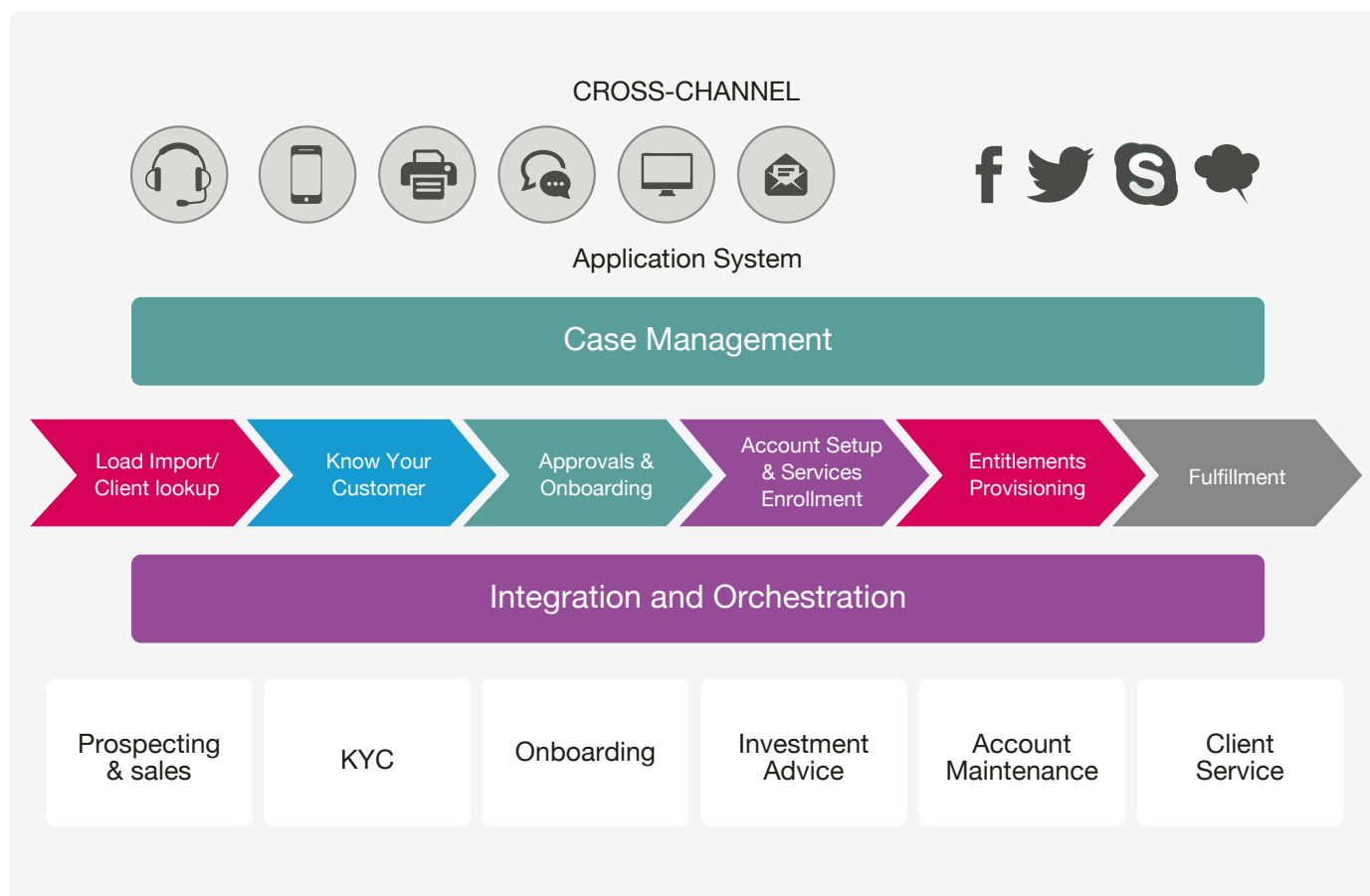
Process flow in client onboarding

Depicted below is a typical process flow for the client onboarding process. The key elements of this process flow are -

- Initiation of the request
- Validation of the request
- New business decision
- Track credit check
- Track kyc check
- Track legal check
- User and account provisioning
- Verify documents



Pega Onboarding for Capital Markets



The primary focus of leading financial services institutions is to improve the client service experience by empowering and increasing the productivity of the client. Fragmented & Manual processes, multiple legacy systems and lack of client-centric onboarding process are the major hindrances faced in the customer onboarding and client servicing process. These impact the customer satisfaction levels and also customer retention.

Some of the key requirements/pain points in the area of customer onboarding are:

- Streamlined and customizable customer onboarding process
- User friendly, interactive and self-service portals with reporting abilities
- Well integrated with KYC and regulations such as FATCA, EMIR, MiFID, AML, FINRA
- Well-coordinated with global regulations
- Availability of accurate and real time information/data

Pega's rules driven platform, with its case management capabilities, provide automation of new customer onboarding process, and manages KYC requirements, including FATCA, EMIR, MiFID, AML and FINRA. It also provides strong integration capabilities that enable quick, seamless integration with legacy systems for real-time data access and provides specialization by line of business (LOB), customer type, regulation and product, which ensures faster customer onboarding.

Mature solution frameworks such as New Business for Financial Services bring great operational efficiencies to the customer onboarding process by integrating CRM, intelligent automation, risk, fraud and compliance capability into a single platform.

Compliance Management



The regulatory world is undergoing enormous changes as the capital market firms are trying to recover from the financial crisis faced in the past and prepare for similar events in the future. In order to protect the investors' rights and stabilize the financial markets, regional and global institutions have released new regulations and modified the existing ones. These regulations are complex, time driven and require operational re-structuring for firms to be compliant with the regulations. The need for the BPM tool is not only to comply with the regulations but also to implement the tools and control processes for mitigating the risks and avoid reputational and financial damage.

Some of the key requirements/pain points in the area of compliance are:

- Implement complex Know Your Customer (KYC) requirements with onboarding process
- Integrate and manage complex regulations such as FATCA, MiFID, EMIR, FINRA etc.
- Crimes/Fraud Management – complying with AML
- Compliance reporting (as per the timelines)
- Availability of accurate and real time information/ data

Pega provides the platform for managing KYC, and integrate FATCA and other regulatory requirements through its global rules driven agile processes and solution frameworks such as KYC. It allows implementing intelligent and adaptive processes for ever-changing compliance requirements and maximizes operational efficiency. Pega maintains complete audit trail, and tracks user and system-generated activities, providing tighter control for compliance needs.

KYC for FATCA

Some of the key challenges in the area of KYC for FATCA compliance are as follows:

- Classifying customers as 'US' or 'non-US' citizens, based on the US indicia found in their records
- Identifying relationships between different accounts of a customer spread across geographies and business divisions
- Deploying a mechanism to remedy accounts with missing/conflicting details before declaring them as recalcitrant

Pega delivers a unified, global rules-driven platform for managing KYC requirements, streamlining key FATCA requirements, managing complex relationships, underlying party driver data classification for US indicia, driving due diligence based on type and managing look-backs using auto-case creation and rules-driven processes.

Some of the benefits of implementing this solution are:

- Ensure auditability and saves time for FATCA classification
- Specialization by line of business, customer, regulation and product ensures faster on-boarding to KYC and FATCA rules based on lines of business, customer type, qualification, regulatory mandate and risk
- Simplify reporting and auditing- Integration with tax reporting systems and self-documentation that captures a complete audit trail of every system and user activity eliminate manual reporting tasks

References:

- Pegasystems - <https://www.pegasystems.com/>
- <https://www.pegasystems.com/system/files/resources/Corporate-Client-Onboarding-in-the-Age-of-the-Customer.pdf>

About the Author



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Sunil comes with 20+ years of experience in the IT Services industry, and currently heads multiple product practices with EAI-BPM Practice at Mphasis, with key responsibilities around sales/account enablement, alliance enablement, thought leadership, domain and technology solutions, niche skill pool management and delivery assurance. He also leads initiatives around domain solutions, specifically in the BFSI domain, in the areas of Pega and Appian.

About Mphasis

Mphasis applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach. Front2Back™ uses the exponential power of cloud and cognitive to provide hyper-personalized ($C=X2C^2_{TM}=1$) digital experience to clients and their end customers. Mphasis' Service Transformation™ approach helps 'shrink the core' through the application of digital technologies across legacy environments within an enterprise, enabling businesses to stay ahead in a changing world. Mphasis' core reference architectures and tools, speed and innovation with domain expertise and specialization are key to building strong relationships with marquee clients.

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