



EFFICIENCY

MANAGEMENT CONSULTING



KYC - Know Your Customer - Management Consulting Market Offers

Introduction



Regulatory landscape for KYC / Customer Due Diligence:

- ✓ KYC is the universe of processes and activities supporting compliance requirements of customer identification, classification and due diligence across applicable regulations including **anti-money laundering, financial crime, conduct of business** and **tax**.

Regulatory drivers for KYC

Regulatory driver		Applicable Customer Due Diligence measures
FINANCIAL CRIME	AML/CFT	<ul style="list-style-type: none"> FATF Recommendation 10 forms the historical driver for CDD requirements as the key preventive measures for money laundering, terrorist financing and proliferation
	Sanctions	<ul style="list-style-type: none"> An effective application of sanctions requires adequate customer identification while indirect sanctions risks are assessed from the customer's nature of business
	Tax evasion	<ul style="list-style-type: none"> Preventing tax evasion requires understanding of the customer's circumstances, source of funds, ownership structure, and of the purpose of the relationship.
	Anti-Bribery & Corruption	<ul style="list-style-type: none"> ABC efforts rely on a risk profile that clearly articulates the customer's nature of business, PEP connections, beneficial ownership, source of wealth/funds.
Tax Compliance <i>(CRS/FATCA)</i>		<ul style="list-style-type: none"> Efficient application of tax regulations draws on CDD measures of customer identification, customer type, nature of business, beneficial ownership
Conduct of Business <i>(MiFID, EMIR, DFA)</i>		<ul style="list-style-type: none"> Client classifications required by CoB regulations rely on customer identification, customer type and size, nature of business, purpose of relationship
Reputational Risks		<ul style="list-style-type: none"> Underpinning all above regulatory requirements, reputational risks are managed in part by assessing the customer's activities, source of funds/wealth, adverse information

An increasingly complex and sensitive environment



Legal obligations and regulatory expectations have grown in breadth and complexity

- Since the financial crisis the regulatory landscape has intensively evolved in the face of political and public attention to financial crime and conduct issues:

4th and 5th AML directives, enforcement international sanctions, anti-bribery and corruption efforts (UK Criminal finances bill, France Sapin II law), combatting tax evasion, financial inclusion, de-risking; MiFID II, PRIIPS, PSD II
The General Data Protection Regulation (GDPR) adds to regulatory challenges in client-related activities

- This complexity is a challenge impacting the 3 dimensions of the KYC:
 - ▶ **Risk** Adopting a **risk-based approach** to financial crime compliance (FCC) across all its dimensions requires a holistic approach to KYC and offers the opportunity to improve the effectiveness of FCC frameworks
 - ▶ **Cost** Implementing regulatory requirements in a siloed approach leads to a **unsustainable** costs due to disjointed processes and lack of automation
 - ▶ **Service** **Customer experience** is negatively impacted by multiple touch points and misaligned processes where it could be enhanced for competitive advantage by adopting an integrated approach to KYC

Regulators are showing a growing willingness to hold the regulated sector to account

- Combatting terrorist financing, tax evasion and corruption is a key public priority beyond fighting money laundering of organized crime



- Financial institutions are exposed to increased enforcement actions and financial penalties

Companies fined for breaching sanctions

BNP Paribas	2014	8.9 Bn USD
HSBC	2012	1.9 Bn USD
Commerzbank	2015	1.5 Bn USD
ZTE	2017	1.2 Bn USD
Credit Agricole	2015	787 m USD
Standard Chartered	2012	667 m USD
Deutsche Bank	2017	630 m USD
ING	2012	619 m USD
Crédit Suisse	2009	536 m USD

KYC Challenges for regulated firms



■ KYC lies at the heart of all financial crime and regulatory compliance challenges

- Complete customer risk profiles support relevant transaction monitoring and effective ongoing customer due diligence
- Risk-based assessments of customer relationships enable relevant and cost efficient customer acceptance
- Customer identification disciplines drive adequate sanctions screening, regulatory classifications, entity reference data
- Investment in training & competence reduces process inefficiencies and protects the institution



Source: *Most challenging areas in AML and sanctions compliance 2017 global anti-money laundering and sanctions compliance survey, AlixPartners*

■ Financial Institutions must evolve to address the challenges of a complex and evolving environment to:

- **Comply** with regulations through a meaningful risk-based approach and adequate KYC skills
- **Sustain** their businesses through controlled costs of compliance while avoiding the de-risking trap
- **Compete** for quality of service through integrated regulatory processes and sensible automation

To do so, the transformation journey involves four key dimensions:



Governance, Risk & Controls



Target Operating Model



Operational performance



Capacity building

KYC Solutions by Efficiency Management Consulting



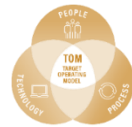
■ We support your KYC transformation journey across all its dimensions through our unique combination of:

- ✓ In-depth domain expertise and the capabilities of a specialized management consulting firm
- ✓ An integrated approach across regulatory drivers of compliance, entity reference data and GDPR
- ✓ Packaged KYC market offers supporting rapid implementation of change in critical areas of your KYC infrastructure



Governance, Risk & Controls

- **Audit :**
 - ✓ Rapid identification of regulatory risks
 - ✓ Operational pain points identification
- **Governance frameworks :**
 - ✓ Management accountability model
 - ✓ 3 LOD implementation
 - ✓ MI & KPIs definition & implementation
- **Risk assessment & standards**
 - ✓ Firm-wide risk assessments
 - ✓ Policies and procedures
 - ✓ Risk rating methodologies



Target Operating Model

- **Definition & design :**
 - ✓ Functional model
 - ✓ Organizational design
 - ✓ Location strategy
 - ✓ Capacity management
 - ✓ Internal pricing model
 - ✓ KYC Utilities adoption
- **Implementation**
 - ✓ Transformation journey
 - ✓ Proofs of Concept
 - ✓ End-to-end change delivery



Operational performance

- **Process & technology :**
 - ✓ End to end process optimization (adoption, periodic reviews, screening)
 - ✓ SLAs implementation
 - ✓ Workflow, document management, research tools deployment
 - ✓ RPA & Artificial Intelligence solutions
- **Quality Assurance :**
 - ✓ Framework definition
 - ✓ Organizational & controls design & implementation
- **Entity Reference Data :**
 - ✓ Data quality management & processes
 - ✓ Customer classification management



Capacity building

- **Training & coaching :**
 - ✓ Internal KYC training academies
 - ✓ Training Needs Analysis
 - ✓ Learning & Development curriculum
 - ✓ Training courses & workshops
 - ✓ Individual management coaching
- **Capacity augmentation :**
 - ✓ Nearshore managed services
 - ✓ Remediation team implementation

Advisory

Change Management

Regulatory Expertise & Intelligence

Technology & Digitalization



KYC - Know Your Customer - Packaged Market Offers

Market offers overview



Efficiency Management Consulting has developed 5 market offers addressing 4 primary objectives

Change the organization (Change)

- ✓ **Objective 1** : How to ensure the KYC setup (organization, people & process, method and tools) has been properly **defined** ?
- ✓ **Objective 2** : How to ensure the principles defined are **implemented** efficiently ?

Secure the production environment (Run)

- ✓ **Objective 3** : How to ensure the organization is **running/executing** the service as defined ?
- ✓ **Objective 4** : How to ensure the people are **trained** according to their current & future positions ?

		Definition (Change)	Implementation (Change)	Execution (Run)	Training (Run)
1	General organizational design (governance & operating model)	✓	✓	-	-
2	Policy & Procedures (design, reviews, remediation)	✓	✓	-	-
3	KYC training academy (Learning curriculum, training execution...)	-	-	✓	✓
4	Technology (Automation & digitalization)	✓	✓	✓	-
5	Quality Assurance framework (Quality Assurance, Quality Check...)	✓	✓	✓	✓

Market offers – General Organizational Design



Why should Financial Institutions review their organizational design ?

The KYC environment is highly changing

- Organizational changes are driven by:
 - Regulatory compliance requirements
 - The need to align the organization with the overall business strategy and requirements

The rapid evolutions of the regulation, practices, sourcing locations have changed the general landscape of KYC activities, leading Financial Institutions to regularly review their organization to remain competitive and compliant.

Where do we help?

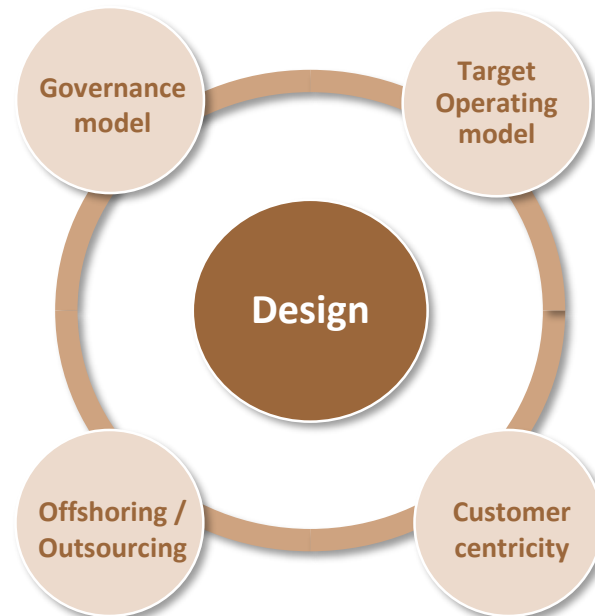
Efficiency Management Consulting is your transformation partner in re-designing your KYC organization – engagements typically involve (but are not limited to):

Governance model

- Management accountability model
- 3 Lines of Defense implementation
- MI & KPIs

Offshoring / Outsourcing

- Location strategy
- Statement of work
- SLAs
- Governance and control



Target Operating Model

- Functional model
- Capacity management
- Internal pricing model
- KYC Utilities adoption

Customer centricity

- Regulatory integration
- Client outreach model
- Single entity reference data
- 360 view of customer activity

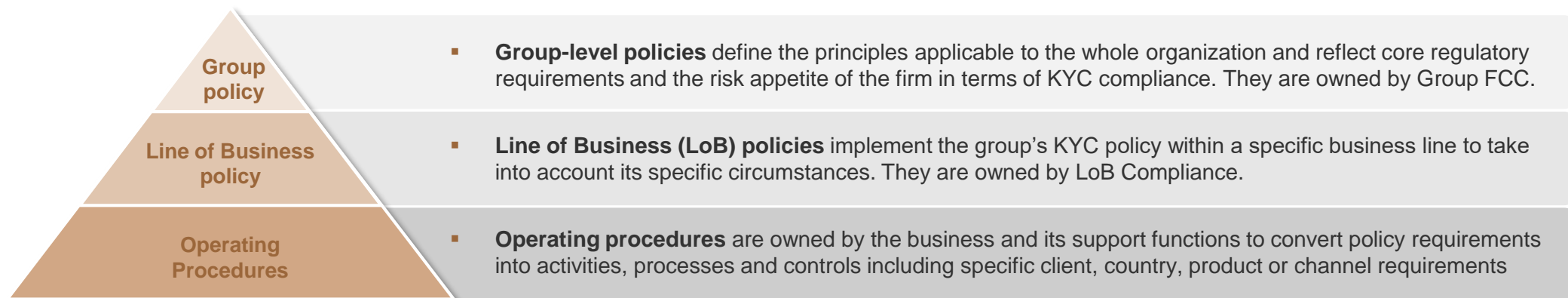
Market offers – Policies & Procedures



How are KYC requirements implemented in the organization ?

Reference documentation hierarchy provided for illustration

- The standards supporting KYC activities follow a top-down hierarchy of policies implemented via operating procedures
- Reference documentation is the back bone of a accurate and consistent implementation of KYC standards across the organization and a compliance key control in against financial crime, operational breaches, reputational risks and sanctions
- Changes to policies and procedures often have material impact on business and operational processes, which must be managed



Where do we help?

Efficiency Management Consulting is your transformation partner in developing and transposing your KYC reference documentation



Design & review

- Provide expertise and in-depth knowledge of :
 - Regulatory requirements
 - Regulators attention points
 - Market best practices
- Development / review of KYC policies & procedures in regard to regulatory evolutions or internal shifts in risk appetite
- Benchmarking and impact assessments



Global Implementation / local transposition support

- Support to transposition from Group to LoB policies and to operating procedures
 - Local requirements
 - Granular standards development
 - Sign-off and exceptions processes
- Deployment of LoB policies and procedures into countries and operating units



BAU management

- Design governance structure for ongoing management of policies & procedures framework
- Support to governance activities (e.g. prioritization committees, policy committees)
- Assistance to the business and support functions in:
 - Assessing policy impacts
 - Formulating change requests

Market offers – KYC training Academy (1/2)



■ What is a KYC training Academy ?

General definition and main principles

- Operational KYC teams require large-scale ongoing training of new staff and development of existing resources.
- The **KYC Academy is the organization in charge of managing the training** of KYC staff on all relevant aspects of their roles
- It provides an ongoing, sustainable capability to support required levels of knowledge and competence for the KYC organization, the Front Office (as process participants) and other functions involved in the process

KYC training academy main mandate :

- 1** Determines the learning & development (L&D) curriculum; oversees the development of training content
- 2** Delivers training internally; oversees training delivery by external provider; assesses training outcomes
- 3** Ensures consistency of training practices across locations
- 4** Provides internal certification, manages external certification initiatives, administers staff accreditation
- 5** Provides training solutions to quality issues where required

■ What does the KYC training academy provide ?

How does it support the organization ?

Sustained competencies

Employee engagement and productivity

Training delivery capabilities

Reduced learning time / accelerated license to operate

- ▶ ■ The training framework is centered on job performance therefore on improving productivity - staff are encouraged to own their learning path
- ▶ ■ The L&D curriculum is defined around clear and measurable learning objectives
- ▶ ■ Learning is targeted specifically at job requirements
- ▶ ■ Sustainable delivery capabilities support remedial and ongoing training requirements

Market offers – KYC training Academy (2/2)



Where do we help?

Efficiency Management Consulting is your transformation partner in designing and implementing your KYC training academy

Standards of competence

What is the final objective pursued by the training function ?

- Show staff how good looks like
- Measure performance consistently
- Empower the staff with their own L&D objectives
- Development of the competencies framework to achieve improved, consistent and accelerated levels of performance in the KYC function
- Set clear and individual improvement objectives

Learning & development curriculum (L&D)

How will the development curriculum be articulated ?

- Elaboration of the training policy
- Definition and support of a career path of the analysts
- Offer the right training content to your teams (incl. training catalogue)
- Elaboration of certification & accreditation mechanisms
- Evidence commitment to your staff's development
- Stay up-to-date with your policies & procedures

Implementation requirements

Operating model

How is the KYC Academy operated ?

- Articulate what the L&D function does and how
- Connect effectively with stakeholders
- Define clear accountability for T&C
- Conduct design and implementation in partnership with relevant stakeholders
- Right-size L&D resources and budget
- Manage change on an ongoing basis

Delivery & Assessment capability

How will be executed the training sessions ?

- Definition of the processes & procedures detailing :
 - How to administrate the training execution ?
 - How to develop and enrich new content ?
 - How to assess the efficiency of the training delivered ?
- Show training records (a regulatory must)
- License your staff to operate at all levels
- Train the trainer(s)

Market offers - Technology



How to support the KYC organization?

Implementing an efficient and cutting edge IT KYC infrastructure

- Main KYC activities include:
 - Data collection and verification through documents
 - Customer Due Diligence enquiries and investigation
 - Customer risk profile and assessment
 - Acceptance of the business relationship (escalation, approval, validation)



Many KYC activities are procedural in nature and can be optimized through IT leveraging on solutions such as : **Business Process Optimization tools** , **Natural Language Generation & Natural Language Processing tool**, **Robotic Process Automation**, smart archiving solutions...

Where do we help?

Efficiency Management Consulting combines Business Expertise and Consulting and Project Management methodologies to successfully implement the right technology:



In-depth knowledge of the KYC ecosystem

- Regulations
- Software vendors
- Utilities
- Artificial Intelligence technologies

Project execution acceleration factors

- Software integration expertise
- Seasoned business analysts and project managers
- Competitive nearshored integration capabilities

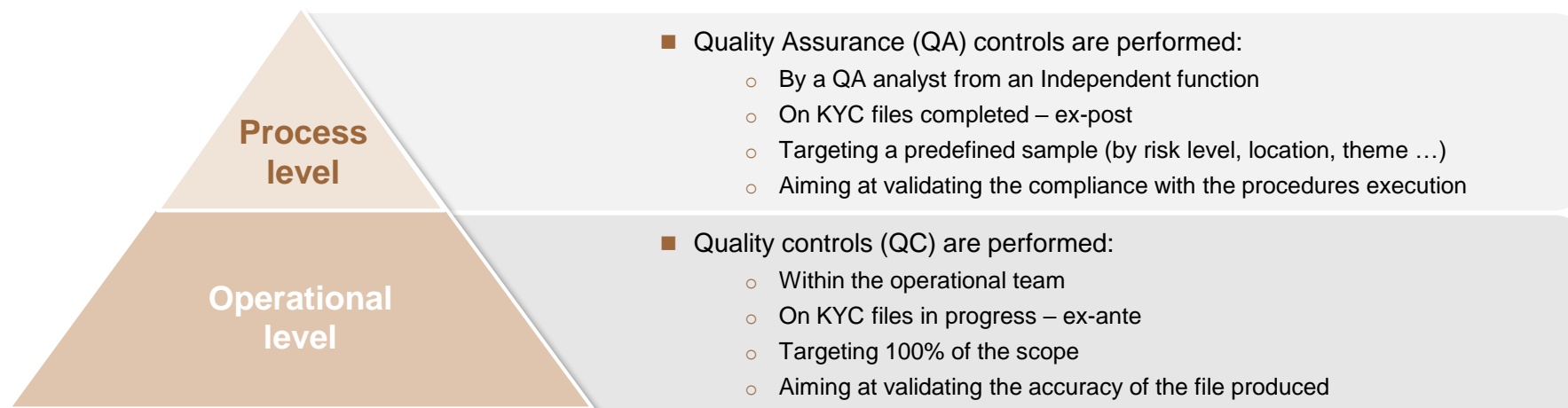
Market offers – Quality Assurance framework (1/2)



What is Quality Assurance ?

General definition and main principles

- **Quality Assurance** is a way of identifying and preventing defects when delivering solutions or services to customers; which ISO 9000 defines as “part of quality management focused on providing confidence that quality requirements will be fulfilled.”. It is usually made of 2 levels of controls :



What does the Quality Assurance function provide ?

How does it support the organization ?

Global approach to QA management

- ▶ QA function has **ownership of a unique QA methodology** thus is the primary interface for KYC with other support and control functions

Quality measurement methodology

- ▶ QA function **defines, maintains and implements the QA methodology** based on ongoing risk assessments, regulatory expectations and existing quality issues

Reliable MI

- ▶ **Management information is consolidated globally** and enables the identification of trends in Quality indicators

Green-lighting facility

- ▶ QA function **supports the effective ramp-up of new capabilities** through green-lighting activities

Continuous improvement support

- ▶ QA function **analyzes recurrent errors** and identifies root causes of quality issues

Market offers – Quality Assurance framework (2/2)



Where do we help?

Efficiency Management Consulting is your transformation partner while defining and implementing your Quality Assurance Framework

Organization capacity

What does the organization need ?

- Design the functional scope and Model
- Define the organizational model incl.
 - Location strategy, coverage and roles & responsibilities
 - Hierarchical alignment
- Allocate staff in line with required bandwidth
- Dedicate Learning & Development modules to Quality
- Promote QA through incentives and rewards

QA methodology

What methodology will support the QA function ?

- Elaborate the QA policy, process & procedures (incl. governing guidelines and principles)
- Definition of the notion of Pass versus Fail that drives the exit of a KYC file from the production environment incl. typologies of issues, minimum threshold and Scoring calculation methodology
- Elaborate the sampling model optimizing the risk mitigation

Implementation requirements

Operating model

How is the QA function operated ?

- Elaborate the Governance framework
- Define the engagement model with service delivery and other support functions
- Interface with control functions
- Standardize MI and reporting

Tools

What IT infrastructure will support the QA function ?

- Implement built-in controls on validity of KYC data and data consistency controls
- Review and optimize the workflow to optimize case management
- Design and deliver reports to support management decisions

Our recent KYC engagements



Consulting engagements



- Context** ▶ In 2017, Société Générale launched an ambitious program of transformation of its KYC function covering organizational, HR, process and IT dimensions
- Project 1** ▶ Definition of the training approach, the learning curriculum and the training organization supporting the continuous increase in KYC staff and complexification of the KYC analyst role
- Project 2** ▶ Design of the Quality Assurance framework and organization to ensure that service delivery meets expected regulatory and internal quality standards
- Project 3** ▶ Review and optimization of the KYC procedures (cleansing of business pain points, alignment of the procedures with the best practices of the market...)



- Context** ▶ Following the Brexit vote by the UK, some GBM activities will be transferred to France
- Project** ▶ The migration to France of some business activities has regulatory impacts on existing customers, leading HSBC to conduct a client remediation initiative
- Context** ▶ Confidential
- Project** ▶ Project management of KYC strategic change management projects

Training engagements

Contextual, environmental & technical training for new joiners, senior analysts, consulting firms



Your Contacts



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- Casimir is Efficiency Management Consulting co-founding partner.
- With 20 years international experience in major investment banks, Casimir comes with an expertise in complex front-to-back software package integration projects.
- Before joining Efficiency, Casimir was CEO respectively of SMART Maltem consulting services and Maltem FSI- Indiktor



Roland Guennou

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- Roland is a KYC and Client Onboarding expert with 20 years of international experience in the Corporate and Investment banking industry across service delivery, risk management, IT & business transformation, policy development and training.
- Roland held a range of regional and global positions in business management, credit risk, KYC and client management at Société Générale, HSBC and Deutsche Bank within Europe, the United States, Japan and emerging Asia.
- During this diverse career Roland successfully built large international teams, worked across cultural and functional boundaries and shaped large, complex operational processes based on strong organizational, leadership and technical skills.
- He is a recognized industry subject matter expert, the principal author of the International Compliance Association's CDD curriculum, a teacher in AML compliance and a regular speaker at international industry events.



Julien Nguyen

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- Julien is a seasoned transformation project manager with 13+ years of experience in management consulting.
- He specialized in :
 - To-Be organization design
 - Benchmarking
 - Operational efficiency
 - Externalization & Shared Services implementation
 - New Business development
 - Costs Benefits Analysis
- His functional knowledge covers the investment/private/retail banking, the asset management as well as the insurance.
- During his experience, Julien has participated at all stages of the projects (from the initiation to the closing)

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