DIGITIZE KYC REMEDIATION WITH INFOSYS FLUID DIGITAL PROCESS AUTOMATION

Abstract

Banks and Financial Service Organizations across the globe are in a constant battle of complying with the ever-changing regulatory norms. The year 2020 alone saw global fines worth $10.4B in areas related to AML, KYC, data privacy, and MiFID deficiencies, causing both financial and reputational damage.

KYC Remediation is the process of cleaning and updating customer data to adhere to the latest regulatory norms. Owing to the compliance issues, digitization of KYC Record Remediation has become one of the major focus areas for the banks in the recent years. With continuously changing regulations, many firms are sitting on outdated data thus exposing themselves to the risk of money laundering, fraud, and non-compliance. Infosys Digital Process Automation (DPA), part of Infosys Cobalt, provides an automated remediation framework which ensures continuous remediation of your data. This delivers an efficient KYC remediation process and thus seamlessly handles regulatory compliance obligations

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The Importance of the KYC Remediation

Following the financial crisis, compliances and regulations around the world have become tough on financial organizations and KYC has become one of the top priorities of the BFSI sector. Nevertheless, even today, banks are often sitting on large due diligence and KYC backlogs. While banks have no option but to cater to these backlogs from time to time, this is an enormous manual activity taking over months to complete. The cost consumed by banks on KYC remediation, resulting from hefty fines seems to be increasing every year and yet it is not an optimized process in most financial institutions. A research by McKinsey [2] shows the cost of fines and non-adherence to regulatory norms on banks between 2008 and 2017 has been around 321 Billion USD.

In current times, especially in the post-pandemic era, continuous volatility has resulted in constantly changing ways of doing business. The world sees an increasing number of organizations entering administration or insolvency, as well as changes in employment status of various individuals, subsequently meaning that often the customer you onboarded might not be the customer you have today.

The changing financial regulations coupled with the unstable environment of today, makes having an adaptable and agile KYC remediation solution, the need of the hour for any financial organization.

Challenges in KYC Remediation

While a KYC remediation process is an unavoidable task for most banks, the below are the key factors which make it a daunting and intimidating activity for financial firms:

- **Manual Process**

  Most financial organizations do not have a system in place to perform remediations. This process known as KYC remediation is still a widely dreaded activity, as this process involves manually going through a ton of backlog and updating data. Although KYC data collection has been automated in most cases, remediation processes have only been partially automated with multiple touchpoints and handoffs.

- **Huge Data for Remediation**

  The sheer volume of data that needs to be remediated makes it a formidable task for most organizations, as it involves going through a ton of backlog and verifying the same. Due to the reliance on manual processes for remediation, cleaning up of all the data, often takes months to complete. For a global bank, this data and effort quickly scales up due to the complexity involved in dealing with multiple countries.

- **Adherence to ever changing Regulatory Norms**

  With new regulations coming in frequently, the existing KYC processes get obsolete with each passing day. This becomes an additional challenge in the remediation process. Additionally, the policies and risk methodologies that banks use to decide the level of due diligence required are also often inadequate and outdated, thus failing to meet current regulatory requirements, let alone being adaptable for the future. This sometimes even results in firms carrying out multiple remediations as the policy gaps have had to subsequently be remediated themselves.

- **Disparate and Scattered Data**

  The KYC data is many a times silo-ed across multiple repositories which do not communicate with each other thus creating it a further challenge to organize and structure this. Adding to this is the firm wide lack of cohesion, resulting in the remediation process being extremely tedious and cumbersome.

Moving Towards Risk Based Remediation Approach

The KYC initiatives in banks started from early 2000s. Although most of the BFSI entities have transformed their existing KYC systems, remediation is still among the 'good-to-have' features for some of the financial entities which results in an exponential rise in financial crimes. As per one of the research report by McKinsey Consulting [2] between two to five percent of global GDP gets laundered through financial crimes and corruption globally exploiting the data and process gaps that exist in KYC process. This shifts the focus of discussion towards identifying the data gaps for driving a KYC remediation program.

As per a research by Provity [3] a lot remediation programs end up spending disproportionate amounts of time on focusing on data-based approach, rather than having a risk based view for remediation. Although KYC remediation helps to identify the data gaps in your KYC files, the focus point automation of KYC remediation is to ensure that the customer risk profile is completely up-to-date with the current global and country specific regulations. The process and data harmonization should be an enabler rather than a driver in the remediation process.

Once we build the remediation systems, it is imperative to connect the integrate the automated remediation systems to the downstream core banking and onboarding systems in the banks. The remediated KYC information would seamlessly flow to the event processing, AML, and other risk management systems of the banks, ensuring that the risk profiles of each customer is completely up-to-date and synchronized with the downstream applications.

The ideal target state would mean the results from the remediation should be flowing across the systems in a seamless manner. This could be leveraged to plug the gaps which lie in the weak onboarding processes along with updating the transactional databases and enterprise content management systems which track and manage the KYC data.
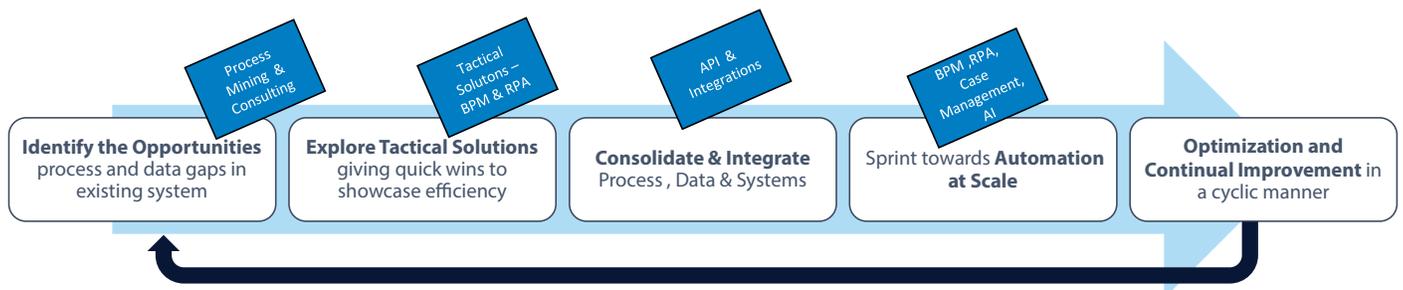
The Remediation Journey

The remediation is initiated with identifying the opportunities in the existing KYC landscape. The opportunities could exist as gaps within the data, the processes or could be 'missing links between the processes, systems and data that do not talk to each other. In certain scenarios, despite having all systems integrated, certain bottlenecks within processes remain unidentified which result in the issues in remediation.

Process mining and consulting can help you identify the process bottlenecks and missing links in the existing systems.

Once the process and data gaps have been identified, it is important to fill the gaps to achieve the first wins. Often, these gaps are remediated through tactical solutions to showcase the improvements to the program sponsors. Robotic Process Automation can help you achieve the low hanging fruits (aka. quick successes), by

automating the manual interventions, thereby providing efficiencies in the system in quick succession.

The real transformation starts when we start to see the big picture. This is where system, process, and data consolidation need to happen in a continual fashion. This is achieved by a combination of process consulting, process transformation and RPA working in tandem with each other.

Process Mining & Consulting

Tactical Solutons – BPM & RPA

API & Integrations

BPM ,RPA, Case Management, AI

Identify the Opportunities process and data gaps in existing system

Explore Tactical Solutions giving quick wins to showcase efficiency

Consolidate & Integrate Process , Data & Systems

Sprint towards **Automation at Scale**

Optimization and Continual Improvement in a cyclic manner
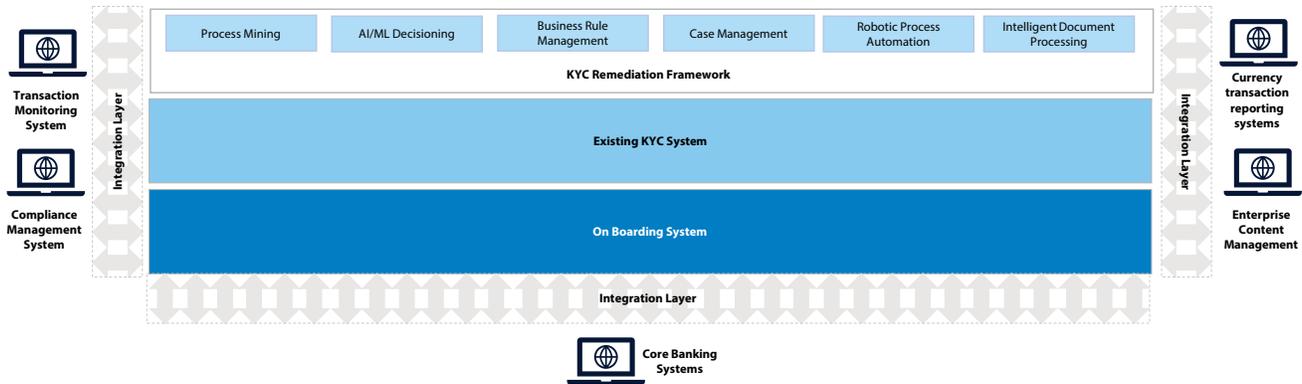
Journey Towards KYC Remediation

The Infosys Advantage

Infosys Digital Process Automation, part of Infosys Cobalt, DPA [5] offers a 360-degree framework on KYC Remediation automation by leveraging its expertise across various technology verticals, bringing together the perfect mix of tools specific for the organization. Infosys studies your firm using process mining to identify bottlenecks coupled with consulting expertise to provide strategic end to end automation solutions with the help of best of breed KYC platforms using BPM while offering tactical advantage through robotic process automation to aid productivity to the manual interventions.

Infosys KYC Remediation Framework Architecture Diagram

Our KYC Remediation Framework offers a continual approach to KYC Remediation by ensuring that the KYC data is always up to date and compliant. The framework would typically be placed over your existing KYC systems to identify the shortcomings with your existing systems, identify process and data bottlenecks and provide straight through processing for the KYC remediation. Using our approach, any regulatory change or risk valuation changes can be immediately updated and available in the KYC data of a customer. Risk calculation of customers and compliance assessment can be an instantaneous and effortless saving you both effort and cost

Our Offerings around KYC Remediation:

Consulting through Infosys Fluid DPA:

KYC Remediation transformation is essentially not a linear sequential approach. It requires synergies between multiple areas working in tandem with each other to provide leap frogging to the transformation program. Infosys Fluid Digital Process Automation (DPA) is an approach to combine synergistic digital capabilities to deliver perceptive experiences and build responsive business value chains. Our Fluid DPA provides the approach, mindset and platform services that help our clients continuously respond and grow with data-driven decisions and cognitive actions. With the help of the Infosys Fluid DPA consulting proficiency, it can be ensured that a future-proof, strategic, adaptable, and scalable solution will be implemented. Infosys has been recognized by leading analysts as the leader in the digital process automation

space. Our Fluid DPA strategy, a core differentiator together with our digital capabilities, deliver perceptive experiences and responsive business value chains. This helps organizations in accelerating their speed to market and evolving towards becoming a robust enterprise.

- **Process Mining:** Our expertise in process mining helps you identify bottlenecks in the end-to-end data collection process, thus helping in identifying appropriate automation opportunities and maximizing the ROI of the same. We help to discover and analyze digital footprints across the client systems, to visualize processes, identify holdups and prioritize impact. This is done in complete transparency with the customer by providing visual insights on points of process friction as well as through discovery of the key performance indicators for the to-be landscape.

- **Robotic Process Automation:** In a lot of financial institutions, remediation is a challenge due to the lack of digital data. Using our enhanced RPA capabilities, we

can convert manual documentation into digital files, thus making it easier and accessible for remediation. Infosys RPA practice would also assist in the creation of tactical solutions necessary in the remediation journey.

- **End to End Automation:** Using Infosys DPA expertise, the entire process of remediation can be automated. Infosys helps client in comparison and procurement of best tools available in market for remediation automation journey. With the help of various internal frameworks, we evaluate, equate, and determine the most apt solution for the organization, thus assisting in an end to end automation of the remediation process.

- **Automate KYC:** Infosys can also automate the KYC process in sync with the KYC remediation. Infosys has massive experience in implementing multiple KYC projects in all three phases: new, amend or renewal and this can be leveraged to automate KYC processes along with remediation

Transforming KYC Remediation for a Large Credit Cards Provider

Infosys led the KYC remediation digitization in one of the largest credit card providers in Netherlands, with the responsibility for the remediation of 65,000 commercial customers of the organization.

The Infosys remediation framework was used in conjunction with Appian RPA

platform to automate their end-to-end customer journey with an objective to reduce the gap between the data collection and remediation and create a single 360-degree view of customer information. This helped the client to remediate the KYC processes to update the risk profile of the customers.

The solution helped the client to reduce the turnaround time of KYC remediation by more than 60%, reduce manual interventions in data handling by 30% fulfilling resulting in significant cost savings.

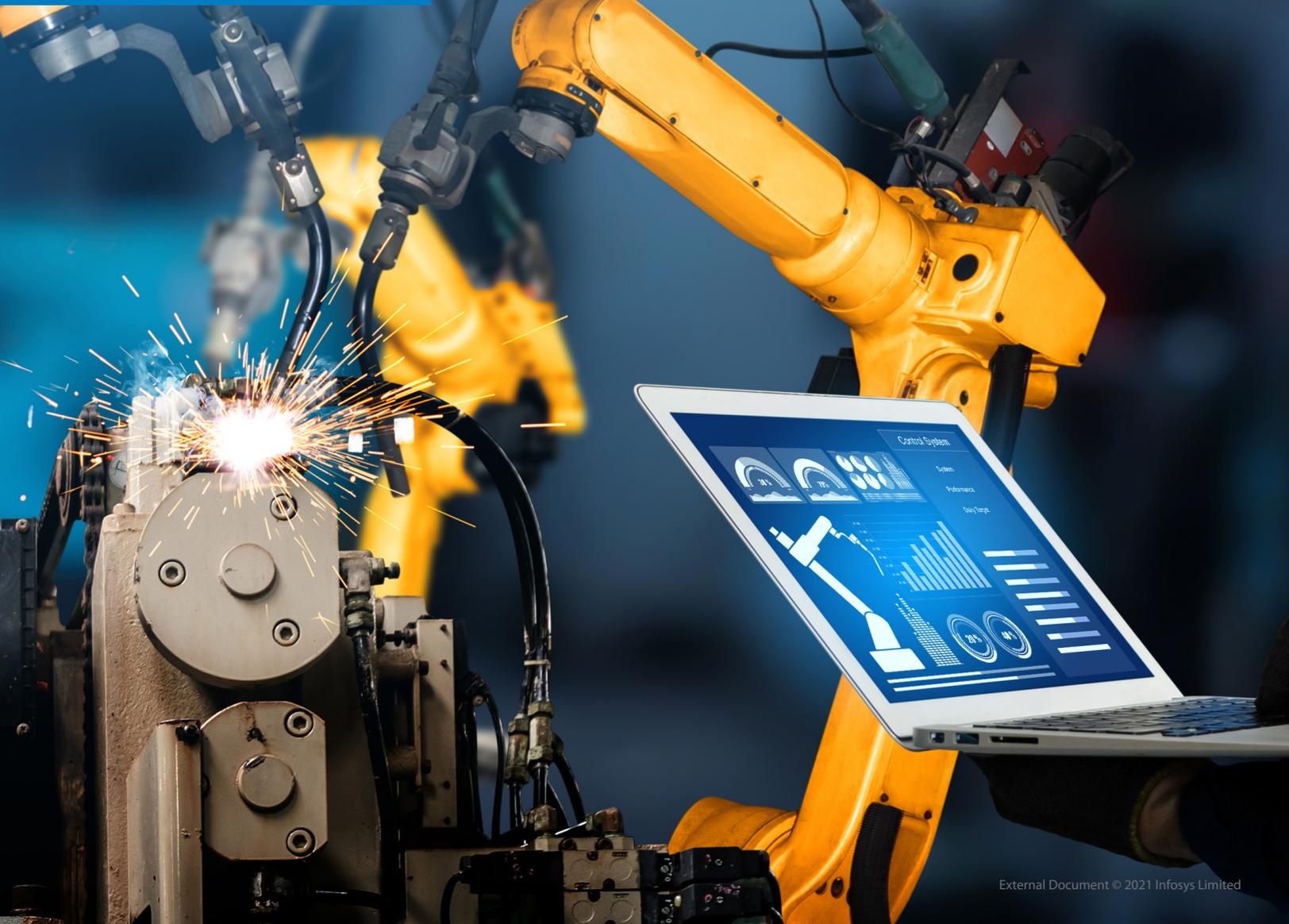|		
60% Reduction in Turnaround Time	**30% Reduction in Manual Interventions**	**Over 25% Cost Savings for Remediation**

The Path Ahead

The traditional response to any problem has largely been to throw additional headcount and budget to resolve it. However, as the spend in remediation continues to increase annually due to continuous regulatory changes and incessant changes in customer profiles, a fast, adaptable, scalable KYC remediation solution is the need of the hour and the smart solution to this ever-lurking problem. With the Infosys KYC solution framework, the organization has a reliable system ensuring quick turnarounds, making the firm less prone to anti money laundering, fraud, or even regulatory penalties, and saving the organization from expensive mistakes and reputational damage.

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5. Infosys Fluid Digital Process Automation, part of Infosys Cobalt (Website , Infosys DPA)

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