



A smart approach to economic crime compliance

How smart technology can transform customer
due diligence in a new era of financial crime.

KPMG International

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Introduction

In today's dynamic and unprecedented business reality — where the relentless pace of change continues to accelerate — financial institutions are enduring serious new threats to their data and operations. The search is on for enhanced Customer Due Diligence (CDD) capabilities that satisfy their fast-evolving financial crime risks and requirements.

But in the face of much needed digital capabilities, automation and modern customer experiences, the search remains elusive amid significant cost, risk and resource challenges. Among financial institutions in the UK, for example, the cost of anti-money laundering (AML) compliance is estimated to be approximately £28.7 billion per year — equivalent to US\$34 billion — with more than half spent on satisfying customer due-diligence requirements.¹

This challenging global scenario is set against the alarming backdrop of highly publicized regulatory fines and significant financial losses amid huge spikes in theft and fraud during the global pandemic. UK loan and mortgage fraud, for example, skyrocketed by a stunning 675 percent in 2020 alone.²

Difficult times indeed. And it remains to be seen how much of the costly fallout can be attributed to pauses

in CDD programs and resulting case backlogs as banks administered mortgage payment holidays and pandemic related support loans. At the same time, start-up fintechs may need to rectify CDD shortcuts taken as they quickly scaled up services and offerings during the pandemic.

Financial institutions need delivery models that efficiently and reliably run their compliance programs — including CDD onboarding, periodic and event-driven reviews, and remediation. CDD programs must also meet evolving regulatory requirements, support operations and technology implementation, and enhance data use to improve decision-making and customer experiences.

This report explores the role that smart technology use — and today's fast-emerging automation programs — can play in creating a comprehensive CDD program that meets the pressing needs of today's financial institutions. We also look to the future and explore how KPMG professionals, working with global technology leader Salesforce, are creating innovative and strategic new roadmaps for efficiency and success.



¹LexisNexis, 'Cutting the costs of AML compliance' report.

²KPMG Fraud Barometer, January 2021 (kpmg.uk).



Technology is forging a new reality

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In my experience, the more thought given to making a financial crime program an integrated and interconnected program of processes that has data flowing through it, with appropriate feedback loops between the various elements, aiming to ensure information is kept as up-to-date as possible, the more effective and efficient an organization will be.”

Geraldine Lawlor
Global Head of Financial Crime
KPMG International

Technology has always been integral to the CDD process and predominantly used to record the collection, collation and updating of CDD data points and documentation, often using large teams and manual processes to maintain a vast array of information.

When executed well, technology positions financial institutions to assess financial crime risks associated with customers and respond with accurate, risk-based decisions. But the world of CDD is a moving target and financial institutions are struggling to keep pace and maintain customer CDD records in the face of new regulations, increasingly sophisticated cyber threats, inflexible systems, a shortage of skills and ever-rising costs — a perfect storm to be sure.

Today's technology landscape

Technology use in the CDD process also varies among organizations thanks to the innovative array of tools and systems available, from simplistic tools addressing specific CDD needs to advanced tools that fully enhance wide-ranging processes. For many organizations, legacy CDD systems and processes commonly lack automation and a true 360-degree view of all customer information.

This typical scenario can require reliance on multiple disconnected components to complete

the end-to-end process as needed. Legacy systems also pose challenges amid data-management capabilities that may provide limited value in reporting or processing errors, and in making required changes when needed. Analytics capabilities currently available through CDD systems may also be inadequate, resulting in poor data and failure to provide crucial insights that drive smart decision making across the enterprise.

Core CDD activities such as quality control, quality assurance, escalations and customer outreach tend to be completed outside of CDD systems, adding time to the processing and often resulting in negative customer interactions as well as duplication of efforts. Outreach lacks multi-channel digital services and requires significant manual intervention and repeated attempts to contact customers.

Other core financial crime related processes requiring timely access to accurate CDD information, such as transaction monitoring and reporting, are rarely integrated into a single suite of technology solutions. This typically results in sub-optimal processes that are inefficient in terms of time and costs.

The good news is that emerging technology platforms deliver game-changing capabilities to solve today's operational CDD challenges.





Making today's solutions future proof

Today's traditional CDD environment is poised for transformation amid rapidly emerging technology that today's leading financial organizations are already wisely exploring and tapping into.

The current focus is on a future proof CDD system that offers a seamless digital journey for financial institutions and their customers. It must connect the front and back offices with customers while integrating data from internal and external sources and using modern Application Program Interfaces (APIs) to update information automatically.

The use of natural language processing, meanwhile, can enhance document validation and interpret CDD standards into a series of rules or algorithms. This can help to optimize analyst and QC average handling times, reduce resource requirements and improve the quality of each CDD case.

Sophisticated screening tools that use machine learning and AI to analyze potential sanctions and politically exposed person matches or adverse

press articles should also be integrated into the CDD process. This can improve accuracy and consistency regarding matches and alerts for false positives, ideally allowing CDD teams to focus on matches and alerts that demand a fast response.

The right CDD system can also help to reduce manual work by delivering automated transaction review processes and creating a timely overview of customer account activity. It can reveal risk factors such as high-value payments, unusual cash movement and cross-border payments — and position teams to address transactions that matter quickly.

Leading systems should also deliver powerful analytics capabilities featuring critical customer insights and enhanced decision-making for the entire business. The ability to analyze the impact of a country's new risk ratings on your customer base — or even identify aspects of the CDD process your teams are currently struggling with — should be available at all times.

The right CDD technology — the right support



Reduced cost of compliance



Increased process efficiency and risk management



Reduced repetitive manual work so that analysts can focus on higher value tasks



Improved digital journey from onboarding to reviews for the customer



Process certainty by selecting an out-of-the-box solution which is pre-configured to industry standards



Fast and simple configuration of the technology for quick uptake





A smart CDD future is here — are you ready?

To help organizations overcome today's diverse challenges, KPMG has developed a new solution powered by Salesforce — Smart CDD.

Smart CDD has been created using KPMG's deep understanding and proven expertise with CDD processes and ever-evolving regulatory requirements. Coupled with KPMG firms' managed services support model to implement Smart CDD, we are solving critical CDD backlogs while enhancing onboarding processes and periodic review cycles.

Smart CDD is run on the Salesforce Service Cloud and features Salesforce Customer 360 data capabilities to bring customer data into one unified, 360-degree view. It offers multi-channel communication options, including email, telephony and digital portals to upload documentation and

all information is stored centrally for fast and convenient access by your business.

Integrated with third parties for data enrichment, the Smart CDD platform is underpinned by a policy lineage tool to ingest CDD policy and standards and turn them into CDD requirements — allowing for clear and auditable decision-making throughout the CDD process with full lineage back to policy. A fully configurable risk engine calculates the customer risk rating and, when combined with policy rules engines, enhances processes for faster and more accurate collection and recording of CDD information.

The result? Your CDD teams, relationship managers and customers gain a simple but highly effective user experience that saves time and costs.

Additional potential Smart CDD benefits



Capacity planning and scheduling optimization drawing on forecast demand

Collaboration across teams to help solve issues



Data insights and analytics for visibility into key metrics to help improve operations and customer satisfaction

Process automation with guided workflows, real-time updates and alerts, automated document generation, AI recommendations and in-context guidance





A 360-degree view of the customer with Salesforce



The global pandemic has changed the way people work and live. This presents an opportunity for organizations to accelerate their efforts to build direct and trusted relationships that enhance customer loyalty and revenue growth. Keep in mind, of course, that those relationships are no longer in person but now usually digital. That means every business — B2B or B2C and across every industry — needs to deliver fully connected digital experiences that are accessible, convenient, reliable and trustworthy.

Having the right technology in place is essential. Smart CDD is built with several Salesforce components, including Service Cloud, which provides Smart CDD's analyst workflow, processes, risk and policy rules engines.

Some businesses report that Service Cloud provides 30 percent higher customer satisfaction levels and a 28 percent increase in agent productivity³ by providing analysts with a 360-degree view of the customer in a single powerful console.

A customer relationship management (CRM) platform that promotes cohesive internal operations is crucial to view up-to-date customer sales data during Smart CDD onboarding. Salesforce's CRM platform, Customer 360, is a completely digital-first platform designed to meet the digital needs of any business in any industry.

Should an organization already have Customer 360, integration is seamless — and Smart CDD can also integrate with other CRM systems if required. Customer 360 empowers organizations to quickly interact with customers wherever they are and across applications in sales, service, marketing, commerce and all other touchpoints. It gives all teams a shared view of their customers, positioning them to work together toward lasting, trusted relationships built on the personalized experiences today's customers expect. The system is also flexible and scalable and helps employees to be more collaborative and productive.

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Financial crime continues to challenge and catch out even the most mature organizations. Smart CDD offers a powerful, wide-ranging solution featuring Salesforce Customer 360 at its core, designed by KPMG subject-matter professionals, delivered as a fully managed service to help reduce time-to-value and rapidly deliver on key KPIs such as caseload reduction, reduction in the cost of compliance, improved customer experience, and data-led regulatory compliance. ”

Christopher Schyma
Senior Regional Vice President —
Managed Services
Salesforce

³ Salesforce Customer Success Metrics Survey, conducted 1st May — 15th June, 2021.



Conclusion: There's no time to delay modern CDD

A successful CDD program uses automation to drive efficiencies by collating customer data and aligning policy with CDD rules. It also helps to ensure that every customer journey remains as productive and pain-free as possible. Automation should be underpinned by dynamic policy rules and decision-making processes, with clear auditability and reporting capability.

Organizations leaping to a comprehensive, centralized solution that delivers a timely and precise view of every customer can ultimately reduce the risk of non-compliance, become more cost and time effective and realize high-quality results.

To explore this topic further visit
kpmg.com/smartcdd





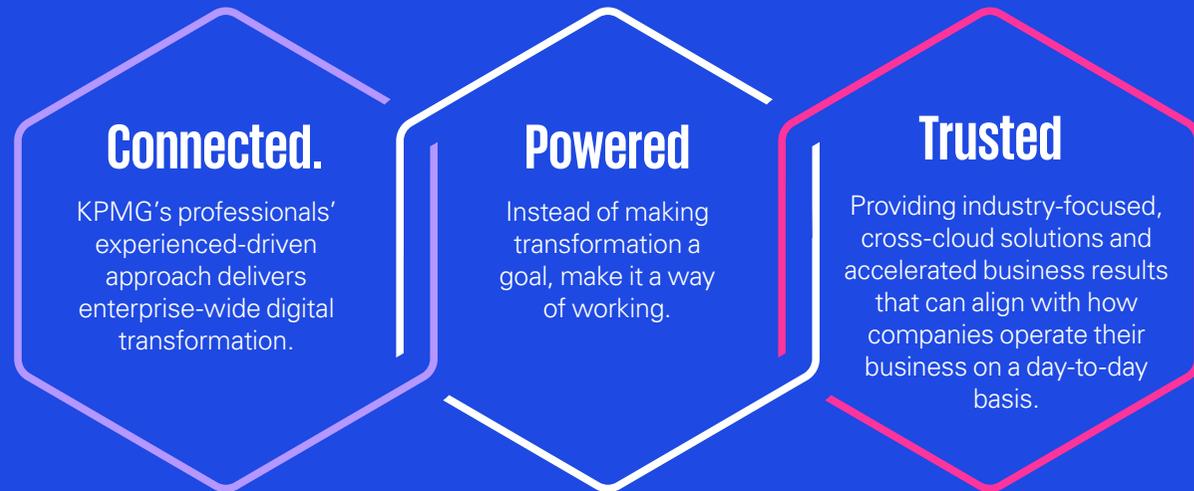
Tap into the benefits of KPMG firms' alliance with Salesforce

Today's customers expect exceptional personalized experiences at every interaction. In the consumer-centric digital economy, businesses and personal financial services customers require efficient, secure transactions across all of today's digital channels, exceptional product and service delivery, and responsive, transparent support.

To meet these expectations — and do so profitably — align front, middle and back-offices across your enterprise functions to create a modern and truly connected customer experience.

With a shared vision to help enterprises become connected, customer focused and aligned, KPMG firms and Salesforce are here to help you digitally transform your business to compete and succeed today while remaining prepared for tomorrow.

Our solution allows businesses to stay:



By tying the front office to the rest of the organization, KPMG firms and Salesforce help you to deliver the best in customer experiences.



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