A single view of every aspect of the client relationship across a financial institution is the key to continuing business success.
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Executive summary

This paper explores the challenges of consolidating multiple and disparate data sources to achieve the all-important single client view across an enterprise. It examines both the cultural and technological hurdles which need to be overcome, and the role enhanced client data management plays in ensuring low risk, business growth and continuity. What is also fascinating is that while everyone agrees a ‘single client view’ is the cornerstone to achieving regulatory compliance; delivering an enhanced customer experience and business continuity, we have to ask the obvious questions: "Why hasn’t connecting this invaluable asset always been the number one priority?" "What was the catalyst for change," and more importantly, "Why now?"

Read on to find out more...
Welcome from the CEO

In an era of increasing competition and stringent regulatory directives, together with the rise of the new customer empowered by choice and diminishing loyalty, creating a sustainable business has never been harder. To survive and prosper in this highly regulated, competitively intense new world order, client data transparency is the key to success. Regulatory controls are never going away, and the onus is now on all financial firms to acquire the ability to provide a complete 'birds eye view' of all client data, irrespective of source or location. The benefits of adopting the ‘joining the dots’ approach to client data management are far reaching. Not only will this enable firms to demonstrate regulatory compliance-on-demand capabilities and fully understand and retain those all-important customer relationships, but it will also very quickly be able to formulate lucrative new wealth development opportunities based on validated, clean data.

Technology, culture and improved collaboration capabilities are the keys to continuing success. Embracing all three will transform a firm’s client management capabilities, from the initial on-boarding process and throughout the ongoing relationship. Accurate and immediate reporting to the Regulators and adhering to AML and KYC policies is non-negotiable, yet despite the severe consequences when found to be negligent of these mandatory responsibilities, many firms are still unable to fully comply, either quickly or efficiently.

The essential component

In today’s highly competitive environment, from the start of the client on-boarding process and throughout the entire lifecycle of every successful business relationship, a modern, flexible technology platform is the essential component for success. It’s not just about LEIs because they have not really fixed the problem, nor is it about ‘dumping’ all client data into a data lake. This approach will only inject even more complexity into the mix and is the last thing anyone needs. To achieve seamless and positive client engagements, and at the same time satisfy the demands of the all-powerful regulators, needs an intelligent, considered approach to enriching the entire client lifecycle experience. This will only be achieved through improved data consolidation and risk analysis capabilities.

I welcome feedback on this discussion paper and look forward to hearing from you.

Ben Marsh, CEO – iMeta

“Complete client data transparency is the key to continuing business success.”
Fit for purpose?

The outlook for global banking is still fluid, as they deal with the fallout of cyclical economic upheaval and increasing regulatory scrutiny. They are also under considerable pressure from the new players, who are already taking away lucrative business segments such as origination/sales and payments. To avoid further disintermediation, firms must eliminate continuing dependency on high cost difficult-to-exit systems and develop distinctive value propositions which differentiate them from the competition. This can only be achieved by changing traditional thinking and using modern technology to; establish a sustainable role within the ecosystem, increase efficiencies, and better serve their precious customers.

The four transformational pillars on which to improve performance:
- differentiated multichannel coverage
- digitising processes end-to-end
- redefining product offerings
- building an advanced data analytics DNA

A recent report estimated that within ten years, new ecosystems will replace numerous value chains; accounting for some US$60 trillion in revenue. Unless dramatic action is taken, one has to question whether the current banking model will remain fit for purpose!

Consolidating the data

Managing a myriad of client or third-party relationships across different business sectors, each with varying commercial values, located in many geographical locations spread across a complex financial organisation is incredibly difficult. Harnessing and consolidating the vast amounts of data each client generates is a task not for the faint hearted. Universally everyone acknowledges the importance of enabling a connected, single view of all client data. Yet despite the many millions of dollars already invested to ‘enable’ this business-critical capability, one has to ask the obvious question – what’s really changed? Far too many firms are still struggling to control ever increasing operational inefficiencies and spiralling costs, and at the same time having to mitigate against reputation damage and the associated financial penalties caused by non-compliance.

“The FCA continues to see its caseload increase to record levels... with a shift in approach to enforcement.”
Effective capital allocation

A recent report found that within a number of firms, cost to income ratios are still hovering around the 70% mark. This is an untenable situation which is accelerating the urgent need to drive down operating costs and improve profitability. However, there are also examples where firms have achieved a 30% point lower cost-to-income ratio, driven by enhanced relationship manager productivity and better front-to-back and producer-to-non-producer ratios. All this reinforces the fact that only complete oversight of the overall financial position will enable a business to accurately calculate capital allocation requirements. If deemed to be undercapitalised, unable to cover operating expenses, over-exposed to unacceptably high-risk activities, or simply not financially equipped to handle unexpected situations, this could precipitate a massive drop in share value or trigger bankruptcy.

The same report also indicates that across a surprisingly small number of bulge bracket firms, the capital allocation sum required to cover their potential liabilities was estimated to be trillions of dollars - a financial burden very few businesses could support.

The most precious asset

Clients are a firm’s most precious asset. Protecting and nurturing them should always be the primary objective. To do this, financial firms must invest in creating positive and highly proactive client relationships, underpinned by an agile and flexible technology platform that can adapt quickly and easily to changing business requirements. This will enable them to develop innovative products and services, faster and more cheaply than ever before, which will also go a long way towards helping them to retain an increasingly sophisticated but less loyal customer base. New business is hard to come by. So, when hard-won clients go elsewhere as a result of poor experience or incompetence, the impact throughout the firm, not only on the sales teams, but also on the people responsible for business continuity, financial viability and ongoing compliance, can be catastrophic.

Long-term under investment in technology and outdated policies, together with the continuing reliance on manual processes, has created complex, highly fragmented environments, which has made executing some of the simplest tasks difficult to achieve. All this is further exacerbated by the challenges of having to understand the specific requirements of an equally fragmented client base, located across many geographies, each with differing regulatory business and cultural
requirements. Regulatory compliance notwithstanding, add into the mix the complexities presented by multiple internal teams trying to manage the needs of a single client. These teams are often expected to make important commercial decisions using disconnected, legacy technology infrastructures incapable of providing complete data sets or accurate information. It is no wonder so many firms are struggling.

"Understanding why the current environment exists is critical ahead of trying to address it," says Stuart McClymont, Managing Director, at JDX Consulting. "Focus on business specific client revenue has driven siloed investment from prospecting, to sales & trading and all post trade support functions. The ability to generate revenue, change and operate businesses in independent silos results in a duplicative, complex and fragmented architecture. While firms generally know which internal departments hold which data and in what form, there is little lineage between the data held in these multiple systems. However, one thing is for sure, client data transcends all businesses and associated support functions. Achieving a single view of client data is critical to understanding the true relationship with the client and being able to harvest future business opportunities with them."

Crippling fines

Following penalties levied and to meet higher global compliance standards, some on-boarding teams have implemented a far more extensive process; collecting and noting supporting documentation from their corporate clients on the nature of their business, ownership data, the jurisdiction of operations, source of funding and the purpose of the account. This should be straightforward, but sadly for many firms the reality is very different.

More than enough has been said about the impact of regulation. Everyone knows compliance is onerous and that the burden of increasing regulatory mandates continues to rise. The implications of AML4, Dodd-Frank, FATCA, CRS, EMIR, MiFID II, GDPR and BCBS 239 etc. means there is no hiding place from the Regulators. To avoid high profile punitive fines and reputation damage, financial institutions are having to increase internal checks and data controls by re-engineering and implementing new workflows. However, more often than not they are hampered by inefficient tools and processes, alongside multiple client touch points and inconsistent data views across disparate systems.
Client on-boarding and off-boarding

Today’s empowered customer, like the modern workforce, demands value, convenience and consistent service excellence; which means loyalty is hard won and difficult to retain. For the longest time client on-boarding has been viewed as a non-chargeable, back office function and received little investment to streamline the manual and administratively heavy processes. However, recently there has been a significant shift in attitude. A recent survey undertaken by JDX Consulting reported that approximately 60% of investment banks stated that investing in their client strategy was a priority; emphasizing the need for improved data analytics to enable them to better understand client needs.

From the first touch-point, firms must deliver a best-in-class client on-boarding and account opening experience which is simple, fast and highly efficient. Unfortunately, in many cases the opposite is still much closer to the truth. Interestingly, in this highly regulated world, rapid client off-boarding is equally important and begs the following questions:

• Can your organisation quickly and accurately assess the potential value and overall risk profile of every new relationship under consideration?
• Can your organisation conduct precise periodic reviews on existing customers and react decisively to unexpected corporate events or if suspicious behaviour is detected?

“Not completely” is an unacceptable answer and would fail to satisfy the Regulators when, not if, they come knocking on your door.

£264 billion
paid by the global banking community for conduct charges, between 2012-2017.
Source: Business Insider UK – Aug 2018
Positive end-to-end engagements

Comprehensive AML and KYC checks are only the start of the client journey. The goal must be to create positive end-to-end engagements which establish long-term, trusted business relationships. Empowering your client management teams by clearly defining their roles and responsibilities and equipping them with modern tools and technology is essential. This will encourage collaboration and improve the overall customer experience whilst ensuring ongoing rigorous compliance.

The lifeblood of every organisation

It is an over-used cliché, but when it comes to creating long-term, successful client relationships, it really is all about the data. Validated, complete client data is the lifeblood of every financial firm, without which it is virtually impossible to operate effectively or profitably. Creating unique golden sources for all client data types with tight lineage across an organisation is imperative. To achieve this, one must start at the point of data origination and only allow consumers to read this information. The ability to seamlessly link and connect all the data types to provide a single view of each and every client activity, irrespective of function, jurisdiction, relationship owner or commercial sector, is critical. However, the absence of strong data governance, both in the creation, use and consumption of client data throughout an organisation, leads to a duplicative, complex and fragmented data architecture.
A holistic view

Now let’s look at why adopting a completely new approach to this important function will transform both operational and business development capabilities. If a financial institution is truly able to understand the profile of each customer, mitigate against unnecessary risks and increase profitability, then consolidating multiple data sources to provide a holistic top down, bottom up, single view of every client relationship is the absolute requirement. This in turn will revolutionise the way internal teams operate; enabling vastly improved collaboration capabilities not previously available. In the context of changing the culture and transforming traditional or outdated behaviours, the old saying, change nothing and nothing changes has never been more relevant.

The impact of digitalisation

Even today, far too many processes still rely on people and paper, requiring hundreds sometimes thousands of individuals to handle customer interactions. This high degree of manual intervention is slow and costly, leading to inconsistent results and unacceptable error rates. Digitising end-to-end services improves productivity by fully automating and streamlining workflows. Creating customer-centric journeys with increased emphasis on tools to improve sales productivity (e.g., predictive analytics, sales prompts, transparency on client holdings etc.), are proven to protect the business from the dire consequences of unnecessary risk and needless expense. Business process remodelling is the ‘must do’ initiative and will enable firms to achieve a lot more with less, and at significantly reduced cost. As digital tools and analytics become more sophisticated, processes such as AML and fraud detection are set to become fully industrialised, and are predicted to improve productivity by up to 30%. Consolidating the on-boarding process and automating the entire CLM experience will enhance client relationships, accuracy will be significantly improved, remediation instances reduced and the entire end-to-end experience (for all parties) is dramatically improved.
On the Board agenda

It is now recognised that aged infrastructures and inefficient internal policies are severely limiting a firm’s ability to accurately analyse client data and understand the potentially catastrophic risks to the business. This message appears to have captured the attention of all senior executives, and today adopting a CLM strategy is seen as a major competitive advantage and is fast becoming a Board led initiative. However, when it comes to implementing a CLM strategy, within many organisations, the jury is still out on whether to build or buy. In a recent JDX sponsored webinar, only 30% of audience respondents indicated their organisation was looking to build in-house, while 40% said they were investing in a single, third-party software solution. The remaining firms are looking to implement a componentised best-of-breed approach.

"Organisations looking to build an in-house CLM system must ask themselves two important questions. Will this approach really deliver a competitive advantage? And, in an increasingly complex regulatory world, do the perceived benefits outweigh the obligation and risk of keeping their KYC rules engines and other essential functions up to date? For many organisations there are huge advantages to be had by moving away from in-house built legacy monolithic systems, which are often the result of the historical siloed based strategy," said Greg Hannah, CEO, at JDX Consulting.
Stakeholder engagement

CLM intersects and impacts virtually every aspect of the business. So as firms re-evaluate and refine their CLM strategies, the overall objective must be to deliver a fully integrated and transparent target state, that addresses the differing needs and expectations of all stakeholders involved in the process. This includes; clients, the business, compliance and operations & technology.

By taking a holistic approach towards CLM change, an organisation can define and implement a global client lifecycle management strategy that avoids solutioning for functional nuances and further fragmenting the CLM process. Importantly, inclusivity ensures the programme is viewed as a collaborative exercise, which sets out to; satisfy the competing interests and expectations of all those involved in the process, and influence behaviours outside of the client on-boarding and KYC realms.

“A proven methodology which enables a firm to refine an operating model vision that is inclusive of all stakeholders and addresses the differing and often competing expectations of all those involved.”
Up-sell and Cross-sell

Just imagine the possibilities if one had access to a proven entity client lifecycle data management capability across the enterprise. One which would enable the firm to quickly and efficiently obtain a fully validated single view of all client data and the related hierarchies, whenever and however it is needed. It requires the ability to consolidate every aspect of each relationship; starting with the internal structure, from parent to division, account, sub-account and agent, right down to the products transacted with every external third party. The user would have unique access to relevant, accurate management information; which enables vastly improved assessment of risk and a deeper understanding of the minutia of each relationship they manage. This provides quantifiable benefits; including the ability to improve the overall customer experience, more effective capital allocation, rapid identification of up-sell and cross-sell opportunities and potential efficiency gains across the business.

The right approach

The first step is to create an operating environment which is client-centric, and enables on-demand regulatory compliance and robust enterprise-wide risk management. A standard governance framework and operating model, with automation, cost control and rigorous compliance at the core of the entire programme, is absolutely required. Without this, it will be impossible to eliminate manual intervention and the ongoing use by different teams and business functions of inconsistent client data hierarchies. It is crucial that all internal teams are able to view the same single, accurate view of each customer. This in turn will deliver improved management information based on deeper insights and greater understanding of client needs and behaviours. Renewed focus on more profitable interactions, facilitating smarter business decision making capabilities and improving overall customer service satisfaction levels will be achieved. Risky guesswork is eliminated, as the new operating model enables the true cost and individual profitability of each relationship to be precisely calculated. This also includes the impact on the new capital requirements under BCBS and IOSCO uncleared margin rules, and ultimately client off-boarding if deemed necessary. All are essential requirements if the goal to be perceived as a modern business partner, able to operate appropriately and support customers by providing best-in-class products and services designed to match their precise requirements, can be realised.
So why now?

It seems in terms of effective client data management and all the associated benefits it delivers, that the time is nigh. Finally, financial firms have realised they can no longer pay lip service to this important asset. ‘Why now?’ is a very big question and there are many ways to answer it, depending upon one’s role within a financial institution. And what happened that ignited executive interest at the highest level?

No hiding place

There is probably no single factor driving the move to a holistic approach to CLM. Although increasing regulatory pressures are definitely leading the way. This has forced all firms to re-evaluate existing policies and procedures, as well as the ways they have traditionally conducted all their business activities and interactions with customers. No doubt, the punitive professional and personal implications of being found to be negligent, as laid out in the Senior Managers Creditation Regulation (SMCR), has also focussed everyone’s minds. Going to prison, or being stripped of all personal assets is not particularly appealing. The immediacy of social media channels has amplified ‘The no hiding place from the Regulators’ effect. Breaking News means Breaking News! Every word and every action, whether positive or negative, is immediately available for everyone to see. It is very hard to recover from the effects of a damaged reputation.

Punitive financial penalties

With financial pressures squeezing profit margins and increasing competition challenging them at every turn, the last thing any firm needs is being publicly fined for malpractice or non-compliance. In 2017, the FCA levied fines totalling nearly £230 million; a tenfold increase on the 2016 figure. And based on anecdotal evidence to date, it’s unlikely we will see a lower figure for FY 2018. No one is exempt. Part of the 2017 total, were fines imposed on individuals as well as institutions. Every aspect of the business is under scrutiny, with firms being taken to task for not providing adequate staff training or equipping teams with the right tools to do the job properly.

“In 2017, The FCA levied nearly £230 million in fines.”
Social change

One cannot underestimate the immense impact that wholesale social change is having on both individuals and businesses alike. The rise of digital services has transformed the attitudes and behaviours of both the professionals and consumers alike, across every industry sector. Gone are the days when financial services providers wielded almost total power, dictating how, when and where they would provide products and services - and at what price. Alternative providers and new players are now grabbing large chunks of business, by providing a vastly improved customer service experience - delivering modern solutions, at significantly lower cost.

The rise of the Fintech

The new world FinTech providers are driving change by creating unique "oracles" of golden source client data at point of inception. This enables users to streamline and coordinate end-to-end CLM processes on a single platform. These seamlessly connect the multiple unique golden sources for types of client data with tight lineage between these sources. These interoperable, best of breed providers have continued to develop their service and value propositions; providing configurability to existing workflows and independent regulatory rules engines that determine in scope regulations to ensure regulatory compliance. It also delivers an enhanced customer experience, whilst minimising the costs and capital impact of doing business, throughout the end-to-end client lifecycle.

As organisations evolve their legacy infrastructure, the new solution providers enable firms to transform processes in ways not previously possible. This is especially the case in relation to straight-through-processing, robotic automation and artificial intelligence. All these deliver even more efficiency by eliminating high-volume, simple and repetitive tasks, and uncovering unknown trends and patterns around client data embedded within organisations.
Achieving the single client view

Changing the culture and approach towards client data throughout the client lifecycle across the organisation is key. Introducing the right governance and incentives towards interoperable and aligned client data is critical. Identifying and aligning the operating model across all departments in the organisation and driving collaboration will ensure the client is truly at the centre of all functions within the firm. Firms should identify and leverage golden sources of unique types of client data, ensuring lineage between these sources by working with innovative technology partners who maintain lineage, transparency and effective use of client data. And not least, talk to your clients, and find out how they create and want to access and use data. It sounds obvious, but it is as much a part of the “Client” Lifecycle process within your organisation as any other aspect.
A game changer

The ability to truly achieve a single client view of all relationships across the enterprise will be a game changer for all financial institutions. As future uncertainty continues, acquiring this ability could be the difference between continuing business success or a slow and painful demise. iMeta is a pioneer in this space and has developed a revolutionary new solution, called the iMeta Relationship Visualisation Manager (RVM), part of the industry leading iMeta CLM platform. RVM does exactly what it says it does; it enables firms to manage their complex third party relationships across the enterprise. Developed in conjunction with a tier one financial institution, iMeta RVM is already helping them to join the dots to consolidate the vast amounts of complex client data scattered across the business. The client is now reaping the rewards delivered by this industry leading innovation.

Now is the time for action. Declining revenues, squeezed profit margins, increasing cost of capital, stringent regulatory scrutiny & large fines, greater customer choice, and the amount of data increasing daily - it’s the ultimate nightmare scenario. One thing is for sure, if one does not start joining the dots now, your greatest asset could very well disappear.
About Us

iMeta is a leading provider of Onboarding, Client Lifecycle and Master Data Management software and services; delivering solutions to the global financial services industry. iMeta Technologies enables organisations to fully automate and manage the complex regulatory and operational data required to transact with their customers through the iMeta CLM platform. The system complies with KYC and AML requirements and regulatory demands such as MiFIDII, DFA and EMIR – offering regulatory surety and delivering a single, accurate client view across the organisation.