

# CLM-KYC Operationalization

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## Introduction

Do you remember the collapse of Lehman Brothers in 2008? Failure of the investment bank started a chain reaction that caused global financial crisis and eventually the government had to step-in to assist the troubled financial services firm. This single event told us that how important banks and financial services institutions have become in today's extremely complex yet delicate economic structure.

Banks are one of the highly regulated institutions and they have to comply with the set of rules and guidelines prescribed by a governing regulatory, which is often a government agency. These regulations come in the form in strict requirement to adhere to and procedures to follow.

KYC (Know Your Customer) is one of such requirements, in which banks and other financial institutions have to adhere to certain guidelines for the verification, identification and authentication of their clients before customer onboards and afterwards as well on regular intervals. The KYC process in banks and Financial Institution (FI's) will be our points of discussion in the subsequent sections. Let's dive into it.





## Why FI's need to comply with Local/Global Regulations?

- Customer compliance is a significant regulatory and operational challenge for financial institutions
- To prevent banks being used intentionally or unintentionally for criminal activities.
- To prevent:
  - Identity Theft
  - Money Laundering
  - Terrorist Financing
  - Financial Fraud
- Reduces risk to the bank on many levels (Financial, Reputational)
- Required by regulators
- Organization must provide more data and documentation on clients and counterparties to comply with complex local and global due diligence rule than ever before.
- To shorten the client onboarding time. Avg manual onboarding time is 2 -34 weeks by several studies.
- To reduce KYC operational costs

### How can we do that?

Every financial institute has a process/regulatory framework/compliance department which can perform customer due diligence at the time of onboarding or on periodic basic. FI's can have their own system/tool to do this, or they can use third party tool as follow

- Pega CLM-KYC framework
- World Check
- PWC third party
- Markit
- AVOX
- FinScan
- SEON
- KYC Chain and So on.....





## What is KYC

Know Your Customer (KYC) refers to the collection and maintenance of customer due diligence to ensure compliance with local laws and regulations prior to allowing a customer to transact.

### Due diligence

The detailed examination of an individual or a company and its financial records, done before becoming involved in a business arrangement with it such as opening an account, buying or selling its stocks to investors or doing transactions with other financial institution.

### Defining a customer

- Individual
- Company/Business Entity
- Professional Intermediaries such as Stockbroker
- Chartered Accountants, Solicitors etc.
- Any person or entity connected with a financial transaction

### Types of Due Diligence

#### Global KYC

Global minimum standard of due diligence.

#### Local KYC

Jurisdiction, Product

#### Regulatory KYC

Dodd Frank (US) or MiFID (EU) for example.

#### Tax

FATCA (US) and CRS (Global)

#### Credit Work

#### Legal Work





### Due Diligence Level

Each party can be assessed by the system based on business rules and categorized as follows:

- CDD Exempt
- Simplified CDD (Customer Due Diligence)
- Full CDD
- EDD (Enhanced Due Diligence)
- Related party CDD Exempt
- Related party simplified CDD
- Related party full CDD
- Related party EDD

### Market and Product Regulations

There are a lot of regulations in this area.

- Geography based
- Line of business based (RET, CIB, Insurance etc.)
- Product based
- Global regulation is represented global AML standards for the FII's.
- Each country or territory may have its own.
- Some regulations apply across countries (e.g., US regulations for FATCA)

### What PEGA CLM-KYC Framework offers

Pega KYC is a robust, industry-leading KYC application which has extensive out-of-the-box functionality including 28000+ preconfigured rules for all customer types. It has been used for 10 years by some of the world's largest banks.

Pega Know Your Customer for Financial Services is integrated with Pega® Client Lifecycle Management (CLM).

Rules covering major jurisdictions that are developed and updated quarterly by an international team of lawyers, ex-regulators, and policy makers. It uses Pega® Client Lifecycle Management driver data (booking jurisdiction, customer type, product, and risk) to use the right KYC types at the right time.

Pega provides a global Master View of each "customer" ensuring reuse, dynamic risk rating, and agility to quickly manage rule changes.





# Pega KYC Features

## Expedite onboarding with parallel case orchestration

Seamlessly connect front and back-office functions, eliminate duplicate data requirements and manage various processes, including due diligence, credit, tax, and legal, in parallel

The screenshot displays the 'Onboard Organization' interface for client 'New Wave Europe Ltd'. It features a progress bar at 34% and a list of tasks categorized into 'Local subcases (4)', 'Related party subcases (3)', and 'Local subcases (2)'. Each task includes details on the assigned department (e.g., AML Dept US, Regulatory Dept UK) and its status (e.g., 'Review in progress', 'Complete'). A 'Continue' button is visible for the 'AML-United States (LKYC-123)' task.

## Ensure compliance with Pega KYC

Integrated with Pega CLM, the application manages compliance globally with a dynamic regulatory rules engine, global master view clients, intent led-processes, and pre-configured best-practice KYC rules that cover AML/CTF, FATCA, CRS, FINRA, MiFID II, IROCC, EMIR, and Dodd-Frank, among others.

The screenshot shows the 'New Due Diligence' interface for client 'New Wave Energy'. It includes a 'Non-cooperative countries and territories verification (FATF blacklist)' section with several questions, such as 'What is the client's prior-year, net earnings?' and 'Is the entity an organisation whose name is published in the lists of designated persons...'. Each question has an 'Attach' button and a 'Comment' link. A right-hand sidebar displays 'Investment Profile (13%)' with a list of verification items, including 'Identification information', 'Documentation verification', and 'Suspicious transaction report filing verification'. A 'Next' button is visible at the bottom.





## Provide client focus with transparency and reuse

Drive accountability across the end-to-end process with transparency and customized reporting. Global reuse of due diligence information reduces repeated requests for client information.

**Customer Information**

Corporation ID: 998989545  
Main exchange name: GBLDR/United Kingdom  
Country of incorporation: United Kingdom  
Primary Relationship Manager: Pam Perkins

**LEGAL**  
Ultimate parent organization: Global Oil and Gas Inc.  
LSE: 342352343  
Tax ID: 234432  
Tax assessment: Complete  
FATCA assessment (Automated): Direct reporting NFFE  
CRS assessment (Overridden): Non-reportable | 7 countries

**INDUSTRY**  
Sector name: Energy  
Industry group: Energy Equipment and Services  
Industry type: Oil and Gas drilling  
Sub-industry: OIL

**RISK PROFILE (Overridden)**  
MEDIUM Risk  
Occupation information: High  
Country related: High  
Relationship duration: High  
Product related: High  
Related parties: High  
Secondary risk: High  
External data: High

**Primary contact information**

Point of contact: Lisa King  
Primary address: 1 River Road, Suite 400, Schenectady, NY 12345, United States  
Primary email: lking@globalind.com  
Primary phone: 1 617 865 2142  
Primary fax: 1 617 865 2142

**KYC types**

ID	Task	Version	Completed	Due for renewal
KYC-2345	FATCA - Taxable Entities	2	12/31/15	12/31/15
KYC-2345	Global AML	2	12/31/15	1/31/16
KYC-2345	MFID II	2	12/31/15	1/31/16

**Recent CLM cases**

ID	Journey	Status
CLM-2345	New Parent Entity	Completed on 12/31/15
MA-235	Maintain Customer	In progress - due 5/1/17

## Faster benefits with agile implementation

Pega CLM and KYC are fully integrated, ensuring quick delivery and functionality with a proven implementation methodology. A zero-code approach accelerates ROI, leveraging existing systems and out-of-the-box connectors such as kyc.com (Markit), Clariant, Avox and World-Check.

**Customer Screening (CSC-231)**

Retrieve matches: Larry David, Due in 3 days, Data Exchange

5 results from Thomson Reuters World-Check™

Name	Type	Match strength	Risk	Status
<input type="checkbox"/> ORTECH LIMITED	PSP	High	High	Resolved
<input checked="" type="checkbox"/> ORTECH INC	Law Enforcement PSP	High	High	View/Resolve
<input type="checkbox"/> ARTECH CORP	Regulatory Enforcement	High	High	View/Resolve
<input checked="" type="checkbox"/> ORTECH GLOBAL	Sanctions	High	High	View/Resolve
<input type="checkbox"/> ORTECH EUROPE	Other bodies Sanctions	High	High	View/Resolve





### Few more features.....

1. Item response tracking When configured, you can track any KYC item and response including important metadata around source of change, time, and where appropriate manual comments.
2. Due diligence data reporting Due diligence data reporting is the ability to easily report on data captured during due diligence.
3. Maker-Checker tracking provides the functionality to automatically track human actions within the KYC cases. This includes data collection (Maker) as well as approval/rejection (Checker).
4. Risk rating process fully configurable risk processing to evaluate customer data, products, countries, and so on. Scorecard rule.
5. Master customer profile management automatically creates profiles for each customer and related party evaluated in the system. Each profile stores the KYC due diligence, risk, and case history data, stores completed and approved KYC data for reuse to make the onboarding process more efficient while ensuring compliance.
6. System integration (internal and external) Prebuilt integration assets for CMIS, Equifax, Avox, Markit, OutsideIQ, Thomson Reuter World check
7. Specialization and reuse specialization by geography, country specific regulations, product, line of business, and so on with ease of extendibility across other lines of business and new regulatory requirements.
8. Configurable business rules
9. Audit reporting and State-of-the-art data visualization







## OOB CLM Portals

<ol style="list-style-type: none"> <li>1. Analyst Manager portal</li> <li>2. Rule Manager Studio Pega Know Your Customer for Financial Services Rule Manager Studio is a specialized portal for regulatory compliance rule creation and maintenance.</li> <li>3. Portals available in CLM/KYC application <ul style="list-style-type: none"> <li>• CLM Relationship manager portal</li> <li>• Support user portal</li> <li>• Support manager portal and so on...</li> </ul> </li> </ol>	
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## CLM OOB Case types

### Client Lifecycle Management (CLM) (CLM-/CIB-/RET-) (PegaCLMFS-Work-CLM-XXX)

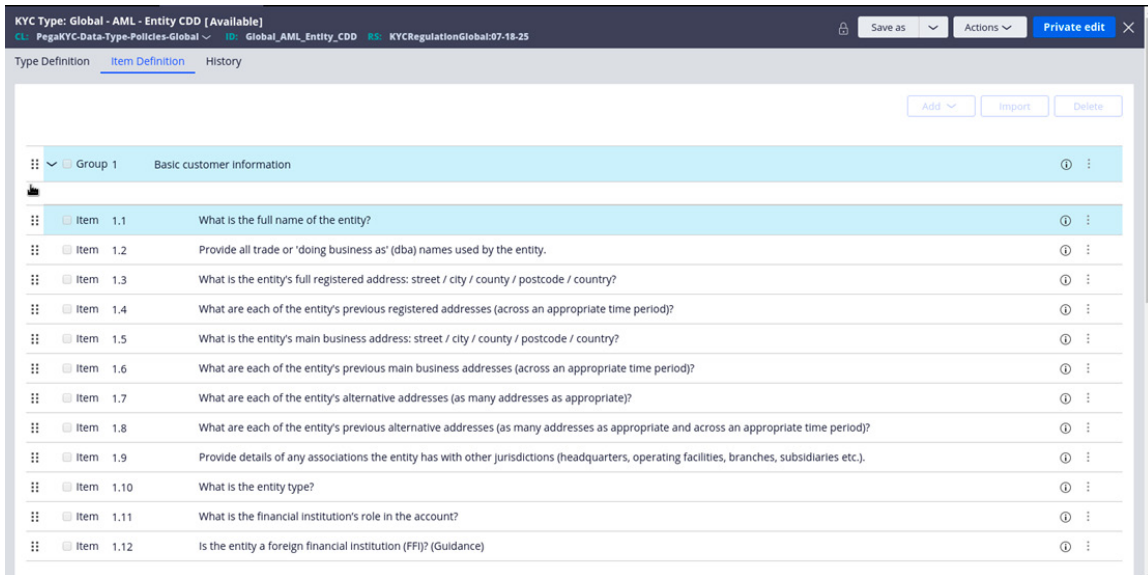
- Global KYC (GKYC-) (PegaCLMFS-Work-GlobalKYC)
- Local KYC (LKYC-) (PegaCLMFS-Work-KYC)
- eScreening (CSC-) (PegaFS-Work-Screening)
- Tax – FATCA (FATCA-) (PegaCLMFS-Work-Tax-FATCA)
- Tax – CRS (CRS-) (PegaCLMFS-Work-Tax-CRS)
- Credit (CRE-) (PegaCLMFS-Work-Credit)
- Legal (LEG-) (PegaCLMFS-Work-Legal)
- Fulfillment (FF-)
- Business Sponsor Approval (BSA-) (PegaCLMFS-Work-BusSponsorApproval)
- CLM Requirement (RQ-) (PegaFS-Work-Requirement)

## OOB KYC Types

### What is KYC Type?

- The KYC Type is a Custom Rule Type in PRPC built specifically for Pega KYC.
- It is the questionnaire that is seen during due diligence process.
- It is the container for KYC item instances (the questions).
- KYC regulations as well as internal policies and procedures typically define a KYC Type rule. i.e. – Enhanced Due Diligence, Standard Due Diligence, etc.





## Why we choose PEGA CLM-KYC?

- State of the art client onboarding and KYC regulations functionalities
- In-built rules (Portals/Tax/KYC types/Regulatory requirement for almost all the countries / Global/Local Compliance)
- Less time to market
- Integration capabilities with all leading Regulatory organization's
- Leading KYC service provider in the market
- Low-code and no-code capabilities
- Providing regular updates about the regulatory and compliance laws
- Centralized customer profile to avoid redundant data

## Conclusion

Using PEGA CLM-KYC framework business can build seamless onboarding and KYC regulation application in less time with state-of-the-art capabilities which can reduce the operational and maintenance cost.

## References

[Pega Client Lifecycle Management | Pega](#)

