Know Your Customer(KYC) / Onboarding

RPA Implementation

Assess & Implement

- Process, Systems & Software Understanding
- Orchestrate the process
- Workflow

Validation & Testing

- Test Cases
- Test Scenarios
- Shadow runs

Monitor & Control

- Documentation
- Enhancements
- User Education

Internal KYC/AML Systems | **Back Office Systems** | **External Data Source**

1 Customer Due Diligence (CDD)

| Name Screening | Sanctions Screening | Terrorist Financing | Theft, Fraud Assessment |

2 Enhanced Due Diligence (EDD)

| Politically Exposed Person (PEP) Checks | Adverse Media / Negative news screening |

3 Risk Assessment

| Application of Risk Rating | AML Risk Assessment | Generation of Risk Score |

4 KYC

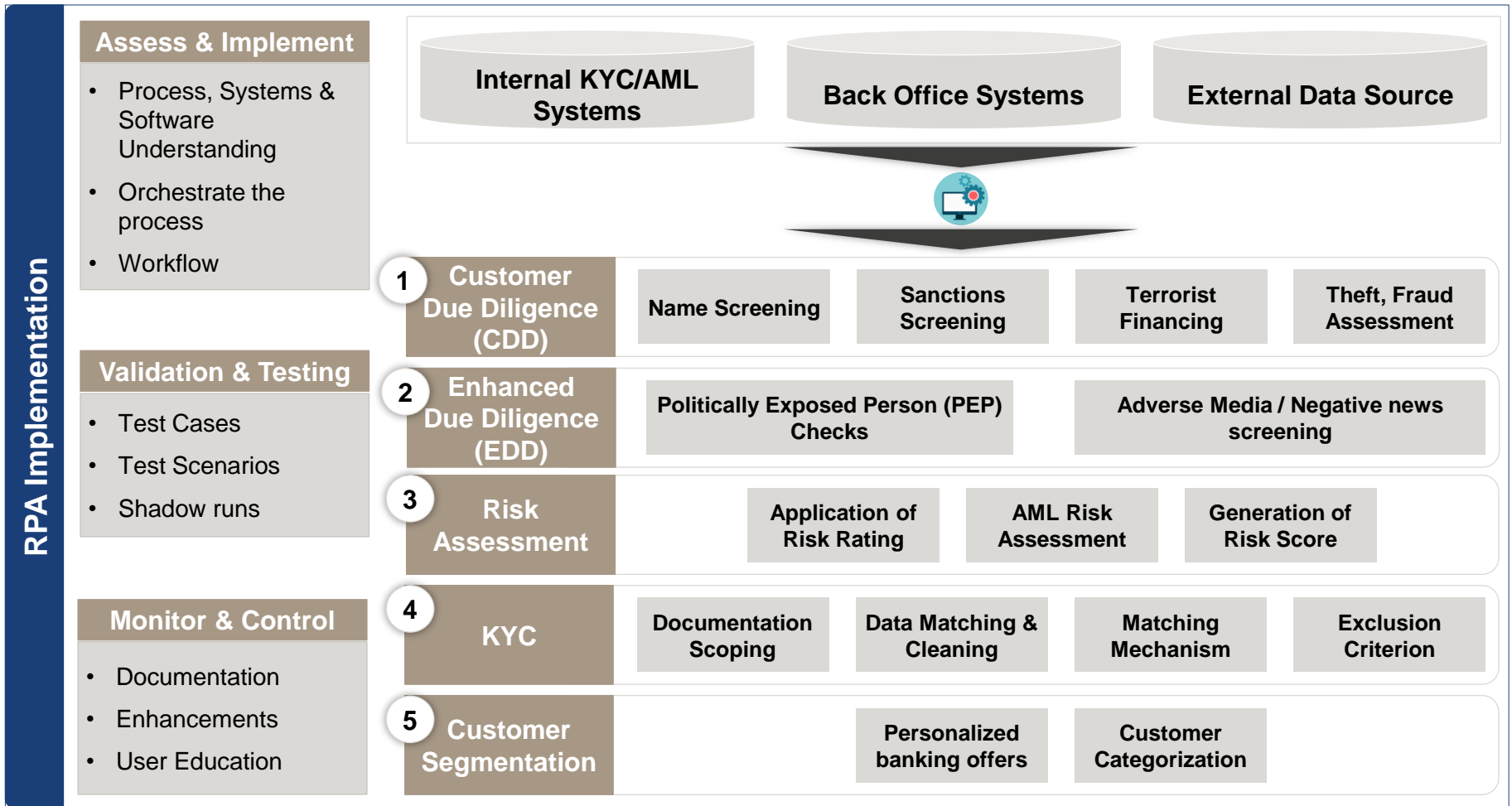| Documentation Scoping | Data Matching & Cleaning | Matching Mechanism | Exclusion Criterion |

5 Customer Segmentation

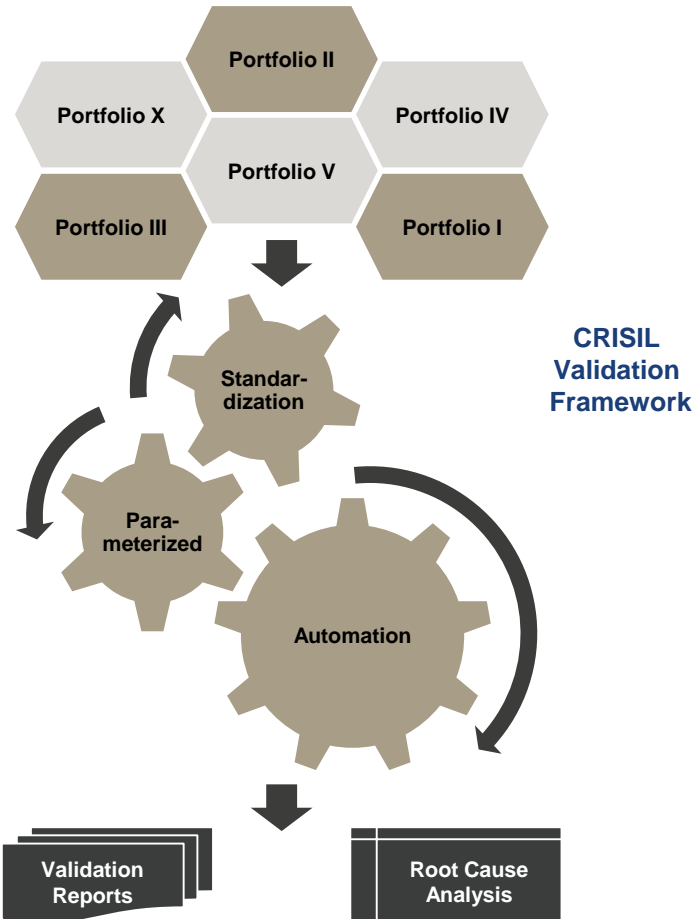| Personalized banking offers | Customer Categorization |

CRISIL GR&A also supports

- Internal KYC analytics process development
- Tolerance setting and validation (feedback)
- Building of in-house name screening algorithms
- Development of automated compliance reports
- Ad-hoc analysis of tuning and performance
- Extension to residential and document level matches

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Case Study – AML Transaction Monitoring

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Case Study: AML Transaction Monitoring (1/2)

- Develop and validate the current standardized customer segmentation model for a large bank holding company headquartered in the UK
- Develop a methodology to determine thresholds for each segment
- Develop and execute scenarios to generate alerts and transactions, by tuning the parameters for thresholds

Portfolio II
Portfolio X
Portfolio IV
Portfolio V
Portfolio III
Portfolio I

Standar-dization

Para-meterized

Automation

CRISIL Validation Framework

Validation Reports

Root Cause Analysis

Client Impact

- The implementation was done globally across countries, with integration of local regulations
- The bank was able to meet the timelines of this validation
- The suite of tools developed could be reused (with little or no modifications) for future validation exercises
- Risks associated with failed segments were quickly mitigated
- Coverage redundancy reduced due to improved segmentation and scenario tuning
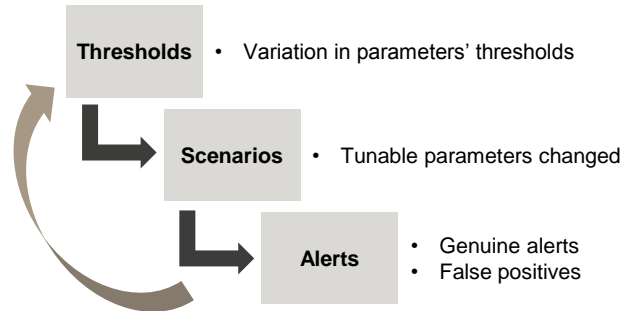- False positives reduced by 5% due to threshold tuning

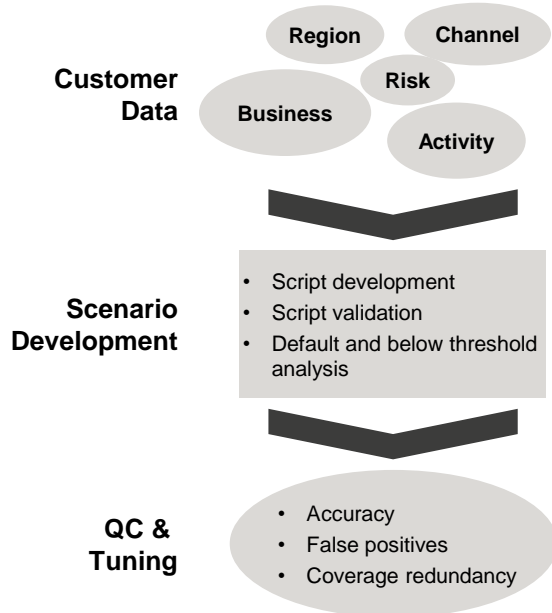## Execution Highlights

Segmentation Validation:

- **Generalized Validation Framework**
  - Developed a suite for validating the segmentation model for standardized segments and risks for different portfolios
  - Gained an in-depth understanding of various input parameters for different portfolios to derive common 'plug-in' solution for validation tasks
- **Automated Reports**
  - Produced automated validation reports for portfolios
  - Automated deep dives for root-cause analysis for segmentation validation failures
  - Provided scalable reporting aspects to monitor/include additional KPIs

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Case Study: AML Transaction Monitoring (2/2)

Threshold Tuning Approach

Thresholds • Variation in parameters' thresholds

Scenarios • Tunable parameters changed

Alerts • Genuine alerts
• False positives

Scenario Tuning Approach

Customer Data
- Region
- Channel
- Risk
- Business
- Activity

Scenario Development
- Script development
- Script validation
- Default and below threshold analysis

QC & Tuning
- Accuracy
- False positives
- Coverage redundancy

Execution Highlights

Threshold Review & Tuning

- Determine relevant basis population for each scenario based on
  - Transactional level scenarios
  - Non-transactional level scenarios
- Derive and validate thresholds based on tunable parameters to ensure alert rules for scenarios are met
- Have a QC process to verify the threshold bands selected and to verify events and alerts generation

Scenario Testing & Tuning

- Scenario development/modifications based on the following parameters (not extensive)
  - Customer segment
  - Geographies, channels and risk levels
  - Line of banking business
  - Amendable transaction patterns
- Scenario Validation to confirm
  - Business requirements, specifications and transaction/alert counts are met within the select scenario
  - Coverage and redundancy aspects between scenarios
- Develop a threshold table for each scenario to analyze or modify parameter threshold based on feedback

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