

EBOOK

How banks can benefit from automation post-COVID 19

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The COVID-19 pandemic has had far-reaching implications across the financial services industry.

With some institutions facing up to restructuring, and customer expectations evolving, the need to embrace digital transformation and new solutions, particularly those connected to Know Your Customer (KYC) activities, has never been more apparent.

What many banks have realised during this time is that technology, especially in the case of RegTech, is a must and no longer a 'nice to have'. Customers are seeking a smooth onboarding process and services that can be fully integrated in their daily lives. There is often not the ability or the time to advance legacy processes or tools to keep up.

In this ebook, we explain why, in order to succeed, banks should take this opportunity to push forward with transformation projects that will allow them to realise the benefits of intelligent process automation (IPA).



The **COVID-19** impact and the shift to remote working

Today, clients demand a frictionless, fast and easy-to-navigate service. This is especially true in relation to onboarding in the current climate, when resources are stretched and impactful service is desperately needed.

Many banks themselves are under increased pressure and feeling the impact of the pandemic across various areas of their business, with a number having to re-evaluate their approach and legacy technology to ensure they don't fall behind.

With interest rates almost non-existent and customers having time to do research into what else is out there, there is no room for falling short of what is demanded, and this is why digital transformation has been pushed to the top of the agenda in recent months.

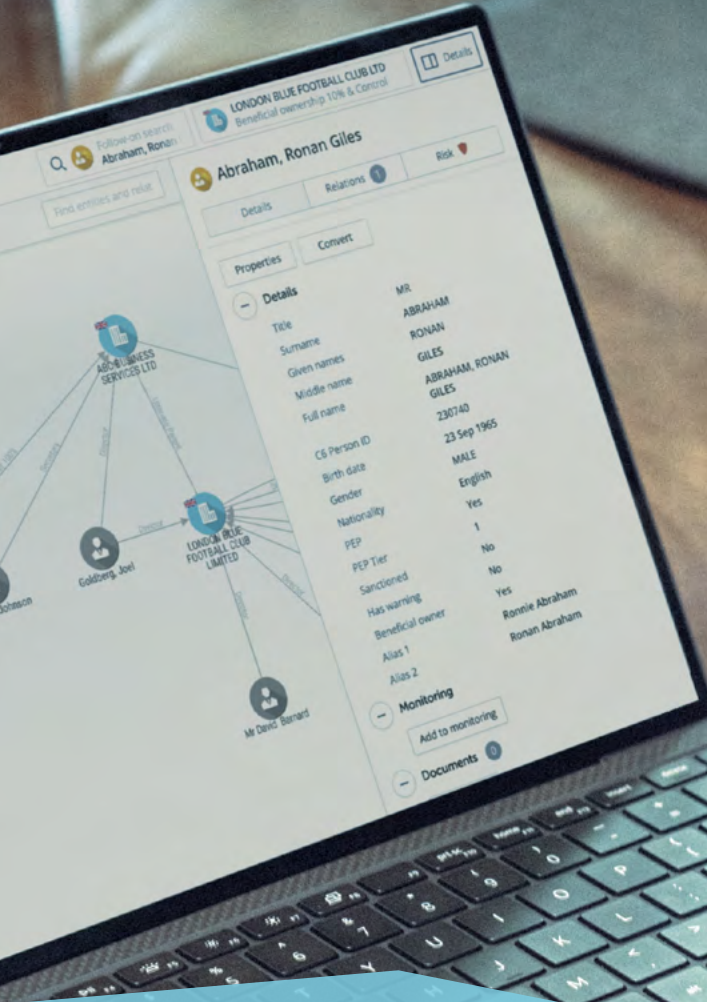
The urgency attached to finding robust solutions that ensure compliance obligations are met while simultaneously increasing efficiency has also been heightened by the instances of opportunistic fraudsters using the uncertainty brought by the pandemic to their advantage.

In August 2020, **it was revealed** that The British Business Bank had hired expert consultants to examine the recipients of its emergency loans in order to uncover cases of fraud, or where firms which did not meet the criteria for funding.

Another factor leading the digital drive is the shift to remote working and how this has changed the way many of us, including banks, operate.

The Bank of New York Mellon, for instance, has **96% of its workforce working remotely**, while other international institutions have also made clear that they will continue to encourage home working for the foreseeable future.

This change in gear has allowed banks to look at their processes overall and to kickstart projects that, perhaps due to cost or the reliance on legacy technology, had fallen to the bottom of the pile, as they realise that, in an industry that is constantly looking to enhance the consumer experience, reduce risk and comply with regulations, automation is bringing benefits for others in the space.



The value of automation

In an industry that is constantly looking to enhance the consumer banking experience, reduce risk and comply with regulations, automation is already being put to use across many banks, with the benefits evident.

The increasing emergence of new technologies has altered what customers expect, with automation helping to drive down costs while also improving the standard of KYC programmes. This has led to dramatically reduced customer onboarding times, improving both experience and retention rates.

The Encompass platform assists in promoting effective cost and time management, by reducing the total cost of ownership associated with client and third-party due diligence and improving analyst productivity by eliminating inefficient manual processes.

IPA also dramatically reduces the time taken to search, review, collate and report on multiple, structured and unstructured data sources, allowing analysts to focus on more business critical tasks.

While, as has been shared, automation offers the opportunity to be more consistent in all processes related to banking, it is also proving to be a game changer for back-office procedures.

Often there are a number of people performing customer checks, from sourcing of information right through to analysing. This is costly, slow and can lead to inconsistent outcomes and a high margin for error.

Automation brings benefits across the business, from more focused use of staff time, to increased productivity and, ultimately, profit. This is summed up by Stephen Allen, a former Chief Risk Officer at Macquarie Group, who says tools, used well, "offer accuracy, speed, repeatability ...They allow you to bring in a standardisation of processes you'll never get with humans."

Why meeting expectations matters

To gain insight into what businesses look for from financial services providers, we surveyed decision-makers in SMEs about their **expectations and experiences** and, from this, it was clear that technology-focused services are crucial in a time when efficiency is all the more important. Our research told us that:



agreed that **innovation is a key differentiator** when choosing a banking partner



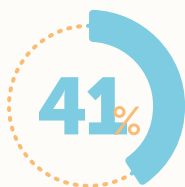
businesses are more likely to select a bank that **performs all regulatory checks digitally**



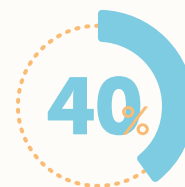
admitted their current banking provider's **onboarding process is too slow**

There is no doubt that pandemic has permanently altered the way that businesses interact with their banking and financial services providers, increasing the need for online services and resulting in expectations of a faster approach to onboarding and compliance checks. Sticking with slow, paper-based processes for critical tasks such as KYC checks will no longer be tolerated.

This was illustrated by additional research, which highlighted that customers will switch providers, if they feel they are not receiving the level of service they need.



plan to **change their banking provider** due to slow support offered during the COVID-19 outbreak



agreed their bank's **online digital services and support** around COVID-19 **has been poor**

Looking to the future

McKinsey Global Institute (MGI) analysed the future of the European banking sector after the pandemic, and this underlined just how important it will be to look to technology in the months to come, especially, as the industry moves forward. According to the study, the willingness to seek, scale or upgrade resources of this kind will be crucial to business success, while digital banking is also expected to be at the forefront.

In Spain, Italy and the US, the use of digital channels will increase significantly (+15-20%) above the average, a trend which will continue to accelerate over the next three years and which, in some markets, may involve up to 25% fewer branches.

As we all adjust to what the 'new normal' means for us, and circumstances across the world change daily, it can be difficult to know what the future will hold, but there is no getting away from the fact that banks are going to have to adapt to tighter regulation, and deal with more intense scrutiny.

This, again, is where automation can prove invaluable, as, with the Encompass platform, the quality of KYC can be maintained quickly and easily, in order to avoid regulatory and reputational risk.

Technology is rapidly changing financial services, with COVID-19 accelerating both the need and appetite for digitalisation. It is those that grasp the opportunity for change and evolution in line with what their customers want who will reap the long-term rewards.

About Encompass

A full and accurate picture of beneficial ownership is the foundation of effective KYC.

Manually building this picture from a plethora of documents and third party data sources, however, is a long, expensive and error-prone process.

Encompass' intelligent process automation conducts live document and data collection, analysis and integration from public and premium sources to bring transparency to complex corporate structures and ultimate beneficial ownership, delivering the most accurate and complete KYC on demand.

The full picture of a customer significantly enhances the effectiveness and efficiency of subsequent KYC activities including screening and IDV - both of which can be carried out seamlessly in the Encompass platform if required.

All information on a customer, along with supporting documents, is dynamically compiled into a comprehensive, digital KYC profile that Encompass can also monitor for ongoing regulatory risk.

Find out more at encompasscorporation.com.



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