

Why an optimised Financial Crime function is a business imperative in the current economy

As authorities across the globe crack down on financial crime and the funding of terrorism, financial institutions face a significant challenge in meeting the increasingly stringent requirements set by Regulators. Know Your Customer (KYC) regulations, such as South Africa's Financial Intelligence Centre Act (FICA), are being introduced worldwide to fight financial crime, including money laundering, tax evasion and terrorist financing activities. FICA, introduced in 2003, brought South Africa in line with similar legislation in Europe and North America.



Accountable institutions in South Africa continue to battle to align requirements asked of them with the balancing of roles and responsibilities across their business, governance, risk and control functions. Additionally, institutions with multi-national operations are battling to manage the disparate regulator requirements in the different jurisdictions in which they operate. The process of Financial Crime function redesign often requires co-ordination across different areas within the business to ensure alignment of deliverables, roles and responsibilities. This also ensures there is no duplication of duties across these functions. The Target Operating Model (TOM) is used to design the capabilities required for supporting compliance, and helps clarify the roles and responsibilities required to maintain it, by defining what "good" looks like for each of these capabilities. Design of an optimised TOM also begins the transformation, or corrective actions, required to ensure the business operates optimally in its environment.

In some cases, internal functions lack the perspective, afforded by distance, required to identify dysfunction and impaired processes. Additionally, given the challenges in balancing internal responsibilities across the business and Financial Crimes function, independent third parties are often best placed to

co-ordinate the efforts, conduct the investigations and facilitate the design of the required TOM. It is important to note that internal workgroups can be independent third parties, provided they are not part of the directly affected functions.

South African consulting and technology company, BSG, has throughout its almost two decades of experience gained invaluable insight into the financial services industry, with a particular focus on strategically designing process and operating model improvements to maximise value to the business. With the focus of so many banks turning to their internal Compliance and Financial Crime functions, BSG was contracted by a leading global bank to assist with the design of an optimised TOM for its Financial Crime function of its African operations.

As part of the project, which began in 2014, BSG's business consultants facilitated the drafting of the TOM, which allowed the business to highlight opportunities for improvement. The programme, designed to tactically fix and strategically build the Financial Crime function, is currently expected to run until 2018.

The new TOM is expected to have far-reaching implications, not only for the Financial Crime function, but also for the Bank's operations as a whole, and its standing with the Regulators. In order to fully implement the redesigned TOM, the Bank will need greater visibility, across the business, of customer records, meaning that should an existing customer wish to make use of a new product, compliance documentation will be readily available to all relevant business units. This will ensure that the Bank is better positioned to deal with the needs and requirements of its customers, going forward.

BSG is uniquely positioned, through its broad-based financial sector experience to provide a holistic, end-to-end solution to its clients. This coupled with the agile nature of its consulting approach, endows BSG with the ability to understand the intricacies of the local environments in which the Bank is operating, and advise, and execute strategy accordingly. All-too-often the approach is too prescriptively advocate the implementation of solutions developed by first-world countries, with first-world considerations. The other side of this coin is for consultants to, without question or deliberation, implement solutions provided to them. BSG's consultants are able to strike a balance between these two extremes; ensuring that interventions of this nature take cognisance of the nuances unique to African markets, while delivering maximum value to the global Bank.

This experiential dichotomy affords BSG a unique edge, allowing it to simultaneously assist the Compliance and Financial Crime functions, as well as the business as a whole. When designing a TOM, BSG consultants take into account the roles and responsibilities of both the business and the functions supporting it. By taking this approach, BSG guides the business in building a capability that, through people, process and system adjustments, supports the Compliance and Financial Crime functions, and helps the functions to support optimised business operation.

In order to successfully implement the redesigned TOM additional work may be required to close gaps identified by the redesign process. Via its Programme and Project Management capability, BSG is able to deliver on the requirements identified as part of these "spin off" projects. In addition, BSG is able

to offer appropriate training design and delivery across a variety of business functions and systems. Its broad-based delivery and advisory experience ensures that BSG is able to offer a holistic end-to-end service, making it the perfect partner for projects of this nature.

About BSG

BSG is a niche consulting and technology company with almost two decades' experience and a proven performance history across numerous industries, including financial services, including mobile money, retail and investment banking, insurance, telecommunications and oil and gas. We are passionate about being a proactive force for positive change, making a difference in everything we do; committed to delivering visible business benefit as a result of the work we deliver to our clients through our people.

BSG started trading in 1997, after identifying a gap in the market for services to create synchronicity between business and Information Technology (IT) functions. Initially specialising in Business Analysis, today BSG offers advisory and execution consulting services to improve business operations by aligning the needs of customers, business and IT.

BSG strives to deliver business value by collaboratively guiding its clients to better understand which initiatives will deliver the most value, and then, working together to make them a reality. By defining and understanding the purpose for change, BSG designs practical solutions to bridge the gap between business expectations and technology implementation.

BSG believes in the birth right of every child to a decent education, and in support of this it represents industry on various University Advisory Boards. Additionally, it makes a difference by positively impacting maths and science education in the lives of thousands of children within South Africa's poorest communities through its ongoing commitment to supporting LEAP Science and Maths Schools.



Unlocking potential ▶ Accelerating performance

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