IBM Consulting

G-Cloud 15
IBM - IBM Financial Crime & Fraud Prevention

Service Definition Document

Email: ukcat@uk.ibm.com

Contact: Anne-Marie Wheeler

Contents

Offering Overview 3

Problems and Business Outcome.........................4-7

Service Definition...8

Activities, Capabilities & Gen AI 9-14

Use Cases, Controls & Governance......................15-19

IBM Approach..20-21

About IBM..22

Contacts 22

Offering Overview

Financial Crime & Fraud Prevention

With criminals continually adapting their methods to conduct financial crimes, accelerated by the increased adoption of technology during the pandemic, institutions need to adapt quickly to combat this

To prevent financial crime whilst delivering great customer experience and protecting the public, IBM will work with you to adopt new technology, designing intelligent processes and creating smart controls.

Features

- A Financial Crime Prevention Cognitive Enterprise. A framework to manage, assess and accelerate the transformation to a more efficient operating model, aligning financial crime and fraud processes to one platform, managed on cloud, leveraging intelligent workflows, with Generative AI undertaking many tasks.
- Core offering spans operating model, business and IT change for the following services: Name Screening, KYC ('Know Your Customer') Due Diligence, Transaction Screening, Fraud Monitoring and AML(Anti-Money Laundering) Transaction Monitoring

Benefits

- Reduction in Fraud losses and regulatory fines
- Reduction in operational costs
- Reduction in false positives (and true negatives)
- Reduction in cost of application TCO (Total cost of ownership)
- Cost saving through labour arbitrage like business process as a service (BPaaS) via shared service based on a cloud services model.
- Risk reduction & greater control
- AI delivers a better customer behaviour profile
- Standardised approach to alert disposition
- Improvement in user experience
- Greater colleague engagement and experience

Major differentiators

- Regulatory and risk expertise with Promontory Financial Group
- Integration and orchestration experts synergising technology and data insights
- Garage working method driving purposeful innovation and co-creation
- Global, multi-disciplinary operations capabilities, with AML/KYC specialism
- Financial Crime and Fraud specific platforms bringing together: AI, Gen AI, Entity Resolution, Analytics and Automation

Problems and Business Outcomes

Enhanced KYC Needs

- There is increased scrutiny around beneficial ownership, and a growth in KYC needs outside of Financial Services
- With entity resolution already an issue at many organisations, this further increases regulatory risk.
- IBM Entity Research automates information gathering and provides ongoing insights from internal and external data.
- Our Generative AI toolkit for Financial Crime automate KYC checks

Increased Sanctions Regimes (focusses on Russia & China)

- The rapidly changing sanctions framework requires organisations to adapt sanctions lists, systems and control processes quickly at scale.
- IBM Financial Crimes Insight for Sanctions augments sanctions screening with an AI-infused solution for improved compliance and lower false positive rates.
- Our Generative AI tools can automate High Volume Low Value operational tasks
- Our Ecosystem partners also span FinTechs and established market leaders, enabling a breadth of solution options

Fraud Losses & New PSRs (Provider Selection Regime)

- Fraud Losses account forc £44 billion annually in the UK alone, exacerbated by the accelerated adoption of technology due to the pandemic.
- IBM Safer Payments and FAMS (Fraud and Abuse Management Solution) enable your fraud prevention teams to adapt their controls faster to emerging threats and detect fraud with greater speed and accuracy
- Our Generative AI toolkit adds intelligent friction into customer journeys, identifying potential fraud earlier

Business Outcome

- Improved entity resolutions and streamlined KYC processes.
- Reduced risk of regulatory fines.

Business Outcome

- Optimised sanctions screening systems and controls, resulting in reduced operational costs and regulatory risk.

Business Outcome

- Enable fraud prevention teams to adapt their controls faster to emerging threats (minutes, not days) and detect fraud with greater speed & accuracy, resulting in up to 70% drop in fraud losses.

Manual processes/Control gaps

- Many financial crime control processes are manual or involve manual elements, due to deficiencies in process, systems and platforms.
- IBM will work with you to re-design end-to-end financial crime processes and platforms, leveraging our industry, technology and process expertise.

Siloed system and disparate data sources

- Many organisations run their complex financial crime prevention processes in silos and on outdated, predominantly rule-based, technology.
- IBM has a market leading cognitive and analytics technology and a suite of financial crime prevention software solutions, run on a secure hybrid cloud platform.
- IBM will implement new platforms with system integration expertise.

Increased Regulatory Risks

- Lawmakers and regulators set ever increasing policies, laws and rules for organisations to ensure compliance. Furthermore, there is increased expectancy from regulators for organisations to use more innovative solutions to better identify Financial Crimes.
- With the risk and regulatory expertise of Promontory and IBM technology expertise, IBM will work with you to increase efficacy of platforms, systems and control processes to reduce false positives and ultimately reduce regulatory risk.

Business Outcome

- Up to 90% reduction in false positives, which allows for up to 50% reduction in overall resources required to maintain and execute the compliance solution..

Business Outcome

- Delivers an enriched customer behaviour profile and provides better insight to system risk.
- Reduction in cost of application TCO.

Business Outcome

- Respond more quickly to emerging fraud typologies and reduced episodic losses and regulatory exposure to fines.

Rising Operational Costs

- Headcount spend in Compliance is increasing annually with qualified AML talent in short supply.
- IBM will work with you to define an operating model, with the option to comprise a managed delivery service.

Business Outcome

- Optimised Operating Model and more effective processes to enable staff to focus less on manual controls and more on value-add activity.
- Up to 65% operational cost reduction by using technology solutions such as IBM Financial Crime Insights to optimize alert triage and referral and review processes.
- Cost savings realised through labour arbitrage with BPaaS.

99% of alerts turn to be false positives

- With the complex nature of many transactions and constantly evolving technology, there is an increasing and overwhelming amount of noise in many organization's financial crime detection and prevention systems.
- IBM software solutions apply Gen AI , traditional AI and machine learning to develop a richer understanding of entity profiles, resulting in a significant reduction of system alerts.

Business Outcome

- Improved customer behaviour profile and prediction of potential risk activities, significantly reducing the number of alerts generated in the systems.
- Reduction of contact points with the customer resulting in improved customer experience.
- Reduced operational costs for investigation teams.

Technology Costs

- Many organisations have multiple technology platforms across each functional area, which are not properly connected to establish back and forth data flows. This results in significant maintenance and data management.
- IBM will work with you to select and implement end-to-end platforms and systems that talk and learn from one another, on a secure hybrid cloud platform.

Business Outcome

- Reduction in cost of application TCO (total cost of ownership); replacing high update cost applications which require model management.

Service Definition

Our goal is to see the future of Financial Crime Operations transformed through the application of Intelligent Workflows: business processes redesigned end-to-end with AI and leading edge technology embedded at every step.

This means reinventing core business processes/enhancing controls at scale with greater speed, agility and insight to tap new sources of efficiency and growth to advance efficiency, consistency and compliance.

Activities, Capabilities and Generative AI

Data and Platforms

Activities:

- Capture requirements
- Design integration solution, including architecture and data management
- Implement an interconnected platform, leveraging unstructured and structured data from both, internal and external sources

Automation

Activities:

- Define business case for benefits
- Recommend software offerings to apply over re- designed processes
- Apply automation with system integration expertise to reduce manual work and information searches, resulting in saved time, standardization and efficiencies

Cognitive and Machine Learning

Activities:

- Assessment of current technology landscape
- Recommendations from a suite of IBM and partner applications leveraging AI, Natural Language Processing and RPA.
- Integrate applications onto re-defined platforms

Cloud Enablement

Activities:

- Feasibility study and business case development
- Recommendation and selection of cloud provider + applications
- Cloud enablement plan
- Implementation plan, including data management

User Experience and Design

Activities:

- Work with users to enhance their experiences and performance while designing user friendly and customized interfaces

Process Redesign

Activities:

- Define end-to-end process flows for functional areas
- Assessment against target operating model
- Define plan and execute process alignment and optimisation
- All mapped in IBM Blueworks Live to deliver consistent and efficient financial crime and fraud activities

Remediation

Activities:

- AML alert review, case investigation and SAR preparation
- KYC account refresh
- CDD, EDD, Sanctions and PEP screening
- New customer account onboarding

MI & Reporting

Activities:

- Assessment of existing MI
- Develop requirements for future MI & Reporting
- Design dashboards
- Implementation, leveraging automation where possible

IBM

Culture Change

Activities:

- Advise and develop plans for implementing culture change
- Performs skills assessment in the business and produce plan for Talent development

Organization Change

Activities:

- Operating model definition, including governance
- Develop communication plans
- Design and plan change
- Change management, covering operating model, business and technology

Issues Management

Activities:

- Assess existing risk management repository and systems
- Design and implement future systems - IBM OpenPages with Watson is an AI- driven, highly scalable governance, risk and compliance (GRC) solution that runs on any cloud

Outsourcing

Activities:

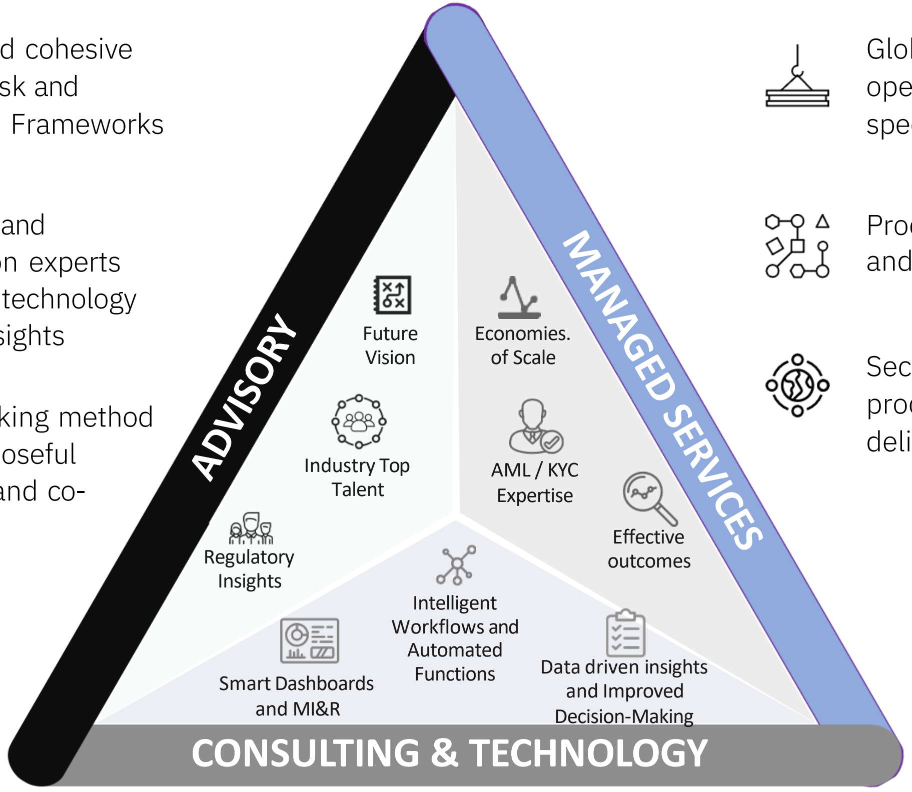
- Business case for outsourcing financial crime prevention controls
- Select and implement a managed service to managed the workload at a more cost-effective level
- Continual process optimisation
- Business process management tools

IBM’s Capabilities in Fraud & Financial Crime Prevention

Practical and cohesive vision for Risk and Compliance Frameworks

Integration and orchestration experts synergising technology and data insights

Garage working method driving purposeful innovation and co-creation



Global, multi-disciplinary operations capabilities and specialisms

Process optimisation tools and expertise

Secure and highly productive remote working delivery model

Financial Crime and Fraud specific platforms bringing together:
AI, BlockChain, Analytics and Automation

Regulatory Compliant Hybrid Cloud Environments

IBM Consulting transformation, programme management & delivery

Intelligent Workflows enabled via process re-engineering

User experience, design and custom development

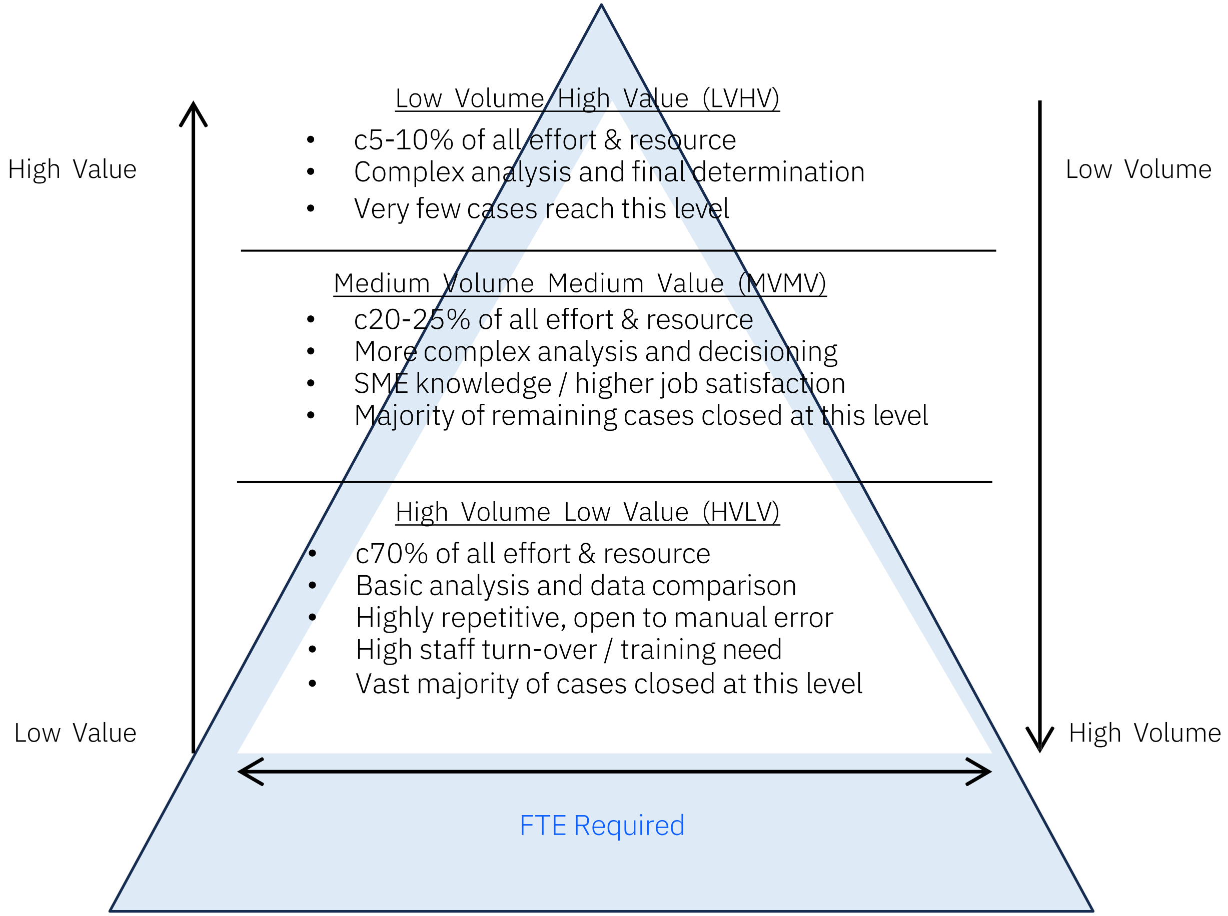
IBM and Promontory* combine unparalleled domain expertise in financial crime prevention, adaptable ways of working, advanced and innovative technology and cloud capabilities with global scale to create, implement and innovate transformational risk and compliance programmes.

We drive a culture of agile innovation, powered by an ecosystem of compliance processes, activated by cognitive-enabled workflows and made possible with exponential technologies that are fuelled by data. These use next generation applications, on a secure hybrid cloud for financial services, delivering an end-to-end process and organisational and technology transformation for our clients.

* Promontory is an IBM Business Unit

EC Operations Value Pyramid on our capabilities & Generative AI impact

EC Operations Value Pyramid



Impact of Implementing Gen AI

- True risk identified and mitigated faster (reduction in alert resolution time)
- Reduced operating costs, due to greater automation, reduction in re-work and reduction in staff attrition at lower levels
- Higher staff engagement, job satisfaction, and reduction in human error

Use cases, Controls & Governance

How we drive Efficiency & Effectiveness with Gen AI for Economic Crime – Use Cases

With the current operational headwinds, there is a need to identify use cases that drive both efficiency and effectiveness

Enhanced AI capabilities...

- A **Summarization** eg. call center interactions, documents such as financial reports, analyst articles, emails, news, media trends etc.
- B **Conversational Knowledge** eg. reviews, knowledge base, product descriptions etc.
- C **Content creation** eg. personas, user stories, synthetic data, generating images, personalized UI, marketing copy, email/social responses etc.
- D **Code creation** eg. Code co-pilot, code conversion, create technical documentation, test cases etc.

Detection & Alerting

Tuning & Detection
- Anomaly Detection A B
- Profile & Typology Analysis A B C
- Rule Design C
- Rule & Control Tests D
- Synthetic Test Data C

Operations

Fraud Contact Centre
- Enhanced Service A B C
- Agent Knowledge Mgt A B C
- Sentiment Analysis A B
- Call Center Transcripts A B D

Fin Crime Operations
- Case Preparation A B C
- Transaction Analysis A B C
- Alert Investigation A B C
- Case Narrative A B C
- MI & Reporting A B C
- Planning & Forecasting A B C
- Policy & Procedure Search A B

KYC
- CDD and EDD Analysis A B C
- Customer Insights A B C
- Profiling A B C

Policy, Testing & Reporting

Policy, Testing & Reporting
- Control Environment Testing A B C
- Policy / Procedure Gap Analysis A B
- Policy / Procedure Updates A B C
- Regulatory Reporting A B C

Insights & Analytics A B C

Talk to Enterprise & External Data

The transformation of IBM is a great example how it will work for you

Compliance

- From reviewing records to solving issues

We implemented...

- ...AI-enabled fraud detection for travel and expense auditing compliance
- Automatic potential FCPA violation identification
- An automated analysis of reports and image receipts with indicators for high-risk cases that shift work from reviewing records to solving issues

Which led to...

- ...a better human experience

50% less time resolving a review case without having to hunt for evidence

One platform for auditors to evaluate all expense reimbursements and employee risk profiles with actionable next steps

- ...and better business outcomes

100% of expense reimbursements automatically analyzed, ensuring we identify significantly more noncompliant expenses

65% improvement in cost savings through automation and risk prioritization

Up next, we will...

- ...expand compliance automation to ecosystem partners as part of the platform workflow for core travel and expense systems

Role of controls in Fraud & Financial Crime Prevention

What is a control?

Controls
Internal controls are the mechanisms, rules, and procedures implemented by you to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.
A **defined control** makes clear:

- Who is responsible for executing the control
- What is the purpose of the control
- When is the control executed
- How the control is executed
- Why the control is executed

- Input needed for the control
- Output derived from the execution of the control
- Escalation when the control is failing of preventing risk

We must be demonstrably in control! This applies to:

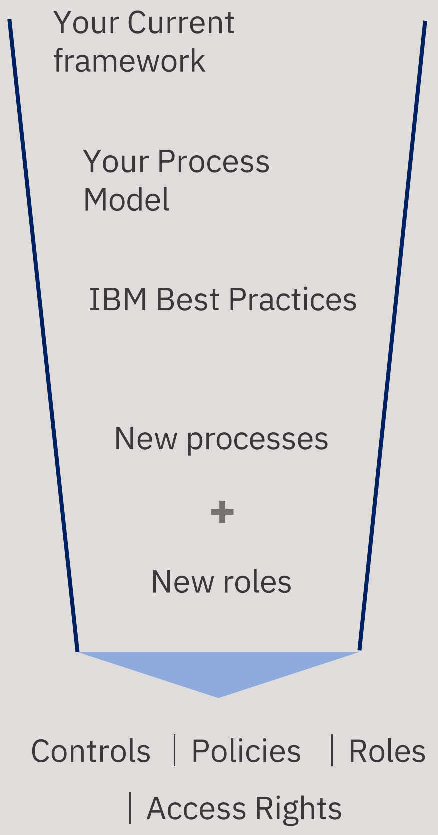
- Set up
- Existence and
- Performance of controls

Evidence is key

How to get controls?

- Risk assessments of processes/departments/incide n ts etc. derive risks
- Weighing the risk before any mitigation action is taken – GROSS RISK
- Depending on the weight of the risk one or more controls are defined
- After establishing a control, the risk is weighed again – NET RISK
- Evaluation of risk in/after operations – is more mitigation control needed?
- Controls are periodically tested to check whether they are still working.

How will we help to build the base for future?



Controls will be structured into the system in **configurable components.** The controls are built-in based on the best practices and **reflecting relevant policies**

Our users will be **assigned roles** with **associated access rights** and **persona-based** landing pages. We have **pre-defined roles** in our platforms giving us the **flexibility** to create new roles/ merge existing roles.

Any required **segregation of duties** will be managed through the workflow and/or specific toll gates in tasks / activities. The access to screens/ tasks/ Read/ Write etc will be based on the roles thus ensuring SOD

The virtual assistant will use Watson **policy manager** to ensure policies are applied to any buying requests. We will codify the policies as rules within Watson policy manager.

We will define “complexity drivers” for effective **Governance**

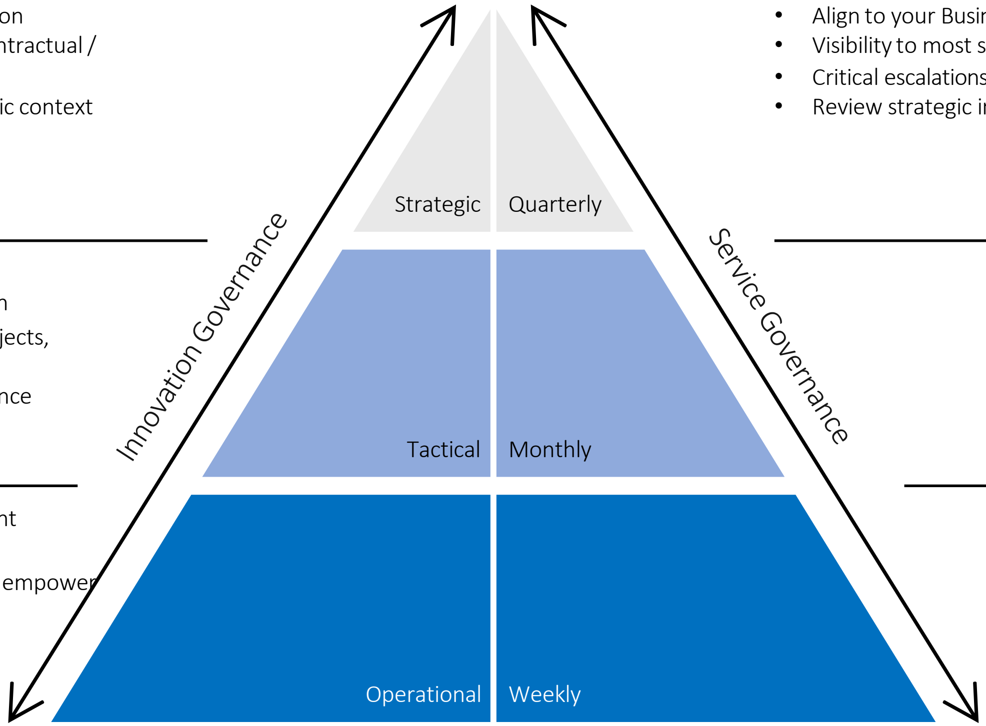
We propose a regular engagement at strategic, management and operational levels to ensure alignment and responsiveness to business needs

Our Governance structure is driven by shadowing key your company roles and further enhancing the teams with IBM’s lead roles. We will also drive synergies by leveraging existing Governance structure and mechanisms to be aligned to your processes from day 1

- Provide Contractual Orientation
- Review and ensure overall contractual / relationship performance
- Evaluate big ideas in a strategic context
- Key issues resolution
- Organizational Sponsorship

- Manage business demand
- Foster and manage innovation culture – approve tactical projects, review and present strategic projects to Strategic Governance
- Evaluate business case
- Orchestrate implementation

- Drive continuous improvement (Ideation & Quick Wins)
- Promote idea generation and empower process improvements
- Embed partnership spirit in daily operations and behaviors



- Align to your Business Vision & strategy
- Visibility to most senior stakeholders
- Critical escalations (e.g. contract breaches)
- Review strategic innovation projects

- Execution Governance
- SLA / OLA Performance
- Change Control
- Risk and Issue Escalation

- Performance Management
- Gap Analysis
- People Enablement
- Action planning & Status
- Risk & Issue mitigation

Company/ Public organization	IBM
Global Group Executives	
• Executive Sponsor • CFO • Head of HR • Project Executive • IT lead	• IBM Account Partner • IBM Project Executive • IBM Delivery Project Executives • IBM Transformation Lead
Program Executives	
• Relationship Manager • Contract Manager • Performance Controller	• Project Executive • Delivery Project Executives • Operations Manager
Service Delivery Managers	
• Functional Heads • Business Partner • Performance Controller	• Operations Manager • Team Leads • SME‘s • Processing Team

Our IBM Approach for Finance Transformation

- IBM has the experience and capabilities to reinvent your operations and modernise your technology. We co-create, co-execute and co-operate to deliver services for many business domains including customer service, finance, procurement and HR.

- We bring the benefit of having supported some of the world’s largest organisations in transforming their finance, and wider back-office functions including many BPO & shared service transformations. We will also leverage lessons learned from IBM’s own finance transformation to guide the design of your roadmap & initiatives.

- Using our deep expertise and experience, we will help you plan and manage the full Programme lifecycle, from current state analysis and business case to end state implementation and benefits realisation. We will provide you with the capability and capacity to drive organisation-wide transformation.

- Core to our approach is developing trusted long- term relationships, underpinned by our functional and industry-leading experience and capabilities. We want you to get the best out of every engagement and to deliver outcomes that matter for your organisation.

- Our approach is flexible, based on the latest methods and tailored to your needs. We offer adaptable methodologies and tools underpinned by deep subject matter skills and real implementation experience both within IBM and for our delivery clients.

We bring specific skills and attitudes including:

- Proven delivery track record working in complex environments
- Bringing together key strategic
- stakeholders to identify the opportunity and visualise the change
- Access to finance delivery specialists who have implemented change at scale
- Understanding how to integrate your
- business and technology infrastructure to drive value
- Being able to advise and support your teams, with knowledge transfer at the heart of what we do
- Experience with the latest technologies, tools and delivery methods including AI/Generative AI
- Delivering greater insight by enhancing your performance management capability to optimise value from the data you create

With IBM you will have a partner that has ...

Experience in your industry, aligning c-suites behind an integrated vision

A human centric approach and collaborative mindset, with IBM Garage or ELT as our methods to discover and deliver value early and repeatedly

Extensive hands-on delivery experience – no theory, just reality

A continually expanding catalogue of proven assets

Partnerships with leading cloud, business application and accounting firms to rapidly establish an ecosystem for you to draw upon and apply AI/Gen AI

About IBM

Cloud

Together, IBM and Red Hat are working to deliver the world's only **next-generation hybrid multicloud platform**

Economy

IBM has been **integral to the UK economy for >100 years**, and is one of its largest tech employers

R&D

In the UK alone, IBM **invests £170 million in R&D** each year

Quantum

IBM Q, **the world's most advanced quantum computing initiative for commercial use**, is being used by CERN

Environment

IBM's **focus on sustainability** began in 1971 with our first environmental policy

Artificial Intelligence

IBM develops **watsonx based generative AI solution** for the Austrian federal armed forces **to provide fact-based evaluation and classification** for the ability to remain capable of acting in the light of risk scenarios.

Changing the world

IBM was awarded **World Changing Company of the Year** 2019 by Fast Company

Royal recognition

29 UK IBMers received **honours from the Queen** for contributions to tech and society

Diversity

IBM **won the Global Diversity Award** 2019 and the ENEI's **Gold Standard**

Graduates

IBM is committed to developing future talent – we are Target Jobs' **Graduate Employer of the Year** 2019

Volunteering

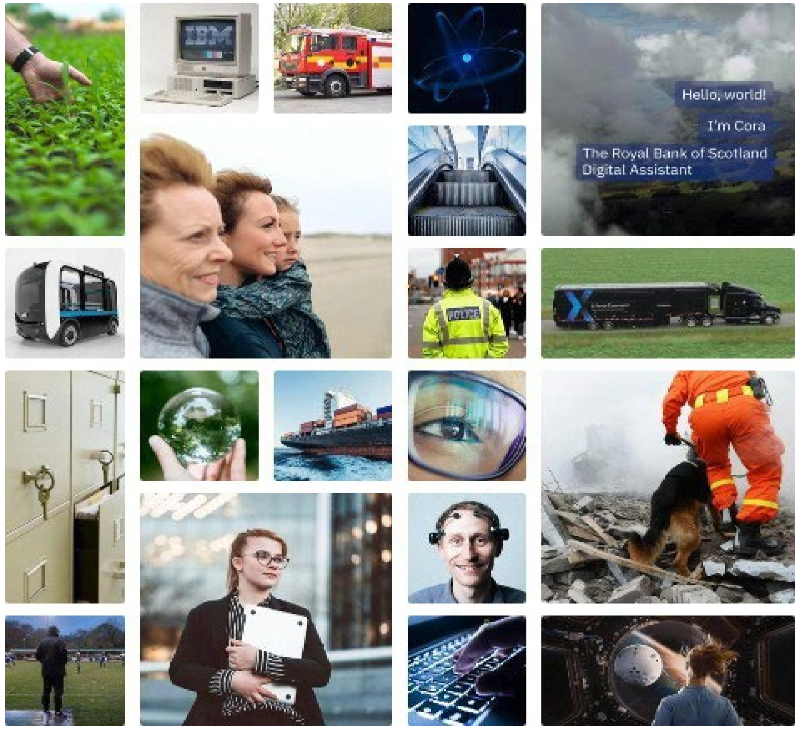
IBM dedicates **>20,000 volunteering hours every year** for a better society

Tech talent

IBM runs P-TECH schools in 18 countries, helping **>100,000 students build skills for careers of the future**

Inventors

IBM UK is home to many Master Inventors, with **>250 patents filed last year** alone



We have worked together with organisations in the UK for over 100 years, with a rich history of joint innovation and achievements, built on trusted relationships.

IBM