AML Transformation

Increasing Revenue, Reducing Costs and Improving the Customer Experience

February 2024

TABLE OF CONTENTS

1 AML Transformation
MARGINS, REVENUE, CUSTOMER EXPERIENCE

2 Target State Reference Model
DISENTANGLED AND HIGHLY AUTOMATED

3 Our Approach
MANIFESTING THE VISION

4 Opportunity
IDENTIFY AND MEASURE OPPORTUNITIES

5 Vision
DESIGN AND SPECIFY FUTURE OPERATIONS

6 Technology
SELECT VENDOR THAT BEST FITS BANK NEEDS

7 Planning
DETAIL A PLAN OF EXECUTION

8 Execution
DELIVER THE VISION

9 Appendix
CEI AND THE S&A FSI PRACTICE



AML TRANSFORMATION:

SCALING TO THE NEXT PHASE OF GROWTH

AML systems, processes and operating models are not scaling to meet increasing volumes

Consequently, customer experience is degraded, RMs and operations are burdened, and risks left unmitigated

Refreshing AML technology and associated operating models is not just about compliance

Rationalize platforms and migrate to a cloud-based AML core ***reducing cost of ownership by ~25%***

Centralize, rationalize, optimize and automate AML processes ***increasing capacity ~20%***

Increase RMs client focus, reduce time to funding and rapidly enter new markets ***increasing sales ~10%***



Decentralized AML Operations

Identity verification and due diligence burden personnel within siloed business lines. ***Inconsistent processes, corner cutting, and conflicts of interest*** have arisen.



Manual Processes

Individual and entity data gathering, negative news, list screening, account validation, due diligence, and periodic reviews performed manually ***consume capacity and create risks***



Burdened Customers

RMs repeatedly revert to customers to request additional information that is available from public and third-party sources. ***Originations and modification processes are rife with friction.***



Burdened Relationship Managers

RMs focus on CIP and due diligence means less time prospecting, personal attention and longer time to funding result in ***abandonment, stagnate pipelines and diminished revenue***



Technology Environment

Multiple screening services, poorly fitting transaction monitoring and case management tools, weakly integrated core systems lead to ***high maintenance costs, inefficiency, low data quality***



AML Operations Management

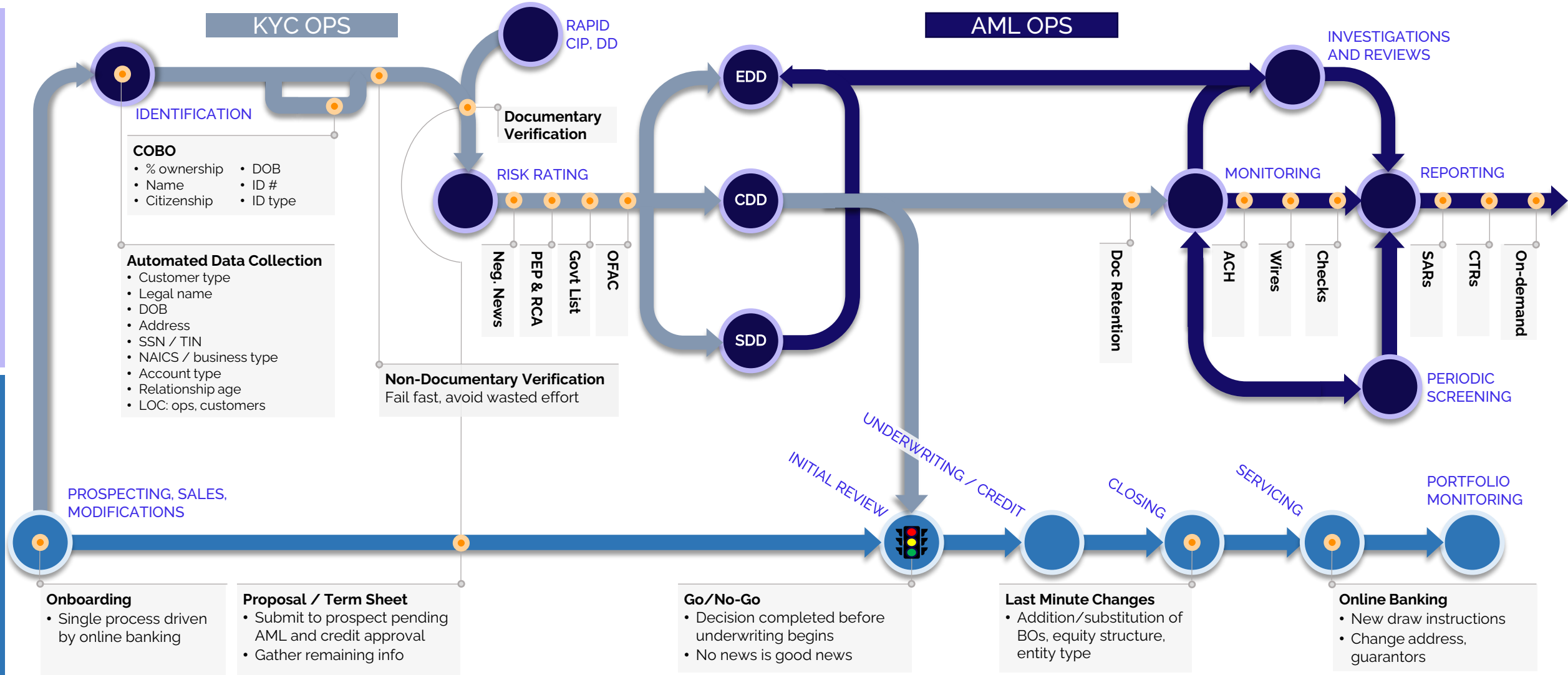
Poorly fitting case management tools results in time consuming, inefficient escalations, periodic reviews and inability to balance workloads. ***AML Operations is in a reactive posture***

Target State Reference Model | AML Operations

Subway map depiction of disentangled and highly automated operations

AML PROECSS

LINES OF BUSINESS



Our Approach to AML Transformation

Manifesting the vision one step at a time

OPPORTUNITY

- Identify AML and LOB process entanglements
- Catalogue gaps, risks, inefficiencies, customer friction and missed sales

Quantify Opportunities

4 – 8 weeks

- AML and LOB Process Taxonomies
- Quantified Opportunities

VISION

- Design high-level target state operating model
- Write functional & technical user stories/requirements

User Stories

2 – 6 weeks

- High-level Target Operating Model
- Technical and Functional User Stories

TECHNOLOGY

- Create vendor shortlist, & disseminate RFI/RFP
- Review responses, coordinate demos, fitment analysis, select vendor

Vendor Selection

4 – 6 weeks

- Scored RFI/RFP
- Demo Scripts
- Selected Vendor

PLANNING

- Detailed requirements
- Implementation blueprint & execution planning
- Create change management plan

Execution Plan

4 – 6 weeks

- Integrated Execution and Change Management Plan

EXECUTION

- Data migration & integrations
- Configure processes, models & alerts
- Implement target op model, execute change mgmt.

Value Realization

2 – 8 months

- End-to-end AML Solution
- Target Operating Model

OPPORTUNITY

Foundation of the Current State

Vision

Technology

Planning

Execution

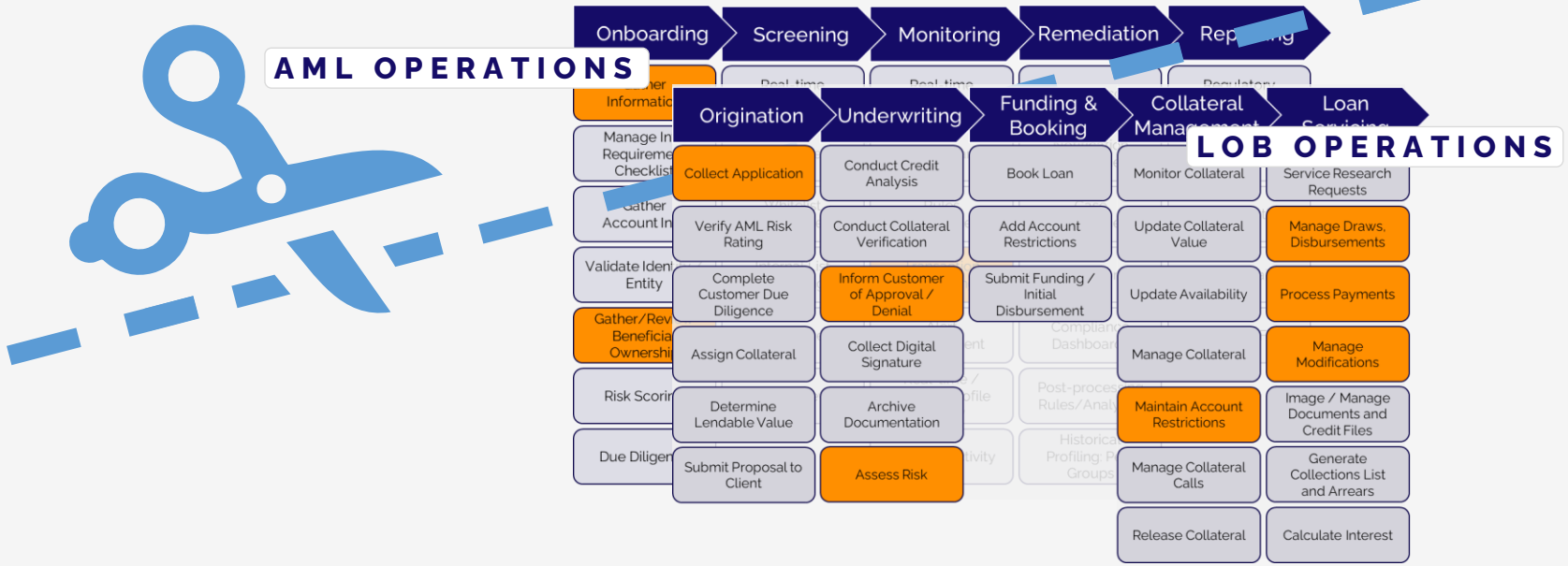
Structure and Processes

- Identify entangled AML and line of business processes
- Document process flows
- Map systems and data
- Identify interactions and handoffs

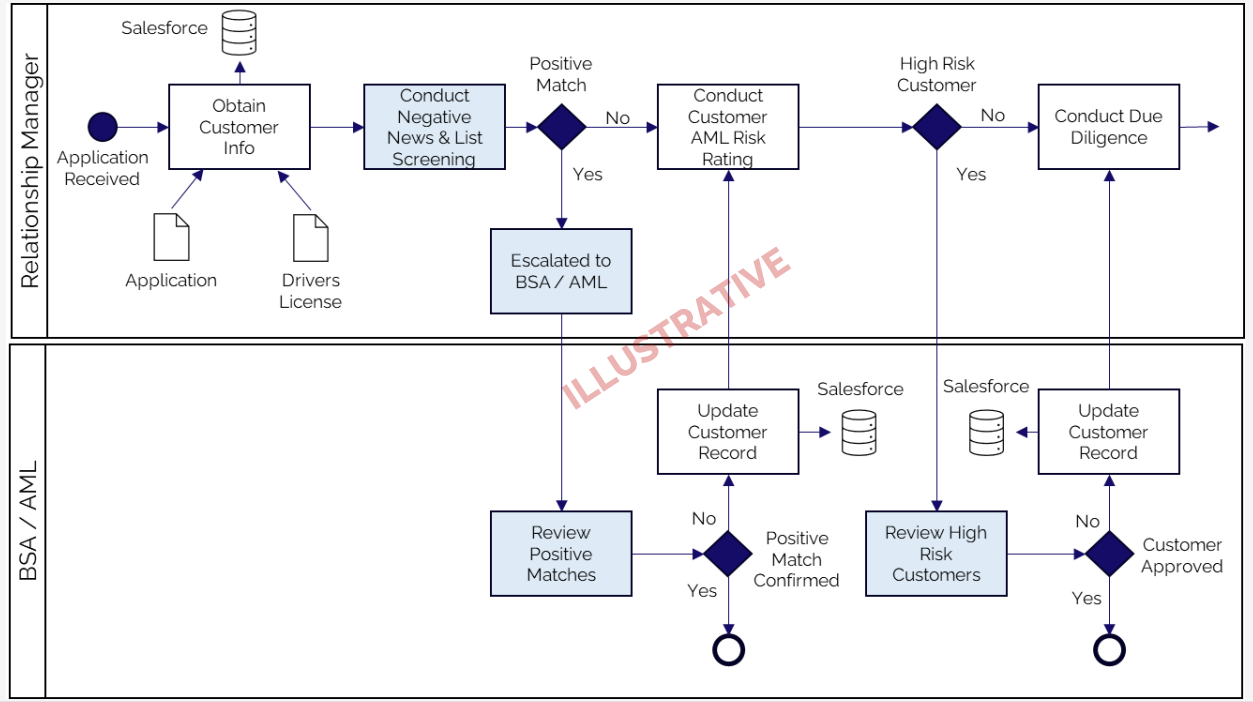
Quantifying Opportunities

- Catalogue gaps, risks, inefficiencies, customer friction points and sales opportunities
- Quantify opportunities and gather baseline performance metrics

Reference Target State Operating Model



Process Flows



Opportunity

VISION

Technology

Planning

Execution

Designing the Target State

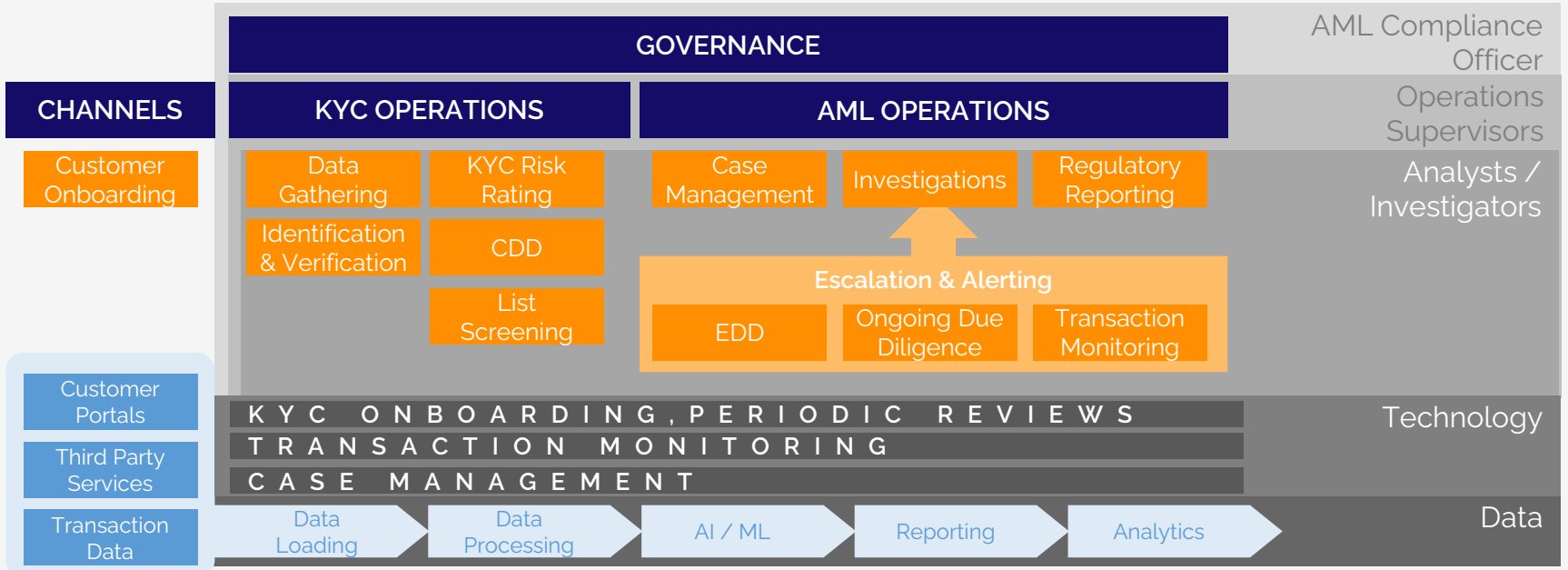
Target Operating Model

- Review strategic objectives and catalogue of quantified opportunities
- Outline high-level future state operating model aligning, process, people technology and data

Requirements

- Leveraging target operating model identify and document use cases
- Define all functional user stories required to enable use cases
- Document technical requirements

Reference Target State Operating Model



Specifying the Target State

USE CASES

Detail processes, tasks and activities of compliance officer, supervisors, and analysts' investigators

FUNCTIONAL

Decompose each use case into functional user stories

TECHNICAL

Specify infrastructure and capabilities required to enable functional stories

Opportunity

Vision

TECHNOLOGY

Planning

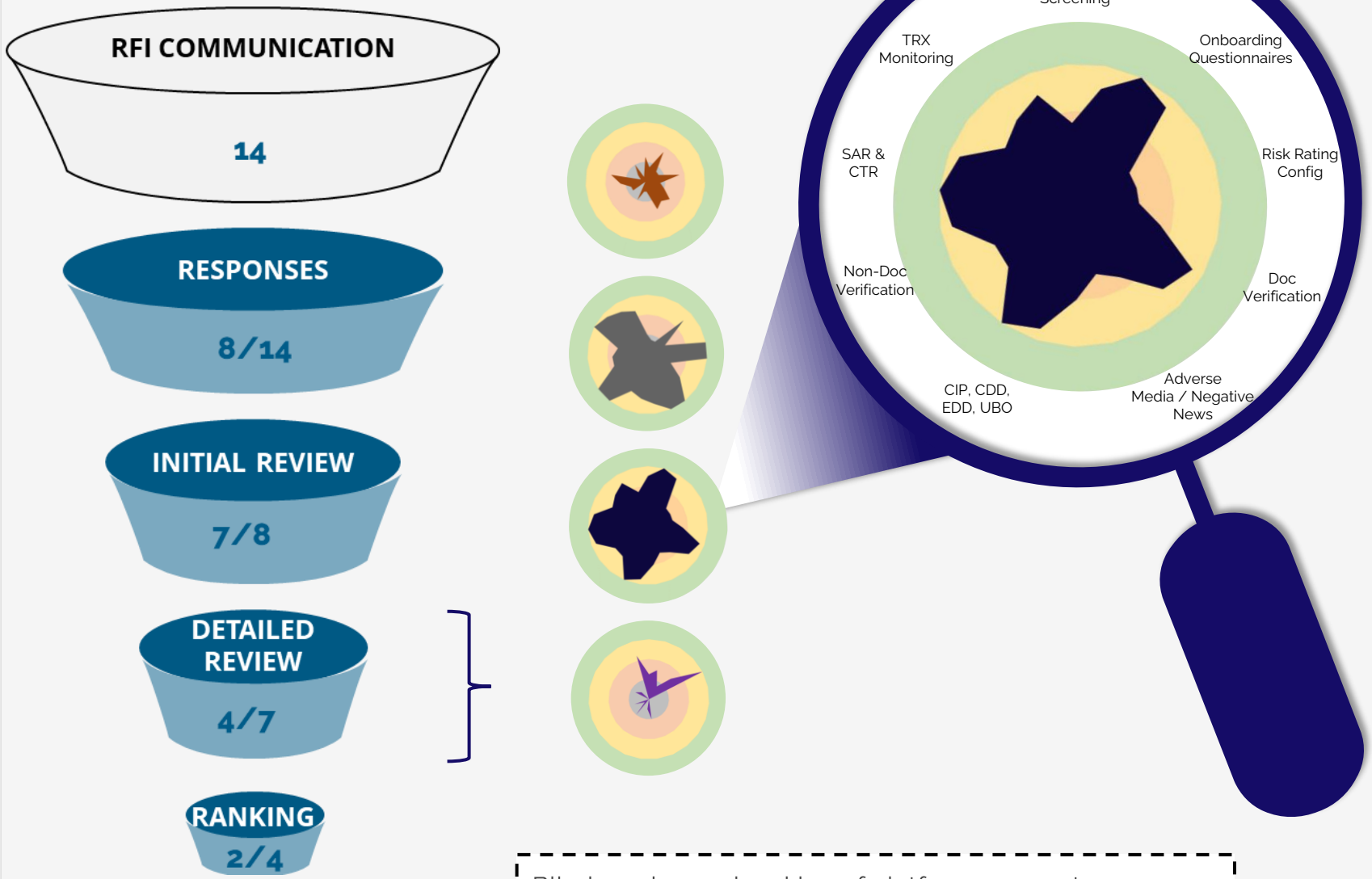
Execution

Vendor Selection

Identify Vendor That Best Fits Bank Needs

- Utilize CEI market analysis, identify candidate vendors
- Use functional / technical user stories as basis for RFI
- Blind score RFI. Identify vendors best fitting needs
- Send finalists demo scripts based on use cases
- Facilitate live demos and final vendor selection

Target State Platform Technology Selection



Blind scoring and ranking of platforms promotes unbiased selection of a solution best meeting bank needs

Opportunity

Vision

Technology

PLANNING

Execution

Preparing for Execution

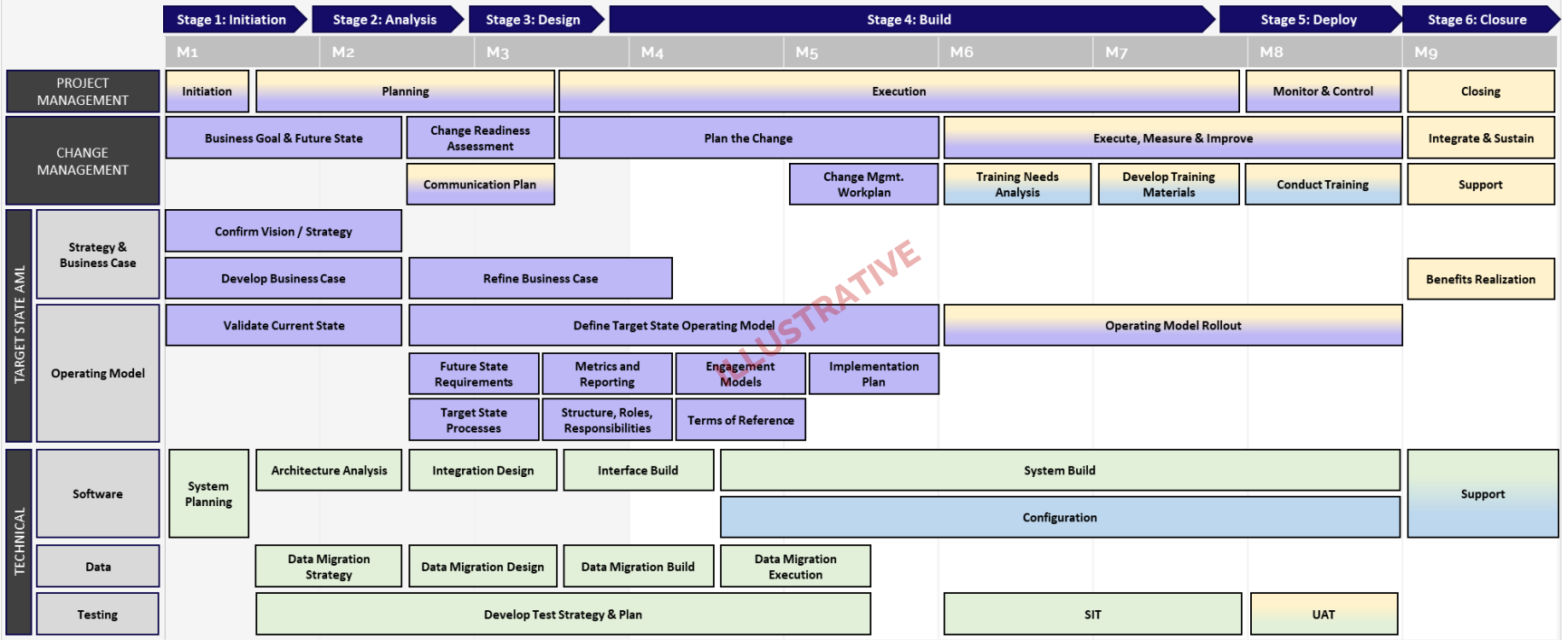
Target state roadmap

- Determine milestones and activities
- Align execution plan with vendor implementation plan
- Define deliverables
- Establish measurements of success

Change management plan

- Clarify roles & responsibilities
- Determine communication channels
- Identify training needs

High-Level Integrated Plan



Aligning the motivating factors of the bank and vendor is crucial to ensure the target state vision is achieved

Motivating Factors

Vendor – implementing technology platform/solution
Bank – progressing strategic goals & objectives
CEI – aligning vendor and bank objectives to achieve target state vision

Opportunity

Vision

Technology

Planning

EXECUTION

Manifesting the Vision

Data and Integration

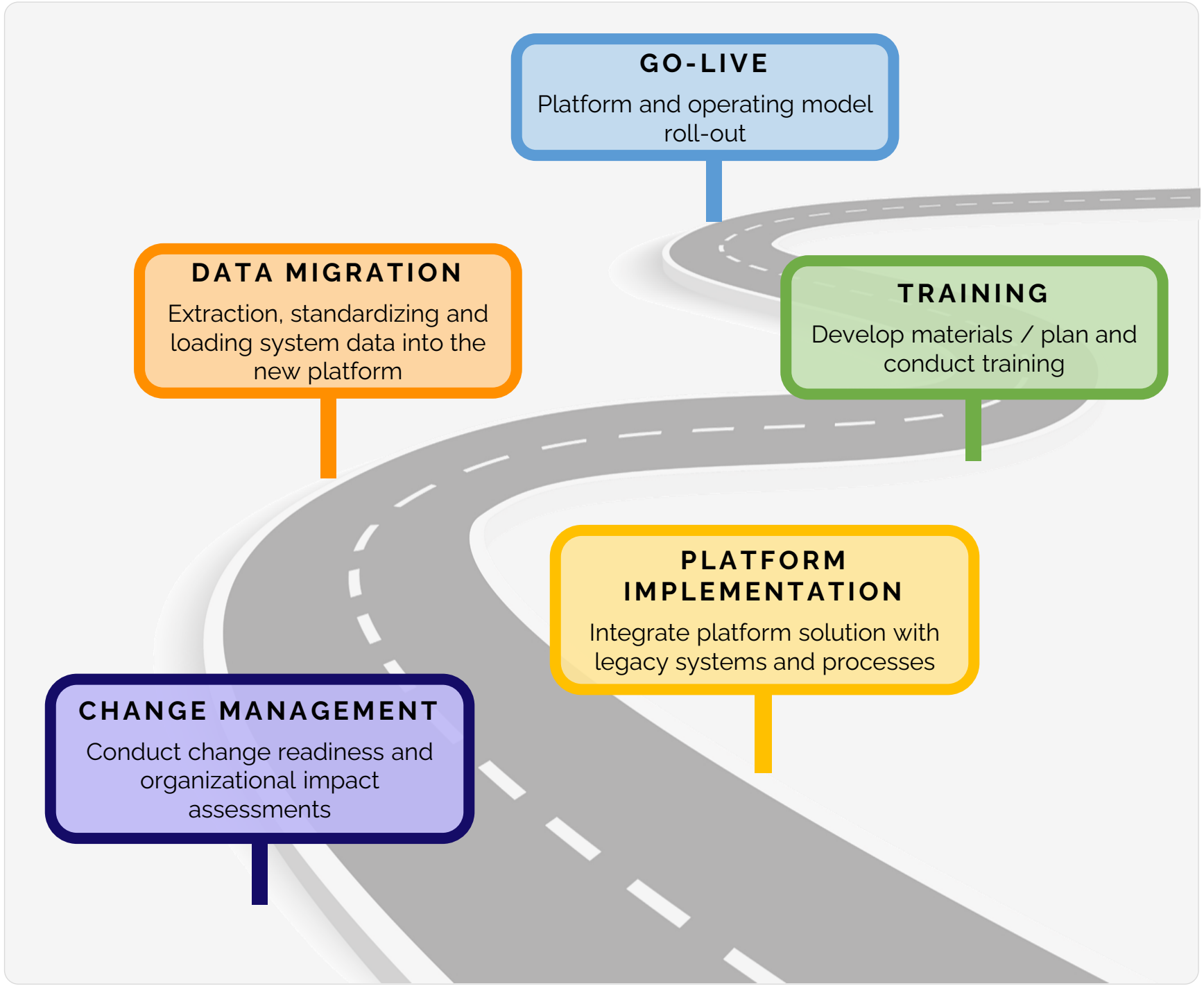
- Plan migration approach
- Assess and map systems of record
- Develop and test migration scripts
- Configure APIs

Platform

- Configure workflows, alerts, escalations, risk model, third party providers
- Execute SIT, UAT and postproduction support

Target Operating Model

- Work with ops supervisors and LOB leads on final draft
- Assess internal/external enabling/restraining factors
- Develop terms of reference and implementation and change management work plan
- Execute



Thank You



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STRATEGY & ADVISORY

Strategize and Operationalize

You need to step back and assess how to best address changing landscapes and strategize to meet business goals

Common Challenges:

- Defining and operationalizing strategy
- Industry thought leadership
- Risk, compliance, operational excellence
- Leading large-scale transformations

TECHNOLOGY SOLUTIONS

Build and Modernize

You know where you need to go and what you must accomplish. Now you need to scope and build a plan to meet those milestones.

Common Challenges:

- Enterprise and solutions architecture
- Requirements development
- Custom solution development
- DevOps and Cloud enablement



STAFFING

Talent on Demand

You know where you are going and how you are going to get there. You need the ability rapidly and reliably staff high-quality resources that manifest your vision

Common Challenges:

- Talent acquisition and retention
- Optimizing IT resources
- Rapidly scaling up/down to demand
- Improving cost structure and efficiency of All IT Ops

MANAGED SERVICES

Optimize and Run

You need to manage your existing applications in a cost-effective manor. Or you need shared services that dynamically scale to the ebb and flow of your business

Common Challenges:

- Application maintenance and support
- Infrastructure management
- Quality assurance and testing

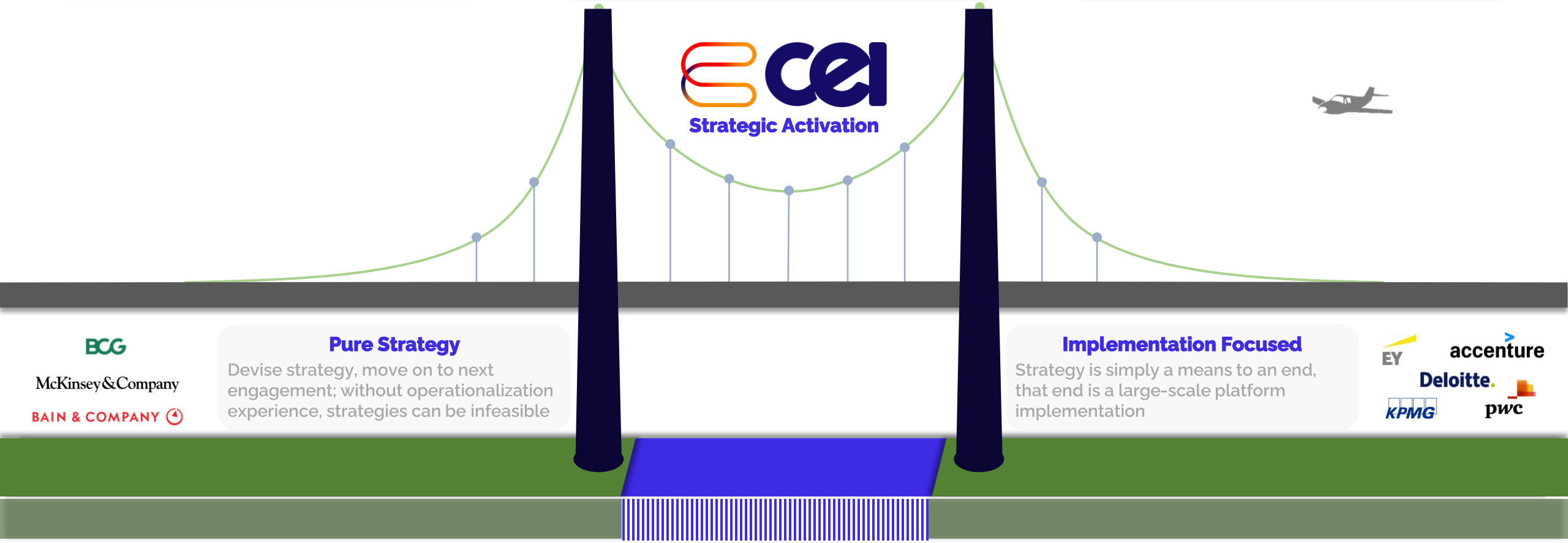
CEI Strategy and Advisory

Strategic Activation: We bridge the gap between strategy and implementation

Competitive Advantage
Our consultants, top performers from the Big 5 firms, are available at a *competitive price point*

Market Position
Strategic Activation, we bridge the gap between strategy and implementation

Strategic Activation
The art of persuading organizations to align around, engage with, and adopt new ways of working to achieve a shared vision



BCG
McKinsey&Company
BAIN & COMPANY

Pure Strategy
Devise strategy, move on to next engagement; without operationalization experience, strategies can be infeasible

Implementation Focused
Strategy is simply a means to an end, that end is a large-scale platform implementation

EY accenture Deloitte. KPMG pwc

CEI Strategy and Advisory Financial Services Practice

DOMAIN KNOWLEDGE

CAPITAL MARKETS	INVESTMENT MANAGEMENT	COMMERCIAL BANKING	RETAIL BANKING	PRIVATE EQUITY
• Investment Banking • Trade Processing • Settlements • Reconciliation	• Wealth Management • Portfolio Management • Asset Management and Servicing • Securities-Based Lending	• Lending Operations • Asset-Based Lending • C&I, CRE Lending • Pricing Management • Regulatory Operations	• Retail Deposits • Personal Lending & Card • Mortgage Servicing Origination	• IT, Market, Operations, Supply Chain • Post acquisition strategy and execution • Governance & Reporting • Technology Enablement

- Regulatory Operations and Reporting
- Payments
- Anti Money Laundering

TECHNOLOGY EXPERTISE

- Enterprise Architecture
- Platform Strategy
- Robotics Process Automation
- Lending Systems
- GRC Systems
- Data Management, MDM and Governance
- Product and Technology Alignment
- Artificial Intelligence
- Due Diligence & Platform Selection
- Trading Systems
- Analytics, Reporting and Visualization
- API, Microservices, Enterprise Integration
- Enterprise Content Management
- Core Banking Systems
- Fintech Platforms and Ecosystems

BUSINESS DISCIPLINE

- Program / Project Management
- Product Strategy and Management
- Strategic Initiatives Management
- Business Transformation
- Digital Transformation
- Organizational Change Management
- Agile Delivery
- Operating Models / Organizational Design
- Business Architecture
- Operational Excellence
- Operations Performance Management
- Process Reengineering & Optimization
- Customer Experience Strategy
- Risk, Compliance and Regulatory
- Data Strategy

- **Anti Money Laundering**
- **Due Diligence & Platform Selection**
- **Operating Models / Organizational Design**

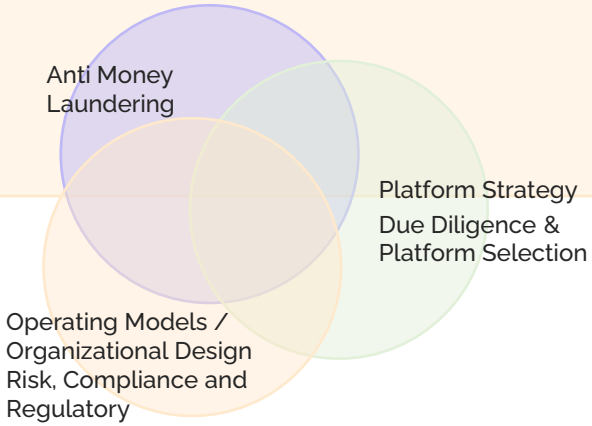
Transformation Qualifications and Recent Engagements

We have helped industry leaders design and implement significant changes to their businesses

AML Platform Implementation

Mid-sized U.S. Based Commercial Bank

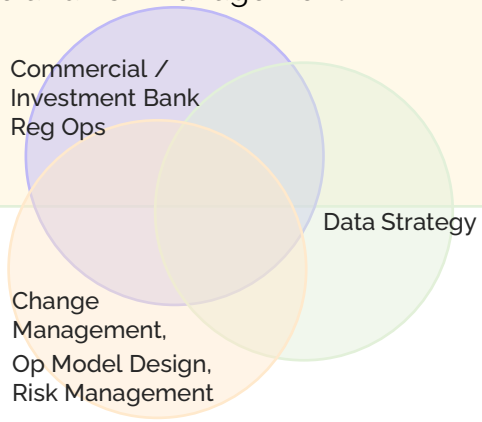
- Developed a target state operating model for AML operations focusing on shifting AML activity away from the lines of business
- The target state focused on shifting to more automated processes and standardizing customer onboarding, KYC, CIP and due diligence across all lines of business
- Conducted RFI, RFP, and selection of an end-to-end AML platform solution to achieve the bank's strategic goals and objectives
- Drafted implementation and change management plan to successfully integrate the selected AML platform



Regulatory Ops & Data Transformation

Large Multinational Commercial and Investment Bank

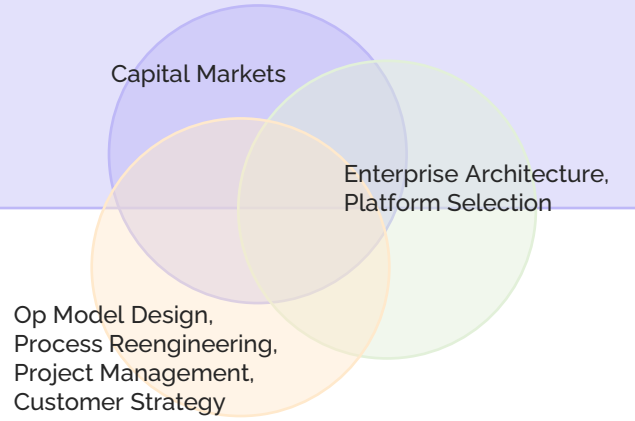
- Managed the design, build, implementation and change management components of a new Global Operating Model within Regulatory Operations
- The model supported the corporate functions and business lines in meeting regulators' requirements enabled by global data and technology in jurisdictions around the globe
- Built the operating model for legal entity management necessitated by the transition to a Bank Holding Company
- Provided ongoing support for regulatory change and risk management



Business Process Transformation

Government Financial Regulatory Agency

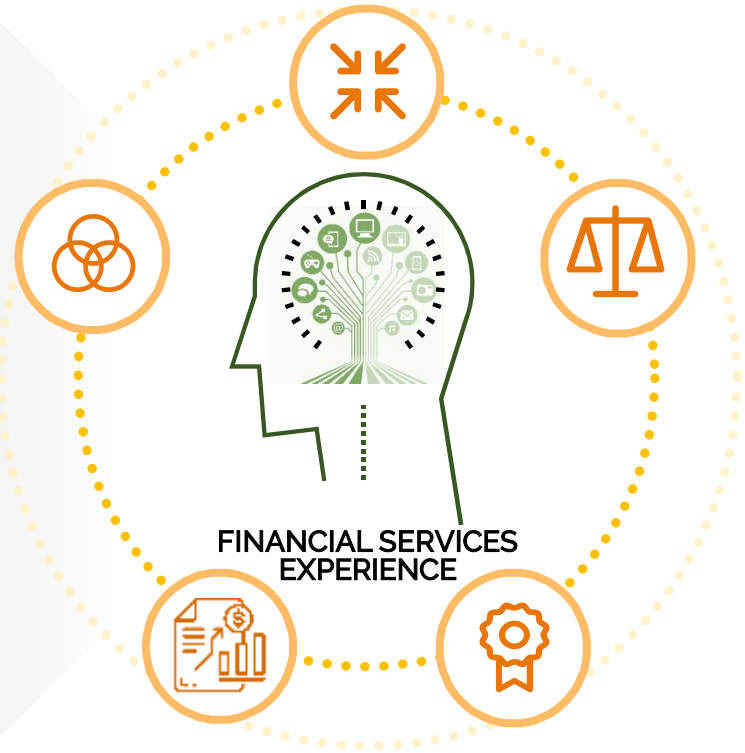
- Designed the target operating model in conjunction with a process reengineering transformation program for a government financial regulatory body
- Recommended a new organizational model and business processes that could enable more efficient service to key customers and constituents
- The new model and processes were then used as the basis for the selection and implementation of an enhanced systems infrastructure (including Salesforce.com)



Select Financial Services Advisory Clients

From regulatory agencies and GSEs to universals and multinationals

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Texas Capital Bank
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Swiss Re
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End-to-End AML Lifecycle

Each phase of the credit life-cycle presents a unique challenges and opportunities

Onboarding	Screening	Monitoring	Remediation	Reporting
Gather customer information and create a customer profile	*Review customer information against sanctioned lists to determine if the Bank can provide services*	*Ensure existing customers do not become sanctioned and identifying whether there are any suspicious transactions*	*Review and decision all suspicious activity and positive screening results*	*Conduct ongoing reporting to identify any emerging risks, inefficiencies, and/or gaps*

Challenges

RMs are responsible for identifying AML triggers and CIP exceptions	AML triggers and red flags are not immediately identified	Proactively identifying suspicious activity and freezing accounts	Cases are not escalated to the correct group/ individual	Generating and filing SARs and CTRs in a timely manner
Customers burdened to provide publicly available information for onboarding	Siloed approach to negative news and list screening prevent information sharing	Establishing transaction monitoring rules and parameters to limit the number of false positive result	Prioritization of escalated cases for review and decisioning	Establishing the KPIs to identify inefficiencies and improve AI & ML
Multiple customer outreaches lead to a negative customer experience	Inconsistent list screening results due to multiple systems being used	Standardizing escalation channel for CIP, list screening, and AML triggers	Obtaining all necessary supporting information for escalations	Manual efforts to standardize data to generate reports
Long onboarding times leading to customer abandonment	Manual list screening requires a significant amount of time		Evenly distributing workloads among employees	

Across the Lifecycle

Optimize utilization of systems and platforms	Standardize data structure and quality
Maintain compliance with current regulatory requirements	Ensure proper workloads are maintained among employees
Document all account activity tied to accounts to establish a proper audit trail	Integrate technology and automation across the AML lifecycle

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