



Case Study

## Confronting the Complexities of Financial Regulation with a Customer Centric Approach

### Applying Master Data Management & Data Governance Process for Asset Liquidity Regulation.

For large financial services organisations, it is essential that they understand their data frameworks and processes for complying with legislation such as Basel II, Anti-Money Laundering, FSCS, and SoX, amongst others.

Whilst these processes are not unique to UK banking institutions, having a customer centric approach to resolving them can be. Forward thinking Financial Institutions are enacting customer centric Information Management roadmaps, up to ten years ahead, to create accurate, reliable and sustainable information within a secure, 'single source of truth' data environment using IPL's experience in Master Data Management (MDM) and Data Governance.

#### Future Initiatives

The banking industry is being placed under increasing scrutiny with ever more rules and reporting requirements. For instance, the 'Know Your Customer' rules embodied in Basel II, Anti-Money Laundering and Mifid have been augmented by Liquidity and Bank Capitalisation. In addition, the Financial Services Compensation Scheme specifically requires visibility of all customer records, so that the Government can guarantee any lost assets.

These regulations require a significant amount of Information Management, and thus typically, a restructuring of sensitive and valuable data. Such problems directly confront all Financial Institutions in the United Kingdom, therefore requiring expert assistance to remedy the situation.

IPL, an IT services company specialising in Information Management and Business Intelligence, has devised strategies which allow customer records to be restructured in such a way that not only ensure compliance with the broad objectives, but that also become a framework for future initiatives.

#### Onerous Task

With the introduction of new legislative requirements, most notably the Financial Services Compensation Scheme, banks have to ensure customer records are being effectively managed, organised and stored. Steve Alexander, Banking & Finance Divisional Director at IPL explains, "The Financial Services Compensation Scheme (FSCS) is a government assurance that compensates customers of all authorised financial services organisations in the UK in the event of insolvency. To demonstrate compliance, financial institutions had to be able to show the Government a profile of each of their customers, including a history of all the products the customers have with them and a summary of the assets those customers would be 'owed' should the worst happen."

#### Preparation

Aside from the FSCS, multiple other pieces of legislation require similar Information Management to meet additional objectives. Alexander continues, "Basel II and Mifid require data to be structured in a particular way in order to become and remain compliant, but it is not just these immediate pressures that drives our customers towards rethinking their approach. These recent pieces of legislation are a clear sign of the need to have both a customer-centric attitude to data and a greater degree of flexibility in the way it is managed. Such flexibility ensures compliance with future legislation and also a greater understanding of customers' needs. Simply put, the demands are an early warning of the way the industry is inevitably moving, both legislatively and in customer relationships, and we and our customers have to start preparations immediately."

#### Point Solution

Examples of how IPL's customer base is addressing this challenge can be seen in a particular client investing in technology such as Oracle's Customer Hub – a Customer Data Integration (CDI) solution that centralises information from disparate systems to create a single customer view. The Oracle solution knits together various product and customer databases that had until then been siloed, allowing them to see all records for any given customer.

However, as Alexander makes clear, the investment in an enterprise-scale data solution was insufficient, "There was a very real danger that the roll-out of the Customer Hub would merely end up being a short term point solution that only satisfied the FSCS requirements, when instead, the bank required a framework that could meet future Information Management criteria moving forward."

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# Confronting the Complexities of Financial Regulation with a Customer Centric Approach

### Strategic Roadmap

As a result, the bank looked for external advice, and after a rigorous selection process, IPL was chosen to carry out a Master Data Management and Data Governance project to deliver a ten year customer centric Information Roadmap.

The selection was made primarily because of the company's experience in the banking and finance sector and thus its ability to benchmark against other key players in the industry. Chris Bradley, IPL's Director of Business Consulting summarises the project. "We made sure the Master Data Management and Data Governance programme not only met its initial requirements, but we also assessed how it could be scoped to have a positive impact on the business as a whole. Our longer term view of the project meant our project planning mirrored our customer's own ambitions."

Bradley continues, "In order to future-proof the business and generate the most return from this large financial institution's investment in the Oracle Customer Hub, the roll-out required our specialist involvement. Purchasing another point solution would have done more harm than good, creating another repository of data that satisfied a single particular need."

Successfully completed, the task has allowed the financial institution to match up its customer records for a single view, but also ensure that every client has the same experience when engaging with the bank, irrespective of the channel through which they communicate.

"What started out as a compliance exercise has, because of our experience in the industry and in Information Management, evolved into a hugely useful CRM project, with ramifications and benefits that will continue far into the future," concludes Bradley.

"Indeed published research shows that above average and best in class organisations have attained greater than 20 percent annual improvement in retention rates, revenues, data accuracy and partner/customer satisfaction rates."

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