

PRIMARY INDUSTRY:

Banking

LINES OF BUSINESS:

- Commercial and Business Lending
- Commercial Real Estate Lending
- Treasury Management, Capital Markets, and Insurance Services
- Consumer Banking
- Residential Mortgage and Home Equity Lending
- Private Banking, Trust, Retirement Services, and Asset Management

SIZE OF OPERATIONS*:

- \$27 billion in assets
- \$19 billion in deposits
- \$18 billion in loans
- \$2.8 billion market capitalization

*Q4 2014

ABOUT THE COMPANY:

Associated Banc-Corp is a U.S. regional bank holding company providing retail, commercial banking, commercial real estate lending, private client, and specialized financial services. Associated Banc-Corp is one of the top 50 publicly traded U.S. bank holding companies. Headquartered in Green Bay, Wisconsin, Associated Bank has over 200 banking locations, serving more than 100 communities throughout Wisconsin, Illinois, and Minnesota and has commercial financial services in Indiana, Michigan, Missouri, Ohio, and Texas.



FROM REGULATORY PRESSURE TO FINANCIAL INTELLIGENCE

Faced with intense regulatory scrutiny and a mandate from the highest levels of the bank for swift remediation, the project team at Associated Bank came together to complete an extremely aggressive vendor selection and implementation. The project entailed rebuilding BSA/AML programs from the ground up, and building its vision of a holistic view across financial intelligence. The following case study outlines the challenges faced, the solutions implemented, and the results.

ONE YEAR TO ACT

Expedited Vendor Selection Process

Charged with a tight timeframe to turn the program around, the project team began the process of vendor selection at the end of 2011 with the goal of full deployment by the fourth quarter of 2012. Using a shortlist based on Gartner's Magic Quadrants, Associated Bank began its expedited selection process. Two of the most critical elements required were the time-to-market capabilities and out-of-the-box functionalities that would allow the project to get up and running quickly.

During the selection process, the vendor selection team requested a proof of concept, using test data they provided, in a practical application, to ensure that the team was able to see the program in action and not simply in a prepared presentation. According to Nicole Kitowski, Senior Vice President, BSA/AML/OFAC Security Officer at Associated Bank, "Actimize did a good job of being able to display and show that they had functionality currently available, that it was also highly configurable, that we would be able to maintain it with the skill sets available within our institution, and that the timeframe could be supported." Ultimately Associated Bank selected Actimize to deploy Actimize's Customer Due Diligence (CDD), Suspicious Activity (transaction) Monitoring (SAM) and Risk Case Manager (RCM) solutions.

Aggressive Implementation Window

The urgency demonstrated during vendor selection carried over to the implementation process, with a goal of nine months to complete all data mapping, conversion, and implementation. The Associated Bank team cited several attributes that contributed to the project's success including strong organization, documentation support, leadership, and decision-making.

Additionally, the team was co-located to ensure focus and minimal distraction. The team included additional technology groups like development, data mapping, data warehouse, and systems experts. The BSA/AML line of business brought its expertise on the current systems, monitoring requirements, and regulations support. A consultant was engaged to assist with documentation, conceptual soundness, data integrity testing, and recommendations around rule deployment.

Associated Bank took an iterative approach to implementation, going into production in November of 2012 with only a few rules live at launch. The old system ran concurrently with the Actimize solutions for two to three months while the old system phased out and new rules turned on in the Actimize systems. The entire project implementation occurred between January and November of 2012.

Deployed Solutions Working Together

Associated Bank deployed Actimize's CDD, SAM and RCM solutions and the team highlighted the value they have found in leveraging CDD, SAM, and RCM solutions in tandem.

Actimize's CDD solution is part of a total customer and transaction control process that utilizes information across systems. According to Kitowski, "one of the benefits of tying the risk score into transaction monitoring is being able to provide increase transactional scrutiny for our highest risk customer base due to the linkages." The team currently employs several active monitoring rules with Actimize's SAM solution and Kitowski notes that we have been able to leverage quite a bit of functionality and configurability by way of thresholds, algorithms, entity functionalities and recurrence and occurrence scoring."

Today, Actimize's RCM system is deployed beyond the BSA/AML world at Associated Bank, being utilized by the bank's financial intelligence team. In the summer of 2014, fraud, financial investigations, physical security, and BSA/AML groups converged, deploying case management across this entire new financial intelligence group. The goal was to begin to see reviews across the various investigative spaces, enable information sharing, and gain a holistic view of the customer across financial intelligence.

THE BENEFITS TWO YEARS ON

According to Kitowski, "some of the benefits [we have seen] are tied to the financial intelligence or investigation world. Certainly it has created, with the increased transparency and reporting, a much better handle of the customer base and enabled us to engage with the lines of business and create increased partnerships and collaboration because we have better reporting and data.

Other specific benefits that the team has seen include:

- Process efficiencies as a result of the elimination of paper-based processes
- Improved false positive rates due to extensive tuning
- Improved process and documentation for regulatory and model validation support
- Streamlining and driving efficiencies without having to add staff, i.e. data scientists who can provide support with data analysis, projections and forecasting to make better decisions

Then & Now – No Comparison

Asked to compare its systems today to pre-implementation, Kitowski stated, “the fact of the matter is the system we were running previously was not scalable to the size of the institution. There was very little by way of configuration, thresholds, collective monitoring, and really fell short on many control components.” According to the team, there was very little that did not get reconfigured or reestablished. The three main differences that the team highlighted include:

- **Manual to Automated** – From a paper-based process where analysts went to the bin to pick up their cases and took that paper back to do analytics to an automated and very systematically driven process
- **Reporting Ability** – From few, if any, reports for executive management oversight to automated and easy reporting functionality
- **Consolidation of Systems** – From separate transaction monitoring and case management systems, each with its own flaws and limitations, to the consolidated Actimize solutions enabling a holistic view across financial intelligence

EVOLUTION TO KEEP PACE WITH REGULATION

Not only did Associated Bank need to address the existing regulatory concerns, but the new system also needed to be adaptable and scalable for future changes and requirements. Some of the developments and ongoing positive impacts include:

- Tying customer risk scoring into rules, allowing the team to leverage this information for additional scrutiny
- Increasing the number of population groups to get better thresholds at a more granular level based on customer type, positively impacting tuning and effectiveness
- Bringing other entity transactions into the system to enable monitoring across a single source system

Says Kitowski of the process, “we have been very pleased that we hit the implementation within the target timeline. This was one of the more aggressive implementations. We implemented a complex system with many data feeds and imports, quickly and accurately. It has been able to stand up against model validation and syntax validation, as well as regulatory reviews.”

ADVICE TO PEERS CONSIDERING A SIMILAR PROJECT:

Think about model validation at the very beginning and ensure that you have:

- Documentation and organization to support conceptual soundness
- Strong configuration, procedures, integrity, controls, and testing
- Discipline on these issues must be enforced from the beginning and throughout the process

Data mapping is painful, but doing it right is a cornerstone of success. Ensure that you:

- Have the right data mapped in the right places and used the right way
- Think in the right terms, the difference between transaction or banking terms can make or break the project
- Leverage lessons learned from others who have done this before, either third-parties or peers
- Have direct access to data which is critical for flexibility and reporting

What began as a race to remediation, to lift regulatory scrutiny, and ease pressure from the highest levels of the bank, has since become a success story for understanding how systems can work together to provide actionable insight. Associated Bank's one-time burden of incredible regulatory pressure has since resulted in a holistic view of the customer across its financial intelligence unit.

ABOUT NICE ACTIMIZE

NICE Actimize is the largest and broadest provider of financial crime, risk and compliance solutions for regional and global financial institutions, as well as government regulators. Consistently ranked as number one in the space, NICE Actimize experts apply innovative technology to protect institutions and safeguard consumers and investors assets by identifying financial crime, preventing fraud and providing regulatory compliance. The company provides real-time, cross-channel fraud prevention, anti-money laundering detection, and trading surveillance solutions that address such concerns as payment fraud, cybercrime, sanctions monitoring, market abuse, customer due diligence and insider trading.