

White Paper

Enterprise-wide Risk Case Management

Categorizing Costs and
Savings for Clearer Return
on Investment (ROI)



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Executive Summary

Greater losses from financial crime incidents, pressure to reduce operational costs, and increased regulatory penalties have highlighted the importance of an effective enterprise-wide risk case management approach for financial institutions of all sizes. Across the industry, firms are feeling pressure both externally and internally to improve productivity, quality, and security while lowering costs and improving customer experience.

Disparate, legacy systems and data silos limit both investigations and access to critical, related information. Data, information, and investigation silos increase maintenance, support, operational, and training costs. Increasingly, the information gaps created by these segmented data silos are recognized as a main driver of regulatory, compliance, and reputational risk. Financial criminals, both outside and inside the firm, exploit the gaps that exist between financial crime prevention systems that focus only on a single channel, line of business, or region. In addition, inconsistent processes and the lack of an enterprise view creates areas of financial crime and regulatory risk.

Questions are being raised about the efficiency and effectiveness of continuing with the 'siloed approach' for risk case management, given the overlap between common operations in business lines, the tendency for more complex financial crime schemes to span multiple lines of business and channels, and the need for regulatory standards to be applied consistently across business lines and multiple jurisdictions.

In response to cost and resource constraints, leading financial institutions are moving toward a holistic approach to risk case management, consolidating information from traditionally separated groups into a single, enterprise-wide source. Firms recognize that a complete understanding of criminal activity or regulatory violations is best developed by combining and investigating multiple risk factors, across systems and lines of business. While the logic of this strategy is clear, the path toward a real-world solution has not been.

With financial institutions looking to lower costs, the expense and effort of integrating systems from across the entire organization into a central interface, as well as countering the established mindset of fragmented, independently-operating groups to take advantage of consolidated data and systems, may at first seem too big of an investment and one that is difficult to justify to management.

As with many business decisions, it is essential to know, categorize, and quantify the potential benefits, from reducing costs to improving quality, in order to create a compelling case for technology investment. Getting management buy-in is driven by highlighting the costs and savings realized through the use of an enterprise risk case management tool.

This white paper details the organizational benefits gained through the adoption of enterprise risk case management technology and categorizes the hard costs and savings, tangible monetary outlays that can be identified on a balance sheet such as hardware and personnel expenditure, and soft costs and savings, intangible expenses such as time lost due to process inefficiencies. Combining these costs with the potential savings gained from such a technology presents a clear return on investment (ROI), enabling a firm to assess not only the viability, but also the clear benefits of an enterprise-wide risk case management strategy.



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**INCREASING FLEXIBILITY,
REDUCING COSTS AT A TOP
GLOBAL INVESTMENT BANK**

Challenge

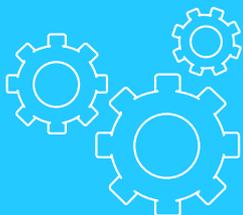


Increase oversight & process control across compliance investigations



Lower costs for compliance case management processes

Solution



Consolidated 12 process interfaces into Actimize Enterprise Risk Case Manager (ERCM) solution

Implemented business user investigation and query interface, manual forms, and workflow

Results

- ➡ Projected 40% annual cost reductions in IT spend
- ➡ Reduced licenses, hardware decommissioning, support staff
- ➡ Reduced risk with broader cross-line of business monitoring capabilities
- ➡ Consolidated development resources and improved future flexibility

Five Categories of Costs & Savings

Quantifying the cost of business issues and processes provides the opportunity to demonstrate to senior management the benefits of making a strategic investment in enterprise risk case management that can reduce costs and address productivity, quality, and security issues.

Enterprise risk case management technology provides cost savings in five key categories:

- Operations management—cost savings resulting from improvements in the efficiency and management of operational teams and processes
- Regulatory risk—costs savings from enabling groups responsible for organizational compliance and risk case management to lower expenses while reducing risk exposure
- Losses and recoveries—cost savings from reductions in losses incurred by the institution due to lack of deterrence, unidentified financial crimes, or inefficient event response
- Maintenance and hardware—cost savings from consolidation of multiple hardware platforms, reducing the ongoing expense of system procurement and maintenance
- Development -- cost savings from development tools, reducing the cost of adapting processes in response to regulatory changes, internal changes, and emerging threats

Calculating the return on investment (ROI) for an enterprise risk case management solution requires assessing current operations, highlighting the cost for each category, and comparing these to the potential efficiencies and synergies gained through automating processes, reducing redundant systems, and consolidating data and operations.

Improve Operations Management

Enterprise risk case management technology allows firms to improve the efficiency and management of their operational teams and processes. Recognizing the synergies between redundant operations and systems and consolidating information from multiple sources into a single

application provides immediate cost savings and improves visibility of financial crime risks across the enterprise. By using a single, unified solution to automate alert processing, alert routing, and audit and regulatory reporting, the organization can improve quality, reduce duplication of efforts, and monitor employee productivity. A single enterprise risk case management solution also saves the organization from having to retrain users on different systems, providing a more agile workforce.

Enterprise risk case management technology automates manual processes, enabling financial institutions to perform required actions such as investigating alerts, conducting research, processing paperwork, or filing reports. Automation also helps organizations improve accuracy of investigations which shortens resolution times and makes more efficient use of employee resources. Firms can realize savings from an increase in productivity and quality—especially for more resource-intensive functions. The ability to use existing staff to achieve better results in less time allows groups to eliminate investigation backlogs while staying within already strained departmental budgets, and even provides opportunities to work on other, more beneficial, revenue-generating projects. Some of the process efficiencies enterprise risk case management technology provides to financial institutions include the ability to:

- Route alerts or incidents directly to the appropriate group or individual based on information within the alert, reducing duplicate efforts and facilitating quicker responses
- Automatically process low-risk alerts or electronically file regulatory reports without human intervention, allowing analysts and supervisors to concentrate on more critical tasks
- Prioritize and escalate high-risk events in real time, enabling firms to prevent issues like losses, data theft, insider trading, and regulatory violations across the organization
- Display related entity information and activity within the alert, exposing otherwise unknown relationships with high-risk and/or criminal entities
- Monitor employee productivity with operations dashboards, improving investigation workflow, providing optimal distribution of alert workload, and addressing issues proactively

By consolidating multiple systems into a single enterprise risk case management solution, users can access multiple data sources and systems through one interface, improving productivity and reducing investigation time. Connecting disparate systems into a single solution also eliminates time-consuming data entry, reduces chances of human error, and provides a snapshot of all customer activity, enabling users to be more proactive and productive. Automatically-generated dashboards, management information reports, and audit reports reduce the need for users to compile this information or submit document and report requests to IT, freeing up firm resources. Additionally, the ability to conduct advanced query and sequence analysis from within the enterprise risk case management solution eliminates the need to search multiple systems, shortening incident resolution time and uncovering complex, emerging threats.

The adoption of an enterprise-wide risk case management approach provides financial institutions with additional savings in user training. With a single solution accessed by multiple departments and groups, employees can more easily assist with overflow from other groups, with minimal or no re-training, since these different departments utilize a common enterprise risk case management solution. While investigators in each group possess different and specialized skill sets unique to their function, analysts from other groups can handle basic operations, such as document or account verification for alerts with low-risk scores, to reduce investigation backlogs. This provides the organization with a more flexible workforce and reduces the time and expense of hiring and training new employees, especially for isolated or seasonal periods of higher alert activity.



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DOING MORE WITH LESS IN A COMPLEX FIRM

Challenge



Multiple legacy alerting solutions and complex structure due to M&A activity

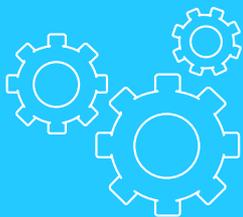


Federated financial intelligence unit with vertical AML service and line of business-focused fraud monitoring



Pressure to reduce costs while reducing regulatory risk

Solution



Ingest alerts from legacy systems into Actimize Enterprise Risk Case Manager (ERCM)

Integrate fraud and AML investigation activity using common application

Aggregate alerts based on Tax ID to reduce duplicate investigations and speed issue resolution

Results

- ➡ Reduced fraud and AML staff by 20%
- ➡ Centralized SAR filing process, ensuring consistency and lowering costs
- ➡ Enabled an enterprise view for both control testing & operational reporting
- ➡ Allowed departments to retain level of autonomy within shared infrastructure

Mitigate Regulatory Risks

Many organizations see the costs associated with compliance and risk case management as a “necessary evil”; an expense that, though significant, is unavoidable for fear of the financial, reputational, or regulatory consequences. Enterprise risk case management solutions enable groups responsible for ensuring compliance and safeguarding organizations to lower expenses while also reducing exposure to monetary penalties, enforcement actions, and reputational damage from enforcement actions. Enterprise risk case management technology also provides the ability to maintain more control over customer information, regulatory filings, and the organization’s response to internal and external threats.

As noted previously, consolidating information from multiple systems into a single interface provides users with easy access to information across the organization. This not only increases productivity, but also correlates incidents from multiple channels, providing a more holistic view of customer and employee activity. Many large financial institutions have used this methodology to create organization-wide “Financial Intelligence Units”, routing all alerts or incidents of a given type to a single global team. This ensures such incidents are handled quickly and efficiently and allows firms to correlate high-risk activities, spotting trends across different regions that would go unnoticed in disparate investigation units. Investigators can then proactively block and/or investigate potentially suspicious activity across the institution’s global footprint, reducing risk and preventing illegal activity in real time. Consolidated customer records provide additional efficiency by ensuring accurate and complete information is available and that proper due diligence has been performed on an account holder, rather than conducting iterative reviews in each business line. For sanctions and Know Your Customer screening, this centralized information increases confidence that your firm is not transacting with blacklisted or high-risk individuals, greatly reducing the risk of regulatory violations and penalties.

Another advantage of incorporating multiple systems into a single solution is the ability to process and file a greater number of regulatory reports through a single location. Automation of the reporting process ensures that the most updated, accurate customer and account data is populated into the appropriate form automatically, reducing errors and the need for

correcting and resubmitting reports. This also ensures that investigations are conducted according to company standards, progressing to the next step only when required actions are completed, and that alert resolution and filing deadlines are met, generating workflow reminders and automated escalation notifications if an alert or report fails to progress to a given step by a predefined time. With regulators requiring more exacting standards concerning report accuracy and timeliness, the ability to increase quality and speed at current staffing levels can provide significant savings.

Lastly, enterprise risk case management provides the oversight and security needed to manage the organization's response to internal threats and policy violations. Granular field and record-level permissions allow customized authorization, permitting certain users, groups, or roles to access only the information within their given responsibility. Automated audit of users provides an unalterable system of record for all actions, making each user accountable for his/her actions and alleviating the burden of compiling this information for regulators. Maintaining strict controls on employee access to both company and customer information reduces the risk of regulatory penalties for compliance and privacy violations and reputational harm and customer attrition from public exposure of data breaches by internal staff. And finally, the ability to distribute regulations, policies, and operational updates and track attestations and responses helps organizations demonstrate awareness of rules to regulators and foster a culture of compliance.



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FIGHTING CRIME WITH AN ENTERPRISE VIEW AT A TIER 1 GLOBAL BANK

Challenge



Central Fraud Unit with eight systems for online, deposit & credit fraud detection

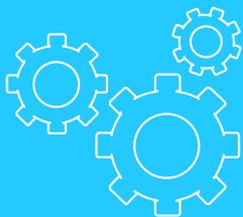


Disparate systems increase resolution time, prevent holistic view of fraud risk



Need to ensure timely and accurate customer-centric fraud management

Solution



Ingest alerts from disparate systems into Actimize Enterprise Risk Case Manager (ERCM)

Normalize score across alerting systems to generate unified risk profiles

Standardize approach to sharing/consolidation with best practices

Results

- ➡ Support same number of users with half the IT support team
- ➡ Reduced false positives from 1:250 to 1:25 with alert consolidation and prioritization
- ➡ Centralized data from disparate lines of business while preserving data security

Reduce Monetary Losses

One of the areas in which financial institutions are most eager to lower costs is in the form of losses. These expensive and often public events can cost financial institutions directly, through theft of firm and customer assets, as well as indirectly, in terms of reputational damage. Enterprise risk case management technology can reduce the amount of losses incurred by the institution due to identifying, preventing, and proactively responding to events. Consolidating data from multiple detection systems into a single enterprise risk case management solution provides supervisors and managers with a complete view of risk and exposures, giving them the information needed to develop a strategy and address criminal schemes in real time. Dashboards and reports allow institutions to gain a more holistic view of risk across the entire organization as well as the ability to see trends in specific lines of business or regions.

By identifying and stopping criminal attempts earlier, financial institutions can prevent or reduce losses of both monetary and data assets. Consolidation and “smart linking” of alerts (implicit correlation by common data points) across lines of business, channels, products, regions, and financial crime detection systems improves alert quality and enables investigators to identify complex schemes that may otherwise go unnoticed. These include incidents that may seem low risk when viewed in isolation, but, when combined with other related incidents from different systems, are in fact truly suspicious, high-risk activities. For example, if a customer changes his/her address, this may be viewed within a single detection system as low risk. However, if this activity is combined with activity from other systems, such as the request for a new bank card and/or new beneficiary at this new address followed by higher than average withdrawal activity, this could be a high risk. Enterprise risk case management technology provides visibility across all customer touch points, including ATM, call center, online, and branch, allowing firms to quickly identify suspicious activity and prevent funds from leaving the bank in real time.

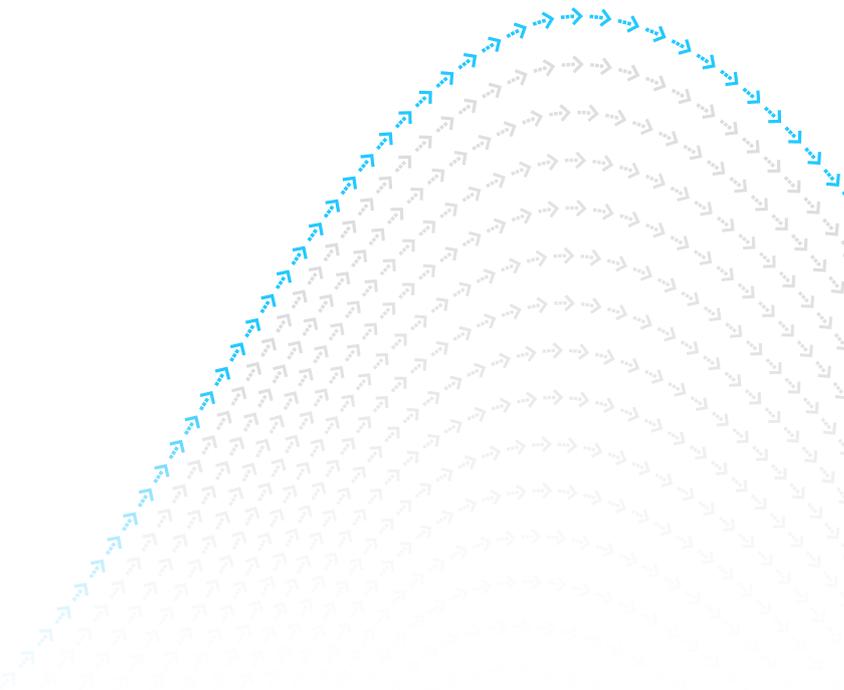
Another area in which investigators can leverage an enterprise-wide risk case management strategy is investigating suspected complex criminal attempts. With advanced querying tools, analysts can take advantage of the aggregated data provided by an enterprise risk case management solution to search for similar incidents, uncover suspicious relationships, and connect-the-dots between a sequence of events

and the activity across multiple channels. Presented with an intuitive, graphical depiction of suspect relationships, analysts can easily identify connections to other entities, accounts, and transactions and conduct further investigation on those implicit relationships. More robust enterprise risk case management solutions also allow the user to create rules and adjust parameters on-the-fly, enabling institutions to prevent similar fraud schemes once the first has been identified, stopping funds from leaving the bank and protecting firm and customer assets in real time. Firms can then document, generate reports, and electronically submit evidence of fraud attempts to regulators or law enforcement quickly and with fewer human touch points.

The indirect result of an effective enterprise-wide risk case management strategy is to deter criminal activity both internally and externally. Criminals look for the path of least resistance, so when an institution makes perpetrating crimes difficult, time consuming, or financially unrewarding, they move onto the next, less secure target. For employees contemplating criminal activity, the knowledge that their actions are not only monitored, but also correlated across various systems and channels, may be enough to deter impropriety. In addition, the ability to combine both financial and non-financial transactional activity can identify suspicious employee activity trends, such as policy violations, before actual theft of data or monetary assets.



Enterprise risk case management technology provides visibility across all customer touch points allowing firms to quickly identify suspicious activity and prevent funds from leaving the bank in real time



Reduce Maintenance and Hardware Costs

One of the inherent benefits of reducing the number of systems used to perform a common operation is the ability to consolidate multiple hardware platforms. This reduces the ongoing cost of procuring and maintaining databases, servers, and applications and the need for specialized IT personnel to support different systems and platforms for each group of users.

By combining multiple, redundant systems into a single enterprise risk case management solution, the impact on the business can be recognized both in terms of direct and indirect costs. The phasing-out of third-party, legacy systems results in lower license costs, producing immediate savings for the firm. These older systems often represent significant maintenance and support costs as well; consolidating these outdated systems allows IT staff to reduce service request backlogs and work on additional projects, increasing efficiency and benefiting the entire organization.

Additionally, having a single enterprise risk case management technology across the organization creates a more versatile and consistent IT support group, eliminating the dependency on IT staff with specialized training on particular legacy systems and hardware platforms. The consolidation of multiple systems into single, more flexible solution provides a common platform that can be maintained by a centrally-located IT group or coordinated groups of IT personnel in various regions. For global institutions, the ability to use the same enterprise risk case management solution across the organization streamlines service requests and enables IT to deal with support and maintenance issues beyond a single region or line of business.



The ability to use the same solution across the organization streamlines service requests and lowers dependence on IT

Better Manage Development Costs

Enterprise risk case management technology provides financial institutions with the necessary development tools to adapt to market and business changes quickly and inexpensively. This provides critical business flexibility while reducing the cost of adapting processes in response to regulatory changes (e.g., FinCEN changes to SAR filing format), internal changes (e.g., onboarding new products), and emerging threats (e.g., increase in suspicious activity from specific IP addresses).

With the ability to configure out-of-the-box parameters and business rules without IT or vendor involvement, enterprise risk case management solutions provide business users greater control and immediate results, without added expense. This enables firms to adapt and update processes, business rules, and reporting procedures to fit changing business and regulatory needs, such as organizational restructuring, new fraud schemes, or changes to regulatory filing format or processes. Enterprise risk case management technology also provides easier integration with and adoption of new systems and business entities, since these can be incorporated into a consistent, intuitive interface with little to no impact to the user. This allows institutions greater flexibility and agility for reorganization and process management, as modifications can be made from a central location instead of iteratively in multiple systems, regions, and lines of business. The ability to react to market and regulatory changes can provide not only significant development and integration savings, but also opportunities for revenue generation, including the ability to launch a new product or service offering faster by developing the necessary compliance controls and detection rules quickly and easily.

Reducing the time and number of resources allocated to system development and customization can produce significant savings and enable the institution to remain more flexible and less dependent on expensive vendor or limited IT staff. Design-time tools and APIs provide extensibility, allowing experienced users to customize processes and parameters and integrate new business entities and products without additional licenses or professional services costs. This flexibility and adaptability helps firms leverage their existing investment to continuously improve operations and functionality.

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REDUCING COMPLIANCE RISK AT A REGIONAL US RETAIL BANK

Challenge



Gaps in online fraud coverage and inability to correlate links between redundant systems



Increasing pressure on AML compliance from regulators



Need to transition to new FinCEN SAR filing form

Solution

- Merge fraud and AML technologies into Actimize ERCM
- Automate fraud detection and AML compliance processes
- Normalize score across alerting systems to generate unified risk profiles

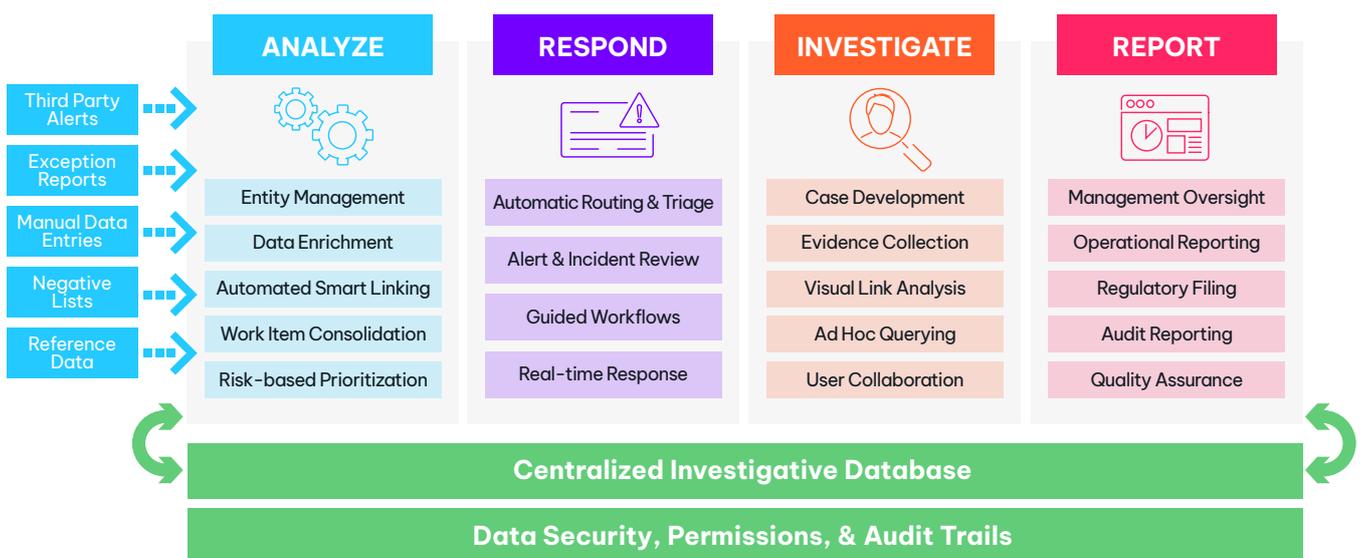
Results

- Enhanced view of fraud links across multiple channels
- Increased accuracy and productivity through automation of processes
- Cost savings from reduction of redundant systems and functions

Effective Enterprise Risk Case Management Capabilities

As discussed throughout this white paper, enterprise risk case management technology can have significant financial benefits, including reduced costs, increased employee efficiency, and improvements in investigation and report quality. In order to achieve these benefits, it is important to understand the key capabilities of enterprise risk case management technology to support an investment in and maximize potential savings from this holistic approach.

An effective enterprise risk case management solution provides financial institutions with a unified view of risk across multiple lines of business, channels, products, and regions, enabling them to turn information into actionable intelligence that empowers investigators and analysts to better manage financial crime and compliance risks across the enterprise and optimize their operations. With the right set of features and capabilities, firms will be able to mitigate regulatory risk, increase operational efficiency, enhance investigation processes, and reduce overall costs associated with financial crime and compliance operations.



To be effective, enterprise risk case management must go beyond just collating information from existing detection systems into a common presentation layer; these solutions must take in alerts from various systems, link common entities, enrich alerts with data from multiple source systems, and conduct risk scoring based on this consolidated information. To achieve operational efficiency and financial crime mitigation benefits, the solution must automate alert decisioning and assignment, guide analysts through dynamic workflows applicable to each specific type of investigation, and escalate high-risk events, such as fraud threats, in real time.

During the investigation process, the solution should provide the users with intuitive, robust research tools and related data in a single interface and allow analysts to collaborate with both users and non-users of the solution. Enterprise risk case management technology must automate management, regulatory, and audit reporting, providing managers and supervisors with boardroom quality results as well as operations and quality dashboards to address issues in real time. A more robust solution will include the appropriate regulatory reports for electronic filing and have the flexibility to update these to incorporate changes in filing format without major reinvestment or vendor involvement.

An enterprise risk case management solution built for financial crime and compliance operations is designed with the knowledge of and best practices for specific investigation processes, eliminating the need for excessive development or customization. It must also provide policy-driven workflow, investigation tools, reporting, and dashboard capabilities to turn information into actionable intelligence that empowers investigators and analysts.



Turn information into actionable intelligence that empowers investigators and analysts to better manage financial crime and compliance risks across the enterprise

Conclusion

The ability to clearly express and quantify the potential cost savings that span operations management, financial crime prevention, regulatory risk management, maintenance and support activities, and application development, is key to getting management buy-in and support. In addition to providing cost savings, an enterprise-wide risk case management approach should support the organization's strategic goals. Alignment to the firm's short and long-term objectives, such as increased profitability, better customer service, organizational flexibility, and higher quality, will add value beyond cost savings and support additional management initiatives.

An enterprise-wide risk case management strategy is only the first step when integrating technology solutions to improve productivity, quality, and operational efficiency while lowering costs. Achieving holistic enterprise risk, financial crime, and compliance management requires creating synergies among various overlapping, but traditionally separate groups and the consolidation of operations to maximize effectiveness and efficiency. While the adoption of enterprise-wide risk case management technology can facilitate a more efficient and productive organization, the key to this approach is getting the people within your organization, from management to supervisors to analysts, to embrace the enterprise-wide vision and the technology. By coupling a clear, ambitious, and achievable strategy with a robust, capable enterprise risk case management solution, financial institutions can protect themselves against unnecessary risk, better utilize existing staff, and improve quality while achieving a clear return on investment and savings for years to come.



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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.

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