

What Do Banks, Insurance Companies and Manufacturers Have in Common? FICO TONBELLER!

FICO TONBELLER – The Industry Expert in the Area of GRC

The company

- African Bank is a South African commercial bank with just over 4000 employees
- Central office in Johannesburg and 395 branches countrywide

The challenge

- Ensure compliance with Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) regulations
- Renewal of the AML system within a very short period of time
- Effective customer due diligence without adversely affecting customer experience and reducing new business

FICO® solutions

- Siron®RAS for risk assessment, documentation and tracking of all measures to mitigate risk factors
- Siron®KYC for customer due diligence and real-time customer screening
- Siron®AML for ongoing customer monitoring and the detection of potential money laundering
- Siron®RCC as risk & compliance cockpit

Added value

- Full compliance with local regulatory environment and the requirements of the curator
- Maximum customer service during on-boarding while maintaining compliance
- Reduced number of fraudulent applications
- Improved data quality
- Single view of the customer from on-boarding and risk classification to transactional activities
- Increased productivity due to workflows and automated reports
- Easily adaptable to regulatory changes: no programming or IT knowledge necessary to adjust detection scenarios and business rules

African Bank overcomes regulatory challenges in only 3 months and complies with AML/CFT standards

About African Bank

African Bank is a South African commercial Bank with just over 4000 employees who operate out of a central office in Midrand, Johannesburg and 395 branches countrywide. African Bank's vision is to positively impact peoples' lives by offering innovative value-add products. Its brand purpose is humanity through banking expressed in the new pay-off line 'We are You'. The bank employees are proud of their unique culture, which has enabled them to resiliently endure a very difficult period.

Residual Debt Services Limited (previously African Bank Limited) ("Residual Bank") was placed under curatorship on 10 August 2014 in terms of the Banks Act, 1990, ("Banks Act"). Thomas Winterboer was appointed as the curator to manage the affairs of Residual Bank, subject to the supervision of the Registrar of Banks.

One of the key responsibilities of the curator was to implement a restructuring proposal that included the creation of a new banking group to acquire the viable portion of the business of Residual Bank. A new legal entity, which forms part of the new banking group, has acquired the viable portion of the business, including the name "African Bank". This new entity was launched on 4 April 2016.

One of the first measures taken following curatorship was to review the risk team and establish a separate department for Anti-Money Laundering (AML) and Financial Crime. A special team consisting of 12 members was set up in November 2014, led by Lawrence Muravha, Head of AML and Financial Crime. This decision finally gave AML the attention it deserved, making it one of the Bank's focus areas.

At the same time, external pressure forced it to improve its risk and compliance approach and to find new solutions. When regulatory authorities conducted a review of the system, the results revealed a considerable gap in AML capabilities. The Bank's existing system was found to be inadequate, and the regulator placed the onus on African Bank to install a new AML system.



Decision process: holistic solution and successful POC testing

In November 2014, Bateleur Software – software solutions distributor and FICO TONBELLER’s partner in South Africa – presented the Siron® system to African Bank, during its selection process, which involved multiple vendors.

“What was exceptional was that the FICO TONBELLER solution was a holistic integrated system with really everything we wanted,” explained Lawrence Muravha. “With many vendors we reviewed, we found that they have a customer screening, but that none of them offer transaction monitoring or screening. On the other hand, we found vendors that do not have a risk classification or a risk ranking model.”

Moreover, the proof of concept (POC) demonstration was a strong argument in favor of FICO TONBELLER. The test was conducted on 10,000 customer records which were screened against sanctioned individuals, terrorists and politically exposed persons (PEP) using the Dow Jones list as reference. The results were extremely good, especially in comparison to other solutions, due to the exceptional fuzzy logic of the Siron®KYC module.

The roll-out process commenced in January 2015, only a few weeks after the first contact between African Bank and Bateleur. It took only about three months for the new system to go live. Since then, 15 analysts within the AML department use the solution. In addition, the front end,

i.e. ~400 branches of African Bank with their employees, is integrated and linked to a large part of the software.

Implemented solutions: Siron®KYC, Siron®RAS and Siron®AML

Today, African Bank uses an innovative AML system consisting of three FICO TONBELLER modules: Siron®RAS, Siron®KYC and Siron®AML. The new solution implemented consistently follows a risk-based approach to compliance and provides the Bank with a single view of the customer – from on-boarding to risk classification and transactional activities.

Siron®RAS for risk assessment helps African Bank to identify, assess, document, and continuously monitor its risks with regards to customers, products, channels or transactions. Thanks to a large database with predefined risks, it provides a full picture of the overall risk situation of the financial institution, enabling the Bank to take suitable measures for risk prevention and minimization. It also offers an interface to the research systems to check the efficiency of monitoring measures and for a continual enrichment of the risk analysis through up-to-date key-figures.

The **Siron®KYC** solution for customer due diligence and real-time screening is extensively used by African Bank during onboarding. When a customer applies for an account or product through any of the Bank’s channels – be it online or in person at a branch – information on the customer is automatically forwarded to the FICO TONBELLER system.

With Siron®RAS and Siron®KYC as a basis, the Bank applies four categories in classifying their customers: low risk, medium risk, high risk and extreme risk. The latter includes cases where suspicious activity has been reported or where the Bank knows that the customer has committed a financial crime. Based on these serious AML risks, the Bank can then decide to end the customer relationship or to decline a loan application.

Prior to the implementation of Siron®KYC, risk-classifying customers was much more complicated for the Bank. Today, the FICO TONBELLER solution screens customers during the onboarding process so that the Bank understands the risk each potential customer poses. Some fraudulent applications which previously did not trigger the fraud systems and rules are now being identified by FICO TONBELLER.

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Lawrence Muravha, Head, Anti-Money Laundering and Financial Crime, African Bank

African Bank



The Bank is currently leveraging the successful implementation of the AML/CFT system in managing the fraud risk.

The solution assists in the determination of the customer risk before African Bank enters into a business relationship. Thereby, it is also able to exit relationships in instances where the customer risk level is higher than the Bank's risk tolerance level. This way, African Bank has aligned its customer take-on process with the regulations.

Beyond that, the Bank has improved the quality of its data, as the implementation of Siron®KYC required the Bank to add extra customer data fields to be completed during the on-boarding process via the front-end systems. The enriched customer data is being used to understand the risks each customer poses.

The transaction monitoring tool **Siron®AML** is the third solution implemented and is used for ongoing customer monitoring and for the detection of possible money laundering. The software screens customer behavior and transactions, detecting unusual and suspicious patterns which need to be reviewed. The system is based on AML scenarios that were especially created to cover African Bank's requirements. When

any suspicious transaction is detected, the customer will be reclassified to another risk category.

With Siron®AML, African Bank has established an effective suspicious activity monitoring system. The Bank now is able to file more suspicious transaction reports (STRs) with the Financial Intelligence Center. Before implementing the solution, African Bank was using excel spreadsheets to keep records of STRs, now FICO TONBELLER provides customized workflow including case management.

Project challenges

From a business point of view, the crucial question was how best to implement the AML/CFT system in a very short space of time, without interrupting the sales/onboarding process and customer experience. Each deal requires a full investigation and no deal is closed without valid proof that the customer is what he/she purports to be. Lawrence Muravha is satisfied. "We are seeing a very low rate of false alarms coming in. The system is very effective – and so is the response time on the front end," he said.

"We see the responses coming in after 3 to 5 seconds, which is very close to real time." The result is an effective customer due diligence without affecting the customer experience or deterring new business. Thus, the Bank has remained competitive, although customers and employees were skeptical about the implementation of an AML system in the first place.

However, the greatest challenge was to meet the expectations and deadline set by the regulators. On the one hand, it was demanded of African Bank that they ensure compliance with AML and CTF regulations. On the other hand, the renewal of the AML system had to be accomplished within a very short period of time. The time pressure was managed very effectively: The new AML system was implemented in only three months and complies with the required AML standards.

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Added value: holistic approach and individualization

The integrated approach of risk assessment, initial customer due diligence and ongoing monitoring and reporting helped African Bank to fulfill the requirements imposed on it by the central regulators. From a South African point of view, there are very few banks with comparable AML systems. "Real-time customer screening is something we are very proud of," said Muravha. "In fact, this is also a valuable competitive advantage for the Bank."

The holistic view is also one of the features that convinced African Bank to work with FICO TONBELLER. "Having one provider which offers different solutions catering to AML requirements is a big advantage," commented Muravha. "Other providers need to compile a solution with components from several vendors."

This fact also elicits positive feedback from the users. One of them is Leonard Mukwevho, AML Governance & Oversight Manager. He is deeply involved in the daily activities and cooperates closely with the employees using the system. "FICO TONBELLER offers one of the most user-friendly systems I have ever experienced", he reported. "It is really not complicated, and employees can learn how to use the system in one day. This is quite impressive."

Furthermore, FICO TONBELLER allows its customers to perform some "fine tuning" of the system, supported by consultants and developers. Muravha said: "The system allows us to adapt it to our own business environment by customizing detection scenarios and

creating our own rules for risk classification."

Next steps

Backed by the product training available, African Bank is able to fine-tune the existing settings and easily define new detection scenarios on its own, which helps the system to evolve continuously while ensuring that its functionalities are optimized.

Alongside the three existing solutions, African Bank has recently tested, acquired and implemented a fourth one: Siron®RCC. This module serves as a risk management dashboard and reporting tool. It gives a snapshot on the exact status of cases that are in progress within Siron®KYC and Siron®AML. The African Bank's analysts are able to close cases within the agreed turnaround times with business stakeholders. Also, Siron®RCC provides a single management information view across all system components. Lawrence Muravha reports: "This has been very helpful, specifically in the provision of management reports that are required from the Anti-Money Laundering Control Officer (AMLCO) by both internal and external stakeholders."

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Leonard Mukwevho,
AML Governance & Oversight Manager,
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