Improving the KYC Onboarding Process Using Business Process Re-Engineering: A Case Study of a Foreign Bank in Indonesia

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¹,² School of Business and Management, Institut Teknologi Bandung, Indonesia

ABSTRACT: The Know-Your-Customer (KYC) onboarding component in the customer acquisition process became an issue in an Indonesian branch of a prominent global bank. In 2023, the branch received a significant complaint from one of its major clients, noting the inefficiency of its KYC onboarding process, thus garnering attention from local senior management. From 2019 to 2023, there was a steady increase in client dissatisfaction rate and the number of new clients dropping their requests during the KYC onboarding stage. This research aims to identify the pain points in Magnolia Bank’s KYC onboarding process and propose solutions using the Business Process Re-engineering (BPR) approach. Fifteen respondents, including 10 bank employees and 5 corporate clients, were interviewed. Thematic analysis of interview results was conducted and it revealed three major pain points of the process: difficulty in document submission, challenges in requirements, and communication issues. The root cause of these pain points were then analyzed using the fishbone diagram, from which three root causes were discovered: inadequate technology infrastructure, lack of transparency in the process, and insufficient guidance that clients receive from the bank. The BPR approach was taken to fix the problems, the project focused on improving the guidance to clients, enhancing technology infrastructure, and developing a system for clients to track their onboarding progress. The proposed business solution for this research is for Magnolia Bank to develop a dedicated KYC onboarding platform, allowing prospective clients to submit the requirements directly, experience a one-window communication system, and track their KYC onboarding status.


INTRODUCTION

The Know-Your-Customer (KYC) due diligence process is a crucial stage in a customer acquisition process, especially in the banking sector. KYC onboarding is a term used to describe the process in which the KYC requirements of a prospective customer are reviewed by the bank to ensure that they already meet the local regulatory and internal policy standards. Clients must provide extensive data and documents to comply with local regulations and the bank’s global policy. Despite its importance, the KYC onboarding process in one of the foreign banks in Indonesia, Magnolia Bank (a pseudonym) had garnered criticism for its inefficiency, particularly highlighted by a major client’s complaint in 2023. This complaint brought to light the cumbersome nature of the process, marked by excessive email correspondence and delays, impacting transaction timelines as account openings are contingent on KYC approval. Magnolia Bank conducted a voluntary feedback system for clients called the Voice of Customer (VoC). Looking back at the VoC data from 2019 to 2023, there was a concern about the rate of customer dissatisfaction with the KYC onboarding process. The negative reviews showed a significant increase from year to year. In 2023, 19.6% of clients noted that they were dissatisfied with the KYC onboarding process. The number was high considering that back in 2019, the percentage stood at only 4.1%. Moreover, during the same period, the positive reviews from clients dropped from 61.2% to 41.2%, which indicated that there was a severe decline in the bank’s customer satisfaction. Aside from that, the number of prospective clients dropping their requests during the KYC onboarding process also grew from 9.6% in 2019 to 17.7% in 2023. The loss of potential customers led to the possible loss of profits for Magnolia Bank, it would create vital damage for business if this pattern continued.

The clients had written negative comments in regards to Magnolia Bank’s KYC onboarding as well. The most frequent issue highlighted was clients’ frustration over the lengthy and complicated requirements of the KYC onboarding process, oftentimes causing delays in their transactions. Another thing the clients repeatedly pointed out was how the bank’s KYC requirements were more rigid and detailed in comparison to other banks in Indonesia.
It is evident from the clients’ feedback and comments that the KYC onboarding process in Magnolia Bank is not running efficiently, with challenges like prolonged time cycles and inefficiencies becoming the issues in the process. To maintain Magnolia Bank’s reputation as a trustworthy financial institution, these issues need to be urgently addressed. The core business of the bank depends on its ability to maintain long-term relationship with its clients, with the number of dropout rates of potential clients and the negative review from existing clients, the bank’s financial status is in line. The objectives of this study are to identify the pain points of Magnolia Bank’s KYC onboarding process and propose a solution to improve the current procedure. In order to provide clients with a KYC onboarding process of a better quality, the Business Process Re-engineering (BPR) approach is the most suitable to implement as it involves assessment of current process, diagnosing bottleneck, and redesigning the flow of the system in a radical manner.

LITERATURE REVIEW
Know-Your-Customer (KYC) in Customer Acquisition
The KYC review process is a critical component of customer onboarding in the financial sector. This process involves the periodic renewal of customer information based on their risk level and the internal policies of the financial institution. In order to protect financial institutions from clients involved in illegal activities like money laundering, financing terrorism, and the distribution of weapons of mass destruction (WMD), knowledge and awareness campaigns (KYC) are essential [1,2]. The complexity of KYC requirements can make the data collection process labor-intensive and challenging, necessitating meticulous efforts to ensure compliance and protect the institution [3].

Business Process Re-engineering
Business Process Re-engineering is the process of reworking the system. This approach enables a company to make substantial improvements by completely reconsidering and revamping its business procedures to fundamentally alter key performance metrics [4]. In 2013, Setegn et al. defined Business Process Reengineering (BPR) as a tool for process-based management [5]. They stated that BPR can either redesign or replace inefficient processes to produce breakthrough results. The application of Information Technology (IT) in BPR is fundamental, as it focuses on the prioritization of automating non-value-added activities. The characteristic of BPR is that the approach to utilize it can be customized according to the specific requirements and needs of each organization or company [6]. In this study, the framework used for the BPR method consists of 6 (six) phases. The framework was written in 1998 by Motwani et al.

Figure 1. BPR Framework [7]

1. Phase 1: Understanding – The senior management understands the objectives of the BPR and gives their full commitment to the project. A dedicated task force is created to execute the BPR project.
2. Phase 2: Initiating – In this phase, the task force sets the focus or scope of the project based on the results of data analysis. The scope of the project covers the area and depth of the process that is re-engineered.
3. Phase 3: Programming – Assessment of the current process is conducted, including the analysis of the process description, identification of the elements and resources, the performance of existing processes, and the breakdown analytic of those processes [8].
4. Phase 4: Transforming – The transforming phase focuses on the selection of the most suitable business solution that follows the result of the analysis and project scope that was explained in the previous phase. The proposed new process should be able to answer the issues identified and improve the efficiency of the current one.
5. **Phase 5: Implementing** – The proposed business solution is launched during this phase. The company must prepare the employees with proper training to ensure the deployment of the new process goes without a hitch and the transition from the old to the new process does not cause significant problems that lead to inefficiencies in the business.

6. **Phase 6: Evaluation** – The evaluation phase is the final step of the BPR project. The evaluation helps determine whether the BPR initiative has achieved its goals, identifies any remaining issues or areas for improvement, and ensures that the changes are sustainable in the long term [4].

**CONCEPTUAL FRAMEWORK**

The conceptual framework is a visual or written representation of the study being undertaken. It comprises the study variables: dependent, independent, and sometimes intervening or control variables; as well as the presumed relationships among these variables [9]. The framework is used as a standard to formulate the research questions, the overarching concept of an idea, aiming to offer a business resolution.

![Figure 2. Conceptual Framework of KYC Customer Acquisition](image)

From the customer’s perspective, four (4) variables could affect the entire KYC onboarding process. First is the time cycle; the quicker the process, the better. There is a direct correlation between wait time expectations and customer satisfaction. If the wait time is shorter than expected, it increases satisfaction, while if it is longer than expected, it decreases satisfaction [10]. The second variable is service quality, which is strongly tied to how well the employees handle the customers in terms of both attitude and skill. Customer satisfaction is highly determined by service quality, and is also an important factor in measuring the metrics of customer satisfaction [11]. Operating procedures encompass the specific steps required to fully onboard a new client’s Know Your Customer (KYC) information, evaluating the overall efficiency of the process. This includes identifying any unnecessary actions taken or sudden changes in requirements during the onboarding process. Another important variable is technology. If it is done effectively and ethically, the usage of technology can improve customer satisfaction [12]. All of these variables are critical in increasing customer satisfaction. It is important to make sure customers are satisfied with the service provided as it is closely related to their loyalty to the bank. Enhancing customer retention is beneficial for sustaining the business by increasing its profitability.

**RESEARCH METHODOLOGY**

The data for this research is collected from internal and external sources. The qualitative approach is used to identify the pain points of the KYC onboarding process. Qualitative research is the systematic collection, organization, and interpretation of textual material derived from talk or conversation [13].

**Data Collection**

The data collection is conducted through the semi-structured interview method where the respondents provide an open-ended answer to a set of questions that are prepared beforehand. There are a total of 15 respondents consisting of 10 bank employees and 5 corporate
clients. The employees of Magnolia Bank or internal respondents chosen for the offline one-on-one interview come from the key stakeholders in KYC onboarding consisting of the KYC Team and Relationship Managers (Coverage Team). The interviews with clients or external respondents are done through virtual meetings with each respondent.

Data Analysis Method
To analyze the research data, which is the responses of interviews from respondents, the qualitative thematic analysis is chosen as the methodology. Thematic analysis is not restricted to one theoretical framework, making it a versatile technique to incorporate in a research [14]. The process involves several stages: familiarizing with the data, generating initial codes, searching for themes among codes, reviewing themes, defining and naming themes, and producing the final report. Interview responses are categorized into codes to answer research questions. Coding involves assigning concise labels to segments of data, condensing extensive empirical data for easy analysis and enhancing the quality of the findings [9].

Trustworthiness Criteria
In qualitative research, validity are procedures used to illustrate the accuracy of the findings and convince readers of the accuracy [15]. In 1985, Lincoln & Guba refined that the concept of validity in qualitative research is akin to showing the trustworthiness of the results [16]. To ensure the interpretation of data is credible, this research adopts several methods such as prolonged engagement, persistent observation, and member checking [17].

Root Cause Analysis Method
Root cause analysis (RCA) is a systematic process used to identify the underlying causes of problems or events. By focusing on the root causes rather than the symptoms, RCA helps organizations implement effective solutions and prevent recurrence [18]. In this study, the Fishbone Diagram, also known as the Ishikawa Diagram or Cause-and-Effect Diagram is used as a tool to conduct the RCA. This tool helps in visually mapping out the potential factors contributing to a specific problem.

RESULTS & ANALYSIS
Pain Points Identification
The transcripts of interviews are the data used to extract the pain points of the KYC onboarding process. There are two data sets analyzed which are the interview results from the internal and external respondents. The data are analyzed using the thematic analysis where the excerpts of transcripts are labeled with codes that capture the main idea of content. After the codes are developed, similar or related codes are grouped under a broader theme as a way to make sense of the results. The most frequently mentioned themes of pain points are then chosen for further analysis using the fishbone diagram to discover their root causes.

1) Pain Points Identification Results from Internal Respondents
Through the initial coding step, there are 9 (nine) codes related to pain points in the KYC onboarding process developed. One of the pain points that often came up is the document submission issue, where the internal respondents think that this particular component of the KYC onboarding takes the longest to finish due to a variety of reasons. These codes are grouped into 4 (four) broad theme. Table 1 shows the grouping of codes under each theme with the frequency of times each code was mentioned and the number of respondents escalating the issue.

<table>
<thead>
<tr>
<th>No.</th>
<th>Theme</th>
<th>Code</th>
<th>How many times it was mentioned</th>
<th>How many respondents mentioned it</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inefficient Document Collection</td>
<td>Document submission issues</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Email size limitations</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Challenges in Requirements</td>
<td>Complex requirements</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Client’s need for guidance</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Knowledge gap</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Communication issues</td>
<td>Back-and-forth communication</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>
Table 1 shows that ‘Challenges in Requirements’ is the theme most frequently mentioned in the interviews, dominating the data at 35%, with the highest frequency in said theme being complex requirements. This indicates that Magnolia Bank takes a more stringent approach to completing a KYC onboarding of prospecting customers. However, a particular pain point that is mentioned the most across the interview is the document submission issue, as it takes up 20% of the data. The client’s unreasonable expectations however, internal respondents have ruled document submission issues as a major pain point identified in the KYC onboarding process, as the issue takes up 20% of the interview data. Another theme that was escalated the most is the unreasonable expectations from clients, this includes the completion time expectation and also their reason to not fulfill the KYC requirements.

2) Pain Points Identification Results from External Respondents

Based on the data from external respondents, the author developed 9 (nine) codes related to the pain points of the KYC onboarding process. While the majority of inputs from external respondents are similar to the responses from internal respondents, new findings were also found in the analysis, which resulted in the development of new codes. The external respondents hold concerns about a security breach when sending their company’s information or legal documentation via email, adding to the risk of human error and possible misuse of their sensitive data that may also happen if the email is not received by the intended recipients.

The codes developed then defined into 3 (three) general themes that represent the relationship of each code. Table 2 shows the grouping of codes under each specific theme, along with the frequency of times each code was mentioned and the number of respondents escalating the issue.

### Table 2. External Respondents: The Grouping of Codes Under Each Theme

<table>
<thead>
<tr>
<th>No.</th>
<th>Theme</th>
<th>Code</th>
<th>How many times it was mentioned</th>
<th>How many respondents mentioned it</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Document Collection Challenges</td>
<td>Document submission issues</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Email size limitations</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Security concerns</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2.</td>
<td>Process Complexity and Duration</td>
<td>Lengthy process</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Complex requirements</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>3.</td>
<td>Communication Issues</td>
<td>Need for better guidance</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internal coordination issue</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Back-and-forth communication</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unclear timeline</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Communication Issues ranked number one as the most frequently mentioned theme in the external respondents’ interviews. 19.05% of the data proves that the bank staff did not provide clients with adequate guidance during the KYC onboarding process. Other two pain points that are frequently mentioned are document submission issues and complex requirements; 60% of respondents faced difficulties in submitting their document requirements to the bank, and the KYC requirements of Magnolia Bank are considered to be complicated.

Trustworthiness Results

During the period of research, the author continuously engaged with the respondents and also actively participated in the KYC onboarding process as well. The interviews were done over the period of two months and the transcription process took around two months. It should be noted that the researcher has been working in the field of KYC onboarding in the banking sector for 5 (five) years. The interviews with external respondents were done in varied contexts, shown by the tenure of relationships of the clients with...
the bank and also the entity types of the clients. Lastly, the results of interviews were presented to the participants of the interviews including the senior managers of the Coverage and KYC Team who acted as expert in subject matters. All participants came to a consensus that the pain points identified were reliable, valid, and relevant to the existing condition in the field.

Root Cause Analysis
Using information from the thematic analysis results, the fishbone diagram is utilized to identify the root cause of the problem. The pain points have been identified and grouped into themes from the thematic analysis; the major pain points that should be addressed are as follows: 1) Document Submission Issues, 2) Challenges in Requirements, and 3) Communication Issues.

The fishbone diagram is performed to identify the root cause of the aforementioned pain points. Document submission issue is mentioned most frequently by both the internal and external respondents, 13 out of 15 respondents have expressed concerns related to the issue. Requirements and communication are two major themes that are mentioned the most in the data of the internal and external respondents, respectively. Since the themes of requirements and communication are related, with guidance as a relevant pain point that appeared in both themes, the fishbone diagram of these themes is conducted together.

1) Fishbone Diagram: Document Submission Issues

![Fishbone Diagram: Document Submission Issues](image)

The root causes of the document submission issues are divided into 3 (three) categories, which are as follows:

1. **Technology**
   - The usage of internet-based cloud storage is not permitted due to internal bank policies. Thus, the client can only send their KYC documents via email, which comes with significant shortcomings. Email has a restriction in size attachment, the client is forced to deliver multiple emails to overcome this issue which leads to inefficiency as it unnecessarily prolongs the process. This suggests that Magnolia Bank’s technology infrastructure needs to be enhanced.

2. **Process**
   - The process of document submission takes a long time to finish, as clients say the process is tedious, especially adding to the fact that there is back-and-forth when submitting their documents. Back-and-forth happens either because of limitations in emails or if there’s a follow-up request from Magnolia Bank during the review process. The constraint shown in the current process is rooted to the bank’s inadequate technology infrastructure.

3. **Security**
The current document submission process lacks a secure system, and the usage of email to send information poses a risk of data breach either from the bank’s internal staff or even third-party involvement. Security risk appears because Magnolia Bank does not provide a secured method of document collection. From the analysis, it can be concluded that the issue in document submission occurs because of Magnolia Bank’s current state of inadequate technology and lack of a secure system to support an efficient and safe process for clients.

2) Fishbone Diagram: Requirements and Communication Challenges

Figure 4. Fishbone Diagram: Requirements and Communication Challenges

The causes of requirements and communication challenges in the KYC onboarding process are grouped into 3 (three) main categories that are related to the interview results. The three main categories are process, policy, and people.

1. **Process**
   There is a frequent issue occurring during the onboarding process where clients receive requests to send the same documents from other departments aside from the KYC team. From the clients’ perspective, this shows that the bank has poor coordination. Magnolia Bank does not implement a single communication channel which resulted in this type of miscommunication. In general, the clients do not know the stages of KYC completion and since there is no tracking system, the timeline may seem unclear to them. To improve client satisfaction, the bank needs a one-window communication system and greater transparency in KYC onboarding status.

2. **Policy**
   Magnolia Bank is perceived by clients to have more rigid and complex requirements in comparison to other local banks. As a part of its compliance routine, the bank is unable to simplify the requirements. The best approach that the bank must take is to provide a comprehensive background on why the documents are mandatory to submit and list the potential penalties if the client fails to fulfill them.

3. **People**
   There is an obvious knowledge gap between most clients and the bank that causes significant challenges in the onboarding process. An extra effort must be exerted by the client to get familiar with the requested requirements. The cause of this pain point is due to insufficient guidance from the bank to close the gap.
From the analysis, it can be concluded that challenges in requirements and communication happen because Magnolia Bank does not implement a one-window communication system, there’s a lack of transparency in the KYC onboarding progress, and lastly, the guidance that the bank provides to clients is still insufficient.

**Business Solution: Business Process Re-engineering**

BPR is a customized approach [6] that can be applied to a single process, a group of process or the company’s entire process [5]. In this research, the BPR method is used to help the bank evaluate its current KYC onboarding process, review the deficiencies, and create a transformation in order to solve the issues. The KYC onboarding process has been receiving notable complaints from clients, and the percentage of clients dropping their deals with our banks due to issues faced KYC onboarding has been increasing through the years. The problem of inefficiency in the KYC onboarding process has been under the Senior Management’s radar since the submission of a complaint from Magnolia Bank’s premium client in 2023. To resolve the issue down to the root cause, applying the BPR concept may be the best-suited solution since the entire process is redesigned according to the pain points that have been identified. There are six phases of the BPR framework, in this research Phases 5 and 6 were not covered due to the limitations imposed as this research did not include the implementation and evaluation stages.

1) **Phase 1: Understanding**

To perform BPR in Magnolia Bank, firstly the top management should create a special task force to handle the project and set their vision and expectations on how the project turns to be. The BPR task force, comprising senior management and key departments like KYC, Coverage, and IT, oversee the project. The IT department builds the platform and automation system for onboarding. Additional members include Compliance, Account Service, and Legal departments. The Person in Charge of the BPR project is the Project Manager (PM) who takes the role of the leader of the task force. The PM is responsible for the whole process of the project, controlling the pace and ensuring the project does not stray from its objectives.

2) **Phase 2: Initiating**

The vision of the BPR project is decided during the initiating phase, the decision is made by taking the interview results into consideration. In this phase, the focus of the process that needs re-engineering is selected as the scope of BPR. During the interview, the respondents gave their insights on how Magnolia Bank can improve its KYC onboarding process, based on the respondents’ insights, the vision of the BPR project is transforming the technology used by the bank for the KYC onboarding process while ensuring clients receive the best guidance during the onboarding to avoid any inefficiency and delays that can cause dissatisfaction.

After performing thematic analysis to the respondents’ data for their improvement expectations in the KYC onboarding process, it is found that the number one focus of this project is to ensure the clients receive better guidance from the bank on the KYC requirements fulfillment stage, this focus point falls under the theme of communication. Following that is focusing on the technology enhancement of the KYC onboarding process where the bank is expected to transform its current technology for document submission so that the process is no longer done via email. One additional area of focus connected to the theme of technology is the establishment of a monitoring system that enables clients to track the status of their KYC onboarding. The aforementioned unique expectations are chosen as the primary focus of the BPR project. The results of the analysis had been confirmed to be valid through the process of member checking.

3) **Phase 3: Programming**

In the third phase of the BPR project, the existing KYC onboarding process is reviewed to identify stumbling blocks and sets standards and reference points for future enhancement [7]. In the flowchart shown in Figure 5, it can be seen that the process of document collection is the bottleneck with the chance of multiple iterations even when the record is already at the approval stage. The document collection process takes up the longest time in the KYC onboarding process; based on the root cause analysis, this can happen because of insufficient guidance from the bank and also the manual document delivery method via email that is making the operation inefficient. To address this issue, Magnolia Bank needs to enhance its technology infrastructure so that the document submission process can be conducted without resorting to email, which, as per the analysis of the interview results, comes with many disadvantages, such as constraints in attachment size, risk of a data breach, and chances of the email being received by unintended recipients. Magnolia Bank must ensure that clients receive proper guidance so that their understanding of the KYC
requirements can be improved, this helps the document collection process as well since this cuts any delays that may happen due to confusion.
4) Phase 4: Transforming

The designing and testing of the proposed new process is done during the transforming phase. The design is based on the analysis of the research data, answering the causes of pain points. During this phase, a suitable IT tool is chosen to assist the transformation. Numerous BPR experts and scholars assert that IT plays a pivotal role in BPR [8]. After selecting the most suitable IT platform, the transformation should be tested through a pilot study to ensure that the new process improves the efficiency of the bank’s KYC onboarding. The focus of BPR project is improving communication and enhancing technology. The development of a new platform specifically for KYC onboarding is a solution that can address several pain points at once. The findings of this study indicate that there is an urgency to enhance the current technology infrastructure that the bank utilizes for the KYC onboarding process. Features attributed in the proposed platform are developed to fulfill the project objectives such as streamlining document submission, enabling real-time status tracking, and creating an effective one-window communication channel.

Table 3 displays the new platform's incorporated features and the specific pain points it addresses.

<table>
<thead>
<tr>
<th>No.</th>
<th>Feature</th>
<th>Pain Point Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>One-window communication</td>
<td>Communication Issues</td>
</tr>
<tr>
<td>2</td>
<td>A tailored checklist for each client</td>
<td>Challenges in Requirements</td>
</tr>
<tr>
<td>3</td>
<td>Document Submission Sharepoint</td>
<td>Document Submission Issues</td>
</tr>
<tr>
<td>4</td>
<td>Step-by-step guideline</td>
<td>Challenges in Requirements</td>
</tr>
<tr>
<td>5</td>
<td>Real-time KYC onboarding status tracking</td>
<td>Communication Issues</td>
</tr>
<tr>
<td>6</td>
<td>Time Dashboard</td>
<td>Communication Issues</td>
</tr>
</tbody>
</table>

The proposed platform plays a significant part in the new process. Figure 6 shows the visualization of the proposed new process in a flowchart format.
To provide a better understanding, Table 4 shows the comparison between the current and proposed new KYC onboarding processes.
The KYC onboarding process at Magnolia Bank faces significant challenges, leading to numerous complaints and prospective clients abandoning the process due to inefficiencies. Three major pain points were identified during the process: document submission issues, complex requirements, and communication problems. The manual document submission via email, with its technical constraints like attachment limits and security risks, is a major inefficiency. The complexity of KYC requirements, unfamiliar to most clients, necessitates extra assistance from the bank, leading to a frustrating back-and-forth process. The pain points are ultimately caused by the bank’s inadequate technology for document submission, absence of a secure document delivery system, absence of a one-window communication system, lack of transparency in the KYC progress, and insufficient guidance on KYC requirements for clients.

To address these issues, the Business Process Re-engineering (BPR) method was chosen. The focus areas for improvement are enhancing client guidance during the requirement fulfillment stage and upgrading the technology infrastructure. The proposed solution is a dedicated KYC onboarding platform. This platform allows clients to securely upload their legal documents and track the status of their onboarding progress, thereby improving efficiency and client satisfaction.

This research does not address the implementation of the platform, but it suggests that the evaluation plan could be explored in future studies. To monitor and evaluate the performance of the KYC onboarding platform, Magnolia Bank may establish regular performance reviews to gauge the re-engineered process against the project objectives. Additionally, an incident ticketing system could be incorporated into the platform, allowing users to directly submit incident tickets for technical issues and receive timely assistance from the IT department. To ensure optimal performance, the bank could introduce biweekly system refreshes and conduct periodic testing for internal users.

The possibility of future research for this KYC onboarding platform is vast, it can explore additional features, such as machine learning algorithms for risk assessment, to further enhance the platform’s capabilities.

REFERENCES


CONCLUSION

Table 4. Comparison of the Current VS Proposed KYC Onboarding Process

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Requesting the KYC requirements to the client</td>
<td>RM or KYC Maker sends the KYC checklist to the client via email.</td>
<td>The client can generate a specifically tailored KYC checklist on their own on the KYC Onboarding platform</td>
</tr>
<tr>
<td>2</td>
<td>Guiding the client to submit the correct requirements</td>
<td>The process is done via email and Zoom meetings (if needed), and it takes a lot of back-and-forth to provide clients with explanations.</td>
<td>The platform provides a comprehensive guideline along with document samples and information on regulations that each requirement complies.</td>
</tr>
<tr>
<td>3</td>
<td>Document collection</td>
<td>The client sends the required KYC documents via email.</td>
<td>The client can upload the required documents on the platform.</td>
</tr>
<tr>
<td>4</td>
<td>Updating the KYC onboarding status to the client</td>
<td>The client needs to frequently contact RM or KYC Maker to know the status of onboarding.</td>
<td>The real-time status of KYC onboarding can be tracked by the client on the system.</td>
</tr>
<tr>
<td>5</td>
<td>Addressing findings from reviewers in cases of missing requirements</td>
<td>The RM or KYC Maker needs to relay the reviewer’s message to the client regarding any missing requirements identified.</td>
<td>The reviewer can notify the client directly of any missing requirements found during the review process, providing a background as to why the request must be fulfilled.</td>
</tr>
</tbody>
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