LEAD QUALITFICATION FOR BANKING INDUSTRY WITH MICROSOFT DYNAMICS CRM
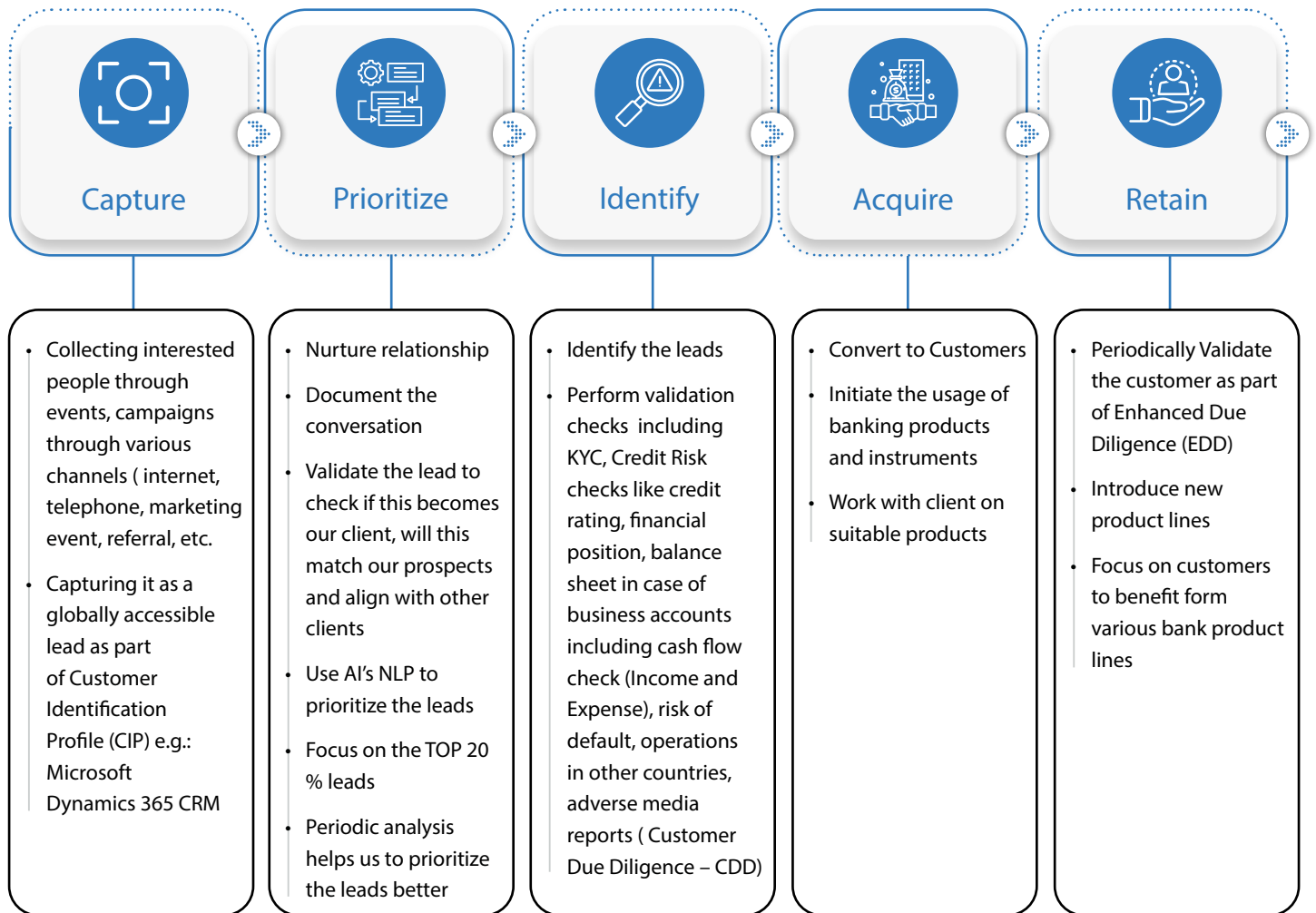
Abstract

Customer Relationship Management (CRM) is vital for banking and financial institutions to mobilize their business. CRM is used by bankers for reaching out to customers through campaigns on the various investing options. The digitization of banks focuses on establishing the digital identity of leads and qualifying them based on fundamental criteria such as the client's identity, investment knowledge, and financial profile. Implementing CRM becomes a key driver in implementing regulatory compliance to ensure a suspicion free digital identity of the customer in this digital era. Banks do follow the Customer Identification Program (CIP), Customer Due Diligence (CDD), Enhanced Due Diligence (EDD) for identifying, qualifying, acquiring and monitoring its customers. The lead time taken for identification and due diligence impacts the productivity of banks and plays a crucial role in qualifying the right customer through lead and opportunity management. This paper discusses lead qualification and how Microsoft Dynamics 365 CRM applications can be used to qualify and integrate with KYC applications (e.g., Fircosoft) for a CIP and CDD.

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Introduction

Customer Relationship management (CRM) applications help in customer acquisition process and acquiring in customer retention.
In banks and financial institutions, CRM plays a key role in acquiring customers and retaining them by introducing new product options using their marketing campaigns (e.g. suggesting attractive fixed deposit options and loan offerings). While working towards a long-term journey with the customer, CRM needs to Capture, Prioritize, Identify, Acquire and Retain its customers with risk factors as part of the institution's customer base.

Customer Acquisition and Retention Cycle

Identifying, validating and retaining the customers is crucial for financial institutions to sustain in the market. The customer acquisition to retention cycle stages are illustrated below:

| Capture	Prioritize	Identify	Acquire	Retain
• Collecting interested people through events, campaigns through various channels (internet, telephone, marketing event, referral, etc. • Capturing it as a globally accessible lead as part of Customer Identification Profile (CIP) e.g.: Microsoft Dynamics 365 CRM	• Nurture relationship • Document the conversation • Validate the lead to check if this becomes our client, will this match our prospects and align with other clients • Use AI's NLP to prioritize the leads • Focus on the TOP 20 % leads • Periodic analysis helps us to prioritize the leads better	• Identify the leads • Perform validation checks including KYC, Credit Risk checks like credit rating, financial position, balance sheet in case of business accounts including cash flow check (Income and Expense), risk of default, operations in other countries, adverse media reports (Customer Due Diligence – CDD)	• Convert to Customers • Initiate the usage of banking products and instruments • Work with client on suitable products	• Periodically Validate the customer as part of Enhanced Due Diligence (EDD) • Introduce new product lines • Focus on customers to benefit form various bank product lines

Validate the Lead - Know Your Customer (KYC)

Know Your Customer (KYC) are a set of standards that emphasizes regulatory requirements for investment and financial services companies, which is to validate and verify the identity of the customers, and associate a risk score on the customer relationship. KYC captures the Customer Identification Profile (CIP), performs Customer Due Diligence (CDD) and Extended Due Diligence (EDD) to capture the customer risk score.

CIP includes capturing the customer's name, customer date of birth, address, and customer identification number. CDD is used to evaluate the risk profile using the customer credentials viz. credit risk checks including credit rating, financial position, balance sheet in case of business accounts including cash flow check (Income and Expense), risk of default, operations in other countries, adverse media reports and risk profile for suspicious account activity. EDD is used for customers that are at a higher risk of transmission like terrorism financing, or money laundering and this calls for additional information collection.

KYC validation is covered by two international standard guidelines enforced by Financial Industry Regulatory Authority (FINRA). FINRA Rule 2090 (Know Your Customer) and FINRA Rule 2111 (Suitability) are the key rules to be used in validation for KYC.
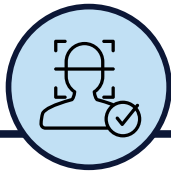
FINRA 2090 Rule - KYC

The essential facts for KYC checks are to-

a. Effectively service the customer's account.

b. Act in accordance with any special handling instructions for the account.

c. Understand the authority of each person acting on behalf of the customer.

d. Comply with applicable laws, regulations, and rules.
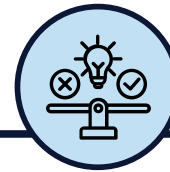
FINRA 2111 Rule - Suitability

FINRA 2111 rule is related to securities where a broker-dealer or associated persons "have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the firm or associated person to ascertain the customer's investment profile."

Applications like Fircosoft, Nice Actimize use AI model's help in validating the personal identification information submitted by the customer and performs the rule-based transaction monitoring to find the suitability of the customer to the institution. This is a key step in customer qualification by lead and opportunity management cycle. The applications with AI modelling helps to qualify the lead after performing the checks in accuracy, with lesser lead time.

Lead Scoring and Prioritization using Microsoft Dynamics 365 CRM Application

Leads are captured through events, calls, internet requests, bots etc. While the leads are captured in Microsoft Dynamics 365, there is a need to nurture the prospective leads by prioritizing and then qualifying them for converting to customers. The lead is nurtured by the sales team who works on building a relationship with them. Once the details are collected from the client, the lead scoring method is used to prioritize the leads for taking them to the next stage to convert them from prospect to customer. Depicted below are the steps to process the lead in Microsoft Dynamics 365 for qualifying.
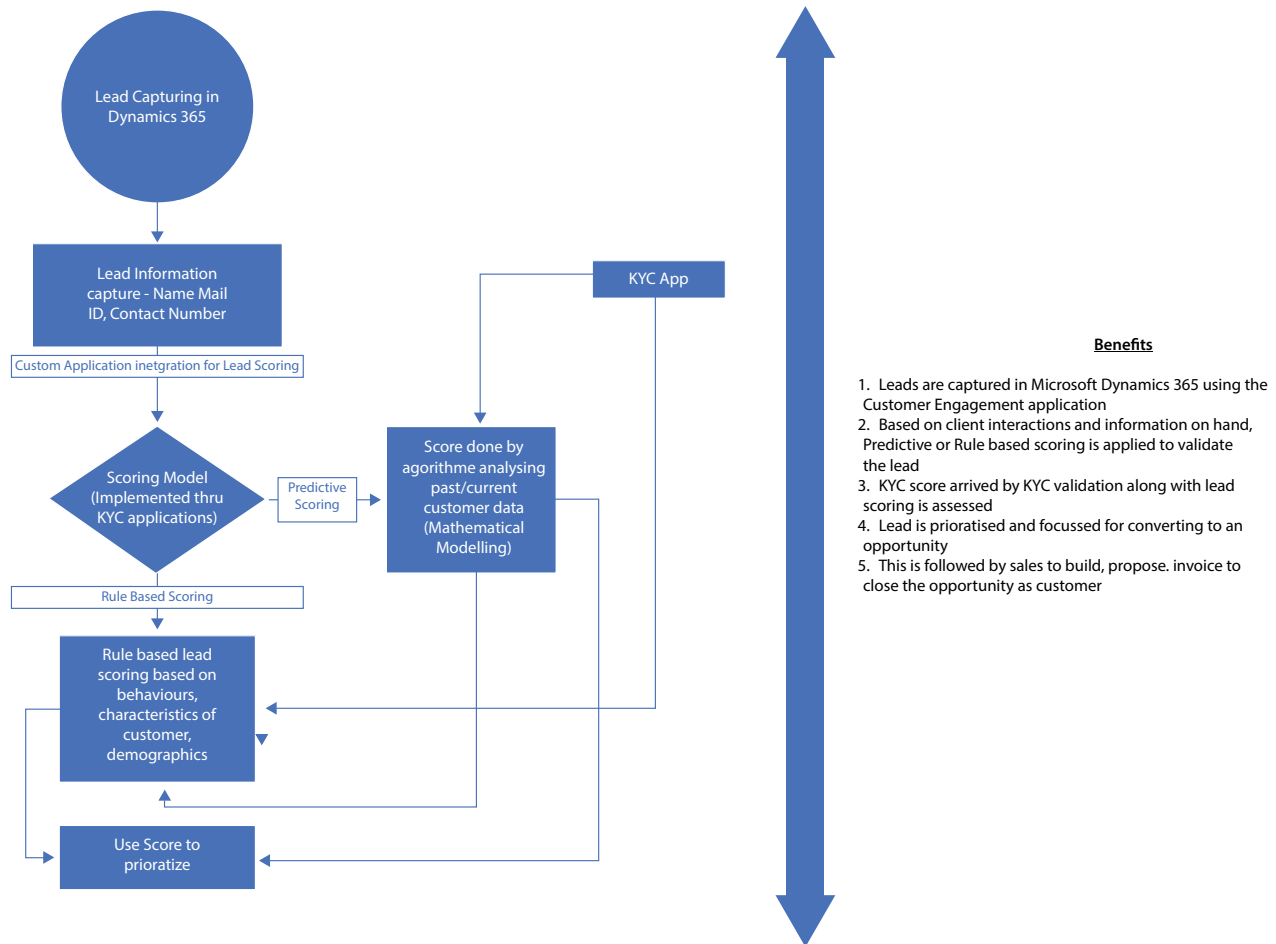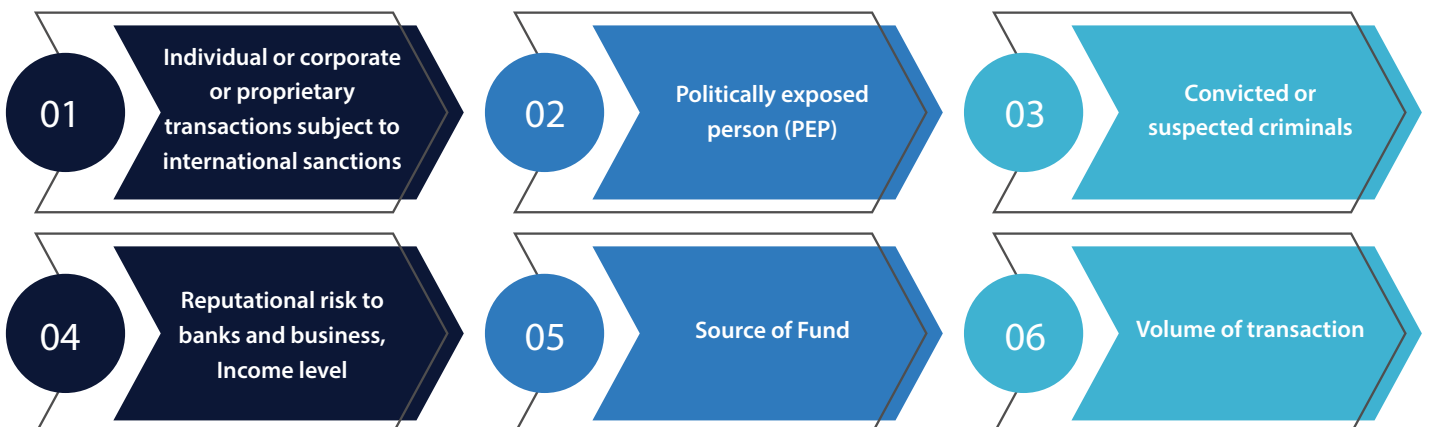
Benefits

1. Leads are captured in Microsoft Dynamics 365 using the Customer Engagement application
2. Based on client interactions and information on hand, Predictive or Rule based scoring is applied to validate the lead
3. KYC score arrived by KYC validation along with lead scoring is assessed
4. Lead is prioratised and focussed for converting to an opportunity
5. This is followed by sales to build, propose. invoice to close the opportunity as customer

Figure 1 Lead Prioritization

Lead qualification after KYC check

The lead and opportunity management cycle of Microsoft Dynamics 365 CRM is depicted below. Qualification steps include the KYC check which includes internal and external insights on customer identification, customer's professional and business activities, and customer's risk taking activities. Thus, the customer screening is done to check the following-
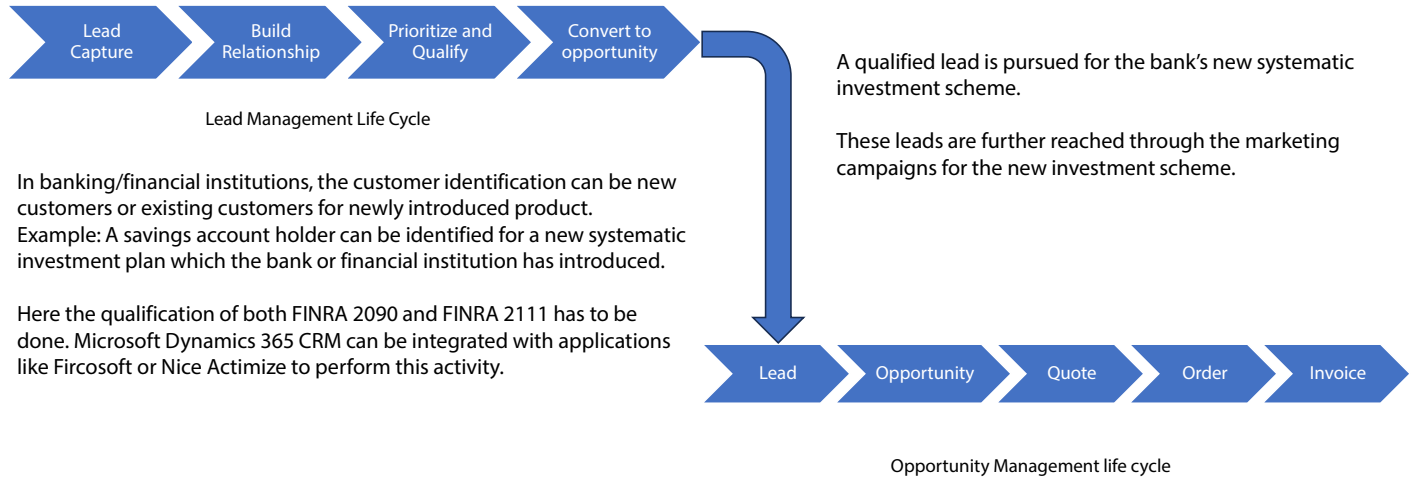
01 Individual or corporate or proprietary transactions subject to international sanctions

02 Politically exposed person (PEP)

03 Convicted or suspected criminals

04 Reputational risk to banks and business, Income level

05 Source of Fund

06 Volume of transaction

Lead Management Life Cycle

Lead Capture → **Build Relationship** → **Prioritize and Qualify** → **Convert to opportunity**

Lead Management Life Cycle

In banking/financial institutions, the customer identification can be new customers or existing customers for newly introduced product.
Example: A savings account holder can be identified for a new systematic investment plan which the bank or financial institution has introduced.

Here the qualification of both FINRA 2090 and FINRA 2111 has to be done. Microsoft Dynamics 365 CRM can be integrated with applications like Fircosoft or Nice Actimize to perform this activity.

A qualified lead is pursued for the bank's new systematic investment scheme.

These leads are further reached through the marketing campaigns for the new investment scheme.

Lead → **Opportunity** → **Quote** → **Order** → **Invoice**

Opportunity Management life cycle

Figure 2: Lead and Opportunity management

As qualification of customer is done as part of regulatory compliance by specialized applications like Fircosoft and Nice Actimize. It becomes crucial for Microsoft Dynamics 365 CRM to integrate with these applications synchronously or asynchronously. While designing a workflow-based lead qualification process, the following integration methods can be used to integrate with third party applications.

Integrating KYC App with Microsoft Dynamics 365

Request / Response REST API's using JSON or XML can be used to integrate Microsoft Dynamics 365 and Fircosoft. This can be used to verify PEP checks on age, date of birth, name, location, occupation, gender, legal status etc. and collectively rules will be built for qualifying or disqualifying a lead. Generally, this is used for online checking of the customer. (Synchronous Integration)

Request sent via HTTP i.e., the Web API's can be used to trigger a qualification check instantly from Microsoft Dynamics 365 CRM application user interface. This can be used for a one time check on any parameter which needs a validation before qualifying the

lead. WebAPI's can use JSON /XML or message-based data flow for performing the qualification.

Structure and Formalized implementation of API's using Simple Object Access Protocol (SOAP) provides a reliable and trusted way to send and receive messages in external networks. This message-oriented middleware can be synchronous or asynchronous.

Integration tools like Azure Data Factory, MuleSoft, etc. can be used for data integration between Microsoft Dynamics 365 CRM and enterprise applications.
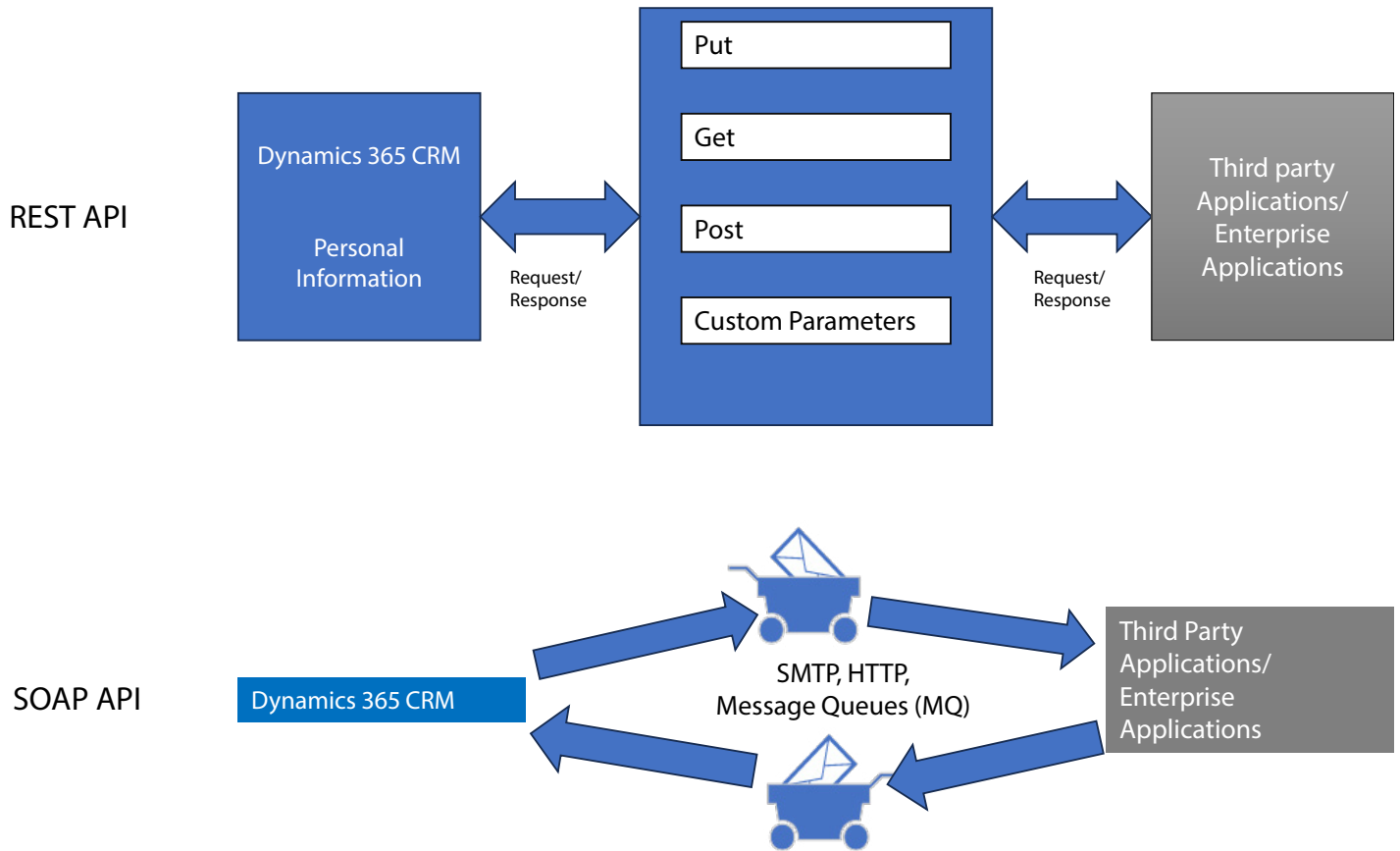
REST API

Dynamics 365 CRM

Personal Information

Put

Get

Post

Custom Parameters

Request/ Response

Request/ Response

Third party Applications/ Enterprise Applications

SOAP API

Dynamics 365 CRM

SMTP, HTTP, Message Queues (MQ)

Third Party Applications/ Enterprise Applications

Figure 3: Integration architecture

Using Workflows to Automate KYC Checks

Microsoft Dynamics 365 Power Pages along with Power Automate helps to create workflows which can be automatically triggered. While the basic checks for CIP are triggered in parallel as part of the initial step, the advanced checks are triggered based on the response from basic checks which can be automated. Create the KYC check workflow using Power Automate with AI based business rule, to finally arrive at the decision to qualify or disqualify a lead. Create a Microsoft Outlook integrated email communication on the status to pursue with the customer communication.

Benefits of Automating KYC

Listed below are the benefits of automating KYC during a lead and opportunity generation.

KYC tools and insights help to identify, and act based on the risk score of the customer, faster and more accurately. This helps in faster customer onboarding and ensures due diligence.	Integration with the KYC application reduces manual effort and strengthens controls.	The integrated qualification approach helps in regulating businesses with compliance and controls risk.	This integration results in higher productivity and reduces costs.

Conclusion

Lead qualification must include regulatory compliance for completion of KYC before pursuing the opportunity. So, integrating with regulatory compliance software becomes inevitable. CRM applications must integrate to perform the regulatory check on leads before qualifying them. This helps in deriving the right risk score of the customer which helps the bank to plan campaigns on the right product options. The lead time to qualify a lead is crucial for financial institutions and in turn plays a role in measuring the productivity of the bank. Shorter lead times play a crucial role in ensuring timely customer acquisitions in today's world as the market is competitive, digitized, and disruptive. Embracing the change in compliance guidelines becomes a key winning strategy to acquire more clients. Using the right integration approach helps in reducing the lead time and increases the productivity of the financial institutions.

About the Author

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Latha is a Principal Consultant at Infosys. She has over 30 years of experience in software development, enterprise application implementation, pre-sales, vertical solutioning and new initiatives development. As a thought vision leader, she aspires to exploit digital technologies to build solutions in AI, automation and NextGen technologies.

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