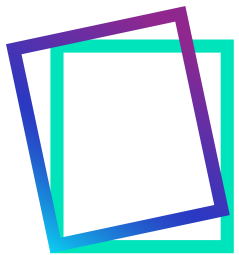


eBook

Contract Intelligence for Banking and Finance

How the Icertis Contract Intelligence (ICI) platform helps banks stay competitive and in compliance



Icertis

Banking and the Digital Transformation

As anyone who has a banking app on their phone can tell you, the digital transformation is well underway in the financial industry. Breakthroughs in financial technology have made it possible for bank customers to deposit a check, apply for loans, and transfer funds with little more than a swipe of the thumb.

These innovations have accelerated the pace of business in the banking industry to previously unbelievable speeds, presenting huge opportunities and major risk. Banks that properly embrace the digital transformation can expect to enjoy more and more customers accessing their products 24 hours a day. But a poorly executed transformation could leave banks either lagging behind competitors or, worse, in serious breach of government regulations and internal controls—exposing the institution to legal and financial risk.

This digital transformation will go far, far deeper than some flashy apps. It must be organization-wide, touching every facet of how financial institutions do business.

As [Peter Hazou](#), a business strategy leader at Worldwide Financial Services, recently noted in an article on [microsoft.com](#), “Priorities have shifted in the last few years. Now, nearly all banks are focusing on infrastructural upgrades to their core systems. In the previous, say, 10 years, improving customer experience was the top priority, largely because it was an area non-bank fintech competitors saw that traditional banks were the most vulnerable to disruption. The trend and investments have now shifted to the modernization of the underlying systems supporting these data-centric, front-end user experiences.”¹

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Peter Hazou,
business strategy leader,
Worldwide Financial Services

¹[cloudblogs.microsoft.com, 1/12/2021](#)



FAST FACT

Banking leaders are beginning to recognize that their digital transformation efforts must extend far deeper than enhanced user experiences like mobile apps.

Contract Management's Key Role

When it comes to a bank's internal processes, few are as important—or as often overlooked—as the management of contracts. Contracts and the processes that touch them are the foundation of all commerce, and are vital to regulatory compliance and risk management, as they provide deep visibility into every aspect of an organization's operation: where it's doing business, with whom, under what terms, and for what purpose.

This kind of visibility is especially valuable for the banking industry, where, along with the accelerated pace of business, organizations face extremely strict regulatory environments and compliance is closely monitored. Failing to track compliance carries heavy financial risk.

To cite just one example, in October 2020 a major U.S. bank was fined \$400 million by the Federal Reserve for “longstanding deficiencies” in its internal controls across the company. “For several years, the Bank has failed to implement and maintain an enterprise-wide risk management and compliance risk management program, internal controls, or a data governance program commensurate with the Bank's size, complexity, and risk profile,” stated the Office of the Comptroller of the Currency in its consent order.²

Clearly, a lack of attention to risk and compliance can cost a fortune. Yet many organizations, including banks, continue to manage contracts in separate repositories, with contracts sitting in silos—either by geography, business function, or contract type. As a result, contracting at many organizations holds back performance and limits visibility—just when the increased speed of global business demands greater velocity and agility, and the regulatory environment demands full compliance.

The cloud-based Icertis Contract Intelligence (ICI) platform transforms contracts into strategic business assets, giving global enterprises powerful new capabilities to maximize revenue, control costs, and manage risk.

Below are seven questions a banking organization should ask about its contract management system, and how the right system addresses each.

²Schroeder, Pete, Reuters.com, “Bank fined \$400 million by regulators, agrees to fix ‘longstanding deficiencies’”



CONTRACT MANAGEMENT QUESTIONS FOR BANKS

- 1. Are all contracts searchable across the banking organization?**
- 2. Is there system-driven governance and compliance in the contract process?**
- 3. How are contracts approved and signed, and what level of visibility is available to both the signers and the approvers?**
- 4. How does the process ensure risk due diligence on all vendor contracts?**
- 5. Can your organization report on contract liability, risks, and performance?**
- 6. Is there a system to enable contract self-service with the right level of controls?**
- 7. How are contracts managed across all the affiliates? Is there a need for centralized visibility, governance, and compliance processes?**

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Are All Contracts Searchable Across the Organization Using Any Associated Data?

Let's say a member of your executive team needs to run a report on all lease agreements associated with your organization's ATM facilities worldwide. A bank could have thousands or even tens of thousands of such contracts on file, making the manual compilation of data time- and cost-prohibitive—especially if the contracts are kept on file at local branches but not shared with the rest of the company.

However, a contract intelligence system puts all such contracts in one place, and allows for deep searches for detailed reports.

For example, ICI's powerful, versatile search engine enables company-wide queries using a variety of data, from clauses to terms to facility type, empowering users to find the exact information they are looking for.



FAST FACT

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Is There System-Driven Governance and Compliance in the Contract Process?

According to a 2019 report, “Banking Regulatory Outlook 2020,” from the [Deloitte Center for Regulatory Strategy](#), “With the global financial crisis behind us and automation technology continuing to advance, institutions now have an opportunity to re-examine their governance operating models and risk management responsibilities—the ‘who’ and the ‘what’—and ensure an effective foundation exists.

“Banks and their regulators both understand that innovative financial services, supported by modern technology infrastructures, are critical in today’s digital, real-time world. But for many large firms, the road to modernization is long. To get there, firms need a well-thought-out, long-term plan for data infrastructure transformation, supported by appropriate and realistic funding. The plan should be updated regularly as technology evolves. To set the right priorities, the plan should consider both the risks of continuing to maintain core legacy systems, as well as the projected efficiencies and cost savings of migrating those legacy systems to a modern platform.”

With contracts forming the basis of practically every financial transaction, the execution of better governance starts with them. An effective contract management system should not only assist but assure adherence to company controls.

With ICI, for example, a bank can ensure that all mortgage agreements contain the latest, approved versions of clauses using a robust, comprehensive clause and template library; track all nonstandard or deviated clauses; and trigger reviews of the agreement due to changed language. All of this ensures greater compliance with internal and regulatory rules.



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Compliance expectations at banks are higher than ever. Organizations must be certain that their contract process is a tool and not a burden.

How Are Contracts Approved and Signed, and What Level of Visibility Is Available to Both the Signers and the Approvers?

Contract deviations or otherwise noncompliant clauses are not the only way insufficient contract management systems allow risk into the contract writing process. Management should also have nimble and complete control over the values and types of contracts which various contributors in an organization are allowed to authorize by themselves, and which should be routed through management or other departments. For example, a bank may want all loan agreements over a certain dollar amount to be reviewed by a manager before they are executed. This reduces the risk of maverick contracts that become a liability for the bank.

With ICI's easy-to-configure dynamic workflows, banks can route contracts for approval and signature to the proper parties based on type, value, location, and other attributes. Also, when it comes time to sign, the review process is simplified with automated executive summaries that allow approvers and signers a quick glance of key terms and deviations before approving or signing. This ensures that nothing slips past and reduces human error.



FAST FACT

The right contract management system can ensure that the right people see the right information at the right time to guarantee that no noncompliant contracts are approved or signed.

How Does the Process Ensure Risk Due Diligence on All Contracts Involved in Buying Products and Services?

The issue of vendor risk assessment by banks has gained more attention in recent years as the U.S. government tightened the rules stipulating what a bank must do to ensure that critical vendors don't pose a serious risk to their operations. This is a big task. Felipe Préstamo, former senior vice president at TD Bank, told American Banker at the time of the rule's publication in 2013 that his company had 22,000 [active relationships with vendors](#).

While the task of monitoring so many vendors could never be called easy, it can be greatly simplified with an expert, fully transparent contract management system. Because every vendor is routed through a due diligence process for risk assessment before a contract can be initiated, contracts contain a huge amount of data about the vendors. With ICI, organizations can automate supplier checks with seamless integration into Dun & Bradstreet, Thomson Reuters, or third-party data. They can also easily run in-depth risk reports based on that contract data, providing 360-degree views of a bank's vendor relationships.



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Regulators expect banks to have a firm grasp on their vendor relationships. Without proper visibility into contracts, that can be a tall order.

Can Your Organization Report on Contract Liability, Risks, and Performance?

Once executed, contracts are typically stored in a repository and forgotten. Ongoing commitments, potential discounts, and other milestones can be easily missed. At best, cost savings and revenue-generating opportunities are overlooked. At worst, companies can face fines or litigation from noncompliance or breach of contract.

In the Icertis Contract Intelligence platform, it's simple to see who is owed what (commercial and non-commercial commitments) and by when. [Obligations](#), terms, and [compliance records](#) are automatically tracked and displayed via an intuitive, [configurable dashboard](#). The platform is contract- and language-agnostic, which means you can track obligations across your entire organization, from any department, in any country, on any device, at any time. This holistic, always-on visibility turns contacts into strategic advantage rather than hidden sources of liability.



FAST FACT

A contract intelligence platform makes it easy to leverage contracts to gain sophisticated, mission-critical insight into past, present, and pending transactions, financial liabilities, and compliance exposure across your entire organization.

Is There a System to Enable Contract Self-Service with the Right Level of Controls?

We mentioned above that risk management and regulatory compliance requires that management be alerted to potentially problematic contracts. However, it is equally true that with the fast pace of commerce in the banking industry, an organization cannot wait for a central team in legal or finance to approve each and every contract.

Instead, systems should be put in place that empower self-service contracts, while maintaining secure controls for every role in the organization. Under these circumstances, proactive, self-service contracting accelerates commerce while dramatically improving governance and compliance. On the ICI platform, organizations can easily adapt self-service rules to suit their strategic needs. The user interface is simple and intuitive, and can be customized to show key statistics and metrics relevant to each user's role. This encourages high user adoption rates, allowing a company to fully realize the benefits of a contract intelligence system.



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Organizations need controls, but they also can't be bogged down by unnecessary review processes.

How Are Contracts Managed Across All the Affiliates? Is There a Need for Centralized Visibility, Governance, and Compliance Processes?

As already noted, a major strength of a contract intelligence system is its ability to house all contracts from even the largest global organization in a central repository. This establishes a reliable single source of truth regarding contractual terms, such as obligations, entitlements, and vendor and product pricing.

This means organizations can empower all affiliates with contracting capability, and enables identification of related contracts across affiliates, vendors, producers, and services. Cognitive analytics and AI-powered machine learning help connect the dots of an organization and drive rationalization of terms for reduced cost and improved risk and compliance processes.



FAST FACT

Cognitive analytics and machine learning help connect the dots of an organization.

Conclusion

The banking industry is undergoing a fundamental digital transformation; forward-looking organizations will prioritize contract management in this transformation to remain out in front of the competition.

For the first time in history, the entire contracting process—including all contracts—is being digitized, empowering companies to connect on-demand contract data to other operational systems and strategically transform their contracts into valuable corporate assets. Contract intelligence enables increased business velocity, improved company-wide agility, and reduced risk across a range of banking functions.

In today's high-stakes and quickly changing regulatory environment, banks need to find ways to proactively control risk and achieve deeper visibility into every aspect of their business. In such a highly competitive industry, they must also find new ways to close the gaps that are causing revenue leakage, reveal and leverage untapped opportunities, and recover lost business.

With the digital transformation well underway in the banking sector, organizations that push the boundaries of what's possible with contract intelligence as a strategic part of their transformation will quickly begin to see gains, now and into the future.



About Icertis

With unmatched technology and category-defining innovation, Icertis pushes the boundaries of what's possible with contract lifecycle management (CLM). The AI-powered, analyst-validated Icertis Contract Intelligence (ICI) platform turns contracts from static documents into strategic advantage by structuring and connecting the critical contract information that defines how an organization runs. Today, the world's most iconic brands and disruptive innovators trust Icertis to govern the rights and commitments in their 10 million+ contracts worth more than \$1 trillion, in 40+ languages and 90+ countries.

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