

## MARKET NOTE

# The IBM and Fenergo Strategic Partnership Creates a Potential CLM/KYC Powerhouse Product

Steven D'Alfonso

## EXECUTIVE SNAPSHOT

---

### FIGURE 1

---

#### Executive Snapshot: IBM and Fenergo Strategic Partnership Creates a Potential CLM/KYC Powerhouse Product

IBM and Fenergo announced a strategic partnership to offer an AI-enabled end-to-end client life-cycle management (CLM) solution for the financial services industry. From IDC's perspective, this is a smart collaboration between the two companies. Each company is bringing a specific domain expertise without a lot of overlapping technology.

#### Key Takeaways

- There are substantial benefits for both firms, but IDC believes that IBM is the bigger beneficiary in this deal as it immediately allows entry for IBM into the CLM and KYC markets with an advanced offering and recognized name in Fenergo.
- The combined capabilities of the two firms will provide financial institutions (FIs) the potential to digitally transform onboarding compliance functions with an advanced platform.
- The solution can provide next-generation customer risk rating capabilities, enabling FIs to continuously monitor and update KYC information.
- The analytical capabilities can produce micro-segmentations, providing deeper analysis of high-risk customers, which could lead to potential reclassification of certain customers to lower risk rating categories.

Source: IDC, 2020

## IN THIS MARKET NOTE

---

The recent announcement from IBM and Fenergo to sign an original equipment manufacturer (OEM) agreement creates a strong strategic partnership in the customer due diligence and AML compliance marketplace. The combination of the two firms' capabilities provides a solution that can deliver end-to-end client life-cycle management and advanced AI-based analytics to help financial institutions (FIs) combat financial crime.

### Current Situation and Challenges for Banks

Over recent years, evolving regulatory requirements have placed a strain on FI compliance functions. FIs today are still burdened with multiple onboarding compliance processes and technologies with many manual processing steps throughout. Beneficial owner requirements often inhibit the efficient onboarding of corporate customers, with banks indicating that it can take several weeks to two months to properly vet a new corporate customer.

Many FIs want to achieve digital transformation (DX) to enable better customer experiences and outcomes. Much investment has been made to transform the customer-facing "front ends" to allow customers to apply for new products and services online or through the mobile channels. However, often the compliance aspect of the onboarding process is not transformed and so causes slowdowns in the overall onboarding process, which, of course, leads to customer frustration and friction.

Customers want and demand a smooth onboarding process. They also want to transact from any device and any platform, at any time. Fenergo's CLM Industry Trends Report Series found that 36% of FIs lost business related to inefficient and slow onboarding. IDC Financial Insights in discussions with banks and bank customers has observed similar findings.

### Benefits of Partnership to Banks

The OEM partnership between IBM and Fenergo provides many benefits to FIs:

- Customers will be engaged under one contract, providing the benefits of both firms in a single contract.
- IBM Watson technologies will be built into the offering to provide an intelligent customer life-cycle process and enhance mitigation of financial crime risks.
- Automation technologies already built into Fenergo CLM will be further enhanced by IBM's advanced AI technology.
- Organizations with large, complex DX projects will benefit from IBM Technology Consulting and Promontory Financial Group.
- Workflow automation will improve straight-through processing, eliminating human error in manual data entry functions.
- Continuous KYC automates entity research to identify material changes and uses AI to segment customer populations based on behaviors and other factors.
- Fenergo is a specialized provider of CLM technology for financial services.
- Fenergo's CLM technology has been implemented at scores of financial institutions worldwide.
- Fenergo provides a financial institution community-generated library of industry-specific rulesets across dozens of jurisdictions worldwide, which customers can build upon and customize for their institution's requirements.

## IDC'S POINT OF VIEW

---

IDC Financial Insights sees the IBM and Fenergo partnership as one that could potentially have substantial effects within the CLM and KYC markets. The combination of the two companies' technologies and specific domain expertise creates substantial force in the CLM market.

While there are certainly benefits to both companies, IDC views IBM as potentially gaining the most benefits from this partnership. Fenergo is regarded as a leader in the CLM and KYC markets; IDC Financial Insights named Fenergo as a Leader in *IDC MarketScape: Worldwide Know-Your-Customer Solutions in Financial Services 2018 Vendor Assessment* (IDC #US44292018, September 2018). IBM, which was not included in that research study, immediately fills a gap in the IBM RegTech portfolio with a recognized leader in the KYC and CLM markets.

For Fenergo, it gains access to IBM's extensive technology, services, and cloud capabilities. In addition, Fenergo's global reach will expand through access to IBM's financial services customers as a strategic partner.

One of the biggest benefits to FIs from the combination of IBM and Fenergo is the ability to perform continuous KYC monitoring to minimize efforts around manually conducting KYC refresh efforts periodically. The offering provides FIs the ability to continuously generate a dynamic customer risk score throughout the customer's entire life cycle. This dynamic and continuous risk scoring capability can also allow banks to potentially reclassify high-risk customers to a medium-or low-risk rating. The micro-segmentation can allow a bank to understand its customers and the potential risk they present at a much more granular level.

The combination of Fenergo's CLM and IBM's Financial Crime Insights brings an end-to-end AI-enabled customer life-cycle management solution for FIs that will help enable DX across financial crime compliance functions. The two firms have independently demonstrated impressive returns on investment for their customers, and it is quite likely that this strategic partnership will provide even better outcomes.

## LEARN MORE

---

### Related Research

- *IDC MarketScape: Worldwide Know-Your-Customer Solutions in Financial Services 2018 Vendor Assessment* (IDC #US44292018, September 2018)

### Synopsis

This IDC Market Note highlights the recent strategic partnership announcement between IBM and Fenergo. IDC Financial Insights discusses the benefits to financial institutions and provides its opinion about the new partnership.

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

## Global Headquarters

5 Speen Street  
Framingham, MA 01701  
USA  
508.872.8200  
Twitter: @IDC  
idc-community.com  
www.idc.com

---

### Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit [www.idc.com](http://www.idc.com) to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit [www.idc.com/offices](http://www.idc.com/offices). Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or [sales@idc.com](mailto:sales@idc.com) for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or web rights.

Copyright 2020 IDC. Reproduction is forbidden unless authorized. All rights reserved.

