



Compliance IT System as a smart banking transaction hub

No more stand-alone solutions

ACTICO helped Hamburg Commercial Bank (HCOB) harmonise and centralise its compliance processes to further streamline its approach.



Compliance IT system as a smart banking transaction hub at HCOB



The challenge faced

HCOB had heterogeneous IT infrastructure, which made its compliance processes excessively time-consuming and resource-hungry.



Implementation

A modular ACTICO platform, housing converging key compliance data from many different sources and functioning as a single source of truth.



Result

- Dramatically simplified compliance procedures for a more transparent and streamlined end result.
- A modular and standardized IT landscape; scalable to accommodate further machine learning applications.
- A future-proof solution with upcoming legal requirements in mind



When it comes to monitoring transactions, banks rely on high-performing efficient IT systems to uncover suspicious patterns and implement prompt countermeasures when any anomalies emerge. But creating a solid foundation for decision-making often requires data from various sources and differing IT systems must be harmonized and networked to function as a single source of truth. So, to expedite the way these compliance sub-processes work with machine learning going forward, a harmonized database with high-quality data is needed. A look at the Hamburg Commercial Bank case study shows how a central IT compliance platform can save manual effort, as well as time and costs.

Mastering IT complexity

As Hamburg Commercial Bank, formerly HSH Nordbank, shifted from a state to a private bank in 2019, it also underwent a comprehensive digital transformation. Its compliance needs evolved over time and a complex IT landscape with numerous differing software solutions emerged, covering embargo/sanctions screening, customer monitoring and scoring, post-transaction monitoring, and capital market protection and conflict of interest management among others. And since these software solutions came from various providers, each with their own data model, managing the interface involved a great deal of communication and coordination.

HCOB says goodbye to silos

Heterogeneous, complex, and costly IT landscape with many isolated solutions



Embargo-/Sanctions screening



- Customer monitoring
- Customer scoring



Reporting



Transaction monitoring (ex-post)



- Capital market protection
- Management of conflicting interests

THE LESS INTEGRATED THE SET-UP = THE GREATER THE MANUAL REPORTING WORKLOAD

Whenever more detailed reports were required, for example, input from the various data sources had to be consolidated and prepared, which involved considerable manual effort. In effect, the system interfaces clearly indicated a need for greater efficiency.

And further compounding the issue, the growing need to check individual parameters separately that emerged, amid the ongoing trend for more granular regulatory requirements. Remaining fit for purpose in response would require banks to have an IT back-end capable of handling compliance-related procedures to continue delivering reliable data output – no matter what future analyses may require.

This explains why HCOB decided on a dedicated digitization project to harmonize and modernize its IT compliance systems. As part of this transformation, the Hamburg-based bank sought a comprehensive software platform capable of centrally handling existing and future compliance needs holistically, via a single provider. Another priority was to minimize the degree of customizing - the greater the level of standardization, the more scalable the IT solution would be going forward.



Right out of the box, the numerous configuration parameters included in ACTICO allow us to implement new requirements faster, eliminating the need for extensive customization.

"Before, most banks used to customise software across the board, right down to the company logo in the UI," smiles Dr. Michael Sendker, who heads the HCOB compliance digitization project. **"In contrast, we kept to the standard as far as possible to get a solution up and running faster. Right out of the box, the numerous configuration parameters included in ACTICO allow us to implement new requirements faster, eliminating the need for extensive customization."**



What sets ACTICO apart in my view is the flexibility, the capability to perform in-depth analysis, exceptional service and integrate almost all the relevant compliance processes to completion.

Dr. Michael Sendker,

Head of the Compliance Digitization Project at HCOB, shared his thoughts at the ACTICO RegTech Day

"Next, we moved ahead decisively!"

With ten potential providers in the running during the initial market sounding, ACTICO stood out as one of the favourites very early on. And numerous best practices from the financial sector were among the features the digitization specialists used to convince HCOB and get their green light.

"ACTICO is just one of two providers that covers all the functions we need in an all-inclusive software solution,"
Dr. Michael Sendker recalls.

"Coordinating a single provider, rather than the six we used to have, makes for much easier communication and fewer errors." Other plus points supporting ACTICO as the provider of choice included its exceptionally flexible and modular platform, interfaces allowing AI integration and the strong support presence in Germany.



Once the contracts with the previous six providers had expired, time to get the ACTICO platform up and running was at a premium. With the provider longlist completed in January 2020, the contract with ACTICO signed in August 2020 and the requirements catalogue finalized, just 20 more months were needed until the final ACTICO module went live in March 2022. As Dr. Michael Sendker sums up: "We pinpointed all the requirements, then just put our foot to the floor."

During the initial project planning phase, several external project management consultants teamed up with ACTICO experts, having already collaborated previously, to assist the HCOB project team. Meanwhile, an external IT team, closely monitored by HCOB and ACTICO peers, was tasked with modernizing the underlying server architecture. The operational implementation took place in a small, agile project core team comprising two ACTICO and HCOB employees respectively, plus additional compliance and IT experts.

Ready for Machine Learning

Dr. Michael Sendker follows up: "As soon as the server is up and running, the data has to move." For that to happen unhindered, though, a full 12 different source systems had to be mapped out first. In transaction monitoring, for example, the very wide-ranging nature of the data sources is down to the fact that the transactions themselves take place in many different ways: via credit cards, payment service providers and so much more. The first step was amalgamating this input and matching it with customer data, which required in-depth work on the interfaces. With this pillar in place, the ACTICO solution was then rolled out, one module at a time. Each of the departments got intensive training at least a month in advance before each module went live. What Dr. Michael Sendker remembers is the commitment shown by the ACTICO team:

"It's not every day that we get exceptional cooperation from software providers of the kind that ACTICO showed, day in day out. Our contacts with the company not only went above and beyond with in-depth expertise, their integrity and a real hands-on mentality are what stood out most for me."

The other factors that persuaded him to go for the ACTICO solution included its flexibility, scope to evaluate and the fact that all elements could be seamlessly integrated into the relevant compliance processes. Any general system overhaul presents a stiff challenge - but the ACTICO system was successfully implemented, on time and on budget.

New at HCOB: Centralised processes in the compliance environment



- Customer monitoring
- Customer scoring



- Capital market protection
- Management of Conflicting Interests



- Embargo- / Sanctions screening



- Transaction monitoring (ex-post)

Every day, HCOB's monitoring system has to screen hundreds of thousands of bank transactions for possible anomalies. This is done by painstakingly defining threshold values, which are then placed in the context of specific scenarios.

The benefits reaped by HCOB include far smoother and powerful transaction monitoring and scope to define risk criteria in much finer detail. Also streamlined were customer risk scoring and compliance reporting procedures, with all relevant data now swiftly accessible and integrable in a data warehouse.

“What we now have in place is a database fit for purpose to train the AI on pattern recognition,”
Dr. Michael Sendker concludes. HCOB is counting on even further gains in efficiency when machine learning modules are rolled out elsewhere.



Mashal Bösch,
Head of Compliance at HCOB

Dr. Michael Sendker, Head of the
Compliance Digitization Project at
HCOB



Hamburg Commercial Bank (HCOB)

Hamburg Commercial Bank (HCOB) came into being when Landesbank HSH Nordbank was privatised in 2019. With 930 employees and EUR 33 billion on the balance sheet, it focuses on financing projects in real estate, shipping, infrastructure and energy supply sectors. In January 2022, HCOB was admitted to the voluntary Deposit Protection Fund of the Association of German Banks (BdB). And three of its departments oversee compliance, namely: Corporate & Securities Compliance, Anti Financial Crime and Information Security & Sourcing Management.

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