
Capacity Planning Framework

Being unprepared for increasing volumes is a compliance nightmare. Not having enough ‘bums on seats’ at the right time can create a headache down the line. No one wants a backlog to tackle nor the potential regulatory implications!

At FINTRAIL we know how difficult it can be to ensure you have scalable and flexible teams. To help you with planning in 2023, we have pulled together some simple steps to tackle capacity planning.

We have approached two common scenarios - scaling business as usual (BAU) teams to deal with anticipated business growth and responding to trigger events such as a remediation. The methodology we have outlined provides key steps to ensure you have the right capacity to support your changing needs.

The capacity plans below are simple in form; they are not designed to be comprehensive and cover all nuances, but are intended to provide you with fundamental considerations when mapping out your capacity and resource needs. They should be tailored to your business and built on your firm’s specific data points. The variables in the model will be determined by your own requirements.

Scaling BAU teams

As your business grows you need the correct resourcing to deal with increasing volumes of customers and the associated downstream impact on anti-financial crime workstreams. Launching a new product or entering a new market will result in an increasing number of clients to onboard and, if your team is already operating at full capacity, you will need to bring in additional resources to support this growth.

Using the simple model below we map out the areas you need to consider to predict future resourcing requirements.

| Onboarding capacity plan | | | | | |
|---|---|----------|-----------------------|-------------------------------------|----------------------------|
| <ul style="list-style-type: none"> • 500 new clients per month • No excess capacity within BAU team | | | | | |
| A: No. of new clients per month | Customer risk assessment (CRA) brackets | B: CRA % | Cases per CRA bracket | C: Productivity per analyst per day | Analysts needed to support |
| 500 | High | 7 | 35 | 3 | 1 |
| | Medium | 23 | 115 | 5 | 1 |
| | Low | 70 | 350 | 8 | 2 |
| Total resourcing requirements | | | | | 4 |

A. Number of new clients per month

Work with product, sales and marketing to understand expected new customer projections over the next 12 months. You will need to understand your current BAU case volumes and if you have any capacity to absorb additional work, then determine if more resources are needed. You will also need to consider how growth will change over time - will it be constant or will it peak for a few months and taper off? This will help you understand if you need to recruit permanent staff or bring in temporary resources.

B. Split of cases by customer risk assessment

Use existing knowledge of the customer portfolio to understand how customers will be split by risk category - in this example, high, medium and low risk. You should assess if this is likely to change with different variables linked to the project growth e.g. if the geography you are expanding into is high risk, increasing the number of high-risk customers. This will help you estimate how many cases you may see across the portfolio split by risk type.

C. Productivity per analyst per day

Based on current timings and case outputs you should know how many cases an analyst can work per day per risk category. This model assumes 20 working days per month, however, this may change if you need to consider bank holidays, annual leave etc. When you compare the number of new cases to be worked with the cases worked per day, you can see you will need four additional KYC analysts to support the onboarding of 500 new clients per month.

Further variables may need to be accounted for in building out these models. This includes how many cases an analyst can clear per risk type, the proportion of alerts requiring customer outreach, and the portion of alerts needing level two review and sign off. For each of these, you can build out additional models using your firm's available data.

It's not just for onboarding

This model can be applied to downstream KYC activities in the financial crime lifecycle. Using similar steps to those shown above and accounting for risk variables such as product, geography and customer risk, you can map out the expected increases in customer screening and transaction monitoring alerts and calculate the associated increase in headcount needed.



Applying the model to trigger events

Whether it be a spike of alerts due to calibration changes in transaction monitoring or dealing with a backlog (poor planning for future growth?) there may be times when you need additional resources to clear and remediate cases. Similar principles can be applied to those outlined above.

This model is designed to be 'case agnostic' so could theoretically cover customer due diligence, transaction monitoring, or screening alerts backlogs.

| Number of backlogged cases | | 15,000 | | | |
|----------------------------|-------------|---|--|----------------------------|------------------------|
| A: Phase | Case type | B: Planned duration of remediation phase (working days) | C: Productivity (cases cleared per day) ^w | No. of cases to be cleared | No. of analysts needed |
| 1 | High risk | 20 | 2 | 1,000 | 25 |
| 2 | Medium risk | 40 | 3 | 4,000 | 33 |
| 2 | Low risk | 60 | 4 | 10,000 | 33 |

A. Phase

When planning remediations, we recommend a phased risk-based approach. Deal with the highest risk category first, and then work through the lower risk categories to clear the backlog. Subject to budget, you may be able to run the phases concurrently to accelerate completion. If you are tackling a backlog or remediation for the first time, before you get to phase one, you might consider testing the process to look at timings and identify potential issues. An important component of this will be conducting root cause analysis to identify process improvements to build into the remediation plan. You can then re-run all your management information (MI), planning, timeframe and capacity management once you have sight of the outputs. This will give you feedback before you start the first phase. At a minimum, you should review lessons learnt periodically at the end of each phase.

B. Duration of phase

This specific model is driven by set deadlines to complete each phase e.g. one month (20 working days) to complete a review of all high-risk alerts. There are alternative ways to approach this, like a capacity driven model e.g. you have access to 20 analysts and the phase length will be driven by their capacity and timelines. Often, time is the primary driver and knowing what is expected of you and having achievable timeframes to work through the backlog is key.

A few points to consider:

- If you are bringing in external support, allow time for IT set up, systems and software access, and process familiarisation. Productivity may be reduced in the initial week.
- Allow for public holidays and annual leave in planning.

C. Productivity

Using existing MI on BAU volumes you can estimate how many cases an analyst can clear per day. As before, dividing the total number of cases by productivity and working days for each phase will calculate the analysts needed. Based on any lessons you've learnt, you may be able to assume improvements in productivity over time as the case handlers become more experienced.

Don't forget about quality control

For both scaling growth and remediations it is important to account for the additional resources you need to support the process; quality control (QC) is key here! Similarly to onboarding capacity planning, you should assess if existing resources can support or whether you need additional people. The same steps can be applied as above with one variable element - the percentage of cases subject to QC. Firms tend to reduce the percentage of QC applied as analysts become more experienced and consistent pass rates are achieved. This may mean additional resources are needed at the start, but can be scaled and adjusted over time.

| Quality control | | | | | |
|--------------------------------------|-------|--------------------------|--------------------|---------------------------------|----------------------------|
| No of new clients per month | Month | % of cases subject to QC | QC cases per month | Productivity (QC cases per day) | Analysts needed to support |
| 500 | 1 | 100 | 500 | 8 | 3 |
| 500 | 2 | 75 | 375 | 8 | 2 |
| 500 | 3 | 50 | 250 | 8 | 2 |
| Total resourcing requirements | | | | | 7 |

It's not always this simple!

The reality is that resource and capacity planning is not always straightforward. What we have mapped out are simple steps to consider to get you started. Many of your anti-financial crime controls may need customer outreach or level two review and escalation, which adds additional steps and complexity to the process. You will need to factor in service level agreements (SLAs) for these processes, a workflow for handing them off, an approach for dealing with unresponsive customers, etc. Ensuring you approach capacity planning methodologically with a robust plan that accounts for your firm's specific variables will give you a head start in dealing with the changing demands (and volumes) of the business.

Why FINTRAIL

FINTRAIL have proven experience in leading and delivering remediation programmes and providing resources across the anti-financial crime lifecycle. Whether you are scaling for growth, remediating customer files or dealing with a spike in alerts, FINTRAIL can provide the expertise and resources to support your needs.

- **Impressive credentials:** FINTRAIL is a consultancy focused exclusively on the anti-financial crime needs of global financial institutions. Our unique team of experts is drawn from the industries we support and has deep hands-on experience from leadership roles with market-leading firms.
- **Proven track record:** We have demonstrable experience in assisting regulated entities navigate complex regulatory issues relating to customer due diligence, transaction monitoring and other anti-financial crime processes. We are very aware of the challenges the industry faces, and leverage this knowledge to help you successfully navigate any remediation activity.
- **Speedy assistance with remediations and backlogs:** If you have a backlog caused by the release of a new product, a sudden spike in customer activity or the deployment of a new system, we can deploy a team of <10 experienced and pre-vetted personnel within seven business days. This can be scaled up depending on the size of the task.
- **Managed services:** If you need to outsource some of your fincrime operational tasks permanently, we can provide you with a team of flexible resources to cover the area in question. This provides maximum flexibility to adapt your resourcing requirements as your business needs adjust, removing a variable and allowing the business to execute its plans at pace.
- **Flexible resourcing:** By leveraging FINTRAIL's flexible resourcing model, you can sign a contract to draw down upon resources for a set period of time with no long-term commitment. This is an effective way to deploy a small team of analysts to bring your fincrime operational tasks back inline with SLAs.