Strategic Steps to Successful Client Onboarding

In this white paper, we discuss how financial institutions can launch a client onboarding project. We highlight some of the common pitfalls that threaten its success and explain how to avoid them by following specific steps.

This paper is an essential guide for strategic buyers, operations managers, client experience strategists, IT managers, compliance professionals, retail and corporate bankers, and high-networth relationship managers. Discover useful insights on how to make the continuous client onboarding journey a safe one.
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Introduction

Many financial institutions are shifting their focus on client onboarding for internal process transformation and automation. The fact that it lies at the operational core and touches nearly all aspects of business make the process an ideal starting point on the path towards creating a process-driven organization. However, projects in this area require careful strategic attention with input and expertise from the various departments that all have a stake in the process.

To help you prepare for the client onboarding journey, we explore 5 key strategic areas in this paper:

- Setting goals
- Defining the scope
- Transforming the organization
- Business activity monitoring
- Streamlining step by step

Understanding Client Onboarding:
A Cross-departmental Affair
For financial institutions, onboarding a new client is a critical process that starts at first contact between a bank and a prospect. The process resonates throughout the entire client lifecycle and affects many participants within the organization. However, what is often forgotten is that the process cycle continues even after the account has been opened and funded.
To complicate matters, most of the process participants belong to relatively disconnected departments with data often captured in separate expert systems. This common, siloed approach to architecture means that automating and implementing a new process or merely improving an existing one is usually an extremely delicate task.
Setting Goals

Before starting a client onboarding initiative, an organization must clearly define goals and desired outcomes. Setting goals helps an organization envision what it will look like once the new process has been implemented. In order define measurable goals, it is important to ask realistic questions such as “How quickly will new clients be onboarded?” and “How much do we intend to save as a result of process automation?”

Below, we discuss some common goals of client onboarding projects.

1. Reduce Costs
The standard client onboarding process consists of data gathering, outbound form-generation, approval, and account activation. In many organizations, this is a labor-intensive, manual process with multiple, non-aligned work styles. An automated client onboarding process with a clearly defined sequence of events dramatically reduces the amount of time spent on each task, especially in the transition of task ownership.

2. Increase Revenue
This is simple: Faster account opening leads to earlier account funding. When it comes to large accounts, decreasing the time it takes to fund an account directly correlates with the amount of revenue generated by that account.

Leveraging smart Product Wizards during the onboarding process also helps to increase revenue. By relying on profile information already gathered during the onboarding process, Product Wizards can prompt relationship managers to select and suggest relevant and appealing banking products to new clients.

For example, the “Product Wizard” could offer attractive mortgage products to a retail banking client, while the latest alternative investment products might be more appropriate for a risk-friendly investor.
Using such upselling tools during the client onboarding process introduces an additional source of revenue together, while improving service quality.

3. Institutionalize Compliance
A traceable and transparent client onboarding process is a precondition for better compliance. In order to accurately audit client information and answer questions about KYC (Know Your Customer), suitability and tax requirements, financial institutions need constant access to the latest client information and the audit trails created while onboarding or reviewing. These audit trails are created as a result of structured processes and guided questionnaires on the following topics:

**KYC (Know Your Customer)**
During the onboarding process the relationship manager must ask the client a set of KYC questions such as the source of wealth, entity ownership, politically exposed status or explanations for possible involvement in high-risk industries. The client's answers are entered and validated during or after the client meeting to create a profile snapshot.

**Suitability**
For investment products, a natural step in the client onboarding process involves questions about suitability. The two pillars of suitability are:

Client Suitability: Can the product still be offered when the client's circumstances like age and financial possibilities are taken into account?

Product Suitability: Can the product be offered when product restrictions or product disclaimers are taken into account?

**FATCA (Foreign Account Tax Compliance Act)**
During client onboarding, a client can also be identified as subject to FATCA in order to respond quickly to a regulator's request.
4. Enhance Service Quality
The first interaction between a new client and his or her financial institution sets the tone for the future. Therefore, creating a positive and lasting first impression is crucial. A client who has to wait several days to receive simple account opening documents will quickly lose trust in future banking services from this provider. In an increasingly competitive climate where banks are seeking new and innovative ways to attract potential clients, institutions with slow and uncoordinated onboarding processes will lose business to faster, more efficient competitors. The speed and quality of the client onboarding process are critical parts of a positive customer perception.

5. Reduce Paper
Surprisingly, at a majority of private financial institutions, onboarding processes are still manual and paper-based. An automated, electronic client onboarding process reduces paper internally and electronic signatures eliminate the need for paper contracts externally. This can provide support for a company's environmental responsibility initiatives.
Define the Scope

How broad should the scope of your new client onboarding process be?

Although the answers to this question may vary from institution to institution, the biggest mistake often made is attempting to cover too much in the process. Reducing the scope to four key phases helps institutions stay focused.

1. Data Gathering

The hunger for data in banking is no different from other industries: An efficient client onboarding process demystifies the need for collecting and storing massive amounts of data. It also provides a two-way channel for data access and data provision while the scope and complexity of the process are directly linked to the extent of data included in the process.

During the data-gathering phase, client data is collected via other systems or through real-time data entry. The volume of such data can vary greatly depending on the amount of topics and the level of detail required. For example, a client onboarding process that includes only the standard KYC data fields has a significantly smaller data profile than one that includes FATCA questions and background checks.

Inquiries into the client’s investment profile regarding suitability make data gathering all the more complete. In an ideal world, organizations should aim to gather all of the data categories mentioned above. Unfortunately, in the real world, restrictions on downstream data systems may mean some of these categories will be excluded.
2. Document Generation

Once client data and account requests have been gathered, the client must physically sign the forms (whether fully electronic or paper-based). Client onboarding with integrated document generation guarantees the preparation of the right set of documents. These outgoing documents should be based on the client’s circumstances and contain no more and not less than what is required by regulation. For example, the W8-BEN form would be pre-populated and included in the document package when the client is a U.S. Non-Resident Alien or Non-U.S. Corporation residing in a country with a U.S. withholding tax treaty in place.

3. Approvals

Account approval processes range from simple 4-eye checks through multi-level supervisor validation to intelligent business rules routing, depending on the risk or asset level of the client. Client onboarding must provide the flexibility to handle all types of approvals. Moreover, it should provide the flexibility to adapt to changes in approval routings overnight, without depending on standard IT system releases. A comprehensive audit trail that logs approvals and rejections in a compliant manner must be part of the client onboarding operation.

4. Account Activation

One of the last but most important steps in the client onboarding process is the addition of activated accounts to back-end systems such as e-banking and accounting. This final integration step also ensures that accounts are opened with the features that have been selected and approved during the process. Finally, once all steps have been completed, an automatically generated account activation letter can be sent to the client with funding instructions.

Tip: A core principle of document generation should be the treatment of documents as the direct output of the process, NOT as a starting point or input in the process.
Transforming the Organization

Client onboarding can be the perfect role example of an enterprise-wide process capable of spanning horizontally through multiple, loosely connected departments at medium and large organizations alike. But because it requires change and disruption to the various departments involved, transformation in this area is often met with opposition.

Education is an indispensable ingredient for speeding up internal adoption rates. The education cycle should start quite early in projects, ideally during the design phase so that all stakeholders are fully included.

An internal education program should strive to include the following key elements:

Show & Tell Sessions
The new client onboarding application should be implemented with a visual modeling tool that supports the creation of executable process mockups that later become the application. These mockups should be presented to large groups of targeted end users at an early stage of implementation. Show & tell sessions provide a platform for constructive discussion and end user involvement, helping to positively manage change.

User Training
Standard user training should remain part of the education offering even when the character of the training changes over time. A well-designed client onboarding application follows a process whereby the features and data that users see are perfectly adapted to the user group working on the task. Therefore, user training should be more about delivering the big process picture rather than walking through each individual feature.
Outsourcing
Actively managing the client onboarding process transforms the organization at its core. Once the process is managed and under control, parts of it can be outsourced. Searching for higher margins, many financial institutions try to move away from their horizontal, expensive value chain to a vertical chain, focusing only on the profitable areas.

Outsourcing parts of the client onboarding process is problematic when the back office or compliance checks are executed by third parties. Outsourcing is only possible if an institution understands and actively manages its process.
Business Activity Monitoring

A good understanding of the typical bottlenecks in client onboarding projects is necessary to identify potential problem areas. A standardized process needs to be measured thoroughly on both a task-level and macro-level. Attaching Service Level Agreements (SLAs) to the entire client onboarding process is a good way to measure against pre-defined contracts.

Monitor Contracts Specific to Client Onboarding

Business Activity Monitoring (BAM) describes all actions taken to measure and monitor data generated through an automated client onboarding process, even in real time. Next to standard process indicators such as average process run-through time, or dormant times in the KYC officer’s inbox, BAM can produce more specific tracking points. For example, the number of investment accounts opened for individual clients domiciled in Argentina, or the average number of days taken to get all required legal memos for opening fiduciary accounts.

Proving the Material Value of Client Onboarding

The value of data collected through BAM procedures can be translated into measurable value in hard currency. For example, measuring the time elapsed between the opening and the funding of a custody account is an important indicator of revenue. Improving the opening-to-funding ratio will result in measurable revenue gains that can be fully attributed to an improved client onboarding process. The same can be achieved on the cost side, by improving employees' efficiency in detecting bottlenecks and re-distributing these accordingly. The premise for such results is the monitoring of business activity around the client onboarding process.
Streamlining Step by Step

A common mistake that could jeopardize a client onboarding process is to streamline processes before automating them.

Automating parts of or an entire process must be the first step in a strategic client onboarding project. Introducing automation into client onboarding sets a foundation that consists of electronic risk rules, business processes, and auto-generated forms. Based on that foundation, new regulations can be introduced swiftly and locally customized deployments can be targeted to specific geographical business areas.

Eliminating Individualized Standalone Solutions
Automated client onboarding follows a process that can be measured and tracked if it is streamlined. If individual solutions are not removed or integrated in the new end-to-end onboarding process, it will become unmanageable and impossible to monitor. But removing such solutions can be challenging, especially if they are used by highly profitable teams.
Wrap-up

Focus Early to Avoid the Consequences
The area of client onboarding will receive more attention in the very near future because of its potential to save costs, produce a direct and quantifiable increase in revenue, and professionalize compliance operations. In an environment of shrinking margins for financial institutions and ever-tightening regulation, banks will be forced to take action and professionalize client onboarding very soon if they have not already started.

Regulation, Regulation, Regulation
Dodd Frank, FATCA, Basel III: the list of financial regulations goes on. Support for new political regulations has increased since the financial crisis hit in late 2008. Regulation drafts that have been in elaboration for many years have a better chance than ever to become binding legislation.

On the operational side, these regulatory requirements are being implemented with structured processes and reliable current and historical data. FATCA and similar regulations will require ever-faster implementation time at financial institutions. They will only be able to comply with these demands if client onboarding processes are structured so that changes (business rules, new documentation, new data capturing) can be applied quickly and are already detached from standard IT release cycles.

Customer Experience
Facebook, LinkedIn and Twitter users make up a large slice of the banking customer base. The modern banking client is familiar with the digital landscape and its social media platforms. They have already adapted to a familiar pattern of speed, round-the-clock accessibility, and ease of use that mobile devices and applications offer.
Financial institutions will be expected to offer the same level of service that their clients receive from other industries. Signing onboarding documents on mobile devices and online interaction with relationship managers during the onboarding process will become commonplace. Banking, just like other industries, is turning to mobile services as a way to upscale its client service.

A Buyer’s Economy
As people become more globalized, so do product offerings. In a mirror reflection of the retail industry, banking clients now obtain the same or similar products from a range of competitors around the globe thanks to digital media and social networks. The typical banking customer is better informed, but the result is a less loyal and a more opportunistic client. The number of people switching financial institutions will steadily increase, leading to a greater volume of onboarded clients. To be ready for this growth, institutions must invest in client onboarding process automation sooner rather than later.
About Appway

Appway empowers the service industries to move beyond automation toward ongoing digital transformation. With its toolset, leadership, community, and methodology, Appway enables companies to revolutionize their business models, processes and moments.

Appway's Digital Business Platform gives organizations the power to develop and operate scalable and reliable digital enterprise applications. The comprehensive platform coordinates all relevant interactions in a collaborative digital workspace and delivers key business insights, inspiring companies to turn their visions into running solutions. With its seamless orchestration of people, knowledge, and systems, Appway promotes collective intelligence and enables businesses to reinvent for the digital age.

In an era of increasing competition and regulations, Appway, the leader in global client onboarding, works with 4 of the top 5 wealth management institutions. Headquartered in Zurich with offices in Chiasso, New York, Hong Kong, and Singapore, Appway and its award-winning technology serve over 120 service institutions and 175,000 individuals worldwide.

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