



On-Boarding Edition

June 2010

On-Boarding - So What?

I would suggest to broker-dealers that Customer On-Boarding is their most important activity. Don't misunderstand me, processing trades and paying compensation are important, but like a popular commercial said, "pay me now, or pay me later." If the quality of information on your customer accounts is lax then there is limited ability for your firm or the advisors you serve to leverage that data or use the underlying technology to its best advantage.

What is the difference between On-Boarding and Account Opening? Is it just semantics? Kinda, sorta, maybe. On-Boarding, defined by our standards, is the efficient capture of a broad set of customer data that supports the administrative, profiling and compliance demands of managing that customer. Account Opening on the other hand is geared to gathering only the specific data required to open an account. In the case of direct business this often means the minimal information required to make a single fund purchase. Arthur Conan Doyle said long ago, "It is a capital mistake to theorize before one has data." A well-conceived and executed On-Boarding solution leverages both process and technology to facilitate the On-Boarding process resulting in a much richer set of data. This data, in turn, is the fuel that drives the tools and processes that provide improved productivity, compliance oversight and customer service. Without this data, investments in most productivity, marketing, compliance and customer service projects may never generate the expected returns projected by internal staff, vendors or consultants. We always tell our clients to start with the data. The importance of good On-Boarding is that when broker-dealers start with a solid foundation of normalized data, core applications can be fully supported. Examples of this would be compensation management and compliance surveillance (pre and post trade), to name just two.

I would challenge broker-dealers to elevate their existing customer account data gathering processes and aggressively combine those processes with technology to create automated On-Boarding capabilities. There are several advantages at work here; by automating the on-boarding process you empower advisors and their staffs by placing responsibility at the optimal point in the organization to increase accuracy and efficiency. The advisor will see fewer NIGOs and associated re-work accompanied by higher customer satisfaction. This positive feedback to the advisor provides incentive to utilize the data collection tool. Increasing

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Marshall Levin joins our staff.

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the amount of data entry done directly by the field will improve the accuracy and completeness of the data collected. After the initial grumbling, advisors and broker-dealers can expect NIGOs to drop from an average of 50% to less than 5%. If the advisor or the broker-dealer can drop their overall On-Boarding costs by a third to a half, have less work and have a richer, more complete, repository of data that seems like a set of common sense benefits to me. As costs decrease, further incentives are possible through reduced ticket charges further incenting participation and aiding in rep satisfaction and recruiting. Another major advantage arises from the one of the nifty aspects of On-Boarding software. Between the mandated data entry fields and business rules logic, these systems can deliver the data that Compliance has been thirsting for to evaluate suitability and sales practices of broker-dealers' customer accounts. No longer are your compliance groups searching for a needle in a haystack. Since this information is not currently collected anywhere else in the business process, none of the commission or data aggregation solutions can supply it without significant modification or another round of data collection.. Thus, in a well designed solution the more data collected through the On-Boarding front-end the more efficiently other data dependent applications will be able to function and the less it will cost (for customization, manual data collections or the creation and processing of special files and extracts) to operate these other systems .

On-Boarding needs to be a combination of good processes and technology. Without good processes or workflows, the technology loses its impact, and the users lose faith in the technology. In this newsletter, Arius Software Corporation, Broadridge, Gentech, LLC, and Scivantage will provide their unique perceptions into On-Boarding. We believe that you will find their perspectives enlightening as you take a broader look at this key element of a broker-dealer's infrastructure

For those of you that are interested in On-Boarding and have some questions, give us a call. A resource available to you is our "Blueprint To The Broker-Dealer of the Future" along with The Beacon 100, which has detailed reviews of On-Boarding solution providers. Both resources are available for purchase from Beacon Strategies, LLC.

Thank you for your interest and we are always interested in your feedback.

All the best,

Chip

Chip Kispert
Editor

Quick Beacon Note . . .

Increasing our "think-tank" capacity.

We are pleased to announce that Marshall Levin has joined Beacon Strategies as a Partner. Marshall brings more than 30 years of strategy, corporate & product development experience across the financial services spectrum. He has successfully exploited technology to create significant business opportunities and substantial value propositions to financial service companies and we are thrilled to have him provide value to our clients.



More specific to Marshall's background is that he has held Series 7, 24 and 63 licenses dating back to 1983. He has achieved success in roles ranging from a P&L owner in Fortune 100 financial services organizations; Merrill Lynch, American Express, Dean Witter to C-level responsibility for venture funded start-ups. His innovative thinking received a US Patent in 1993 for a health insurance processing system. For the four years immediately prior to joining Beacon Strategies, Marshall has focused his business acumen and entrepreneurial skills on developing a vision for how Broadridge could best serve the independent broker dealer market. This culminated in his leading Broadridge's acquisition of Investigo and Marshall creating the Broker-Dealer Business Solutions unit of which he was General Manager.

Marshall will have a key role in contributing to Beacon's Research and Consulting activities, plus he will lead Beacon's Business Linking & Acquisition practice.

Marshall, welcome aboard!

-The Beacon Team

Account Opening Trends in 2010

By Adam Zimmer, CEO of Arius Software Corporation

We have noticed several trends in the account opening space for 2010: a move towards automating account opening at the kitchen table and an increased focus customer centric compliance.



Pushing paperless account opening to the Kitchen Table

Account opening has traditionally been a check and paper application process. A paper based process allowed account opening to be done anytime, anywhere whether it be at a client residence, or the broker's office. However, this flexibility has come at a high cost often resulting in errors which cause the account opening process to be time consuming and costly. Early attempts at automation have often involved expensive custom software or cumbersome fillable PDFs.

In the on-line brokerage market, customers have been able to open accounts over the web however this is a low touch experience with the customer feeling disconnected from their broker and is often accompanied by high abandonment rates.

Collaborative account opening allows sales Assistants and Brokers to start the account opening process and then transfer control to the customer via an e-mail. The e-mail contains a link to complete an on-line account opening process. Information such as name and address can be pre-populated giving the client the feeling they aren't starting from scratch. In addition, there is no link off the broker's main website for the general public further re-enforcing the relationship between the broker and the customer.

Firms are slowly starting to embark upon the quest to fully eliminate paper. To do this requires co-operation from the fund companies which have traditionally been reluctant to eliminate the pen and ink signature. In the mean time hybrid bar-coding systems are gaining traction. These systems offer e-signature to eliminate as much paper as possible but also generate bar-coded documents for when customer's opt-out of e-signature or third party documentation is required (e.g. corporate resolution).

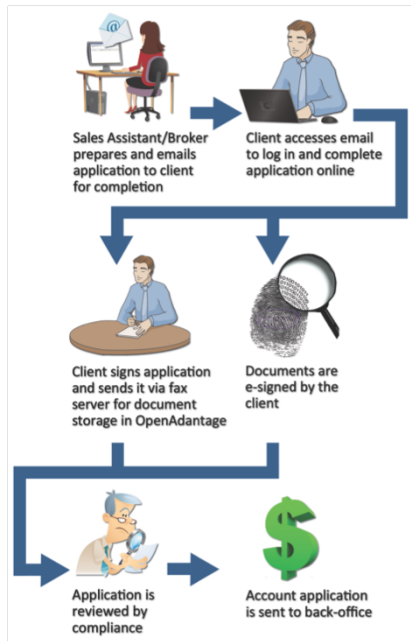
Devices such as the Apple iPad combined with e-signatures are the first step in the trend towards paperless account opening. The iPad is a particularly unique device as its larger form factor allows for greater ease of data entry. In addition its tablet input method allows customers and brokers to communicate without barriers such as a laptop screen between them. E-signature combined with 3G wireless connectivity allows for brokers to bring account opening automation to the kitchen table.

Customer Centric Compliance

Compliance surveillance software has become a must-have for broker-dealers today. This technology assists Compliance Officers and Branch Managers in making the review of accounts, orders and transactions much easier and more accurate. With most firms using Correspondent Clearing or Carrying Brokers for custody, trading and settlements, the need for account and customer information management software that seamlessly integrates with the system of record is essential. Account opening automation as well as client information management systems needs to be simple to use and work in concert with a compliance surveillance solution. This powerful combination ensures regulatory compliance for CIP (Client Identification Programs) and AML as well as accomplishing the daily mandated review of all accounts and transactions.

Arius OpenAdvantage

- Supports configurable paperless account opening at the kitchen table
- Sends customer information directly to compliance monitoring software (Subserveo)
- Generates hybrid documents for scanning or e-signing (Signix)



[Learn More About Arius Software Corporation](#)

Investor On-Boarding: Re-engineer your New Account Process

By Linda Wittich, Vice President, On-Boarding
Broadridge Financial Solutions

The opening of a new account is a pivotal moment in your customer relationship - and the way in which you manage this initial touch point is vital. Through efficient account opening, your customers begin investing sooner and you begin managing assets faster. Additionally, personalized investor communications improve investors' confidence in you and your firm.



Should you re-engineer your process? Well, that depends on several factors:

- Are you improving the investor experience?
- Will your advisors use the system?
- Can you eliminate or materially reduce rejected forms/accounts?
- Does automating the process reduce costs and improve controls?

Improving the Investor Experience

Use content-on-demand document technology to create personalized applications and communications for investors. Forms should be pre-populated and data pre-validated. Account information, content and disclosures should be organized logically, making documents easier for the investor to understand. Recognize that many investors expect immediacy and strive for environmentally-friendly solutions; for these investors, you offer the choice of electronic signatures.

Creating a Platform with the Advisor in mind

Data entry must be minimal if you are to engage your advisors. Use integration tools to pre-populate fields from multiple systems including your back-office, CRM and MS Outlook® messaging software. Also structure the screens to coincide with the investor interview (not the new account forms); incorporate system intelligence to up-sell accounts and products and ensure basic suitability. Most importantly, allow for multiple accounts to be set up simultaneously.

Improving Accuracy of New Applications

Many firms today are still experiencing 30% or higher reject rates (paperwork received "not in good order"). With the addition of dynamic edit validations in your front-end systems, your firm can materially reduce, and possibly eliminate, account and transfer rejections.

Cost Reductions and Better Controls

Using static forms and re-keying account data increases risk and slows the account opening process. By using data, not images of forms, as your starting point, you can automate the entire process including identity and creditworthiness checks and establish workflow rules so middle office personnel only manage exception queues. Since data is captured instantly, there is no need to re-enter the information into your back-office systems to create accounts, initiate transfers, and track or archive documents. Risk can be further diminished by implementing a rules-based engine - complete with audit trails - that provides transparency and control at every step of the process.

Investor On-Boarding Solution

Broadridge's Investor On-Boarding Solution provides a state of the art solution for your investors and advisors. It offers an

easy, convenient and secure platform for opening new accounts, allowing you to automate the entire process and to help ensure that accounts are opened accurately every time. Combining the advisors' intelligent front-end along with repurposed data from existing systems, account information routes through your identity and credit vendors and your enterprise, allowing you to simultaneously open multiple accounts and quickly making the assets available for investing purposes.

Three bullets:

- Enhance investor relationships through personalized marketing
- Reduce errors and redundancy with intelligent business process management
- Increase revenue through improved cross-selling opportunities

[Learn More About Broadridge On-Boarding](#)

The Challenges with Client On-Boarding

By Dean Rager, President of GenTech, LLC



The process of opening client accounts in broker dealer firms is cumbersome, expensive and detrimental to the firm's efficiency. Broker dealers invest huge amounts of time and resources to have a timely and fraud adverse client on-boarding process. Yet, the 'time to-on-board', is still unacceptably long.

Some of the challenges broker dealers face in this area include:

DOING MORE WITH LESS

Improving the capacity of the on-boarding process while simultaneously cutting costs required to do more with less.

EXPEDITING TASKS

One of the key goals of any on-boarding process is to reduce manual steps performed by the different departments across the enterprise. This is due to the propensity of manual tasks to result in too many opportunities for on-boarding work to become delayed in queues or prioritized down in individuals' work-stacks

and create errors in data capture.

The Opportunity: Automation and Integration

A growing number of broker dealers recognize that automation has a profound impact on productivity, client satisfaction, and bottom-line profitability. Automation and integration of the client on-boarding process helps broker dealers leverage staff resources, compliance, communication, increase incident response time and optimize their current IT infrastructure. It also allows a broker dealer to work smarter - increasing productivity, reducing costs and streamline processes.

Automation and integration of the client on-boarding process empowers broker dealers to:

- Meet regulatory compliance demands: With automated due diligence processing and comprehensive client profiles on-demand.
- Improve time to revenue: With the reduction in paperwork and tightening of account opening cycle times.
- Control costs: With the automation of manual tasks, elimination of expensive repeat tasks, and real-time management dashboards.
- Enhance the client experience: With the minimization of touch points and repeat requests to clients.
- Reduce NIGO rates.
- Increase Best Practices: Automation of the Client On-boarding process enables broker dealers to efficiently enforce best-practice client/account opening and maintenance procedures.
- Adapt: Automation of the Client On-boarding process allows front-office provides financial institutions with the agility to quickly adapt to changing regulations and business objectives.

More than ever, in today's market conditions, broker dealers need to improve the efficiency of new client processing and become more agile, adapting quickly to changing legal and business requirements. They need to provide an intuitive application that automates this process as much as possible, avoiding long, costly software development and maintenance projects.

NEXUS the Automation and Integration Solution

NEXUS is a comprehensive and powerful entitlements based workstation supplying broker dealers and their advisors with an integrated front and back office. The NEXUS platform wraps core broker dealer processes, existing solutions and unites customer data with financial systems.

NEXUS delivers advantages to improve visibility across the enterprise, maximize customer relationships, meet regulatory requirements and leverage broker dealers existing technology investments. A key module of the NEXUS platform is NexOnBoarding.

NexOnBoarding allows users to open new client accounts, processing transactions, capture suitability information, investment object information, books and records data. NexOnBoarding also captures information, fills out forms, forwards data to compliance or the OSJ for approval and the representatives can then send off their transaction. NexOnBoarding follows processes for 2821 - 2330 and helps reduce NIGO rates.

[Learn More About GenTech, LLC](#)

Automated Account Opening: Enabling the Advisor at the Point of Transaction

By Joe Stensland, Senior Vice President, Marketing and Products, Scivantage

Traditionally, the new account opening process has been an expensive challenge for most financial institutions. From filling out forms to scanning and distributing images, meeting compliance requirements and ensuring timely reviews and approvals, the account opening process remains time-consuming, costly and filled with risk. Most importantly, a firm's ability to streamline this process and distribute more of the workload to the field can have a dramatic impact on their ability to generate new business and satisfy customer needs.



As a result of the growth in regulatory requirements and the complexities of investment products, the number of "checkpoints" continues to increase throughout the account

opening process. Just as travelers can be held up by Customs and kept waiting while credentials and bags are checked, new account applications can take days, even weeks, to process before a customer can begin doing business with your firm. In an age of rapid technology advances and collaborative work environments, delays and/or weaknesses in your on-boarding process should be unacceptable and could ultimately cost your firm business.

With an increasingly competitive marketplace and ever-changing regulatory requirements, the need for an automated solution has become even more critical to increase client satisfaction, improve advisor recruitment and retention and ensure firm-wide compliance. Automation throughout the account opening process enables your firm to extend the key workflows out to the field sales force where they belong. Your advisors are closer to the customer, are the originator of the account opening data, and possess all the key information and details about the customer's needs related to the accounts they are opening. An automated system provides control over the process, ensuring accurate data entry and managed workflow processes. This benefits the firm and your advisors by reducing the resources required in the home office, reducing postage, shortening account opening cycles, and empowering advisors with the ability to control their own business.

To work effectively, an account opening system must have certain characteristics and features that are required to support this process. Five key areas that are essential to any system looking to automate and meet the demands of processing and managing new accounts are:

- **Dynamic data gathering** - automated, controlled system for data gathering to ensure data completeness, consistency and accuracy
- **Approval workflow** - electronic routing and approval system to support internal processes and requirements
- **Forms automation** - comprehensive forms library with the ability to electronically pre-fill the correct account forms
- **Straight-through processing with real-time account**

establishment - direct interface(s) to back office and/or clearing systems for immediate account establishment and funding

- **Rules-bases processing** - integrated risk management and decision support features are a must to ensure consistent decision-making, validation and edit check criteria are automatically applied to enforce suitability, compliance, business policies and data requirements are met.

Before devising a strategy, firms should carefully consider the breadth and depth of their offering, taking into account the diverse needs of their clientele and their advisors. From the initial data gathering phase through the final review and approval, financial institutions must look to technology and automation to help streamline critical areas along the account opening lifecycle. Through automation, firms are able to realize the added benefit of enabling their advisors to take greater control of their business and providing more firm-wide visibility into the process.

For more than 10 years, Scivanatge has been helping emerging and leading financial institutions streamline key business processes and realize operational efficiencies through essential front and middle-office brokerage solutions. Scivantage's Automated Account Opening & Maintenance application provides financial advisors, operations personnel and online brokerage websites with a unified and integrated solution to improve the performance and agility of the new account opening process. The result is an immediate competitive advantage supported by a proven platform that provides long-term flexibility.

[Learn More About Scivantage](#)

[About Beacon Strategies](#)

Consulting and research focused solely on evolving the way broker-dealers and their advisors operate their businesses. We deliver expansive industry intelligence on clearing firms, broker-dealers, and solutions providers. Our broad-based understanding of the financial services industry and broker-dealer operating experience allows us to structure our data into practical solutions.

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