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Gleanings . . .



Spring is here in *The Rockies*. That means we are balancing warm temperatures with our heavy snow season. Last weekend, I actually saw crocuses, daffodils and tulips all blooming at once in one of my neighbor's yards. Yet last week we also had a major snowstorm that gave us more snow than we have seen all year. And likewise, we are seeing the sprouting of optimistic news within our economy that over the past two weeks have driven the markets in a positive direction. But alongside the sprouting of positive economic data comes the continued blizzard of uncertainty that shakes our confidence. And like spring, and the economy, we are seeing

broker-dealers that are looking forward, but are also very uncertain as to the direction of their businesses.

Over the past several months we have met with a number of broker-dealers. Some of those broker-dealers are just hanging on. They have been hit by dramatic losses in revenue. They have had to reduce salaries or lay people off. Frankly, to quote one "we are just keeping our head down and hoping things will get better." Others, though hit by reduction in revenues, are proactively positioning themselves for evolving into next generation broker-dealers. These broker-dealers are working to better understand the marketplace. They are learning about what tools are available. With the intelligence garnered they are planning timelines and establishing budgets that will evolve their broker-dealers from manual to automated in areas such as operations and compliance.

The broker-dealers we are working with are looking at automation to streamline their compliance, client account-on-boarding and data management. In focusing on these specific areas they are anticipating regulatory creep and the high cost of client account on boarding. They are realizing that traditional ways of processing business are costly and prone to errors. They have realized that manually sorting and cross-referencing a trade for suitability is prone to error, and again, costly. They are figuring out that spending \$85 or more to process one piece of client business is not helping their bottom line. By focusing on automating, broker-dealers can see long-term benefits that will add dollars to their bottom lines, and deliver improved data quality.

This month's focus is on Document Imaging. We have reached out to the cast of vendors that support broker-dealers and integrate with other vendors today. Most responded with articles, but a few simply did not have the time to put together an article. Vendors highlighted this month will be **Cabinet NG**, **Docupace**, **iNautix**, and **Kaulkin Information Systems**. Our objective with these pieces is to hear some unique industry perspective, plus determine a few differentiators that separate one document-imaging vendor from another. We are sure that you will find value in learning a bit more about each of these solutions partners.

As always call or email us so we can help provide richer intelligence.

Have a great month!

All the best,

Chip Kispert, *Editor*

[Learn about The Leading Industry Strategy Group for Broker-Dealers](#)

Making Your Document Workflow Checklist

Article by
Abe
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Every business has a document workflow process. Whether that document workflow consists of a new account application, order processing, or other back office function; workflow of documents occurs everyday. In today's strained economy, the financial industry needs ways to improve and streamline these processes to maximize time and cost savings.

Where to Begin

'Where do I begin?' The first thing to do is choose one document process. Often times the biggest mistake a firm makes is trying to improve all processes at one time.

After selecting the process to improve, begin breaking the document process down into the physical steps. Take the business process and physically follow it from beginning to end. Spend time with each person involved and learn what actions occur at each step, what the exceptions for each decision are, and where the document goes once it leaves that step.

During the review, consider how the physical process may work electronically. For example, one step of the process may involve an outside entity applying a signature to the piece of paper. How will this work if the document is electronic? Make note of any special needs of applying electronic technology to the workflow process. This list of 'requirements' will come in very handy when selecting a vendor/product for implementation.

A workflow diagram outlining the process is also very beneficial. This diagram will provide a visual representation of the specific workflow and aid in understanding the entire process. Having a workflow diagram greatly simplifies turning an inefficient physical paper process into a streamlined electronic workflow.

Choosing the Best Technology

Now that the workflow process and any special needs are understood, it is time to select the best product. Make a checklist of features that apply to your operation. Base the list on the information gathered as the workflow process was analyzed. Vendor/product selection should not be based solely on cost. The product should meet the critical functional requirements and have the flexibility to grow with your business. Cabinet NG's CNG-SAFE document management/imaging software includes built in workflow and is widely used across the financial industry.

Typical Document Workflow Requirements Checklist

- **Requirements (critical/desired)**
- Supports Manual Routing
- Supports Rules Based Routing
- Reporting Capability to include WF Status
- Supports Change of Workflow Path via Management Console
- Supports routing to groups
- Supports routing to individuals

- Supports Variable Input
- Supports User Defined Input
- Supports branching logic
- Notification of Workflow Items via email
- Notification of Workflow Items via pop up message
- Allows for definition of non business days
- Support for escalation messages
- Support for escalation movement to new user
- Supports linking multiple rules together at completion of rule
- Can build custom workflow reports and save the reports to multiple outputs such as PDF, XML, CSV, etc. Ability to automatically route at the time a document is filed into the system

Having a documented workflow process and requirements checklist puts you on a solid path to selecting the best solution and making your organization more efficient and competitive.

Cabinet NG Key Differentiation

Caninet NG:

- Interface - electronic filing structure improves efficiency - built for the non-technical user
- Integration - out-of-the-box with Windows-based applications
- Workflow - included in base product - not an extra add-on
- Premises-based or hosted - same platform

[Learn More About Cabinet NG](#)

Web Based Electronic Document Management and Workflow for Financial Services Organizations

By: Joel
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The headlines are changing by the hour. The financial world is going through sweeping changes like never before.

Inundated by analysis, number crunching, and client demands, the financial services industry is riddled with complexity and paper trails. Add-in the stringent retention requirements, auditing rules and industry regulations these companies face and there is virtually no room for error when it comes to documentation. Financial services organizations need technology that has a low total cost of ownership, can easily scale enterprise-wide and deliver proven return on investment.

Did you know that many financial services organizations do a better job managing and securing their office supplies than they do their business-critical documents?

It's true. Very few financial services organizations take the time to consider the expenses that they incur on a daily basis because of:

- Time and effort wasted in locating documents. Recent research has indicated that nearly 10% of an average office worker's day is spent trying to locate existing information and documents.
- Redundant effort necessitated because it's often easier to recreate something than it would be to try to find it.
- Time and effort involved in figuring out who has the latest version of a document, and recovering when various revisions overwrite each other.
- Unnecessary usage of network storage devices and network bandwidth, because

the documents are dispersed everywhere across the enterprise, rather than centralized.

In addition, there are considerable risks financial service organizations are exposed to on a daily basis because:

- Security is applied haphazardly at best.
- Critical documents are stored -- often exclusively -- on laptop computers that could be lost, stolen, or damaged at any time.
- No record exists of precisely who has viewed and/or edited a document. It's therefore impossible to audit a business process to uncover mistakes or inefficiencies.

COMPLIANCE

While the challenge of being compliant may require any number of changes in your business practices, acquiring a Document Management system should have a high priority due to the quick payback on dollars invested as well as meeting the compliance requirements.

RETURN ON INVESTMENT

The cost reductions and productivity improvements typically offered by implementing a Document Management system among which are:

- Reduction of Storage space- 20,000 pages can be stored on 1 GB of hard drive space. Records can prove innocence or lack of intent. In the event of a dispute, solid records management and electronic document management practices offset what could be considerable costs for legal discovery and audits by making relevant business records readily available. The difference could be millions of dollars.
- Simultaneous and Remote Access to Documents- Sign on using the WEB 24/7.
- Efficiency-Avoid time searching for or filing and re-filing of documents. Eliminate the clerical costs of these tasks.
- Disaster Recovery-Electronic documents can be backed up and copies made for off-site storage. This cannot be done with paper based records.

THE SOLUTION: Docupace

Docupace Technologies' state-of-the-art document management and workflow solution simplifies the process of capturing, storing, centralizing, organizing, and accessing information- delivering what you need whenever and more importantly, wherever you need it.

Converting to a "Paperless Office" offers you the means to control the flow of information company-wide, provide better and faster service, and most importantly gain (and retain) a competitive edge in the marketplace. Docupace will keep you on-time and in control without the costs associated with traditional locally hosted systems.

Docupace Key Differentiation

Docupace:

- Is a SEC/FINRA compliant web-based paperless office system.
- Includes system installation, training, scanner and shredder all in one package.
- Has extensive experience and expertise in working with financial services organizations.

[Learn More About Docupace . . .](#)

The Paperless Office: More Than an Electronic File Cabinet

Patrick Yip,
Director,
iNautix (USA)
LLC

Pershing®
AN AFFILIATE OF THE BANK OF NEW YORK MELLON

The legal and regulatory requirements imposed on the financial services industry have resulted in an exponential increase in client documentation, making the move to a "paperless office" a necessity. A recent survey by CAST Management Consultants, Inc. found that, while only one-third of broker-dealers are paperless today, 100% plan to offer a paperless environment in the next five years.

In its earliest incarnation, document management was primarily concerned with document storage. As businesses began running out of filing space and the cost of offsite warehousing continued to rise, enterprises began to turn to other storage media—microfiche at first; and then, by the late 1990's, magnetic tape and disks.

Initially, financial services firms adopted electronic imaging solutions at the departmental level, resulting in decentralized and fragmented processes. However, new compliance and legal changes required financial services firms to implement consistent business processes.

Document management has since evolved from departmental solutions to enterprise-wide processing models. However, because these systems can be costly to implement and maintain, and because firms would rather focus on their core business, rather than the technology behind it, many firms are now outsourcing this function.

The "Software as a Service" (SaaS) model, whereby a service provider hosts and maintains a web-based application, is the new model for document management systems since it allows firms to minimize their investments (both time and money) in software, hardware, and IT staff.

There are many advantages and efficiencies that result from storing documents in an electronic filing cabinet. Many broker-dealers who have implemented imaging systems have claimed that they have never "lost" a document. While this is certainly a benefit, they are just scratching the surface of the potential efficiency gains a document management system can deliver.

Once broker-dealers store their documents electronically, they can make a quantum leap in efficiency by implementing electronic workflows. A truly paperless new account opening process creates efficiencies because the advisor can scan and upload new account forms from any location. This automatically kicks off the approval process at the home office and generates an automatic email alert once the account is successfully opened. In the event there is an issue with the account opening, the document management system will generate an email alert to the advisor.

The benefits of electronic document storage are manifold: decreased processing time, elimination of overnight delivery and mailing expenses, freeing up space previously used for filing cabinets, and reduced inquiries from advisors to their home offices on the status of requests.

iNautix Document Management provides such an end-to-end integrated solution for advisors and broker-dealers. Customers can leverage the technology infrastructure and development resources that deliver document management services to over 800 broker-dealers and 80,000 advisors. The system is delivered via a "Software as a Service" model, thereby lowering the total cost of ownership for broker-dealers and their advisors, and allowing them to focus on their core business.

[Learn More About iNautix](#)

The Human Side of Compliance - SaaS-Cloud Computing Takes Document Imaging, Workflow, Audit Response and Risk Mitigation to New Levels

By: Michael P. Binko, APR, President and CEO, Kaulkin Information Systems



Much has been made in securities and insurance communities over the past few years about using technology to assist in transaction-based compliance monitoring. From suitability and AML to best-price trading the technology community has rallied around tracking, tracing

and logging securities transactions from virtually every angle.

Nonetheless, during the same time-period both the volume of SEC/FINRA regulatory audits and the amounts of fines levied in enforcement actions consistently doubled year-over-year.

One might wonder, "How can this be? If firms are investing so heavily in scrutinizing trades and transactions where are compliance break-downs occurring?"

The answer is elementally simple yet two-fold: Documents and Humans!

1. **Documents:** The first challenging reality is that, no matter how automated and thorough transaction monitoring tools are, every piece of broker-dealer business is ultimately processed using some type of paper or electronic document/form. This element of the industry is at once fundamental and profound. While both paper-based and paperless systems can accomplish the same end results, firms struggle with providing options for employees that are consistent across both models.
2. **Humans:** The second and even more fundamental aspect of securities and insurance transactions is the fact that all pieces of business are finalized only with the direct involvement and activities of individuals - clients, reps/producers, registered principals, IT staff, operations, as well as legal and/or compliance team members, to name a few. While typically well-trained and equally well-intentioned the simple fact is that this Human Side of Compliance is largely responsible for the majority of compliance, legal and risk management break-downs.

The cross-section of these two tenets of securities/insurance business is precisely where the next level of operational efficiency, supervisory process and regulatory compliance is already being found by many firms - no matter the size.

Meet Me at the Crossroads

On the document side developments in scanning, imaging, optical-character recognition (OCR), data-mining, archiving and sophisticated search-and-retrieve have been the norm for quite some time. The Human Side of Compliance, however, is much more difficult. Once a document (whether paper-based or electronic) is ready for processing the challenges of reviewing and approving the document take center stage. In the securities and insurance world that involves very meticulous supervisory procedures and review processes. Capturing information related to who is handling the document and keeping an audit trail of associated data and review/approval events is critical.

While cumbersome to automate, systems that fuse document management and human workflow capabilities with other front and back-office systems are providing the best results .

Enter Software-as-a-Service and Cloud Computing

The good news is that there are technologies available that tackle the challenges of structured document management while simultaneously mitigating the risks of the Human Side of Compliance - and these technologies are not cost-prohibitive or difficult to implement. For more than a decade now one technology concept has emerged as the most viable platform for addressing quick enterprise growth, the challenges of critical document management and the subtleties of human compliance. This concept is often referred to as Software-as-a-Service or Cloud Computing (SaaS-Cloud).

In SaaS-Cloud scenarios, the software is not purchased and installed on a company's server; rather, SaaS-Cloud platforms are accessed through the Internet using encryption techniques and full audit-trail technologies. SaaS-Cloud has been changing the software industry at fundamental levels offering benefits to small and medium-sized companies because the basic features include:

- Simplicity & Mobility
- Security & Recovery
- Scalability & Predictable Costs

With SaaS-Cloud, capabilities once only available to the largest firms are now easily attainable for small firms as well as individual practitioners.

Scalability & Predictable Costs

Predictable total cost of ownership (TCO) and return on investment (ROI) are also two critical components that make SaaS-Cloud a no-brainer for growth-minded firms.

To start, pricing models for SaaS-Cloud typically have low points of entry and only increase as a company ramps-up its use of the SaaS-Cloud application(s). SaaS-Cloud offers better cost management because there is no need to schedule an onsite update of users' computers each time there is a security or other software update. With SaaS-Cloud applications edits to user profiles and upgrades to the applications are all completed automatically and remotely as a part of the service. This alone can mean a reduction in IT expenses and can free up internal or third-party IT teams to concentrate on addressing other more strategic needs. In addition, the true TCO and ROI benefits shine through with the simple fact that hard-costs of application server equipment and data center infrastructure are managed directly by the SaaS-Cloud provider and are not at risk if disaster strikes the place-of-business.

Kaulkin Information Systems (KIS) is pleased to have been one of the original SaaS-Cloud pioneers and is one of the few vendors that it has been delivering its KISTrack family of SaaS-Cloud application modules to broker-dealers and other financial services firms for nearly a decade. We look forward to working with you! In the meantime, we invite operations, legal, compliance, IT and executive management team members from our broker-dealer community to take a look at the results of a 9-month ROI Benchmark Study (http://www.kistrack.com/roi/roi_case_study.pdf) that highlights hard-dollar savings realized during instances of actual FINRA/SEC audit scrutiny.

[Learn More About KIS . . .](#)

Editorial Calendar

Our monthly calendar and the subject matter we will cover in 2009:

- **February** - Forms Management & Account On-Boarding
- **March** - Imaging Systems
- **April** - Compliance



- **May** - Data Aggregation
- **June** - Marketing Tools
- **July** - Client Relationship Management
- **August** - Commission Processing
- **September** - Email Surveillance
- **October** - Financial Planning
- **November** - RIA Reporting
- **December** - Training
- **December II** - Best of . . .

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