CONVERTING COMPLIANCE CHALLENGES INTO BUSINESS BENEFITS:

OPTIMISING CLIENT ONBOARDING IN WEALTH MANAGEMENT

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FOREWORD

The *WealthBriefing* group of newswires prides itself on being at the forefront of the wealth management industry's evolution, both observing and helping to drive its development through the publication of news, analysis and guides, research, training and events, and comprehensive awards programmes covering the world's most prestigious jurisdictions. We are in the privileged position of talking to the world's most senior wealth management executives on a daily basis, while also having an open line to the 65,000 front-line professionals who make up our international membership base. Synthesising the views of all market participants - institutions, their providers and increasingly clients too, is the foundation of what we do. It is therefore particularly exciting when we are tasked with exploring a topic that remains largely untouched by research, or that has not been explored in the depth or international breadth it now warrants. The subject of client onboarding processes is not only highly topical, as several big name were known to be making massive investments in new systems, it also represents the crux of many of the challenges - and opportunities - facing private banks and wealth managers, of all shapes and sizes, all over the world.

This report is optimistic about wealth managers' ability to turn client onboarding and reviews from a bureaucratic hurdle into a gateway to better client servicing and advice. It also explores the ways that compliance activities can be retooled to ramp up revenues, rather than being a cost centre which just grows and grows at a time when margins continue to be under pressure. To paraphrase the title of this report, additional regulation may be a fact of life for wealth managers today, but there is a lot that they can do to convert compliance challenges into business benefits.

The survey and interviews on which this report is based suggest that many wealth managers are really struggling to onboard their clients as quickly and cost-effectively as they would wish. The client experience during onboarding can often be marred to the point of clients walking away as a result of inefficiencies, mistakes or delays. Meanwhile, no one in the financial services industry could have missed the avalanche of new regulations – and fines for breaches – that have hit wealth managers in recent years. The penalties for poor performance in onboarding and reviews can be numerous and severe.

Technology investment isn't a panacea, although it is arguable that in the instance of improving client onboarding it comes close – simply because the process lends itself to automation, systematisation and innovation so well. Similarly, just as improving onboarding hasn't been a huge focus for the sector historically, it now seems to be a route to achieving several key objectives across the business. As this report will hopefully show, more holistic advice, robust risk management, cost-control and a better client (and advisor) experience are all "boxes" that enhanced onboarding can help firms tick.

Wendy Spires
Head of Research
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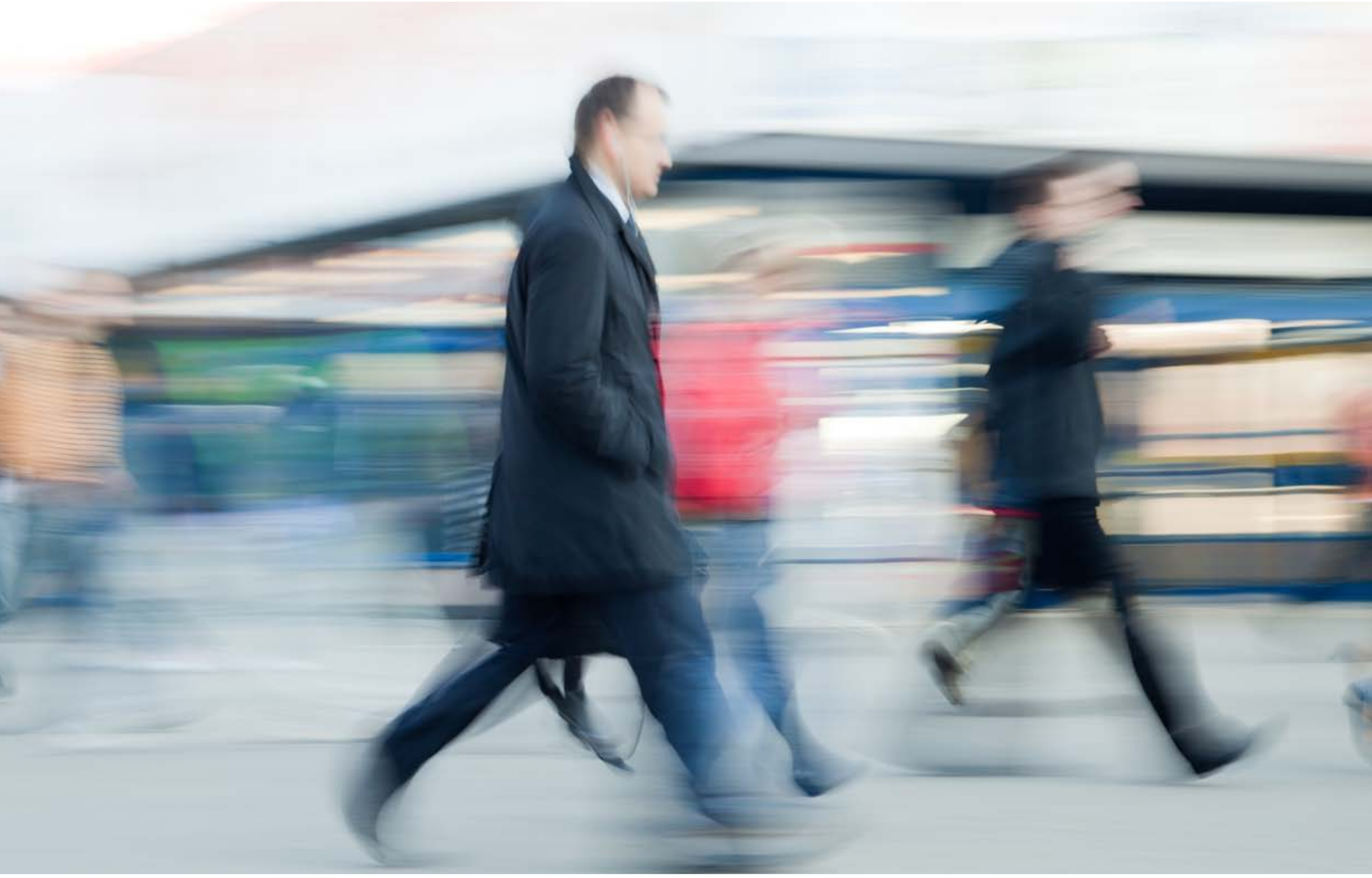

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EXECUTIVE SUMMARY

This study defines onboarding in its widest sense, meaning all the activities wealth managers perform while taking on new clients, ranging from all the mandatory background, risk and suitability assessments, through to softer elements of client discovery. It also includes periodic reviews and the ongoing expansion of relationships with the addition of new investment products or services.

Arduous onboarding processes, resulting from new regulations, have made dropouts and a poor client experience a real concern.

While it is difficult to be prescriptive about how long onboarding should take, it appears that a large proportion of wealth managers are off-target compared to their peers. At a majority of wealth managers (35%), onboarding a non-complex high net worth client takes an average of 5-10 business days. Another 22% reported that onboarding takes 11-20 days and for 11%, 21-40 is normal. For 5% of those surveyed, onboarding a HNW client is expected to take over 41 working days. The overall picture is similar for onboarding legal entities. Over half of respondents (52%) believe that additional regulation has significantly or very significantly slowed down the time it takes to convert a prospect into a client.

In addition to onboarding taking too long, more than half the participants believe that extended compliance-related questions have had a negative effect on the overall client experience during onboarding (with a tenth reporting a *very* negative effect). The fact that 43% of respondents said there is no overall process owner for onboarding at their firm suggests confused workflows might be a significant problem.

Amid the prevalence of lengthy, arduous onboarding processes, it is unsurprising that almost three-quarters of respondents are concerned about clients dropping out during the process (and another third are *very* worried). Despite these worries, 56% of respondents said that their firm has no active procedures for preventing dropouts. In fact, even in those firms where such procedures are in place, only a tenth regard these efforts as highly successful.

Automation, straight-through processing and systems integration stand at low levels generally.

The increasing digitalisation of wealth management operations has yet to fully filter through to onboarding: 70% of wealth managers are using a paper/digital hybrid onboarding process, while a quarter are relying on paper alone – leaving only 6% that have digitalised completely. Over half of participants report that automation and straight-through-processing for onboarding are at the lowest levels at their firm.

KYC, risk and suitability profiles are an integrated part of the onboarding process at the majority of wealth managers, although it seems the collation of these could be very much more efficient for a large proportion: there is a 60/40 split between those that use adaptive questionnaires (where the questions change according to the client's responses) and those that do not. Over half of respondents believe their firm would derive a high/very high degree of value from a rules-based approach to questionnaires.

The majority (35%) of wealth managers have just one IT system integrated with their onboarding process, while a combined 38% have integrated two or three systems. Only 13% of respondents said that their firm has integrated five or six systems. The most commonly integrated system is CRM, followed by KYC/AML and then core banking.

Improving the client experience of onboarding is top priority, although wealth managers are seeking a range of other business benefits, too.

The majority (33%) of respondents chose improving the client experience with an aim to increase referrals as the main business benefit they would seek to gain by enhancing the onboarding process. How much involvement clients want in the process divided opinion, however. At present, eight out of ten wealth managers have no element of self-servicing during the onboarding process. Meanwhile, a fifth believe clients would like more involvement and 41% believe they generally want less.

Improving a firm's ability to adapt to new regulations also emerged as a main priority. The need for flexibility in onboarding systems is clear, as 81% of respondents work at wealth managers present in multiple jurisdictions and a slight majority require an onboarding system that can cope with disparate regulatory regimes. Eight out of ten wealth managers have made updates to their onboarding procedures in the past year.

In addition to saving costs, the respondents also clearly note that a better onboarding approach has great potential to generate revenue. Almost nine out of ten respondents believe that having a well-managed onboarding process would reduce the time it takes to receive client funds. Additionally, 69% of participants see synergies between the process of carrying out annual compliance profile reviews and their institution's sales activities.

RESEARCH ORIGINATORS

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Glenn Bolstad serves as vice president of sales for Appway North America and has been the main driving force behind Appway's exponential growth in the region since 2011. With over 18 years of experience in the financial services industry, Glenn has served in various senior sales positions on Wall Street, including managing the global relationship of one of the largest financial institutions in the world. Glenn holds a bachelor's degree in finance and an MBA in International Business from The Norwegian Business School.

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Paco Hauser is responsible for delivering projects to the client base. Paco has over 20 years of international experience in the financial services, IT and management consultancy industries. He has a background in strategy, operational excellence, business-IT alignment, business process management, business transformation and all aspects of IT, including sourcing. He holds a Master of Science in Electrical Engineering from the ETH and an EMBA from IMD.

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René Hürlimann is responsible for executing Appway's expansion strategy within key market regions. René provides local support for international clients and establishes a sustainable regional presence that can act independently in its service to local clients and partners. Before joining Appway in 2008, he had over six years of experience working in international business processes, outsourcing as a sales and consulting director. He previously served in various senior management roles around the world, including working as the CIO of a multinational consulting firm in London. He holds a federal degree in commercial information technology and an executive MBA in international management.

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Philip Schoch's background in banking technology spans over ten years and three continents. He has led over ten Appway client onboarding, KYC and compliance process transformations for the world's leading financial institutions. He works to ensure that Appway's offering continues to deliver industry-specific value that responds to local and international regulatory demands. He holds an MSc in Information Management from the University of Zurich and is the author of *Successful Steps to Client Onboarding*.

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Wendy Spires has been a wealth management journalist and a research writer for over six years, covering a variety of international markets and sub-sectors over that time. Wendy has written an array of in-depth reports on issues affecting private banks and wealth managers, including technology and operations trends, enhancing the client experience, branding and marketing strategy, and risk-profiling methodologies. As well as speaking at conferences in both the UK and abroad, Wendy has also carried out several research projects among end-clients, for both internal and external purposes.

EDITORIAL PANEL

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Nancy is CIO and head of bespoke investment management for Close Brothers Asset Management. Appointed in 2010, Nancy oversees a successful, award-winning team of 50 investment professionals and the Close High Net Worth business. Nancy has over 20 years' experience in senior roles in asset management, including managing partner at Fortune, where she ran an alternatives investment business; Schroders, where she was head of global investments for its $20 billion global mutual fund businesses; and Barings, where she was head of emerging markets.

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PAULINE EGAN

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Pauline is a strategy and client experience consultant with 25 years' experience in financial services. She spent the early years of her career working with ABN AMRO in Dublin and Amsterdam, and followed this with a move to Jersey in 1995, where she joined Royal Bank of Canada to set up a marketing function. At RBC, Pauline led the Affluent Business across EMEA, was head of London and latterly head of strategy and business management, with executive responsibility for marketing and communications. She is a FTSE 350 Board Ready Accredited Director and is currently exploring non-executive director roles alongside her consultancy work in strategy and client experience.

JACOB GERTEL

Senior Project Manager, Legal & Compliance - SIX Financial Information

Jacob Gertel has been senior project manager for legal and compliance at SIX Financial Information since 2011. In this role, he is responsible for analysing and implementing data and products in the areas of tax, regulation and compliance, such as FATCA, FTT and MiFID. Previously, Jacob headed a compliance department and acted as compliance manager at various international banks in Zurich. He was responsible for the account opening process, AML monitoring, implementation of regulatory requirements, staff training, implementation of compliance-related IT tools, the complaints process and monitoring clients' investments.

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ANNE GRIM

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Anne Grim joined Barclays in October 2010 as managing director, head of global client experience (GCE). GCE is responsible for designing, driving and delivering client experience activities through the following functions: client experience strategy and change, marketing, communications and events, client insight, data and reporting, client service centres and client relations (complaints). Prior to joining Barclays, Anne was executive vice president and divisional marketing, e-business and strategic partnership leader for nine Wells Fargo consumer and commercial businesses. Before this she was general manager and senior vice president of customer information management at American Express.

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Philipp Rickert joined KPMG Switzerland in 1996 and has been serving financial institutions as a banking expert in the country, across Europe and the US ever since; he became a partner at KPMG in 2003. As a licensed Swiss CPA and a FINMA-accredited auditor, he served major global financial institutions as audit lead partner. Philipp has in-depth experience in the financial services industry, including wealth management, investment banking, insurance, private equity and asset management. In 2013, he became a member of KPMG's executive committee and leads the firm's financial services sector in Switzerland. He is also a member of the EMEA financial services leadership team.

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April Rudin is a financial services marketing strategist who is known as an expert on digital media in wealth management. An international authority on social media and next-gen issues, April has partnered with forward-looking financial institutions all around the world to devise multi-channel communications strategies with differentiation at their core. April is increasingly prominent as a thought-leader in Asia and Europe, as well as in her native US, and has spoken at high-profile conferences in most major wealth management centres internationally. She is also a regular contributor to several prestigious publications, in addition to serving as HNW chair for the Hedge Fund Association.

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Michael Santone is the chief operating officer of GenSpring Family Offices, SunTrust's multi-family office affiliate providing independent advice to families of substantial wealth. Mike spent his prior five years as the chief financial officer for SunTrust Banks' Wealth & Investment Management line of business. In that capacity Mike served as a strategic advisor to executive management, with oversight for all finance and accounting activities for SunTrust's Wealth & Investment Management businesses, including GenSpring Family Offices, SunTrust Investment Services, RidgeWorth Investments, SunTrust Institutional Investment Solutions, Sports & Entertainment, and SunTrust Private Wealth Management.

EDITORIAL PANEL

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Bruce Weatherill is a chartered accountant who has over 20 years of experience in global financial services as a Partner at PwC. He was global leader of PwC's private banking and wealth management practice and a key driver and author of its biennial *Global Private Banking and Wealth Management Survey*. He now heads his own consultancy and is a Non-Executive Director of a number of companies together with which he provide services to wealth managers, particularly around client-centricity. Bruce is the author of *The Value of Trust: The Quest by Wealth Managers for Trusted Advisor Status* and other reports addressing issues critical to wealth managers around the world.

IAN WOODHOUSE

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Ian Woodhouse is a management consultant with 22 years of experience working with financial services firms, specialising in the private banking, wealth and asset management, and retail banking sectors. He and his team assess performance and opportunity gaps arising from customer, competitor, regulatory and digital disruption, and help institutions design and deliver direct, guided and advised customer-centric operational models which better align technological, regulatory and commercial imperatives. Within PwC, Ian is a member of the private banking and wealth management practice leadership team and the firm's customer operations competency area, a director for key accounts and member of the financial services consulting growth initiative.

ADDITIONAL CONTRIBUTORS

WealthBriefing, Appway, KPMG and SIX Financial Information would like would like to extend special thanks to the following individuals for contributing to this report. Like those of the panel, their thoughts were invaluable.

- Victoria Bateman, who leads the EMEA operations of customer and business intelligence provider RFi
- Gurpreet Garcha, partner at Gulland Padfield, a business consultancy for private banks and wealth managers
- Chris Hamblin, editor of *Compliance Matters*, the flagship compliance publication of the *WealthBriefing* group of newswires
- James Hoare, head of portfolio management at C Hoare & Co, the London-based independent private bank
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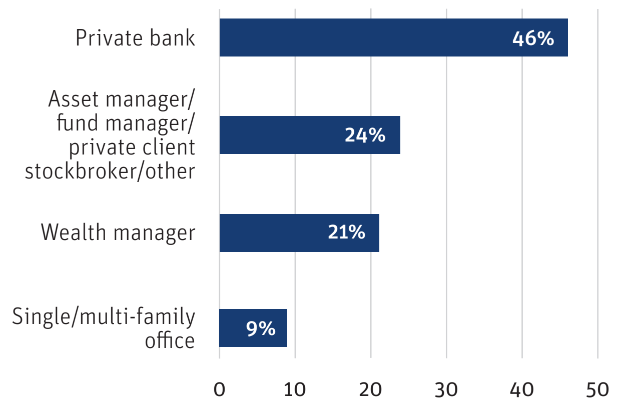
METHODOLOGY

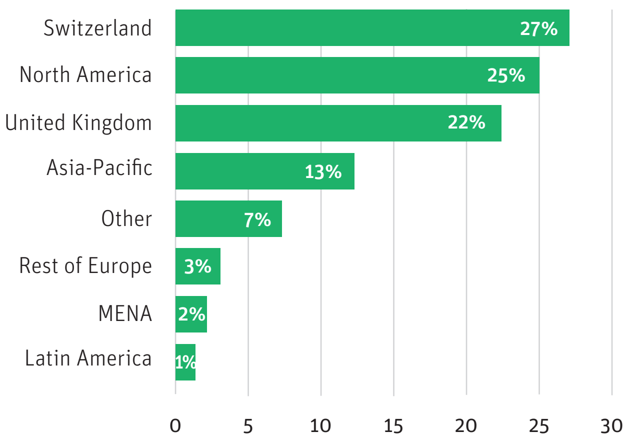
For this report, 211 wealth management professionals were surveyed during August and September 2014. Interviews to discuss the survey's themes were carried out with 25 senior private banking and wealth management executives, consultants to the industry and technology experts.

The composition of the survey sample, by location, type of firm, client and relationship manager numbers was as follows:

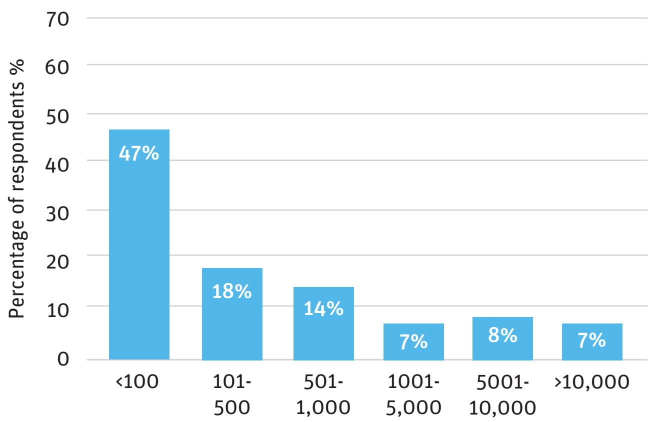
Type of organisation



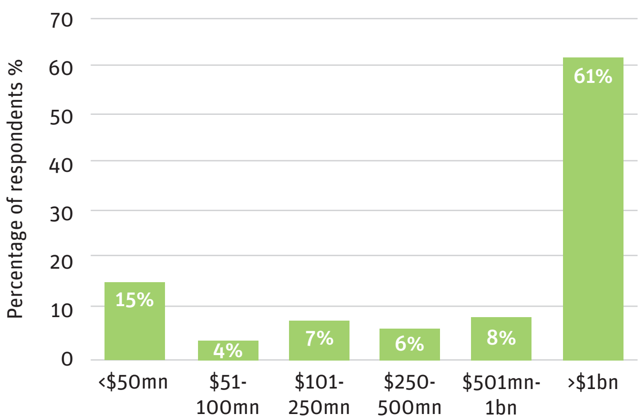
Location



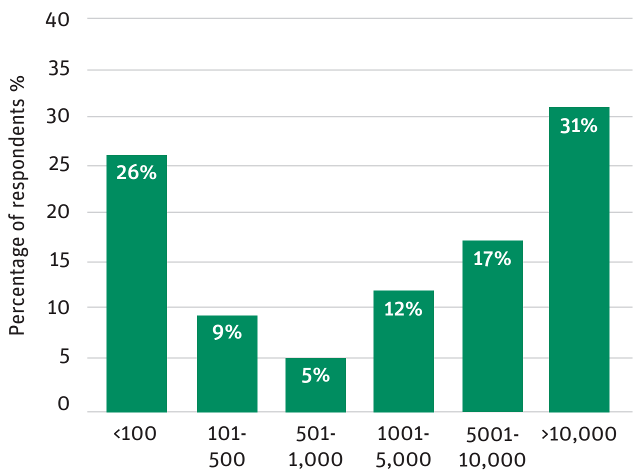
Approximate total number of relationship managers



Assets under management



Approximate total number of wealth management clients



Section One

Rising Regulation and the Client Onboarding Challenge

Defining client onboarding

For the purposes of this study, the term "onboarding" is used in its widest sense. It refers to all the activities a wealth manager performs during the acquisition of new clients, ranging from all the mandatory KYC, AML, risk-profiling and suitability assessments, through to softer elements of client discovery such as service preferences. It also encompasses the process of regularly reviewing clients as well as the expansion of existing relationships with the addition of new investment products or services. In this sense, onboarding underpins the entire client lifecycle, rather than being merely a "once and done" task.

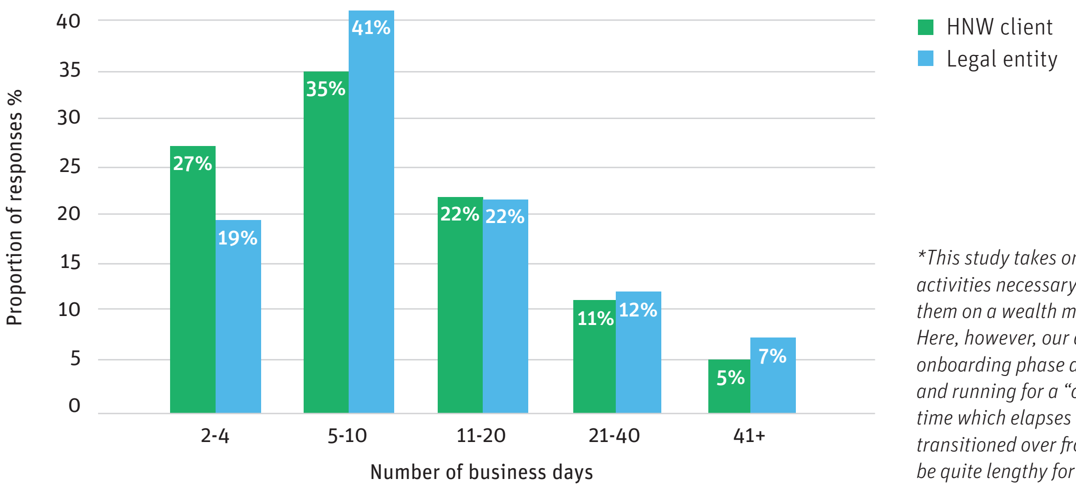
Wealth managers seeking to improve their onboarding systems and processes will look at a variety of metrics, from how accurately due diligence is performed on incoming clients, to how positive their onboarding experience is. Amid intense scrutiny from regulators globally, an institution's ability to document immaculate compliance is naturally paramount. The massive fines handed out in recent years have underscored how essential it is to avoid mistakes in KYC, AML, risk and suitability. But while wealth managers need a robust approach to onboarding from a regulatory standpoint, and one that isn't off-putting to clients, one far simpler metric is probably front of mind: how long the initial process usually takes*.

It can be difficult to make generalisations in wealth management, as it is a highly variegated industry designed to serve those with unique (and often highly complex) financial needs. That's not to say, however, that every client is a difficult case. The fact that the majority of clients present no real issues from a regulatory perspective means that comparisons for a "typical" client can still be usefully drawn.

The survey on which this report is based revealed a considerable degree of divergence in the amount of time it takes wealth managers to onboard a client, although a clear average timeframe did emerge. For the majority of respondents (35%), onboarding a non-complex high net worth client takes 5-10 business days on average; this timeframe is also the norm for onboarding legal entities at 41% of wealth managers. Onboarding is taking significantly longer at many firms, however. Over a fifth of participants report that onboarding a HNW client takes 11-20 business days, while for a tenth 21-40 days is normal. At the upper end, an unfortunate 5% are looking at over 41 days. The picture was very similar for onboarding legal entities, although slightly more (7%) of participants would expect this to take over 41 working days.

Onboarding a legal entity can actually be far simpler than onboarding an individual, the panel pointed out, because the

Figure 1 - Average onboarding time HNW client vs legal entity



**This study takes onboarding to mean all the activities necessary to acquire a client and keep them on a wealth manager's books compliantly. Here, however, our assessment of the initial onboarding phase denotes getting an account up and running for a "cash client", rather than the time which elapses until a client's assets are fully transitioned over from another provider, which can be quite lengthy for various reasons (see page 47).*

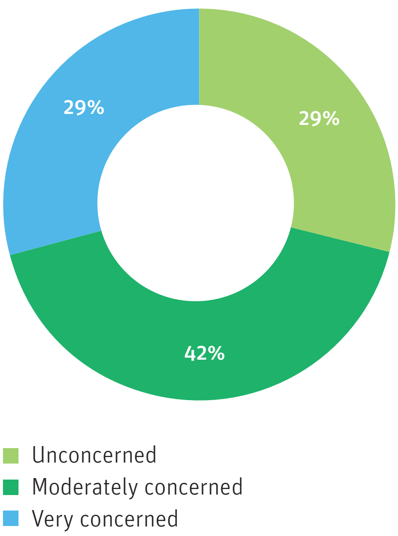
professionals will have the necessary information at hand and a defined corporate structure and framework will be in place. However, as Bruce Weatherill pointed out, delays can arise on the beneficial ownership side of things due to complexities arising from the legal structure chosen – particularly if two different types of legal system are in play. In his view, “It’s much easier if you’ve got a foundation because it will have a constitution with the rules laid out as to what happens.”

The “need for speed”

There are a number of reasons why wealth managers need to onboard clients as quickly as (compliantly) possible, yet as Figure 1 shows a large number are not doing as well as they would surely wish – with potentially very costly consequences.

The onboarding phase of a wealth management relationship is highly sensitive. While it holds out the possibility of impressing a new client with an efficient and positive experience, there is also a very real risk that the client’s confidence in the institution will be *undermined* rather than bolstered in these crucial early stages. As Section 3 explores, the quality of the client experience during onboarding is likely to have a significant effect on a wealth manager’s long-term profitability, through its effect on referral rates and how quickly the relationship deepens (since confidence in the institution and the amount of funds invested are likely to rise in lock-step over time). It is in the short term, however, that wealth managers should be really worried about painfully slow onboarding – simply because of the danger of clients dropping out mid-way through the process.

Figure 2 - How concerned are you about clients dropping out during the onboarding process?



In fact, the survey confirmed that the risk of potential clients dropping out of the onboarding process is a very real worry for wealth managers. Close to a third (29%) of respondents said they are very concerned about dropouts, while a further 42% indicated moderate concern. Dropouts will be particularly disappointing if a lengthy or overly-convoluted onboarding process is to blame. Not only will the institution fail to gain that client’s assets, but it will also have wasted a good deal of time, effort and money to get them as far as they did. There is also the possibility of reputational damage if a wealth manager does not deliver on its brand promise during onboarding – and in the private client world, that is, of course, going to be predicated on the highest standards of service.

Several experts who contributed to this study are increasingly hearing reports of clients losing interest during onboarding. In fact, in terms of client servicing, wealth managers have begun to receive unfavourable comparisons to their retail cousins – although how justified these are is up for debate. “Clients dropping out wasn’t so much of a concern in the past, but now there’s so much competition in the marketplace,” said Glenn Bolstad. “A lot of retail and DIY players have a turbocharged ability to get people on board, so now you have clients saying ‘You’re supposed to be high-touch, but I feel that I’m getting a worse service than elsewhere.’”

It is important to note that the survey did not address the frequency with which dropouts do occur, and it hardly needs to be said that wealth managers are unlikely to disclose actual figures. Yet even working on the assumption that dropouts happen fairly infrequently doesn’t really diminish how much of an issue they are. A wealth manager might only experience dropouts occasionally, but these may have been very large accounts or people with wide peer networks. The fact that wealth management relationships are (hopefully) long term also means that few firms will want to lose out even on “smaller” clients. “The prize now is that if you book a client you are at least going to have them for a minimum of four years and more likely on average eight to ten,” said Seb Dovey. “You can look at the value of that client and see it’s worth the effort of rethinking the engagement process.”

In Focus: Front-line frustration

Several of the panellists said that onboarding is so cumbersome generally across the industry that a kind of "gallows humour" often emerges surrounding how long it takes to get clients through the process (although of course this is not conveyed to the client). It would be an error, however, to suggest that labyrinthine onboarding processes are a joke to relationship managers.

The costs of a failed client acquisition means that preventing dropouts will be a priority across the organisation. However, it is front-line relationship managers who tend to feel the most pain when dropouts occur. They will have put a lot of groundwork into convincing the client to want to do business with the firm. If an inefficient onboarding process blocks them from being able to do so fairly quickly, causing the client to lose interest altogether, then all that work will have gone to waste.

In essence, a poor onboarding process prevents a relationship manager from doing their job. It prevents them from bringing on new clients and maximising the amount of business they do with the firm; it will also mean that they can't deliver the superb service standards they and the institution's brand promise will have undoubtedly led the client to expect. Huge frustration is inevitable.

Given these considerations it seems likely that savvy relationship managers would carry out a degree of due diligence on a prospective employer's systems and processes before making a move – something which Pauline Egan and others said they would definitely recommend. "A poor process can absolutely make your life a misery, because if you're an advisor and you're on a package which is dependent on the assets you have under management then you'll want to bring those assets in as quickly as possible," she said.

How long "should" onboarding take?

There are, of course, a range of factors which influence how long it usually takes a wealth manager to onboard new clients, and some are more within the institution's control than others. As Ian Woodhouse pointed out, it is very difficult to give a "one-size-fits-all" figure for how long onboarding should take, since the process varies so widely from firm to firm depending on the type and origin of the client segments they serve, the complexity of the products being offered and the regulations that they have to comply with.

The demographic characteristics of a firm's client base are of great importance. So, where the clients (and their source of funds) come from, where they are domiciled and reside, and how international their financial affairs are will dictate how many regulatory requirements will be required in onboarding and the data required. The number of steps, data, complexity and cost required rises in direct proportion to the wealth manager's client segment diversity and the corresponding number of internal users that have to be involved. A firm dealing mostly with resident domiciled clients will clearly have a less complex onboarding process than one which is dealing with cross-border clients. Additionally, those firms targeting clients from less well understood emerging markets will also likely have to carry out more extensive KYC/AML checks (often involving multilingual source data) and will face more of a time challenge. As such, Woodhouse observed that wealth managers with a narrower focus are generally at an advantage when it comes to onboarding. "What benchmarks show is those firms which are focused on a few key target segments and simpler products tend to have a slicker onboarding process which meets more focused compliance standards and can deliver a superior client experience at a lower cost than their multi-segment, geographically-dispersed counterparts with complex product propositions," he said.

There are also other cultural factors to consider when it comes to client demographics, and therefore how tech-enabled a wealth manager *can* be. How old a firm's clients are may well influence their openness to technological innovations intended to speed things up, such as online self-service or e-signatures. Such innovations, along with standardisation, automation and systems integration, are key to upping operational efficiency (see Section 2).

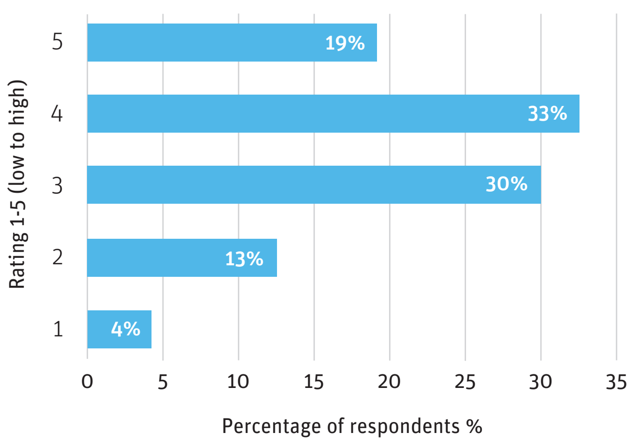
While it is difficult to pronounce on how long onboarding should be taking across the industry, the panellists did give some useful benchmarks for specific scenarios. For David Crawford, onboarding a straightforward cash HNW client in the US should take no more than three days, while onboarding a domestic legal entity that doesn't have many sub-corporations should take about seven business days (rising to ten or more with a foreign client). On this basis, many wealth managers will be off-target. That said, these timescales assume that wealth managers are fully leveraging all that today's technological environment has to offer – which may not yet be the case.

It should also be noted that the onboarding process is comprised of several elements which take different amounts of time to complete, according to whether they are more simple and administrative, or complex and investigative in nature. Standardisation, automation and systems integration – the key pillars of increased operational efficiency in onboarding – are not uniformly applicable. Senior management have to sign off on sensitive clients, for example, and high-level judgement calls can take time. Therefore, if a wealth manager has many complex or sensitive cases, prolonged onboarding could actually be obscuring a very efficient and speedy process of collecting documents and getting all the necessary paperwork signed by the client. (Indeed, firms at the technological vanguard are now able to open accounts in just a few hours using straight-through-processing between the front and back office; see Section 2).

Quantifying potential time savings

It seems likely that wealth managers will find achieving concrete time targets easier in the elements of the onboarding process which are most administrative in nature (rather than those requiring judgement calls to be made). These parts will also be where innovations to increase automation are likely to have the most potential, such as pre-populated forms and e-signatures (see Section 3). On this point, Pauline Egan recounted how at her former institution the decision was made to look at the number of business entities clients were contracting with and to streamline this, by having them contract with one main entity, with supplementary one-page forms added for the different services required.

Figure 3 - To what extent has the time to convert a prospect to a client slowed due to additional regulation over the past five years?



As she explained, with this kind of international wealth manager, clients could have to sign letters of engagement for relationships with a banking entity and an investment entity, along with others for trusts and custody; then there is also likely to be an element of offshore/onshore duplication. Replacing multiple forms for multiple entities with consolidated sets could streamline things to such an extent that even quite a complex set of authorisations and signatures could be completed within fairly tight timeframes. With technology fully leveraged, the gap between how long it takes to sign up a "standard" HNW individual and a scenario involving multiple signatories - like an UHNW family's trust structure - could be closed significantly.

In contrast, wealth managers will probably find *relative* rather than absolute targets more useful when it comes to how much they want to reduce the time taken to complete the client due diligence portion of onboarding. Clearly, a firm's target turnaround period for KYC/AML assessments needs to recognise the sorts of clients (and relationships) that are generally being set up, rather than measuring performance solely against a somewhat arbitrary benchmark, which might not actually be appropriate for its model. Minimising potential business risks is of course the priority when wealth managers are ascertaining which clients they can and *should* take on, although significant time savings will certainly be very attractive – not just in terms of saving on employees' work hours, but also in speeding up the rate at which accounts can be funded and therefore start generating AuM fee revenues.

Although wealth managers seeking to improve onboarding aren't necessarily chasing hard and fast timeframes, there are some encouraging indicators around the level of efficiency that can be achieved by optimising onboarding. "I've never heard a client say they didn't gain efficiency by at least fifty percent," said Glenn Bolstad.

Compliance slows conversion

It comes as no surprise that the survey participants confirmed that additional regulations have seriously impeded their ability to convert a prospect to a client quickly. Over half (52%) of respondents said conversion times had been slowed significantly/very significantly by additional regulation over the past five years. However, as Jacob Gertel pointed out, "for the past 15 years regulatory requirements have been steadily increasing" - so the survey finding has to be seen in the light of an already high base.

It is significant that a big majority, 81%, of the survey participants said they work at a wealth manager present in multiple jurisdictions, while a slight majority said their firm needs an onboarding system that can cope with disparate regulatory regimes. Institutions in wealth management hubs like Switzerland, which have deep financial expertise and excellent connections to other jurisdictions, attract clients from all over the world. Maintaining systems that can cope with all their differing needs will require a significant degree of flexibility.

"Regulators have made it abundantly clear that financial institutions must 'know their customers and counterparties' and be able to identify and later monitor customers, counterparties and issuers with pin-point accuracy."

Jacob Gertel - SIX Financial Information

Keeping pace

Keeping on top of all the regulatory changes that might apply to such a client base (and those that the firm has to observe in its own business conduct across all the jurisdictions it operates in) is clearly no small task. There is also the issue of how various pieces of national, regional and supranational regulation interact as new pieces of legislation come into force.

With the Retail Distribution Review reforms which came into force at the start of 2013, the UK regulator set itself at the vanguard of global moves to improve consumer outcomes by making financial advice more transparent, objective and professional (along with the US, UK regulation is driving the global regulatory agenda and the latter's processes are likely to be replicated throughout much of the offshore world). However, MiFID II has stopped short of the RDR's full ban on the payment of inducements (MiFID II makes a clearer distinction between independent and non-independent advice, almost banning such payments for the former category). Instances where national and regional regulatory regimes are misaligned could create confusion over the interpretation of rules and which should take precedence. The ability to "flex" systems and processes as the regulatory landscape shifts is clearly going to be invaluable. As Figure 12 indicates, improving their ability to adapt to new regulations quickly is a top priority for wealth managers revising their onboarding approach.

Figure 4 - Is your firm present in multiple jurisdictions?

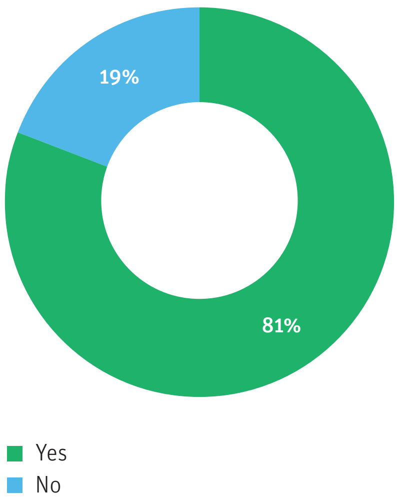
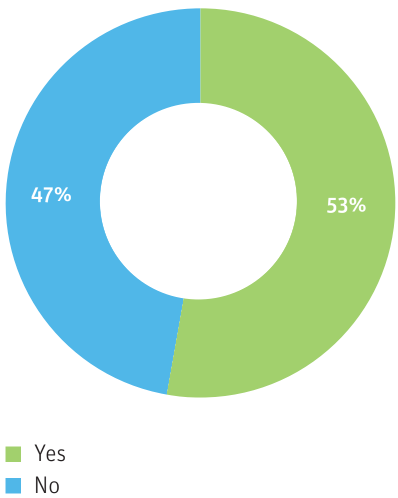


Figure 5 - Does your firm need a system which can deal with disparate regulatory regimes?



In assessing how onboarding timeframes stand across the industry it is important to take both ends of the spectrum into account. Several of the world's largest wealth managers have implemented widely-admired systems and so have got on-boarding times right down through automating wherever possible and ensuring that systems and data sources are integrated. Yet at the same time, several of the expert contributors said they knew of wealth managers where onboarding is routinely going *well* over the threshold of 41 business days, which the survey placed at the lengthiest extreme, and up to the three or four-month mark. It was also noted that some wealth managers are so swamped by regulatory change that onboarding can take up to *six months* in complex cases. Although only a small proportion of the survey participants said that onboarding was taking over 41 working days (5% for HNW individuals and 7% for legal entities), it may be that problems at some of these firms are very pronounced indeed.

In such cases of extremely lengthy onboarding, the possible contributing factors identified by the panel included: confused/convoluted management lines (possibly between parent and subsidiaries at a local level, as well as within individual business units); a lack of specialist market expertise to carry out KYC/AML assessments efficiently, particularly in newer markets; the lack of an end-to-end process; data silos, and the ubiquitous issue of legacy systems which are difficult to change and don't "talk" to each other efficiently. The full range of factors holding wealth managers back from optimising their onboarding systems and processes is discussed in Section 2. At the most technologically advanced end of the spectrum, things are very different, however. Jacob Gertel said that SIX offers a system called ImpaQt, which uses all the client data stored within the institution and combines it with risk factors generated from SIX reference and market data – without any client data ever leaving the financial institution. The system enables the relationship managers to immediately and constantly monitor investment suitability within portfolios. Additionally, the AML monitoring tool, PEP-Check, allows the institution to monitor client accounts and their activities around the clock so that red flags for sanctions or PEP status immediately come to light. The value of such monitoring systems when financial crime is becoming increasingly global and harder to trace is huge.

Due care and attention

Lengthy onboarding processes that involve a lot of layers of manual intervention and back and forth between departments are highly inefficient and undoubtedly very frustrating for everyone concerned. Yet it is hard to be too critical of wealth managers where onboarding might seem to take an inordinate amount of time. As described below, incurring the wrath of regulators has proven to be a *very* costly business indeed for all manner of financial institutions in recent times.

> ComPeer has predicted that the cost of compliance for UK wealth managers will hit £500 million a year by 2015, a cost that's twice as high as the direct expenses since onerous compliance requirements increase opportunity costs.

Wealth managers must also consider reputational risk. Public opinion has turned decidedly ugly on the issue of tax evasion by wealthy individuals and on the financial services sector in general. In 2014, escalating geopolitical instability has rendered money laundering and sanction breaches exceptionally serious. There have even been calls from some quarters for top executives at offending institutions to be exposed to custodial sentences if wrongdoing occurs "on their watch".

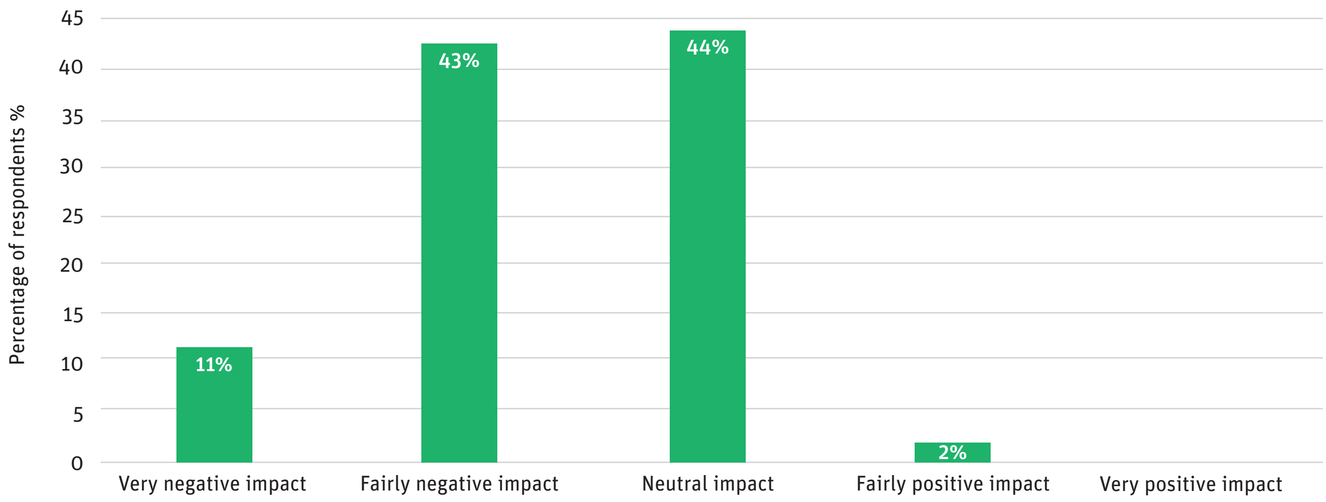
The extra care and caution wealth managers need to take with fulfilling their regulatory obligations today is clearly going to slow things down even more where onboarding also includes paper, manual data input, posting documents and so on. And while the speed of onboarding isn't the only measure of its quality – either operationally or in terms of the client experience – it is a very important one. As will be discussed more extensively in Section 3, improving the client experience is what the majority of wealth managers would be mainly looking for by automating/enhancing their onboarding process.

How long it takes for a client, who is presumably keen to do business with a wealth manager, to have their account up and running is a key consideration; within that, so is the amount of time and hassle it takes to complete each of the necessary steps. It is therefore to be expected that the survey participants took a pretty dim view of how extended compliance questions have affected the client experience of onboarding.

Over half see the impact as negative and 11% believe it to have been very negative. A negligible proportion of respondents see a positive effect.

As Victoria Bateman, who leads RFi Group's EMEA operations, remarked, "Onerous legislative requirements undoubtedly necessitate that onboarding is to some degree process driven." Yet the panellists almost universally observed that wealth managers need to be careful not to use the compliance burden as an excuse not to innovate or to think about how to make things easier for the client. "'Compliance blame' is one those little habits that some banks have, i.e. saying to the client, 'Our compliance procedures require this', when in fact, it's not always a regulation-driven step but rather the way things have been done around the bank for years," said Gurpreet Garcha, partner at consultancy Gulland Padfield. "The solution is to question what is a 'must-do' versus an institutional bad habit."

Figure 6 - How have extended compliance-related questions affected the client experience?



In Focus: Harsh penalties

The increasingly aggressive stance being taken by regulators both in their home markets and abroad has escaped nobody. Yet it is still instructive to look at the size of the fines meted out in recent times and the range of rules that were broken. Recent penalties issued by the US and UK authorities (see Figure 7) paint a picture of a world criss-crossed by regulatory investigations.

The failings listed below span a wide range of rules, from those related to preventing money laundering and screening politically-exposed individuals, through to market misconduct, overcharging, mis-selling and failing to protect client money.

It is just a very small sample of the penalties with which financial institutions have been hit.

Importantly, the table below does not feature the huge fines over tax evasion which have rocked the wealth management industry ever since the financial crisis made tax authorities all around the world ravenous for additional tax revenues from the wealthy. The fines and settlements that the US authorities imposed ran into the *billions* of dollars for some institutions, with embarrassing civil and criminal suits playing out in the press for months.

It should also be noted that while regulatory censure shows no sign of slowing up, the offences in question often go back several years. Many offenders will have already moved to put corrective measures in place once they hit the headlines.

Figure 7	Institution	Fine/settlement	Regulator
AML control failings	UK bank	$300 million	US
AML control failings	UK bank	$100 million	US
AML control failings	UK private bank	£8.75 million	UK
AML control failings	South African bank	£7.6 million	UK
AML control failings/Violations of US sanctions	UK/Asia-listed bank	$1.92 billion	US
Failing to adequately protect client money	US asset manager	£9.5 million	UK
Investment suitability failures	US bank	$16.65 billion	US
Investment suitability failures	US asset manager	£18.6 million	UK
Investment suitability failures	US bank	$6.5 million	US
Investment suitability failures	US wealth manager	£3.08 million	UK
Misconduct relating to the inter-bank interest rate market	UK bank	$370 million	US and UK
Misconduct relating to the inter-bank interest rate market	UK bank	£290 million	US and UK
Mis-selling	UK bank	£28 million	UK
Overcharging	US bank	$2.8 million	US
Violations of US sanctions	French bank	$8.97 billion	US
Violations of US sanctions	UK bank	$100 million	US

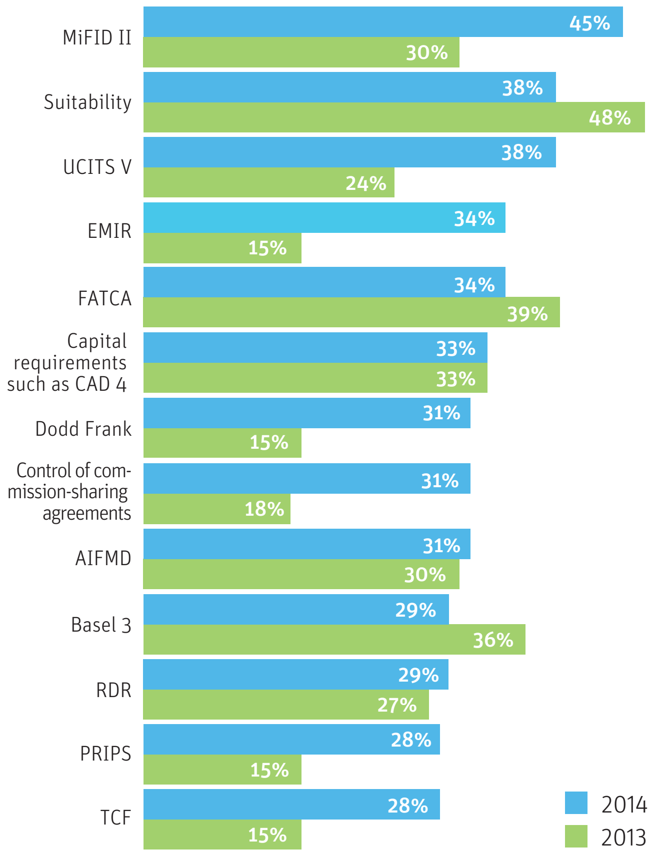
(This table is in no way a comment on the specific responsibility of the firms concerned.)

"Many UK wealth players still continue to struggle with investment suitability with failings and remediation required. Going forward, the focus from regulators will additionally be on the broader conduct agenda which will be a further challenge. The good news is that we are now seeing some institutions starting to pull ahead with new advice and investment models which are client centric, compliant and connected."

Ian Woodhouse - PwC

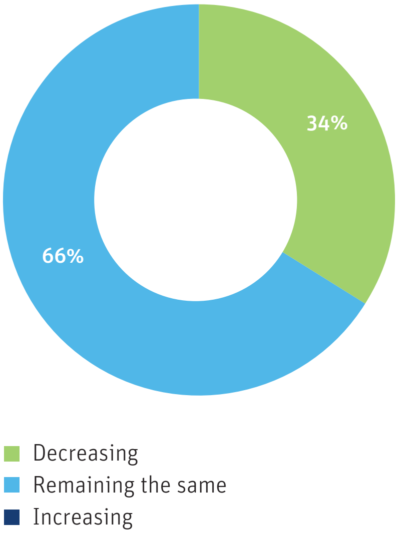
Wealth managers' top compliance headaches

Figure 8 - Proportion of respondents reporting high/very high impact on their firm's operations and systems comparing this year to last.



As Figure 8 shows, wealth managers' operations and systems are seriously impacted by a plethora of regulations, both forthcoming and already in place. Nor is this impact likely to diminish: two-thirds of wealth managers believe that the pace and impact of regulatory change will increase over the next three years. As will be discussed, the second biggest driver for wealth managers to improve onboarding is to increase their ability to adapt to regulatory change. They clearly have great need of this kind of flexibility.

Figure 9 - How do you see the pace and impact of regulatory changing over the next 3 years?



MiFID II looms large

It may be two years from implementation, but MiFID II tops the chart when it comes to the impact regulations are having on wealth managers. The 2014 Advent/*WealthBriefing Technology & Operations Trends Report* found MiFID was having a high or very high impact on operations and systems at 45% of wealth managers. The significant impact of MiFID II is unsurprising considering it is the biggest overhaul in EU financial markets regulation in a decade and that the European Securities and Markets Authority has been in consultation on the rules throughout 2014, ahead of an anticipated 2016 implementation.

Yet all the other regulations that have been implemented or stand on the horizon are also taking their toll. Across the board, around a third (or more) of participants said each piece of regulation was having a high or very high impact on operations and systems. In most cases, it is clear that it is not just the headline requirements that are causing serious headaches. For example, MiFID II will call for enhanced capabilities for complying with new rules around remuneration policies. In total, there are thought to be 100 pieces of standards and advice to be drafted for MiFID II alone.

As regulators take a tougher stance on investment suitability, evidencing that clients' are being carefully matched to appropriate investments becomes imperative. Wealth managers need a robust audit trail of what advice was given when, and *why*. For this reason, suitability evidencing and risk-profiling assessments are also becoming increasingly cutting-edge (often forming part of a wider system that includes portfolio construction and monitoring against mandate). Rather than perfunctory paper questionnaires, clients can now be assessed by sophisticated software that can incorporate behavioural finance elements as well as graphical illustrations of scenarios. Most wealth managers working in the HNW space would always have an advisor go through a questionnaire process with a client, although an element of self-service could still apply if clients were able to make updates on their circumstances, for example.

New suitability rules are coming thick and fast as regulators seek to secure better outcomes for investors and more stable financial markets. As has often been noted, the suitability rules, which wealth managers have to consider globally, are similar in spirit, even if their content varies, so the processes for suitability can be said to be broadly market neutral. This may make it easier for institutions to implement onboarding systems that can cope with disparate regulatory regimes and to standardise data.

UCITS V will bring the existing UCITS rules into line with the Alternative Investment Fund Managers Directive. The new regime for depositories has created a need for enhanced control and monitoring capabilities for both depositories and asset managers (depositories make sure investors get their dividends and capital gains and then handle any tax payments relating to the home country of the company concerned). Custodian banks also need to cope with reporting requirements for sub-custodians and counter-parties outside this realm. The added complexity of dealing with foreign custodians under other regulatory regimes is adding to the challenges facing wealth managers.

The RDR is still having an impact on wealth managers' systems and operations despite it having been in force for nearly two years now. While it was not included, Swiss wealth managers will also be gearing up to cope with FIDLEG – sweeping reforms due in 2017, which are an "answer" to MiFID II and which look similar to the RDR on several points.

Reporting for EMIR, the EU regulation aimed at reducing instability in the derivatives market, is creating real headaches for wealth managers. Those that do not pass on their customer relationships to exchange-facing firms are held to be "executing" and must report. There are 85 fields to fill in under EMIR, as opposed to 25 under MiFID II.

FATCA has been in force since 1 July 2014, but in a slightly softer form than was once perhaps feared. Foreign Financial Institutions are required to withhold 30% on US recalcitrant taxpayers' (i.e. non-tax compliant) and on Non-Participating Foreign Financial Institutions' (NPFFIs) US-sourced FDAP income. FATCA reporting will start on 31 March 2015 for institutions under IGA (Inter-governmental agreements) Model 2 and FFIs from non-IGA jurisdictions, and on 30 September 2015 for FFIs under IGA Model 1.The IRS has designated 2014 and 2015 as a transition period as regards the enforcement and administration of the due diligence, reporting and withholding provisions of the Act. Although FFIs are expected to comply with the FATCA rules during the transition period, the IRS has said it will take "good faith efforts to comply with the requirements" into account. Despite these concessions, full compliance still has to remain a priority, however, in light of the Act's unprecedented scope and the US authorities' recent track record of prosecutions.

The 2014 Advent/*WealthBriefing Technology & Operations Trends Report* clearly showed that wealth managers see technology as their saviour amid intense regulatory scrutiny: 83% of respondents said that technology plays a very important or critical role in helping their firm meet its regulatory obligations. Strikingly, 86% said that technology could play an even greater role.

> "You can look at a file now and know exactly what's going on with that client, in one place. That's really useful as before you probably had to trawl through stacks of meeting notes. We also have a lot more information, which may elucidate a need or a gap."
>
> Nancy Curtin - Close Brothers Asset Management

In Focus: The "need to know" on clients

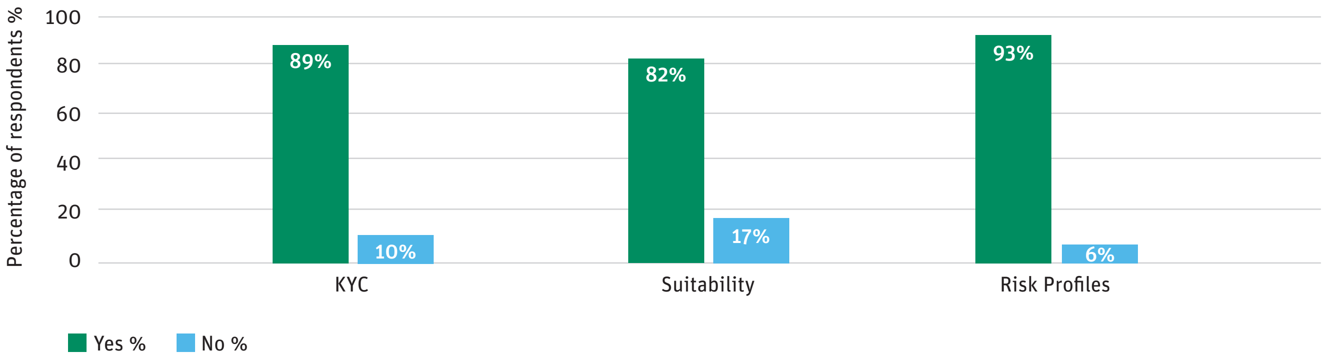
KYC profile - a "snapshot" of the client bringing together general information (like name, address, domicile, nationality, authorised contacts) and identity verification; along with information for regulatory and risk management purposes, like details of the client's source of wealth, PEP assessment and a sensitivity rating. Detailed information for taxation purposes is necessary, such as for the Common Reporting Standard, as is further information regarding a client that has US indicia and therefore comes under the FATCA reporting requirements.

Risk profile - assessments of the client's financial situation, their capacity for loss, and their attitude towards and appetite for risk. Many wealth managers today include an element of psychometric testing in their risk-profiling process or use scenario modelling to really understand clients, so some are highly technologically advanced. There are, however, lots of firms still using paper-based questionnaires, but as the panel pointed out technology is mostly deployed by wealth managers as a decision support tool in any case; they would certainly still have the advisor verify the "results" with the client.

Suitability profiles – evidencing a holistic understanding of the client's financial circumstances and goals, and determining if investment strategy and products proposed are appropriate. In the case of a suitability file review, it is imperative that wealth managers show a robust audit trail of what advice was given when, and why it was appropriate for the client's financial circumstances and stated objectives at the point of sale (and on an ongoing basis).

Suitability monitoring and risk-profiling systems are becoming increasingly sophisticated, and are often part of a broader system that includes portfolio construction, monitoring against mandate and risk management modules.

Figure 10 - Are KYC/suitability/risk profiles an integrated part of your firm's onboarding process?



KYC, suitability and risk profiles

The full benefits of integrated systems and efficient dataflows are discussed more fully in Sections 2 and 3, but in discussing the compliance challenges facing wealth managers it is interesting to note that KYC, suitability and risk profiles (described overleaf/below) are an integrated part of the onboarding process at a large majority of wealth managers. With regulators aggressively ramping up business conduct oversight and investor protection, having all of this information together in one place in an auditable format is essential.

KYC, suitability and risk profiles represent an invaluable go-to source of information when a client needs to transition to another advisor quickly, or simply if a wealth manager wants to get a better understanding of its client base. In the case of a regulatory review (or lawsuit) these profiles are invaluable. Philipp Rickert, along with several other panellists, highlighted how auditable evidencing is now the focus, not just obeying the rules themselves. “It’s no surprise that the majority of wealth managers require a fresh look at their onboarding systems,” said Rickert. “Not only have all regulators across the globe raised their bars when it comes to AML and suitability requirements, but also their expectations of how compliance with regulations across the jurisdictions is demonstrated.”

Indeed, unstructured meeting notes and paper-based records could make it very difficult to avoid regulatory censure in the case of a suitability file review. To give just one example of the importance of evidencing, in a high-profile UK case last year, an institution was fined for failing to demonstrate appropriate suitability processes in its files, despite the fact that no client detriment had been uncovered during the review.

Yet the benefits of having a complete compliance profile on each client go beyond demonstrating regulatory compliance. As the small sample of comments below show, the survey participants believe the maintenance of complete profiles is a means of delivering truly holistic advice, creating a consistent process and bolstering efficiency. Several respondents also pointed to the enhancements that could be made to sales and marketing efforts when KYC, suitability, risk and other information is efficiently captured and collated.

In Focus: What the survey participants said

“What are the benefits of a complete compliance profile in terms of business development?”

“Better KYC leads to more insight on clients, especially over the longer-term and with relationship managers changing over time.”

“They’ll raise any potential show-stopping issues before account opening starts.”

“They create a consistent approach and cross-selling opportunities.”

“I think they are a great idea if you can use them to onboard the client once and add whatever products are required later.”

“They increase our depth of knowledge about the client and their needs. An improved overall picture of the client leads to an improved advisory process.”

Rickert believes that capturing as much data as possible from the client upfront is the key to the future success of wealth managers, not only for the reasons outlined but also for their own strategic benefit. “It is a pre-requisite for the timely development and distribution of innovative products and services, and the adoption of innovative pricing methods,” he said. As will be discussed in Section 3, the data gleaned during the onboarding process can form the foundation of precisely-targeted product development and marketing programmes. Yet as Rickert pointed out, firms need to find cost-effective ways to gather all the necessary client information to demonstrate compliance, give holistic advice and be innovative on products and pricing. “In order to achieve all that, one requires highly-trained client advisors supported by on-demand, integrated technology at point of sale,” he said.

As well as gathering information at “point of sale”, the panellists and survey participants also emphasised that it is important that compliance profiles be tightly integrated and regularly updated. Keeping information up-to-date is another challenge as a client’s circumstances change throughout the year. There may be opportunity for self-service here, with clients encouraged to make adjustments via an online portal when their situations or goals change. The debates around self-service are discussed in Section 3.

In Focus: Documenting suitability

Recommending investment strategies and products appropriate for a client’s profile and needs is what wealth management is all about. Therefore, today’s spotlight on suitability isn’t about wealth managers reinventing what they do in terms of spending time with clients and getting to know their circumstances and goals. Rather, it is about systematically assessing and documenting a client’s attitudes towards volatility, risk and return payoffs, their investment time horizons and so on. It is about properly institutionalising a process that in the dim and distant past would have been lodged mostly in an advisor’s head.

For Nancy Curtin, in-depth suitability assessment is in fact something clients usually really appreciate quite apart from any regulatory considerations. “Once you get a client going on their personal circumstances they actually really enjoy the discussion,” she noted, adding that sending out a Personal Investment Policy Statement to clients has also gone over really well. “It’s very qualitative in its nature because every client is different and has different goals and aspirations for their investment capital. Quite aside from the FCA’s guidance, the clients thought the PIPS was a fantastic thing,” she said. “But for us it’s also a go-to place so we can understand that client; it is also useful for us if we had a regulatory or compliance file review or somebody just wants to know a bit more about a client.”

At Close Brothers, the firm’s interpretation of what the FCA is looking for with suitability is a well-documented journey from financial circumstance and financial objective to the eventual strategy recommended. This, Curtin explained, has an in-depth conversation about risk at the centre, which means making sure clients understand the risks they are taking on and that clients and advisors are “talking about the same thing”. Simply labelling a client as “medium risk” is nowhere near sufficient, in her view.

“We know our clients really well, but we wanted to make sure we have a full picture, a documented picture, of all aspects of their financial affairs – their assets, liabilities, goals and objectives, as well as their psychological profile and age, and then their capacity for loss given all those things,” she said. “We don’t set out to lose any money, but the riskier elements of a portfolio will have price volatility in the near term. We need to make sure our clients understand that and can tolerate it.”

Adapting to new regulations (and internal rules)

The frenetic pace of regulatory change in recent years has caused wealth managers to keep a fairly fluid approach towards their onboarding systems and processes. As Figure 11 shows, a third of the survey respondents reported that their firm has updated its onboarding procedures in the past six months, and a fifth have done so in the last month. Eight out of ten have made updates at some point in the last year.

While shifting political landscapes have underscored the need for organisations to react quickly to reduce risk, external requirements are not the only concern facing wealth managers; each has its own internal policies for determining how much of a risk a client represents to the business and its reputation according to their domicile, nationality, occupation/industry, PEP status, asset size and so on. Wealth managers need flexibility to set their own parameters in addition to those set by the regulator, such as for what constitutes a material change in a client's status and so should trigger a review.

Figure 11 - When were your firm's onboarding procedures last updated?

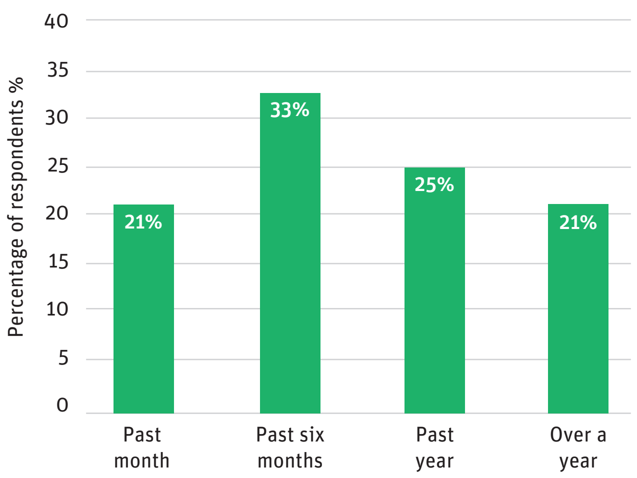
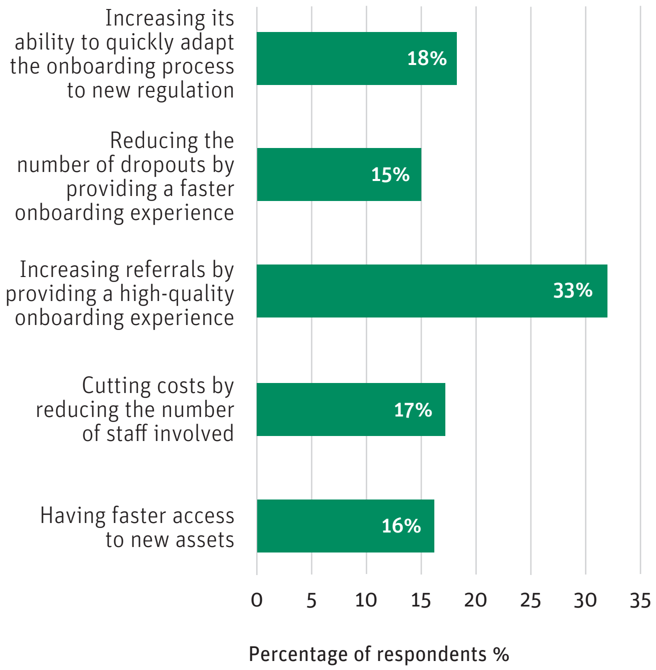


Figure 12 - What is the main business benefit your firm would seek through improving the onboarding process?



Correspondingly, being able to adapt more quickly to new regulations came out second in the rankings of the main business benefits wealth managers would be looking to gain by improving onboarding.

In the current regulatory environment, wealth managers need to build an awareness that things change fast into their approach to IT, said Rickert.

"The IT infrastructure needs to be layered in such a way that new regulatory developments and associated business change requirements can be implemented effectively with minimal business disruptions and costs," he said, adding that technology vendors can be a useful resource for wealth managers formulating strategies for keeping up with new rules internationally. "They will need to centralise their regulatory competences and enrich or marry them with strong business, risk and IT knowledge," said Rickert. "I would advise small to mid-size organisations to strategically collaborate with globally-operating consulting and technology houses that have the depth to maintain global regulatory coverage over time."

In Focus: An overview of the onboarding process

A full appreciation of all the ways wealth managers can improve operational efficiency in onboarding calls for a thoroughgoing assessment of the all the steps it entails. It also requires a detailed understanding of how these steps mesh together as data transitions from front to back-office.

These steps differ considerably from firm to firm, so mapping the entire onboarding process thoroughly enough in order to write sophisticated rules to facilitate automation requires a great deal of effort (as well as extensive collaboration between client-facing teams and other stakeholders like the legal, compliance, audit and client services departments). That said, the extensive collaboration that occurs between wealth managers and vendors today means that technology firms are able to offer a lot of input about what has worked elsewhere. In fact, developers and technology personnel within institutions increasingly share best practice ideas over dedicated social media channels.

First is prospecting, which includes gathering basic data on the client and their tax profile so the business can carry out identity and initial KYC checks to ensure that they match the firm's business strategy. More extensive due diligence comes as the acquisition looks more likely.

Foremost among the background checks a wealth manager must carry out on the prospective client parties linked to the account are AML screens to check if they are politically-exposed (a PEP) or feature on official watch or sanction lists. The institution also needs to be satisfied that it really does "know its client" and that their source of wealth is legitimate; in the case of a prospect involved in a high-risk business sector or from a high-risk jurisdiction, enhanced due diligence checks will be necessary. In this age of bilateral information exchange agreements and supranational legislation like FATCA, the tasks of ensuring that assets are clean and that accounts are set up correctly for tax reporting purposes have become far more onerous.

The investment strategy and product recommendations must align with the client's profile, which must be regularly reviewed and updated to take into account any change in circumstance. Wealth managers will also need to monitor the investment portfolios they are running for their clients to ensure that they remain suitable over time.

Next, the client is prepared for onboarding, through the gathering of all necessary data and the preparation of contracts/letters of engagement. Then comes the more "tangible" part of the process: getting documents signed, scanned and possibly mailed several times – tasks that can turn out to be pain points for both client and advisor.

Once approvals have been granted and the account opened, the client-facing administration can commence. This includes formally welcoming the new client, archiving their documents and, as best practice dictates, collecting client feedback on the onboarding process to determine where it could be improved.

This is only a very basic possible onboarding trajectory. Wealth managers are making great strides with the incorporation of technological innovations and the industry's sensitivity to the client experience continues to rise. A forward-thinking firm might add in a significant upfront provision for discovering clients' preferences such as frequency and mode of contact, the level of detail they require in performance reporting, and whether or not they are interested in educational events.

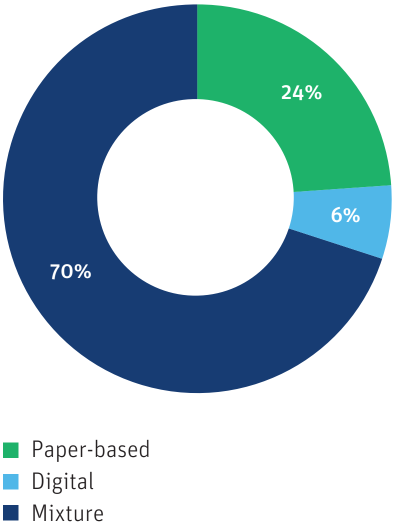
As the digitisation of wealth management continues, the use of digital signatures and biometric identification through fingerprints and voice recognition will continue to rise. Building these innovations into the onboarding process seems logical and represents a good opportunity for a wealth manager to showcase its commitment to leveraging technology for the added convenience of clients.

Since this study defines onboarding as all the activities necessary to take on a client and maintain them in full compliance, mapping the process should also look into the future at both periodic and event-driven reviews across the client lifecycle. It can also be assumed that in the fullness of time all wealth managers will be looking to make the most of the synergies that 69% of the survey participants see between the process of carrying out annual compliance profile reviews and sales efforts.

Section Two

Improving Operational Efficiency through Automation and Integration

Figure 13 - Is your firm's onboarding system paper-based or digital?



Papering over the cracks

After years of widespread underinvestment, the wealth management industry is now vigorously pursuing the efficiencies and competitive advantages that modern technologies can help them achieve. In analysing the increase in technology investments, Ovum has predicted that US wealth managers alone will spend $3.4 billion on technology in 2014, rising to $4.2 billion by 2018. Yet these dizzying figures shouldn't obscure the fact that there is still a lot of *actual* paperwork happening today.

As Figure 13 indicates, the survey found that a significant majority of wealth managers are using a paper/hybrid process for onboarding clients, while at present only 6% have gone entirely digital. In fact, just under a quarter of respondents are relying on paper alone. Presumably, these firms are also experiencing the full detriment of printing and writing forms by hand, as well as suffering from the inaccuracies that come about from manually entering data multiple times across several different back and front-end systems.

Paper on the rise

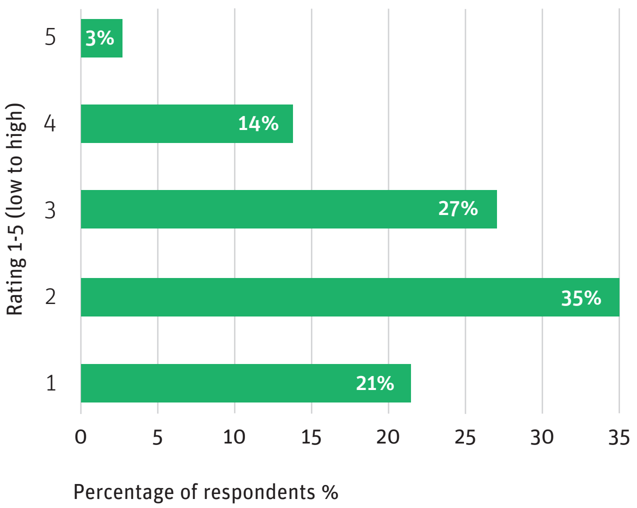
The prevalence of hybrid onboarding processes came as no surprise to the expert panel. It was in fact suggested that the amount of paper in use had been on a downward trajectory, but is likely to have actually *risen* more recently because of new regulations, rather than continuing to fall away - as one could reasonably expect at a time when virtually every element of life has become digitised. "If anything, the paper trail has probably got worse in the last year or two," said Keith MacDonald. "People used to work around their systems, but now everything has got to be done properly and if their systems can't deal with that then it has probably got to be done manually."

MacDonald explained that a wealth manager may have digitised substantially, but could be left with gaps in its front-office system which need to be plugged with paper-based workarounds. With new regulations coming thick and fast, many systems don't have the capabilities for all the fields and level of detail that is required, he said. In response to the tremendous need for (cost-effective) adaptability in today's regulatory environment, technology vendors are increasingly building in self-service capabilities so that firms can make simple changes like adding extra fields without intervention from technical teams.

Aside from duplication of work (and, in all likelihood, errors) anything but the bare minimum of paper is going to pose practical problems for a wealth manager of reasonable size and onboarding volume. The difficulty (and costs) of securely storing hardcopy documents - let alone searching through them to locate vital yet unstructured data - will be familiar to many. This, Bruce Weatherill pointed out, is also partly a regulatory issue: "Part of the onboarding process is actually to serve the regulatory needs of suitability and KYC by collecting all of the client's information in one place," he said. "If you're doing it all on paper then all you're really doing is storing up problems for the future because paper will get misplaced."

Automation and straight-through-processing

Figure 14 - What level of automation is present in your firm's onboarding process?



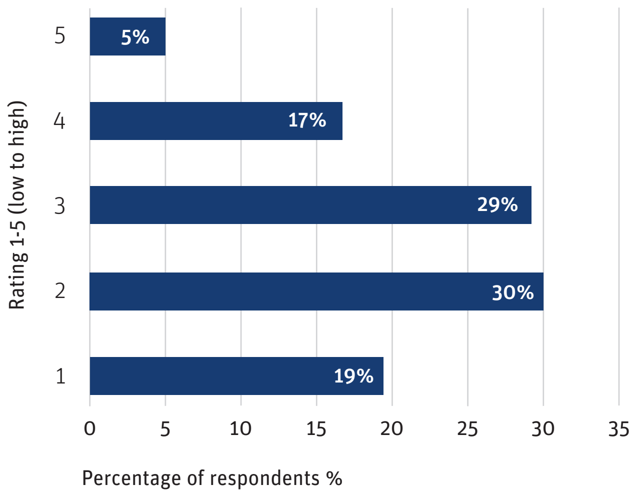
> "Highly automated and integrated systems provide the customer with a good service, ensure immediate monitoring afterwards and can save on costs in the long-run – due to reliable monitoring, quick reporting and adequate audit trails."
>
> Jacob Gertel - SIX Financial Information

The next point of investigation was the level of automation in current onboarding practices at wealth managers and the degree to which they are end-to-end (meaning how far all the technology resources, processes and information required to onboard a client are linked, rather than treated in silos). Here, well over half of respondents placed their firm's level of automation at the lowest levels, while only 3% gave the maximum rating for automation. The picture for how far onboarding processes are end-to-end is similar. According to the survey, only 5% of wealth managers can currently lay claim to a completely end-to-end-onboarding process. Over half report that what we might call straight-through-processing for onboarding is at the lowest levels.

The very low levels of automation and STP in the industry align with the fact that, at the majority of wealth managers, some element of "papering over the cracks" is taking place. These findings came as no surprise to the expert contributors, who observed that there are very few firms internationally that have fully automated, although a handful of big names are now known to be making impressive progress in this area. "At present, full automation is a rarity. Very few wealth managers have the equivalent of STP for onboarding," said Weatherill. "Processes like STP and automation for filling in documents and harvesting data are being used, but I wouldn't want to say they're prevalent," added David Crawford.

Paco Hauser remarked that although he has seen all levels of maturity across the industry when it comes to onboarding automation, there is a clear division between the leaders and laggards. "Some wealth managers rely on paper and the good sense of the relationship manager to do what they are supposed to do," he said. "Then there are the leaders who have automated their processes and have sophisticated rules behind these that ensure no mistakes happen."

Figure 15 - To what extent is your firm's onboarding process end-to-end?



A SunGard survey of US wealth and trust companies executives (*Striking a Balance Between Innovation, Optimization and Service*) found that achieving smarter operations through increasing efficiencies is the number one focus at 41% of firms today, while 36% are looking to enhanced client service and front-office innovation to drive their growth. A tenth of respondents specifically said their main focus is increasing IT investment to support the front-office at the onboarding stage. The survey on which this report is based found that the majority (33%) of wealth managers would be mainly seeking to enhance the quality of the client experience if they were to make improvements to their onboarding processes. Yet cutting personnel costs and making onboarding faster together accounted for a total of 32% of responses.

The "final frontier" for efficiencies

For Glenn Bolstad, onboarding is "the final frontier in terms of gaining efficiencies" since wealth managers began earnest efforts to boost efficiency in the back and middle-office decades ago. Bolstad, along with several other panellists, suggested that in the past, management teams were better able to see rapid, easy savings from middle and back-office optimisation, particularly for high-volume processes. This was at a time before many onerous regulations were put in place and wealth managers tended to invest less in automating, as lower-volume processes could still be carried out manually.

Historically, onboarding wasn't perhaps the most compelling candidate for automation and STP. Today, it is where some of the industry's most pressing concerns intersect: the need to withstand far more intense regulatory scrutiny; the need to impress clients with a slick experience, and the need to deliver both in an efficient, cost-effective manner. Improving onboarding – to make it more pleasant, robust and an all-round better tool for risk management – can itself tick a number of boxes for wealth managers seeking transformational change.

Though the motives for automating and streamlining the onboarding process are compelling, it seems that a lack of joined-up thinking is holding back adoption too. Paco Hauser remarked that, in general, only very few individuals within banks are taking a 360-degree view of the onboarding process and thinking about an integrated process flow. "There are only a small number of people, like the COOs of this world, who are actually looking at the whole thing in a holistic way," he said. "They would see the benefit of using tools which would integrate the process and cut the costs of the compliance side too."

Legacy systems and data silos

Predictably, the challenges presented by legacy systems figured highly in the discussions about why automation and integration levels are perhaps lagging expectation. Ease of integration is particularly relevant to the onboarding process because of the number of systems data needs to be pulled from and fed back into during the process (and the number of departments involved). As is well known, the rounds of mergers and acquisitions the industry has gone through over the years has left many wealth managers with a patchwork quilt of systems that don't "talk" to each other particularly well. Simply ripping out existing infrastructure and starting again may be a tempting prospect, but this isn't going to be an option for the majority of institutions, due to the time and effort existing systems represent, as well as the costs of buying new. Thankfully, given how common legacy issues are, integrating multiple systems is no longer the challenge it once was.

> "There's a pretty strong will at most firms, in most cases to upgrade their onboarding to something they would believe is fit for the future rather than just OK for now."
>
> **Seb Dovey - Scorpio Partnership**

Things are very different with the newer products on the market, since they allow seamless integration with other vendors' systems. This open architecture approach is a commercial necessity because a quarter of wealth managers believe they need multiple technology providers, according to the 2014 *WealthBriefing*/Advent *Technology and Operations Trends Report*. Vendors are therefore enabling wealth managers to take a "core-satellite" approach to technology, using core platforms and bolting supplementary systems on top. This kind of strategy also allows firms to continue to leverage technology investments made in the past while adding best-of-breed solutions as necessary.

Technology vendors have evolved significantly in terms of their understanding of how wealth managers work and the challenges they face. Barriers to adoption, like integration issues, are coming down. “In many cases, it has historically been high integration costs that have scared institutions away from making the leap towards automation,” said Jacob Gertel. “However, as technology is evolving, better and more cost-effective solutions are coming on the market.” And there are many facets to this cost-effectiveness: modern onboarding solutions are specifically designed to solve technology challenges and they can flex to accommodate future changes without significant redevelopment.

Current systems integration

Figure 16 - How many systems is your firm's onboarding process integrated with?

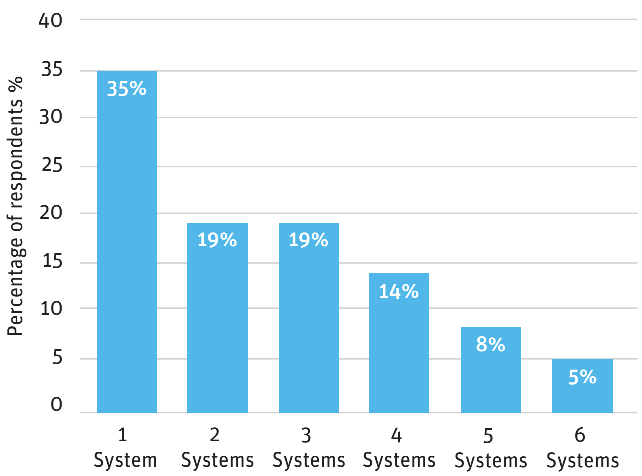
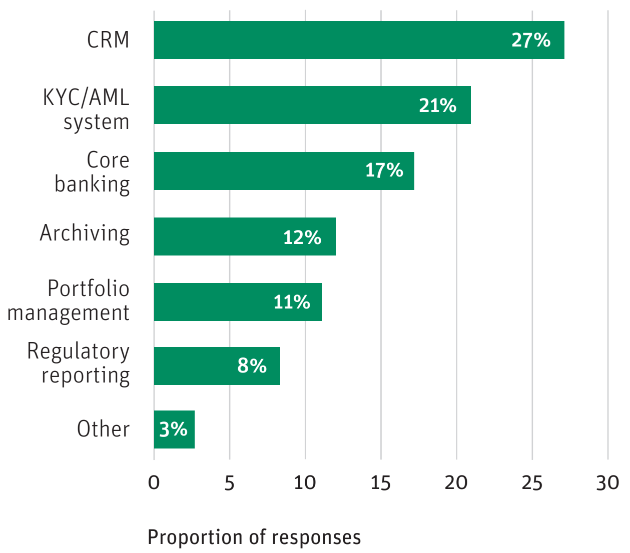


Figure 17 - Which systems are most commonly integrated with onboarding processes?



As illustrated in Figure 16, the largest proportion of wealth managers (35%) have just one IT system integrated with their onboarding process, while a combined 38% have integrated two or three systems. Only 13% of respondents said that their firm has integrated five or six systems into its onboarding process.

The survey found CRM to be the system most commonly integrated into wealth managers’ onboarding processes, followed by KYC/AML and core banking systems. It is no wonder CRM has come out on top due to the industry’s early adoption of highly-systematised sales and prospecting tools relative to other elements of their IT infrastructure. It is interesting to note, for instance, that many firms made their first real foray into cloud computing with CRM.

The least-commonly integrated system is regulatory reporting, typically a function that institutions want to keep under very tight control. Meanwhile, among the “other” systems referred to by 3% of respondents were relationship managers’ diaries. This kind of diary management, with automatically-generated task lists and reminders, is probably essential if an institution is trying to be ambitious with its client loading. More significantly, email marketing systems were also highlighted. As discussed on page 49, two-thirds of the survey participants said that they see synergies between annual compliance reviews and the sales process. It seems that some forward-thinking firms are already synchronising compliance activities and sales cycles, and using each one to inform and enrich the other.

Adaptive questionnaires

As seen in Section 1, KYC, suitability and risk profiles are an integrated part of the onboarding process at a large majority of wealth managers. It seems, however, that the compilation of these profiles could be a lot more efficient at a significant proportion of firms: there is a 60/40 split between those wealth managers that use dynamic/adaptive questionnaires – where the questions adapt according to the type of client - and those which do not. Filling in KYC, risk and suitability profiles during onboarding (and updating them during regular client reviews) may be a very important task, but it is nonetheless a time-consuming and possibly cumbersome process (for both client and advisor) if it is not as slick as possible. As Bruce Weatherill observed, with dynamic questionnaires if a client indicates that they have children then they will immediately be asked their names, rather than days later when the advisor remembers and the moment (and mood, if that can ever be said) for completing a tedious administrative task has passed.

Figure 18 - Do questionnaires adapt according to the client being onboarded?

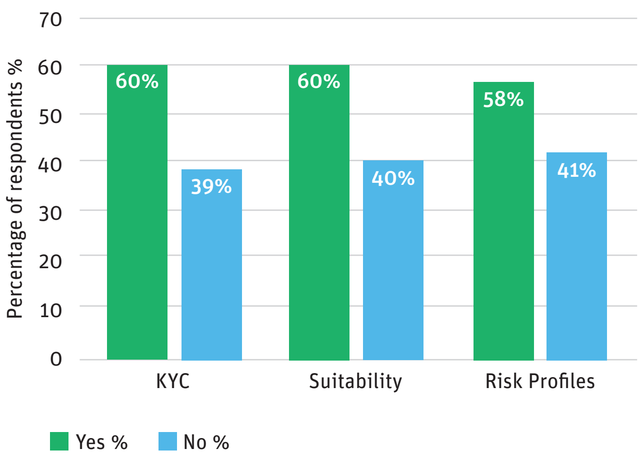
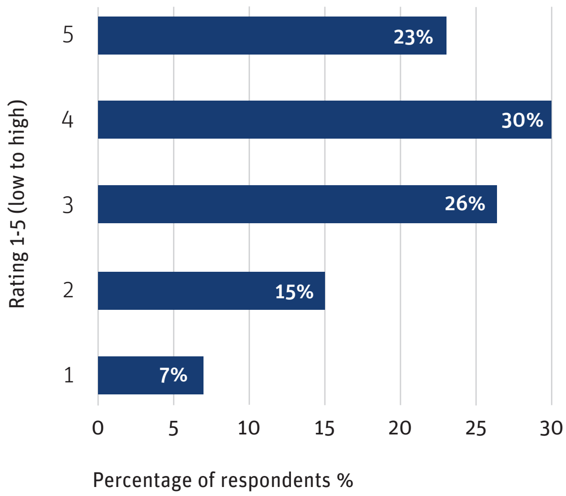


Figure 19 shows very clearly that the participants see big gains to be had from a rules-based approach to questionnaires. Over half indicated that this would add significant or very significant value to their firm.

The primary value of a rules-based approach to questionnaires is of course in delivering the immaculate audit trail regulators demand. Structured processes like the decision trees involved in guided questionnaires document every stage of the onboarding and review process. They produce traceable and transparent audit trails for KYC, risk-profiling and suitability by definition. Yet the concept of guided questionnaires should not imply over-simplification, since, with careful thought, wealth managers can create tools that perfectly suit their way of doing business. For online-only wealth management platforms this is particularly important, since getting an accurate picture of the client's profile and needs, and connecting with them, has to happen without human interaction.

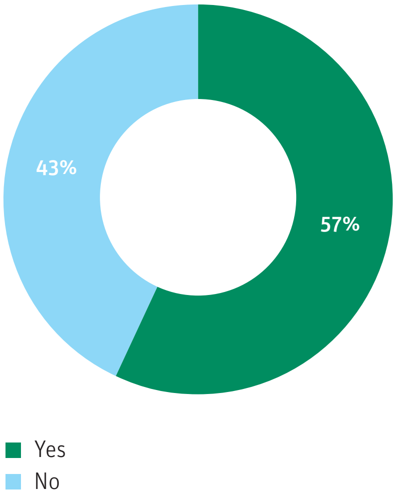
Figure 19 - How far would a rules-based approach to questionnaires add value to your firm?



For Nick Hungerford, chief executive of fast-growing online wealth manager Nutmeg, the questionnaire clients would take had to be engaging and aimed squarely at the individual's need. "We all put our heads together and said how can we make it interesting for clients? The questionnaire is all linked back to people's personal goals. You can come on and set up three or four different pots – for holiday or retirement and so on. We talk around what matters to you."

Organising and orchestrating onboarding

Figure 20 - Is there an overall process owner for onboarding at your firm?



Who "owns" onboarding

According to the survey, close to half of wealth managers do not have an overall process owner for the onboarding process. This apparent lack of clarity could be down to the fact that onboarding involves multiple departments, but it is also clearly the case that the relationship manager who won the client is going to be the de facto process owner even if they are not formally designated as such. The issue of who "owns" the onboarding process and is ultimately responsible for driving the client through to completion was the source of much debate among the panel.

As with so many of the challenges around onboarding, assigning responsibilities is complicated by the multi-disciplinary nature of the process. According to Keith MacDonald, the relationship manager "won't own the process." But they would, he added, "own" the relationship. This split between the ownership of the relationship and the onboarding process is both necessary and a source of organisational challenges.

During the delicate onboarding phase, fledgling relationships are being nurtured and the client's confidence in the institution built up. It therefore follows that the client should continue to deal with their primary point of contact. However, client services personnel will also necessarily become involved to expedite administrative tasks and, if poorly organised, this can lead to a scenario where interactions with clients become somewhat chaotic. Keeping a tight focus so that the client continues to feel personally looked-after is crucial. As Anne Grim observed, "Interaction with the client should really be from the primary person or support team that is known to that client." She was quick to point out, however, that having primary points of contact for the client should not mean an over-reliance on any one person. In her view, full visibility of the onboarding process should mean that progress won't stall, even if the relationship manager isn't around to answer a particular question.

Orchestration; collaboration

Grim also made the very important point that efficient, speedy onboarding requires several things to be happening simultaneously and that this is only possible if the institution has clearly mapped out what is required. "If you've got a well-orchestrated view of the process with very clear responsibilities and accountabilities, things can happen in parallel and onboarding can be a lot faster," she said. Grim went on to explain that, in redesigning its onboarding process, Barclays Wealth & Investment Management has moved away from a step-like approach and almost eliminated the concept of handoffs altogether. "We've created parallel paths and we're executing a lot of them using technology," she said. "It doesn't all have to happen in steps to come together for the final solution." In this way, all those involved own the onboarding process, although the person facing the client is the main conduit between the client and the institution, and inevitably the one reporting on progress.

"Our overall process is managed by the introducer - the relationship/portfolio manager or wealth planner - but it is entirely collaborative; we believe that discussion with and guidance from our Anti-Money Laundering team is paramount to a swift and successful onboarding process."

James Hoare - C Hoare & Co

The need for wealth managers to efficiently orchestrate the onboarding process across departments came through very strongly in the panel discussions, as did the need for departments to collaborate in a better spirit. The experts argued that in many cases the way onboarding is set up automatically leads to back-office and relationship managers being slightly at odds. While all departments should be united in the common goal of onboarding desirable clients as smoothly as possible, this can all too easily become subsumed by somewhat competing objectives, it was said. The presence of inter-departmental Service Level Agreements (SLAs) may strain relations even further if one side is perceived to be more or less stringent than the other would like. Furthermore, SLAs may embed a fragmented view of the onboarding process and unhelpfully diffuse each stakeholder's sense of responsibility for it. One panellist noted, for example, that a department could see itself as having successfully dealt with one hundred percent of its tasks within the designated timeframe, but in point of fact it could have rejected a large percentage of its workload due to inadequate information from another department. There would be little onboarding quality in evidence here.

With this in mind, Osmond Plummer recommended that collaboration begins right at the start of the onboarding process and that it is seen as a partnership. As a compliance veteran, he observed that he has found great success in the past by asking bankers to come to him right away to discuss what was needed to sign off on a client, rather than them coming to him with "half a story" and then being told it's not enough. "It really has to be a partnership," he said. "It's not about one person owning the process, with one side pushing for more documentation and the other for less hassle. There needs to be a lot more communication, rather than just emails saying, 'tick this box'."

While there is of course no suggestion that compliance should relax their approach, the panellists did point out that this also needs to include pragmatism and commercial awareness. This is a difficult area; front office and compliance are bound by very different priorities and the latter's ultimately take precedence. Mitigating business risk has to be every financial institution's number one priority and the compliance department must remain independent and objective. While it might be inappropriate for compliance personnel to actually meet clients, the panel did say that there is room for them to better understand front-line advisors regarding who clients are and what they are trying to achieve. Ideally, client-facing and compliance personnel should be resources for one another.

Walking through

Fully leveraging technology during the onboarding process seems to be a direct route to fostering greater collaboration between compliance personnel and advisors. A transparent, well-orchestrated process which has the "very clear responsibilities and accountabilities" Grim described will give each side a thorough understanding of how the other works at a stroke. Furthermore, making both sides able to see where each activity fits in the overall onboarding process and to visualise clients' progress through them will go a long way to making them both feel that they are on the same team and working to a common end. Anne Grim recounted just such an outcome from her firm's efforts, describing how there had been very close collaboration between all the people involved in the process to redefine what good should look like. "They all have a clear understanding of how things will work and what their roles are in it because they contributed to that vision," she said.

More prosaically, but no less important to improved collaboration, is the reduction in omissions and errors that an automated, tech-enabled onboarding process delivers. As has been discussed, the amount of documentation and information required from clients has exponentially increased; furthermore, with corporate and financial structures as complex as they are, even a relatively standard client may have to sign many separate forms to cover the different parts of their investment and service package and the various legal entities they will involve. Given that relationship managers are generally not compliance experts, it is no small point that automated onboarding systems guide the advisor through the onboarding process step-by-step so that nothing can be forgotten.

> "Besides the obvious attempt to avoid regulatory issues in the future, large wealth managers also view the onboarding process as an instrument to streamline front-to-back processes and therefore to save costs – to do it once, but do it right."
>
> Philipp Rickert - KPMG

GenSpring has implemented just such a system, which Mike Santone describes as "walking our advisors step-by-step through the onboarding process as it relates to the type of account or accounts, and the allocation of the assets, which is determined through the investment policy statement with the client. Our onboarding process is very step-by-step with drop down menus; the technology walks you through the whole process in sequence."

On this point, several panellists also noted that it is in the nature of things for advisors to want to make the onboarding process as light as possible so as not to disrupt the process of getting to know the client. A workflow-based approach to onboarding which leverages dynamic forms and pre-population ensures that all the necessary information, documentation and permissions for each particular client are gathered as far as possible at the same time. This reduces the back-and-forth between client, advisor and compliance officer that often characterises onboarding. As a result, relations between the three parties will surely improve.

Designing workflow

René Hürlimann is firmly in favour of electing a process owner for onboarding, adding that it is essential to "have a clear home" for the process in order to consolidate the rest of the activities. In his view, this home should be "towards the front" since a front-driven process tends to be more end-to-end in its orientation and have a clear budget allocation.

A message which came through very strongly in the panel discussions is that pragmatism has to be wealth managers' watchword when they are revising their onboarding process. For Ian Woodhouse, the innovations now coming to the fore are "creating major opportunities to create a quantum leap experience in wealth management", yet he cautions that careful thinking about how things will work in practice is essential. "The challenge now is which tools or combination of tools, and how you link those tools with your middle and back-office and into the data. That's the real challenge: workflow," Woodhouse said.

Wealth managers will differ significantly regarding how they structure their onboarding process. The corporate structure of a wealth manager and whether or not it has group-level IT infrastructure to leverage will probably have a big influence. For example, Mark McLaughlin of Ascent Private Capital Management explained that his firm has built a dedicated team and special processes for onboarding that combines dedicated Ascent resources with the infrastructure of its parent, U.S. Bank. "While client communications and service coordination resides with the regional relationship team, our dedicated national mid-office team, the Ascent Service Desk, oversees and coordinates all key operational components of each client onboarding experience," he said, adding that this desk liaises directly with senior point-people on the regional relationship and various U.S. Bank operational teams to coordinate onboarding activities like account opening, funding, fees and invoicing.

Data management and integration

Data silos have long been recognised as a major barrier to wealth managers being able to improve operational efficiency and fully leverage data throughout the organisation and across the client lifecycle. Lamentably, it seems that many institutions are sitting on a wealth of client information which cannot be used (or even easily found). Furthermore, the pressures on wealth managers may mean that the data silo situation – like paper-based workarounds – is getting worse. "Financial institutions around the world are working feverishly to comply with an avalanche of new regulations; thus, potential data synergies could have been overseen," said Jacob Gertel. As such, he recommends immediate action, starting with a review of all processes and systems and then the adoption of standardised, integrated IT systems with a clear data governance policy also in place. "Such systems will allow the company to integrate the data required for FATCA, Common Reporting Standard and much more," he said.

But while full data integration is a highly-desirable destination, Gertel and the other experts emphasised that really useful data can only ever come from the capture of that data being set up correctly. "It is very important that the CRM system and that the system being used for portfolio monitoring are user-friendly and can meet the needs of all the users - front-office, compliance and back-office," said Gertel. "The institution has to have the policies, regulations, and training in order to ensure the effectiveness of the processes – together with ongoing monitoring in order to see that the staff are adhering to the requirements."

Accommodating differences and dynamic onboarding

The experts noted that a drive towards standardisation makes sense in terms of efficiencies, yet here, too, wealth managers and technology firms need to take a pragmatic approach that can accommodate variance. Data needs to work for all stakeholders and there are a variety of reasons standardisation can't be universally applied. "Local variation in compliance is responsible for non-standardisation," said Paco Hauser. "But on the other side, there may be different styles, different cultures or different ways of working which are factors." He described how Appway has worked with a Swiss wealth manager with a large presence in Asia to develop a "golden copy" of the onboarding process. This means that it looks almost the same across the global network, but can still accommodate various local requirements. "Whenever you are in the process and you hit an element which can be locally occurring then there will be sub-processes or different rules being triggered in response to the local compliance issues," he said.

The thoughtful approach to standardisation and automation that the experts recommended is particularly relevant when we consider that 80-90% of clients present no real complexities at onboarding. As such, Hauser recommends that firms maximise standardisation so that straightforward cases can be industrialised to a point where very limited intervention is necessary. Meanwhile, more complex cases would then be dealt with via an "adaptive case management scenario".

"Here, the relationship manager can enter the system and request specialist help on a special case. We can then define an ad hoc process in order to get legal, compliance and maybe the chief risk officer together to have their view on this prospect and to help with onboarding them," said Hauser. "That's an ad hoc case that will be finalised once all those experts have given their contribution. That's more what you might call dynamic onboarding."

Interestingly, when asked about the need for flexible systems, René Hürlimann noted that in many instances when an institution needs to make a change in its onboarding system, it can be much more cost-effective and faster to implement it via the front-end rather than the back. In fact, he notes that with one client, the analysis showed that the cost of making a change with Appway Client Onboarding was a tenth of the cost of altering the core banking platform. "If you're doing the data and the processes in one system that adds a lot of complexity; you want to have that decoupled," he said, explaining that it is easier to keep data systems the same and bring the changes back to them, and that this also helps ensure the process is right.

Section Three

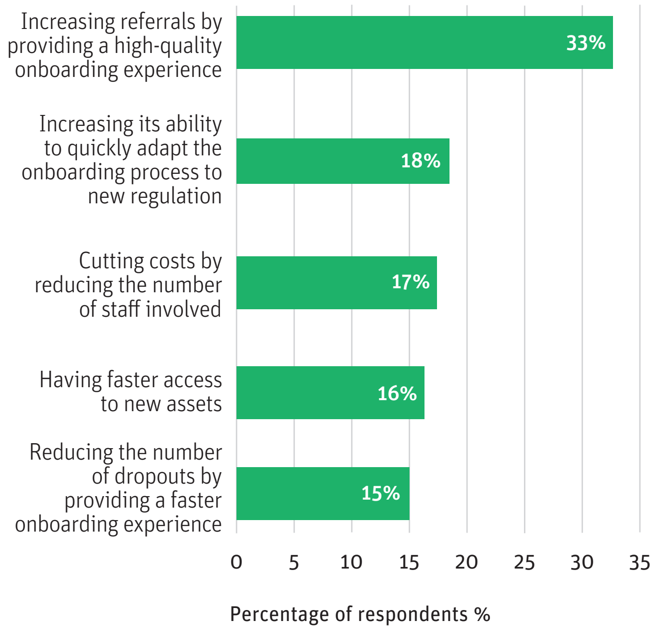
Transforming the Compliance Burden into Business Benefits

The compliance burden has become exponentially heavier and, as the survey reveals, this has made it challenging for wealth managers to take on clients as quickly and painlessly as they would like. As we have seen:

- Onboarding standard, non-complex HNW and legal entity clients is taking more than ten working days at around 40% of wealth managers, and often a *lot* longer (more than 41 days for one in 20 firms).
- Over half of wealth management professionals believe that the additional regulatory requirements imposed in the past five years have significantly slowed down the onboarding process.
- Seven in ten practitioners are worried about prospective clients dropping out during the onboarding process, and a third are very worried. Less than a quarter of firms have procedures for preventing dropouts, and even fewer have highly successful ones.
- Over half of respondents believe extended compliance-related questions have had a negative impact on the client experience during onboarding, with a tenth reporting the effect to have been very negative.

It is fair to say that, in general, wealth managers have observed negative effects on the client experience as a result of additional regulatory requirements; prospects must be questioned at greater length and produce and sign a plethora of documents, causing the whole process of opening an account to drag on longer than expected.

Figure 21 - What is the main business benefit your firm would seek by automating/improving the client onboarding process?



Concerns that clients aren't experiencing the kind of onboarding that would lead them to make referrals came through very strongly in the survey. The participants were asked to select the main business benefit their firm would hope to gain by improving its onboarding process. Despite an array of options representing potentially huge gains, over a third of all participants stated that they would seek to increase referrals by improving the client experience. The second most popular option – being able to adapt to new regulations more quickly – trailed at 18%, with cost-cutting, faster access to new assets and preventing dropouts close behind. Choosing just one business benefit was surely a tricky choice, however, since most wealth managers find all of these potential benefits appealing. Fortunately, there is much interdependency between all of the business benefits of enhanced onboarding. Improving one key area, such as speeding up the process, is likely to increase client satisfaction (and so referrals), management fee revenues and sales productivity all at the same time.

Why client experience is top priority

The worst-case outcome of a poor onboarding process is that a client acquisition fails, and, although dropouts occur relatively infrequently, they do seem to be a major area of concern. Yet even if a client does persist through a sub-par onboarding process, the institution and relationship manager often find themselves in the uncomfortable position of trying to make up for initial inadequacies. "Onboarding is the first 'moment of truth' in the relationship," said Anne Grim. "If it's done poorly the client's initial reaction to your organisation will be a negative one and so you'll be trying to recover from a negative position." She also cautioned against focusing too much on speed when evaluating the onboarding process, because while this is important to some clients, for others it may not be. "It's that satisfaction component which is probably the ultimate measure," she said.

Building confidence

Grim's statement, as well as similar comments from the panellists, cut to the heart of why the onboarding phase of a wealth management relationship is so crucial. In the early stages, there is very little "relationship" to speak of at all. The client may have bought into the brand and its ethos, and they may get along very well with their assigned advisor and others they have met. But the real deliverables of the relationship - such as sound advice given, capital protected and worthwhile returns gained - are going to take some time to manifest. Therefore, service in the early stages of the relationship is highly likely to be taken as a proxy for standards later down the line.

Onboarding truly marks the transition between *telling* the client how well they will be serviced to *showing* them. It is therefore vital that every element inspires absolute confidence, particularly as clients tend to release their assets gradually over time. Wealth managers need to evince the very highest levels of competence and attention to detail, in the small things as well as the large. While minor oversights might not irretrievably damage a fledging relationship, they are still likely to cool the ardour of a previously enthusiastic client.

René Hürlimann, along with several other panellists, made the salient point that errors and glaring inefficiencies should simply not figure in high-touch financial services for sophisticated individuals. As he observed, scenarios like having to repeatedly call a prospect back into the office only to find at the last minute that they've had to leave the country are "just really embarrassing" all round. So too are simple errors like misspelt names, something that is clearly far more likely if data is entered manually on multiple systems from handwritten notes.

Ramping up referrals

The respondents see improving the client experience of onboarding as a key way to increase referrals. But it is difficult to unpack how much of an influence onboarding has on a client's likelihood of recommending a wealth manager. It is also hard to know how much weight onboarding should have in the overall client experience as evaluated across the entire lifecycle (the question there being how far, and how quickly, subsequent excellent performance can compensate for a less than ideal start). In both instances, however, the importance of onboarding is likely to be great: First impressions tend to be lasting.

In fact, recent research on client satisfaction and referral rates may indicate that onboarding could be even more important than initially assumed. Scorpio Partnership's 2014 *Futurewealth Report* found that currently just 50% of the global wealthy would actively refer their wealth manager – despite the fact that these same people also indicate high levels of satisfaction with their provider. It would seem that clients are often unsure that they can *confidently* promote their wealth manager to their peers. Personal recommendations, particularly in financial matters, are high stakes so clients might be somewhat hesitant about making referrals. If they are unsure their contact will have an excellent initial experience, then they will be especially unlikely to make the referral.

Improving Net Promoter Scores through improving the client experience has really come to the fore and the industry's appreciation of these kinds of metrics is rapidly evolving. The customer and business intelligence provider now recommends that wealth managers try to understand the balance of promoters, "passives" and detractors in their client base, and then task staff with reducing the latter as part of improving overall NPS. The consultancy has outlined some practical recommendations to *WealthBriefing* including: back-office and operations should look to drive operational efficiencies and reduce turnaround times for clients; relationship managers must be proactive in delivering superior service; and senior managers should encourage cooperation between client services, technology, marketing and operations. Improving the onboarding process would seem to answer very well in all cases.

The potential rewards are great if a wealth manager can manage to ramp up referrals by improving its onboarding process (and whatever other measures are necessary). The *Futurewealth Report* found that clients under 40 have referred their main wealth manager an average of nine times and those over 60, four.

"The winners in onboarding will be those institutions that can explain and smooth the regulatory requirements, and re-frame it totally to being a positive experience, rather than one that is often tiring, lengthy and arduous for relationship managers and clients."

Gurpreet Garcha - Gulland Padfield

With the rise of smartphones and tablets, technology adoption today tends to be exponential and attitudes towards innovation are changing just as rapidly within the wealth management industry. Minds are opening to solutions like cloud computing and hosted software as cost-effective ways of accessing cutting-edge systems and greater technological resources where once in-house was almost always seen as best. Similarly, while onboarding used to be viewed as mostly just a cost-centre alone, it is now coming to the fore as a differentiator (and even a revenue generator).

Just a few years back, attitudes were quite different. A 2011 report by Aite Group showed that US wealth managers generally didn't recognise the opportunity presented through enhanced onboarding to stand out from the crowd. Rather, they overwhelmingly saw onboarding as a back-office function to be cost-contained. This view was taken by 64% of respondents in large or mid/large-sized firms and in 46% of smaller wealth managers (far more small firms saw onboarding as a front-office tool: 26% versus 8% at larger firms). In both cohorts, only around a quarter saw onboarding as a competitive differentiator (mid/large: 24%; small: 27%).

In contrast, this study reveals that wealth managers today have come to find business opportunities in the challenges of onboarding. Seven in ten participants in the survey said they are concerned about clients dropping out during the onboarding process, suggesting that things are sub-optimal at many institutions and so those wealth managers that put better efficient onboarding front and centre will really stand out. In Gurpreet Garcha's view, there is a "huge opportunity" for firms to explain to prospective clients how they would handle onboarding well. "In fact, at Gulland Padfield, we're challenging our clients to make it more explicitly part of 'selling' to the client why they should choose the bank or wealth management firm over another," she said.

There are a number of common pain points in the onboarding process that, if successfully tackled, could be turned into real differentiators. Technological innovation, and the fact that regulators seem to be largely open to it, has opened up a number of ways by which wealth managers can fulfil their compliance obligations. These new technologies can also foster compliance cost-effectively, while promoting a slicker onboarding experience *and* maximising the business value of compliance activities.

Digital documents and signatures

Digital documents and signatures are a significant development in the context of wealth management. Adopting these innovations for onboarding is likely to deliver a whole range of business benefits, as it will eliminate the physical back-and-forth of documentation that has historically characterised the onboarding process. It will also create a swifter, smoother experience.

Although forward-thinking wealth managers will certainly be enthusiastic about digital signatures, actual use of such technology will be constrained by the status of technological progress in the country in which they operate. As René Hürlimann explained, wealth managers wishing to use e-signatures have definite advantages in some jurisdictions. “In Estonia (mandatory) or Denmark, every citizen has a digital identity,” he said. “If you want to do anything with the government, like pay your taxes, they don’t accept paper anymore, so there they are well ahead.” Broadly, Hürlimann views Malaysia and Indonesia as pushing past Asia’s two dominant wealth hubs, Singapore and Hong Kong.

> “At many institutions, it’s ink that’s really in their way. You have to print out the forms, post them and hope they come back, or print them out and go to the client. If you could delete that, that’s really the last mile.”
>
> René Hürlimann - Appway

When it comes to digital signatures, the US is an interesting case since the Electronic Signatures in Global and National Commerce (ESIGN) Act was signed into law way back in 2000 and yet adoption still remains quite low. “A lot of firms, and not just financial firms, have been very conservative in terms of applying or adapting to that particular technology,” said David Crawford. “The legal framework is there; they just aren’t comfortable with it.” As several commentators pointed out, electronic signatures have tended to divide opinion, yet e-signature production companies like DocuSign (which now has 40 million users) are making both individuals and corporates far more at ease with the concept. As Glenn Bolstad pointed out, digital signature providers secure the user’s IP address and check their identity across several touchpoints. “If someone verifies themselves with a user name and a password, and then authenticates their signature, why wouldn’t that be enough?” he said.

The use of electronic signatures in financial services is certainly not a new issue, but the panel pointed out that there are still a lot of questions being asked by certain jurisdictions about where it would be wise to allow their use, and how things would work in practice. As one contributor put it, “There’s a lot of feeling out going on concerning the right way to go.” Regulators and financial institutions in more cutting-edge financial centres will be keenly watched.

> “We receive several phone calls a month from clients saying, ‘I want e-documents and e-signatures’. For some clients it’s very, very relevant.”
>
> David Crawford - Credit Suisse

Pre-population and dynamic forms

The small sample of current compliance requirements facing wealth managers mentioned in Section 1 will attest to how lengthy the process of filling in and signing the necessary documents can be for clients. Form-filling is a significant “pain point” for newcomers, but clients will also appreciate streamlining since they will have to return to their original assessments repeatedly as part of the review process.

James Hoare highlighted that clients aren’t always entirely behind compliance requirements, making it even more important that adherence to these requirements be as painless as possible. “Customers have an idea of what is required as many have relationships with other financial institutions, but they don’t always fully understand the level of information required to assess suitability,” he said. “An example we often encounter is when a long-standing customer is asked to provide up-to-date KYC information and supporting evidence, or to complete a new profile form. They don’t feel they need to complete these forms as they may have banked with us for years.”

“Clients get irritated when they have to sign 150 pages. They really don’t understand why it can’t be done more easily, when you already know who they are and that they have a beneficial owner who is an American aunt. They can get really concerned about the whole process then.”

Paco Hauser - Appway

While it may not be possible to reduce the number of forms that must be completed, signed and approved, the time and tedium these tasks entail can be drastically reduced. Pre-populated forms, where details already given (or existing elsewhere in the group) are replicated where necessary throughout the documents, can transform the onboarding process in terms of efficiency, accuracy and ease. Combining pre-population with dynamic forms will clearly represent a huge step forward. One reason why dynamic forms are so appropriate in wealth management is that the selection required is highly dependent on the nature of the client (which covers a wide array of variables for both HNW individuals and legal entities) and the type of services and investment products that are envisaged (which may be very forward-looking). With dynamic forms, sections become visible depending on the actions of the user so that one page expands to as many as the scenario requires. Even more efficiently, dynamic forms can also feature expanding fields and automatic renumbering, which is the antithesis of collating the correct combination of paper forms for the whole relationship and handing over a stack of paper for the client to fill in and sign in the right places.

There are also obvious self-service applications for dynamic forms because of the way they walk the user through the process. Some systems also reveal “Help” explanations for additional guidance, which may address some of the quality concerns self-service raises.

Mobile and getting the most out of digital

As Pauline Egan pointed out, onboarding wealthier clients is often a matter of carving out some time with them - wherever they may be in the world - and getting the absolute maximum done there and then. This is just about feasible with a paper-based process, if sufficient preparation has been carried out to collate and pre-populate the right documents. Yet it clearly makes more sense to equip client-facing personnel with mobile capabilities so they can capture and manage documents, plug into centralised data and move information through the onboarding workflow on the go. This way, onboarding maintains the forward momentum created by the client’s initial buying decision, rather than stalling the relationship. A slick, efficient process will have the client doing business with the wealth manager faster - and while their enthusiasm remains high.

While wealth managers need to be extremely cautious of over-industrialising and de-personalising the way they take on clients, retail financial institutions are finding great success through using mobile technology. With onboarding, insurers and mortgage providers face many of the same challenges as wealth managers (lengthy forms to be filled in and signed; multiple documents to be seen and copies stored) and several of these kinds of players have been quick to leverage new technologies to optimise the process. The result, Mike Santone observed, is that people are becoming used to ease in even what are usually thought of as quite arduous tasks, like applying for a mortgage. “Being able to do everything in a web-based environment, rather than having to fax or scan and then email documents, just makes the experience so much better,” he said. Wealth managers have long known that their clients are likely to have several other relationships in place and will be making direct comparisons; they now also recognise that clients make comparisons across all their consumer experiences and that innovations in the retail financial services space should be matched in the HNW arena.

“I think with ultra high net worth clients you have to sit down with them and do as much as possible at the same time. It’s got to be a question of *doing it*, rather than going back and forth - that you’ll hop on a plane and get it all done for a client.”

Pauline Egan - Galinago

As has often been noted, when it comes to technology innovation, retail institutions are usually way ahead of wealth managers because they have bigger budgets and far higher volumes of business from which to gain efficiencies. More intense competition also heightens the need to differentiate digitally and many retail institutions are doing so very effectively by using mobile onboarding to transform what can be a prolonged, piecemeal affair. Ease of doing business is always crucial in a financial services context since clients are rarely as invested psychologically as they are with buying a new car, for example. Maintaining and increasing clients' enthusiasm, rather than dampening it, is key.

Players on the edges of wealth management are also using mobile onboarding to create new sales opportunities. The panel discussions highlighted, for example, how providers of investment products are striking up distribution deals with life insurance companies. Here, authorised agents armed with tablets are ready to open accounts and sell investment funds so that the money paid out to beneficiaries can be re-invested straight away. This is hard-selling perhaps, but it does underscore the power of mobile onboarding as a direct driver of revenues as well as a way to enhance the client experience.

Regulators seem broadly in favour of innovation, but wealth managers need to be sure they adhere to the highest standards of security while they innovate. In the UK, the Financial Conduct Authority, for example, has launched a wide-ranging review of mobile banking to address concerns over security, fraud and simple errors being made by clients. Regulators seem to have taken note of the huge investment being made in mobile technology around the world. An Infosys/EFMA study across 66 countries found that 70% of banks planned to increase spending on technology by 2015, with mobile and online seen as the most important delivery channels for innovation: 93% of banks said they would offer mobile payment services by 2015 and 89% were committed to banking apps for tablets. In the wealth management industry specifically, mobile solutions for clients have been coming thick and fast, and some firms have begun offering whole suites of lifestyle applications for the HNW.

Digital vaults

Digital (or network) vaults are secure digital spaces for the storage of key documents and information. They first really came to general attention in the mid-noughties and have been on the wealth management agenda for a few years now – particularly in the UHNW space. There is a strong rationale for wealth managers offering clients these facilities.

Clients tend to be internationally mobile (and will want to be unencumbered by hardcopy documents). Digital vaults allow clients, and those with the right permissions within the institution, to access vital documents and data so that issues can be handled anywhere in the world.

Digital vaults are more than just online briefcases, however, and typically form part of a dedicated client portal that encourages much deeper engagement (an app typically offers a very focused service, whereas a portal is a gateway to a variety of services). "At GenSpring we offer clients digital vaults for the storage of documents and all of our communications. If the client wishes, the delivery of reports, or the maintenance of any sort of subscription documents they might have with an investment manager, can be via the client portal," said Mike Santone.

Clarient Entity Hub: a game-changer for client data?

The summer of 2014 saw the launch of Clarient Entity Hub, a client data and documentation facility that promises to revolutionise several elements of wealth management operations for its founders.

The Clarient Entity Hub is the result of a joint venture between Depository Trust & Clearing Corporation and six big names in the wealth management space: BNY Mellon, Barclays, Credit Suisse, Goldman Sachs, JP Morgan Chase and State Street. Through it, users can upload, verify, approve, distribute and store client data and documents through one central hub. (We can assume this will force the standardisation of data, which could be seen as another benefit.)

Clarient is described as the only user-owned and governed client data and documentation utility in the world. It is said to bring users increased efficiency and enhanced control over their data and communication, while mitigating operational risk and reducing cost.

The self-service question

The question of whether there is any real scope for elements of self-service during onboarding seems to divide opinion. As Figures 22 shows, almost a fifth of wealth managers currently incorporate some level of self-service in their onboarding process. Correspondingly, about the same proportion of respondents believe that clients generally want to be more involved in the onboarding process. Meanwhile, over 80% of wealth managers are currently shunning self-service, likely in the belief that it may lead to errors or would be rejected by clients. The fear of overburdening clients is evidenced by 41% of the survey participants, who believe that clients generally want less involvement in the onboarding process.

Figure 22 - Is there any element of self-servicing during the onboarding process?

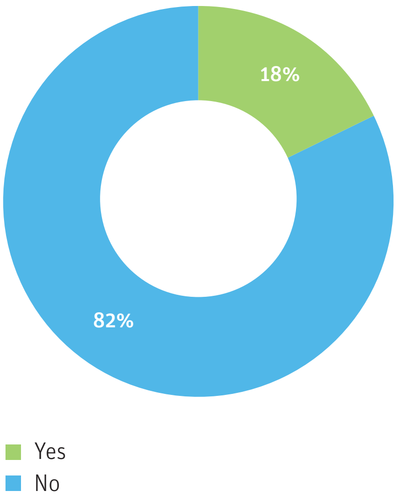
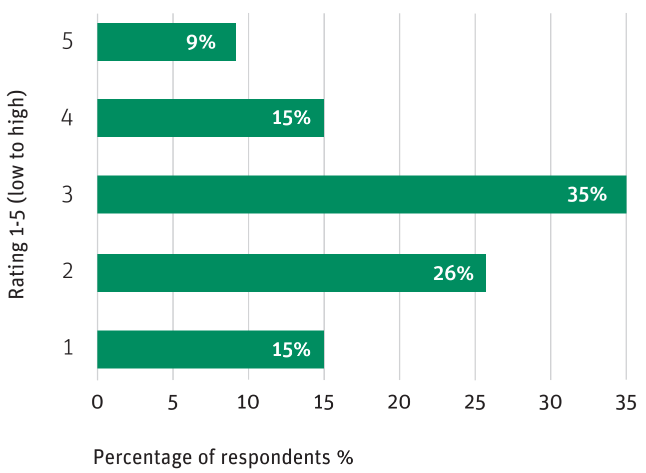


Figure 23 - How much involvement do clients have in the onboarding process?



The issue of self-service was also the source of some debate among the editorial panel, as some saw value for both the institution and client, and others viewed it as largely inappropriate in a wealth management context. The two key questions, it would seem, are the kind of institution (and therefore client base) concerned and the type of self-service activities proposed.

As all the experts pointed out, the appropriateness of self-service probably diminishes as one progresses up the wealth scale. They observed that at the upper end, clients really do expect things to be taken care of for them and they are unlikely to take well to any element of self-service. Indeed, even at the lower levels of wealth, the panellists advised a cautious approach to self-service since the personal touch is such an important part of the proposition. “Clients want to interact with people and the business model for the HNW is about having it done for you,” said Osmond Plummer.

Demographic differences

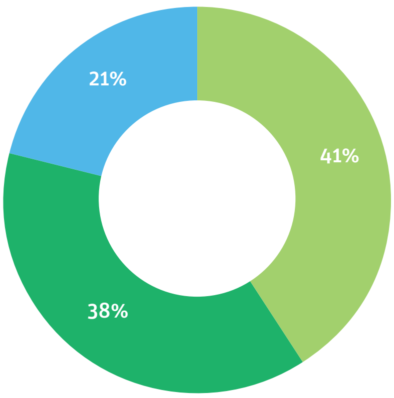
Nonetheless, some panellists sense a shift in line with demographic changes. “Historically, wealth management has been very high-touch and the clients wanted it that way – they wanted to feel special and they wanted to have multiple touchpoints,” said Glenn Bolstad. “Now that money is switching to the younger generation, they still want the high-touch service, but they want it to be very efficient and effective.”

He believes that the next generation of clients wants all their interactions with their wealth manager to be of the highest quality and yield maximum value. This means they might be satisfied with self-servicing if it leads to higher-quality conversations. “They want to have the same number of phone calls, but they’d rather it be for far more important types of questions than what their email address or telephone number is,” said Bolstad. “I think clients would much rather spend ten minutes on a site doing the easy stuff themselves in order to have more meaningful conversations with their wealth manager.”

Importantly, self-service could allow clients and wealth managers to move quickly through the mundane parts of starting a relationship by reducing the need to chase clients for missing details and clarifications. "There's a growing trend where you actually fill in your own data rather than sitting in front of someone while they do it," said Bruce Weatherill. "If the advisor fills in the form, it then has to be processed and sent back to the client for corroboration." As he and others pointed out, there is great potential for errors to be made as a result of poor handwriting or mishearing. This is further the case when clients come from other cultures where protocols for names are different or spelling is particularly tricky. Having clients fill in as many details as possible "live" during initial meetings is certainly one way to guarantee they are recorded accurately and quickly. However, it is crucial that the work clients are asked to do be very easy and slick. Pre-population and dynamic forms are key here, as are mobile capabilities.

Of course, wealth managers are also fairly limited as to the amount of self-service they can build into their onboarding process, since so much depends on internal approvals and verifying what the client has said. (Nor will wealth managers want to reduce the number of touchpoints they have with their clients too much.) As the contributors pointed out, one of the reasons onboarding is fast at the retail end is that very few documents need to be seen by the institution. Yet onboarding isn't just about getting all the necessary administration and regulatory checks complete; it's also about setting up the relationship correctly and personalising things for the individual client. Therefore, the real value of self-service during onboarding might be in allowing clients to set out exactly how they would like the relationship to proceed.

Figure 24 - In general, how involved do you think clients would like to be?



Setting service preferences

It has long been standard to ask clients about their contact preferences, but wealth managers are now getting more specific about allowing clients to dictate the pace of the relationship. For example, Anne Grim described how Barclays Wealth and Investment Management is working towards clients being able to select precisely the types of marketing communications they are open to. For example, if they don't want to opt out of marketing communications altogether, they can say they are *only* interested in hearing about certain types of investment opportunity. "Rather than contact preferences being a binary yes or no, it may differ depending on channel and circumstances. Giving clients more control, over how and when and in which circumstances they want to have an interaction, is really important," she said.

In fact, being able to "tweak" elements of their wealth management package in a self-service style is actually what many clients will expect at a time when everyday consumer experiences are deeply customisable. Consumers today are used to setting and amending their preferences as they desire; by asking them to do so in a wealth management context, institutions stand to gain invaluable, up-to-the-minute insights on their clients. This will also make clients feel more empowered about the trajectory of the relationship.

"Digital and mobile capabilities are table stakes for firms wanting to show off their technology prowess. There is a big opportunity here to serve the next generation, mobile, global community who may have an IP address and not a physical address."
April Rudin - The Rudin Group

Innovation and client demand

Indubitably, the extent to which wealth managers are going to use innovative technologies that speed up onboarding isn't just dependent on how regulators view them. Institutions might be pursuing operational efficiencies aggressively, but they still need to prioritise the preferences of their particular client base. "Wealth managers' reluctance with e-signatures is about security concerns, but it really comes down to client demographics," said David Crawford. "The reality is that in the US the average client age is between 67 and 70, and so they're just not usually as technologically-savvy as the younger generation which is coming up. E-signature has been very successful with our younger generation and our tech-savvy older demographic, but again it's about client choice; we would never force things. I would say it's used by around half."

As Crawford notes, wealth managers have to know who their clients are and roll out innovations according to how comfortable they are with technology. For an international wealth manager, this might mean pursuing slightly different strategies in different markets. "If you look at the Asia-Pacific region they have a lot of tech savvy up-and-comers who have wealth. In the US, outside of Silicon Valley, there aren't so many," said Crawford. Of course, security concerns are also a big consideration – for both clients and institutions – and this might mean that in some instances, paper still has a place. Danilo Larini, CEO of the multi-family office LP Group, said that his organisation combines technological and traditional onboarding methods, and prefers to still keep some documents in paper form as a defence against data leaks. "We use e-form documents, but we must limit them to ensure the maximum level of privacy," he said. "We need to create a good mix; technology is a big issue in terms of privacy." Interestingly, Larini (who is based in Switzerland) has also noted a divide between Northern Europe and Southern Europe, with the latter far less keen on technological innovation. All manner of factors seem to be at play.

Wealth managers certainly need to be cognisant of how comfortable their clients/prospects are with technology as they enhance their onboarding processes. That said, smartphones and tablets have proven that the adoption of new technologies can be extremely rapid across age groups if they really do make life more convenient for users. For example, Ofcom's 2014 *Adults' Media and Attitudes Report* found that tablet ownership among the over-65s *trebled* in just one year to now stand at 17%.

In Focus: Abandoning the paper trail to "go green"

Several of the panellists suggested the possibility that some clients might be dissatisfied by a paper-heavy onboarding process. Given that onboarding documentation can run into the hundreds of pages, this is a valid concern.

Wealth managers that digitise their onboarding process will find favour with environmentally-conscious clients (and many people are now to a degree). Using electronic documents and signatures will also help wealth managers increase efficiency. Reducing the reams of paper a relationship can involve is something many big brands have been working hard to achieve.

"We do headline the environmental benefits for a lot of our e-document initiatives. Credit Suisse is very environmentally cognisant, so we're always campaigning to say, 'You're receiving a paper statement, but why don't you go green and we can send it all to you electronically'. It's not just account opening; it's prevalent across our entire range of products," said David Crawford. "We receive several phone calls a month from clients saying 'I want e-documents and e-signatures'. For some clients it's very, very relevant."

Given the environmental and financial costs of printing, transporting and storing/securely destroying paper, replacing hardcopy contracts with e-documents and e-signatures will be highly relevant to the vast majority of wealth managers too.

Cutting costs by reducing the amount of staff involved

It is to be expected that wealth managers would be looking to reduce the number of personnel involved in the onboarding process. The amount of resources that can be freed up will differ from firm to firm, but implementing the efficiency measures explored in this report is likely to cut whole steps out of the process, not to mention eradicate the unnecessary duplication of work. It seems that wealth managers can aim for some very significant efficiency savings by automating and enhancing onboarding, and save ambitiously in labour costs.

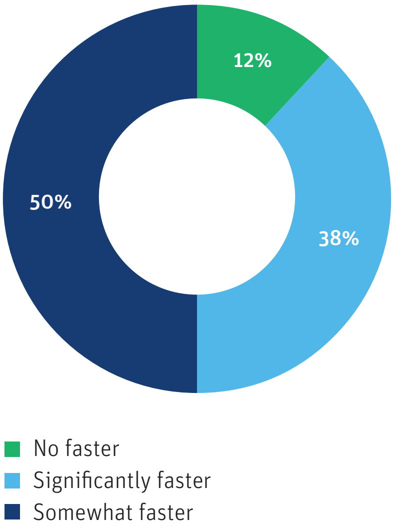
Efficient onboarding: save a million; make a million

A 2011 Appway survey carried out at Swiss institutions found that through optimising their onboarding processes, private banks in Switzerland could save SFr420 (around $450) in direct labour costs for each new client. If a firm were to take on 200 new clients a month, savings of over SFr1 million a year would be realistic. The need for wealth managers to reduce spiralling compliance costs wherever they can is acute: the latest *Global Private Banking and Wealth Management Survey* from PwC predicts that regulatory compliance costs are going to account for 7% of annual revenues by 2015.

> "On the advisor's side, automation is a no-brainer as it adds time and efficiency to a busy relationship manager's day. It means more quality time with clients and less administrative time handling paperwork during that face-time."

April Rudin - The Rudin Group

Figure 25 - What effect do you feel a well-managed onboarding process would have on the time taken to receive funds?



Faster access to new assets

Almost nine out of ten respondents believe that having a well-managed onboarding process would reduce the time taken to receive client funds, with 38% saying it would be *significantly* faster.

Wealth managers may be making huge investments in technology at present, but with cost pressures looming large, they will naturally want to focus their spending on the areas that will deliver the highest return on investment most rapidly. In the past, firms may not have really appreciated the level of efficiencies that can be achieved in onboarding, but as more wealth managers modernise, some compelling figures are emerging. The calculation below illustrates the great impact onboarding enhancements can have on the bottom line.

Philip Schoch gave the example of one large, globally-operating US institution at which implementing Appway Client Onboarding resulted in efficiency savings of 50% in account opening and even more in KYC. Whereas account opening was previously taking 6-28 days (depending on the speed with which documents are returned by clients), this was reduced to 3-14 days just two years after deployment. KYC, meanwhile, was reduced through automation and streamlining from an average of 90 days down to 30.

Cutting the time taken to open an account in half is an enormous achievement in terms of minimising frustration for both clients and advisors, and can have a critical effect on long-term profitability. Faster onboarding is also about being able to work with client funds as soon as possible, so that the relationship can begin to bear fruit for both sides more quickly (investment returns for clients and fees for wealth managers). Opening an incoming client's account one week sooner could result in a significant uplift in a firm's AuM fee income.

To illustrate this potential, Schoch took the example of an average "entry-level" wealth management client (in the $500,000-$1 million bracket), who is investing $800,000 with a firm that charges annual fees of 1.5% of assets under management. This would amount to $12,000 annually or $250 per week in management fees for such a client. If a wealth manager was able to replicate the efficiency gains described above - and 50% savings do seem to be eminently achievable - they could be generating a week's worth of additional fees for every client they take on.

A mid-sized wealth manager might expect to open 5,000 new client accounts a year, Schoch continued. Therefore, even a firm with slightly lower fees or smaller clients, charging the equivalent of $200 a week in management fees for each client, could realistically gain $1 million in additional yearly revenues.

The figures given above assume a "standard account" - for banking, brokerage and savings – of a medium complexity, non-sensitive HNW client from a "standard" country. Individual wealth managers will have to carry out far more complex calculations to work out exactly what return on investment they seek. These returns may be in terms of efficiency savings, but also through all the ways enhanced onboarding can increase revenues, as discussed throughout this report.

In Focus: Account funding delays, transfers and realisations

As previously stated, wealth managers have varying degrees of control when it comes to the many factors affecting the quality of the onboarding experience they deliver. Getting accounts funded can take longer than one might initially anticipate for a number of reasons.

Around five days for settlements is standard, but clients have first got to decide which investments are to be transferred (and when), which must be realised and which must stay put. As Bruce Weatherill noted, in the UK, many clients will have investments in a tax-wrapper (like an Individual Savings Account) or a branded "equity programme" type product. In the first instance, a decision has to be made on whether to transfer individual holdings or realise them into cash, which is likely to raise significant Capital Gains Tax liabilities for many HNW individuals. This is also the case for in-house equity programmes and so these may well be left where they are. Additionally, alternatives like hedge and private equity funds aren't hugely transferable because one can only realise every three months, Weatherill said.

Another possible element that is outside wealth managers' control is the speed with which their predecessor seeks to transfer a departing client's assets. It is, of course, hardly in the interest of any institution to be actively obstructive if a client wants to move on. However, it still needs to be accepted that during "offboarding," institutions must complete several tasks such as releasing documents, determining the number of units the client is holding and making sure the UCITS is right. In truth, the firm may not be hugely motivated to complete these tasks with urgency. In this instance, "there's not a lot you can do," said Weatherill.

The sooner an account is opened, the sooner it can be funded. Therefore, given the potential for time lags on the outgoing side, it is clearly incumbent on acquiring wealth managers to minimise any possible delays on their side. It is the new firm's ad valorem fees at stake, after all. Improving the account opening to funding ratio will have a direct effect on revenues, not to mention a potential uplift in sales from fully engaging with clients sooner.

Reducing dropouts by providing a faster onboarding experience

Figure 26 - Does your firm have active procedures for preventing dropouts during onboarding?

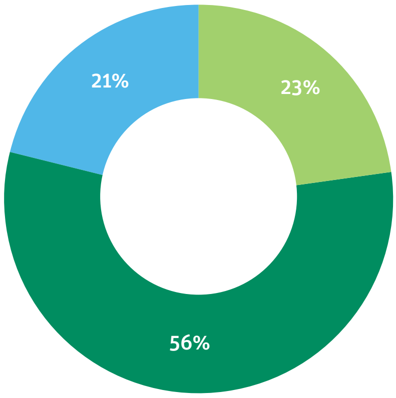
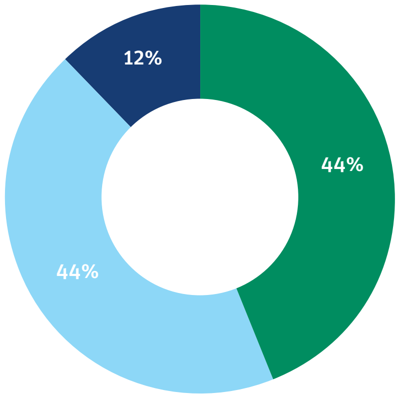


Figure 27 - If yes, how successful would you say these procedures are?



Despite high levels of concerns over clients dropping out during onboarding, 56% of respondents said that their firm has no active procedures for preventing dropouts in place. Even where wealth managers are actively working to prevent dropouts, the efficacy of these efforts is highly variable. Only 12% of respondents believe them to be highly successful and 44% deem them to be not very successful at all.

The prevention of dropouts will clearly be built on improvements in all the areas this report mentions, since any onboarding enhancements will be ultimately aimed at making sure 100% of prospects stick with the process and that their accounts are funded as quickly as possible (which entails all the operational efficiency and client experience improvements discussed). Yet the panel also identified one potentially powerful way to stem dropouts: making sure clients know exactly where they are in the onboarding process.

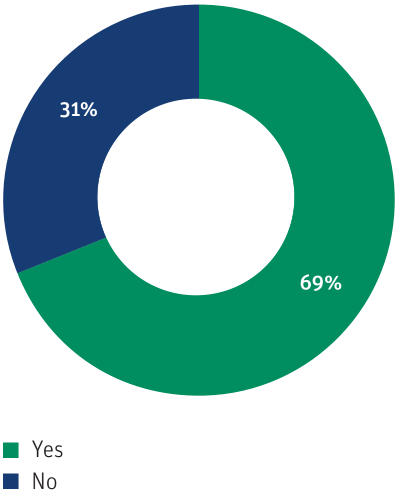
As the experts observed, a great deal of frustration stems from clients not knowing where they stand. Furthermore, they are likely to form an impression that the institution doesn't really know either if repeated requests are being made by different parties, for example. As Bruce Weatherill notes, this kind of uncertainty is likely to be very worrying to someone who is about to entrust a very large sum of money to a wealth manager. "If a client knows which data has been collected, which is outstanding and what the next step means then they will feel very much more managed and contained," he said. "They get the impression the institution knows what it is doing, rather than everyone asking for copies of passports and bills and saying things like 'This is for me not for them - I keep it on a different system'."

Weatherill went on to explain that the wealth managers he sees as onboarding leaders have put solid numbers on the amount of stages involved (20-27 in the examples cited) and, as a result, their relationship managers are able to say that clients are half or three-quarters of the way through when asked. Yet truly optimised onboarding should really obviate the need for clients to "chase" completely by *proactively* keeping clients informed.

It seems obvious that progress updates are one of the most effective ways to prevent dropouts. Even if this hasn't been systematised at their particular firm, most relationship managers are likely to place great store by calling clients regularly to update them and address any concerns. While such phone calls should certainly continue, there is also clearly scope for automation here, too. Such communications would have to be carefully pitched in tone and frequency, but clients might well value emails or other digital notifications to keep them abreast of progress.

Enhancing sales across the client lifecycle

Figure 28 - Do you see synergies between yearly compliance profile reviews and the sales process?



Historically, onboarding seems to have been seen largely as a cost centre. Yet the processes necessary for taking on a client compliantly and keeping them so can also be seen far more positively. Rather, these obligations can be used as opportunities to continually deepen understanding of the client, bring increasingly relevant products and services to them and so boost sales. The survey participants clearly appreciate this potential: 69% see synergies between yearly compliance profile reviews and the sales process.

Periodic compliance reviews are a regulatory requirement, but the panel observed that they are often viewed as a needless hassle by clients, particularly if nothing has really changed in their circumstances and yet they still have to reconfirm information and produce a slew of supporting evidence. Moreover, several of the experts made the point that while clients are certainly very interested in the management of their wealth this doesn't necessarily mean they would like to interact with the institution quite so much. As such, compliance review activities could eat into the wealth manager's "credit" with a client who wants to be less involved, so leaving them less open to hearing about new products and services. Yet even the most engaged clients are likely to be cash-rich and time-poor, and so unlikely to appreciate several phone calls on multiple issues when one could have sufficed. From both the perspective of the relationship manager and the client, time is at a premium.

Since compliance activities have periodic triggers to ensure data is current and institutions have their own schedule for sales campaigns, it makes perfect sense to link the two. Importantly, the synergies can go both ways: for the less-engaged type of client, obligatory interactions on compliance matters create opportunities for wider conversations; meanwhile, a call about an investment opportunity gives the advisor a chance to verify that client data is up-to-date and find out new information about their circumstances and needs for KYC and suitability purposes.

Aite Group advises wealth managers to implement intelligent and responsive onboarding processes that leverage "relationship-deepening opportunities as they occur at each process step"; the timetable of periodic reviews can provide a useful framework for this. As Victoria Bateman pointed out, two of the key metrics that wealth managers often fall down on when it comes to the client experience are being aware of their clients' individual needs and creating the perception that they value their business. "Whilst ever increasing regulatory requirements undoubtedly take up a considerable proportion of the onboarding process, the opportunity to ask the right questions which will help to ensure future client satisfaction and ultimately create advocates of the bank should not be ignored or devalued," she said.

Lessons from the retail space

To understand the extent of the cross-selling opportunity, it is useful to look at the retail sector. An often-quoted statistic from the Bank Administration Institute reveals that 75% of all cross-selling takes place in the first few months of a new client acquisition. This indicates that momentum is high at the beginning of relationships and underscores the importance of getting accounts up and running as soon as possible. At the same time, it appears that cross-selling penetration could be a lot higher. A 2013 *Forbes* report found that retail clients tend to each have around 16 financial products across various institutions, yet the most successful cross-selling bank sells fewer than six products per customer. The BAI has also found that, despite the fact that customers are generally keen to hear about relevant financial products and services, only 39% have been proactively approached by their bank about buying additional products.

Retail institutions clearly have a lot to gain from enhanced cross-selling efforts, but wealth managers might have even more so: Firstly because of the higher margins on their products and services, and secondly because so many firms are geared towards broad, multi-disciplinary relationships rather than investment management alone. In a smaller organisation this may manifest as cross-selling to a financial planning arm; at a larger firm working with bigger clients, this could be between a group's private and investment banking division. It is also highly relevant to wealth managers that cross-selling tends to make clients "stickier", by increasing the number of touchpoints they have with the institution and creating (hopefully) more opportunities to impress them. Each additional product or service will embed the client more fully and increase the institution's understanding of his or her profile and needs. As such, tightly integrated compliance and sales cycles could represent a virtuous cycle, where the offering becomes increasingly tailored and so increasingly accepted.

For all these reasons, wealth managers are naturally keen to maximise cross-selling opportunities and to strongly incentivise staff to do so. It is common to hear large institutions speak of a "one bank" strategy where the institution aims to be a one-stop-shop for all manner of requirements. However, successful cross-selling at this level depends on identifying the sales and marketing efforts that have the best chance of success. Tight focus is required if cross-selling opportunities are to be communicated effectively throughout the organisation. Good organisation is also critical for maximising sales opportunities while ensuring that clients don't feel they are frequently getting pitched irrelevant offers. Such inappropriate promotions are not only annoying, but can also undermine the client's feeling of being understood.

Here again, wealth managers have a lot to learn from the retail sector. Retail banks have moved away from a "scattergun" approach, where new clients are bombarded with offers, and onto "next-best action" marketing. Here, the institution first identifies its best revenue-generating products/services and the clients who have not taken them up; it then promotes these to those clients whose data indicates are both eligible and likely to be in the market for such offerings. It would then repeat, moving down the value chain to the next-best product to offer for each client segment. Ensuring that marketing campaigns are highly targeted saves efforts and protects a client's goodwill. By taking targeted marketing one stage further, institutions could deploy a probabilistic revenue strategy, taking each individual client's response and conversion rates into account in order to determine which products are likely to yield the best results. This also helps institutions determine how it should focus its marketing resources. These strategies meet both the institution's need for efficiency and the client's desire that it be sensitive to their needs (and time). These strategies, of course, call for significant data management capabilities.

Products and services development

With competitive and margin pressures high, wealth managers are increasingly aware that they need to get more value out of compliance activities. They are also realising that gathering all the data necessary to demonstrate they really do know their clients is more than just a regulatory obligation. Segmentation is becoming increasingly sophisticated as wealth managers collect more granular data, enabling timely and relevant products to be matched to the right clients. Even more powerfully, having a real-time understanding of clients' needs and wants allows institutions to *proactively* develop their offering rather than *reactively* scramble to catch up with demand while they risk losing out to competitors. With the right data (and onboarding systems) in place, wealth managers can also rapidly bring new solutions to market in response to external events. One possible example here is the incoming overhaul of the UK pensions regime, which is going to free retirees to invest their pension pots rather than purchase an annuity. If a wealth manager has a significant amount of clients nearing retirement age and with a similar profile, this might warrant the development of a new investment programme for those looking for a long-term income strategy.

This is just one simple example of how wealth managers can use the data gleaned from the onboarding process to hone their offerings to better meet the evolving needs of clients. This will also ensure their relationships with them are as profitable as possible, for both sides. There is no doubt that increasing regulation poses a challenge for wealth managers, but they do not have to be resigned to it being an ever-bigger drain on profitability. There are abundant business benefits to be extracted from compliance-related activities for those who care to look.

In Focus: Beyond algorithms

Algorithms certainly have a place in predicting the needs of clients. Indeed, it is claimed that the major credit card companies are able to accurately predict when a customer is going to get divorced through analysing their spending patterns. However, even more innovative ways to predict client needs are emerging. No matter how sophisticated an algorithm is, it will still lack the ability to make the necessary "leap of the imagination" to infer all that a human being reasonably could about a particular client or segment. For this reason, companies in other sectors are experimenting with a kind of "crowd-thinking" approach where a group of people deduce a customer's interests and preferences based on the rest of his or her profile.

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CONCLUSION

The purpose of this study is to provide a useful barometer for wealth managers to gauge their onboarding performance against that of their peers. It is also our hope that the best practice insights put forward by the contributors will help recast the compliance challenge as an opportunity for forward-thinking firms.

By enhancing their onboarding systems and processes, wealth managers have the chance to send a powerful signal of their commitment to superior service and differentiate themselves as institutions that tackle pain-points for clients head-on. Through streamlining and automating a notoriously labour-intensive process, they will not only be able to save costs, but might also make very significant revenue gains.

In this report, onboarding was referred to as the "final frontier" for efficiencies, reflecting the fact that, until now, wealth managers have generally focused their efforts and investments elsewhere. However, as industry regulation has intensified, the case for technological enhancements has strengthened to the point where sustained, industry-wide technological investment seems inevitable. Some wealth managers are already blazing trails with onboarding innovations and proving that huge efficiencies are there for the taking.

The data and views presented in this report testify that improving the onboarding process is still on the "to do" list of many wealth managers. The pressures facing the industry must surely mean, however, that it has now risen to the very top of that list. In terms of delivering the best possible client experience, mitigating business risk and curtailing spiralling compliance costs, it is easy to see that investments in onboarding will be money very well spent. The returns on such investments will be manifold.

WealthBriefing and Appway, as well as the report's co-sponsors, SIX Financial Information and KPMG, would be delighted to hear from any industry participants who would like to further comment on the findings of this report or on the issue of client onboarding in general. The high level of engagement of industry leaders and contributors even before the launch of this research was highly gratifying; it is hoped that the momentum around optimised onboarding continues to grow across the sector worldwide.

Very special thanks go to all the contributors to this report, both for their time and invaluable insights, and Appway, KPMG and SIX Financial Information for making this report possible. We also thank Appway for driving the accompanying international roadshow of thought-leadership events.

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Format

2013 saw the launch of the *WealthBriefing* European Awards as *WealthBriefing* set to spread the word about the profession's achievements to a wider audience. The awards have grown year on year and 2015 promises to attract in the region of 450 – 550 senior banking and wealth management professionals.

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