

Evaluating Opportunities to Streamline Account Opening and Optimize Operational Efficiencies

The recent recession and market volatility is pressuring financial services firms to improve operating processes and reduce costs. The rapid market surge and potential recovery has served a reminder that operational processes must be scalable and ready to take advantage of every opportunity. Many firms are scrutinizing their account opening process since client on-boarding is expensive, labor intensive, and error prone. As a result, improving account opening has become a high priority project with many financial services firms.

Increased market demand has led to numerous software and services providers wanting to extend their offerings to include account opening capabilities. For many, this has started a “buy versus build” discussion. Faster time to market, delivery of a proven solution and lower cost are three important reasons providers often “buy” (or more precisely “license” or “partner with”) an existing solution.

Often when evaluating the “build” option, the effort to automate account opening is underestimated or the automation project scope is narrowly defined, resulting in little benefit. One of the most common failures of account opening automation projects is the inflexibility of the new system - a simple question, documentation or workflow update requires costly development and long delays. The result is an inflexible account opening system which is well received on day one, maintenance and support costs which quickly escalate, and then user frustration increases as systems cannot keep up with business strategy - negatively impacting staff productivity, performance and loyalty.

Account opening is a core operational process for all financial services firms as it involves every customer, every product, spans multiple departments and offices, as well it must meet strict compliance regulations. Account opening is complex, detailed and constantly evolving. For most financial services firms, account opening involves 300-600 questions, 5-10 workflows, 30-150 documents and 200-300 business rules – all of which change as new products are introduced, new regulations are imposed and organizational changes occur such as mergers and acquisitions.

For more than 10 years, Arius Software has worked with leading financial services firms to automate account opening. Arius OpenAdvantage® is an enterprise platform designed to:

- Accelerate and improve the quality of account opening
- Enable advisors to initiate and manage the account opening process
- Enable process updates by business users such as questionnaire, workflow, business rules and document updates
- Deliver visibility and transparency in the account opening process and archive account opening materials and interactions.

OpenAdvantage has been deployed by clearing firms, institutional, on-line, retail, mutual fund, full service and high net worth brokerage firms in the United States and Canada. OpenAdvantage has been deployed to support a single institution or as a multi-tenant solution supporting different questions, workflows, documents and business rules. In this document, we will examine each key design goal and the significant R&D investments made by Arius to deliver OpenAdvantage.

ACCELERATE AND IMPROVE QUALITY OF ACCOUNT OPENING

Beacon Strategies¹ performed a time and motion study of account opening for Broker/Dealers. The summary: opening an account took more than 2 hours of labor, cost \$156 and suffered from Not-In-Good-Order (NIGO) rates of 20 to 60%. These results align with the experiences of many Arius prospects looking to improve their operations. Arius clients expect to decrease their overall account opening times by 50% and report their NIGO rates to drop to almost 0%.

Key R&D Investments:

- **Responsive faster account opening** is accomplished through a streamlined question/answer process and an intuitive user interface. OpenAdvantage utilizes a powerful patented framework to allow for rapid feedback to the user inside the web browser minimizing server trips over the network as well as providing security by enforcing rules on the application server.
- **Real-time Integration:** OpenAdvantage was designed to enable straight through, real-time, processing of accounts. OpenAdvantage eases integration with other front-office and back-office systems through standard interfaces including web services and XML. OpenAdvantage has interfaces for several back-office systems including systems from IBM, Broadridge and Sungard. Our solution was designed to offer a complete account opening system including workflow, document management, and document generation. We realize that existing systems may perform some of these functions, thus OpenAdvantage is able via web services (or APIs) to work with third party solutions for workflow, document management, and document generation to allow organizations to unify their data architectures. OpenAdvantage also supports integration with third party providers for electronic signatures, politically exposed persons checks as well as CRM systems.
- **Workflow Automation:** OpenAdvantage can automate and coordinate workflows that span multiple departments as well as multiple organizations (for example: clearing firm and correspondents). As well, OpenAdvantage can automate sophisticated parallel workflows. Today, very few firms have completely automated the account opening workflow.
- **Personalized Welcome Kits:** Account opening is a key marketing opportunity. A personalized welcome kit which can contain dynamic documents such as a welcome letter whose contents (promotional material, legal disclosure and disclaimers) are dependent on the nature of the products specified. Automated personalized sales kits dramatically reduce the representatives need to “understand the paperwork requirements” and enable the firm to institutionalize best practices. OpenAdvantage can assemble documents page by page or even line by line to tailor the materials specifically based on the client and product. The OpenAdvantage pagination engine ensures dynamic documents are professionally formatted.

Broker-dealer firms that “initiated more transactions in the field had low NIGO rates and took less time to complete a task”.

¹ Beacon Strategies, *The Paper Chase: The Bane of the Broker Dealer*, 2009. <http://www.beaconstrategiesllc.com>

■ **Sophisticated Permissioning:** Advisors often rely on their sales associates, branch administrators or even other advisors to help open new accounts quickly. The OpenAdvantage architecture has a sophisticated permissioning system to ensure that each user can access only the relevant information for their role such as assistants, advisors, branch managers, operations manager, and compliance manager. Permissioning also plays a key role to secure data when account opening spans multiple organizations (such as Broker/Dealers and clearing firms).

INITIATE AND MANAGE THE ACCOUNT OPENING PROCESS

The ability for advisors to initiate and manage the account opening process has proven to increase business volume and improve quality. A study conducted by Moss-Adams² showed that top performing Broker-Dealer firms that “initiated more transactions in the field had low NIGO rates and took less time to complete a task”. Advisors are quick to embrace Arius powered systems because they increase productivity, improve quality and increase their overall visibility into the process.

The key product features to ease advisor adoption are:

■ **Dynamic Questionnaire:** With OpenAdvantage, opening an account is as easy as having a conversation. The intelligent system will ask only the necessary questions based on the specific client scenario such as account type, the selected product(s) and existing client information. Duplicate information entry is eliminated – easing advisor frustration and boosting productivity. Behind the scenes the system handles data validation and computations necessary to open the account. To improve user experience and system responsiveness, some of the logic to enable the dynamic questionnaire can be processed on the client-side in the browser. The goal is to have a responsive account opening system which is designed to reflect the way brokers work and minimizing training requirements. In contrast, many in-house account opening systems sacrifice the user experience to simplify development and deployment. Many systems simply present a library of electronic forms to be manually completed by the user. This approach increases NIGO scores and user frustration.

■ **On-screen Help and Tooltips:** OpenAdvantage's context-sensitive help and FAQ generation is built into the system to help users through account opening process. These tips are displayed and automatically adjusted as the user proceeds through the account opening process (see figure 1).

■ **Simplified Migration and Client Transition:** Bringing on new advisors often results in a scramble to transfer client assets. OpenAdvantage allows for partial client information in a spreadsheet exported from a handheld device or CRM package to be imported as work in progress. Advisors can then enter this missing information and generate an account agreement or immediately generate a partial agreement to fill in by hand with the client.

■ **Visibility into Account Opening Process:** For years, account opening has been perceived as a black hole to many advisors, where paperwork “goes in and then we wait”. With OpenAdvantage, advisors have complete, real-time visibility into the approval process and workflow for their accounts (see figure 2).

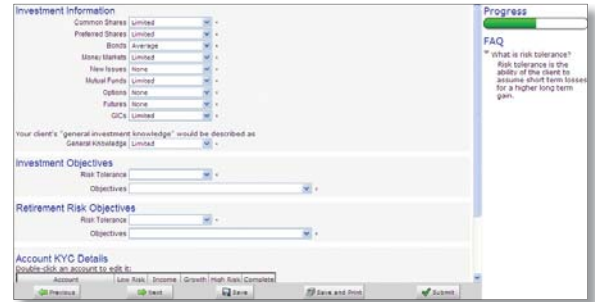


Figure 1; The progress bar on the right illustrates the users progress during the account opening, while intuitive FAQ are also available during each step of the application process.

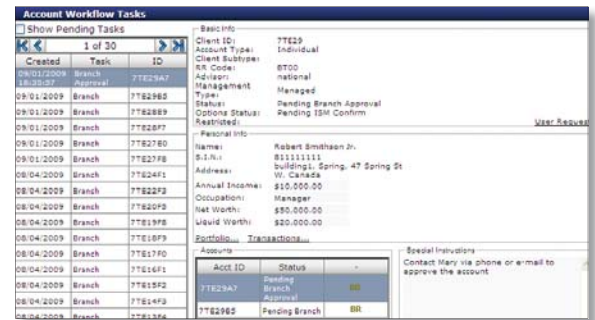


Figure 2; View the status of a pending account approval on-demand increasing transparency throughout the account opening process.

²inNautix, Moss Adams. *The Art of Efficiency: A Holistic Approach to Operations*, 2009. <http://www.innautix.com>

ENABLE PROCESS UPDATES BY BUSINESS USERS

In financial services, account opening is constantly changing - new regulations, new products and new forms. Furthermore, the ability to easily automate a new client welcome kit opens a world of marketing opportunities. One of the most common failures of account opening automation projects is the inflexibility of the new system - a simple question, documentation or workflow update requires costly development and long delays. The result is an inflexible account opening system which is well received on day one, maintenance and support costs which quickly escalate, and then user frustration increases as systems cannot keep up with business strategy - negatively impacting staff productivity, performance and loyalty.

OpenAdvantage enables tight alignment of business strategy and operational processes. OpenAdvantage is designed to enable business analysts (with proper permissions) to configure all aspects of the account opening process including questionnaire, business rules, workflow and generated documents. Updating the account opening and updating process is as easy as 1, 2, 3: Change, Review, Deploy (see figures 3 and 4).

For example:

- Dynamic questionnaires are authored by business analysts – they do not require code nor programming skills
- New questions can be added and previewed immediately, store values using a logical data model or user defined fields
- Workflow can be viewed graphically allowing visualization of how accounts flow through the system
- Business rules are defined in a subset of Javascript
- Document filling can be done directly from the PDF using Adobe Acrobat

OpenAdvantage allows business users to focus on what they know best within their business while allowing the system to transparently handle the complexities of web design, data storage, document generation and pagination, audit histories and permissions behind the scenes.

PROVIDE VISIBILITY, TRANSPARENCY AND AN ACCOUNT OPENING ARCHIVE

- **Ease and improve compliance reporting** by automating time-consuming, manual tasks. OpenAdvantage improves the quality of the data captured by ensuring that required values are entered, and that required documents are tracked. OpenAdvantage's configurable workflow and business rules are designed to help meet compliance and regulatory obligations, and reduce liability risks.
- **Produce business, compliance and audit reports** – Produce comprehensive compliance and audit reports increasing the transparency of internal processes and efficiency within the organization. OpenAdvantage can produce more than thirty reports including business metrics, operational efficiency and portfolio supervision.
- **Generate missing document reports** – With OpenAdvantage, quickly access and view a report outlining the status of documentation at any business level.

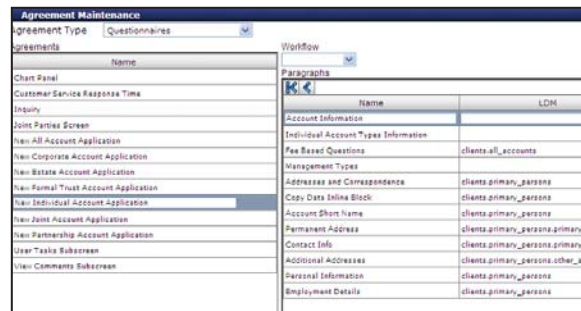


Figure 3: The agreement maintenance dashboard allows for simple updates to be made to a variety of fields within the questionnaire, document or report.

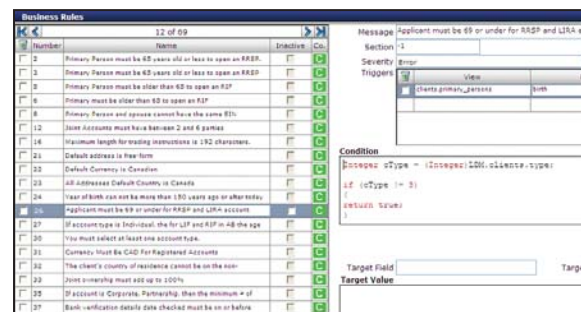


Figure 4: Modify business rules as needed without a steep learning curve.

- **Comprehensive log archiving** – Log data is archived and indexed in perpetuity to meet data retention regulations
- **Streamline Processes with Digital Document Archive** - The OpenAdvantage platform can be extended with BarcodeAdvantage™ to enable rapid processing, fast retrieval and centralized management of massive document archives while enhancing corporate compliance practices and policies. Access to the archive can be securely shared by authorized users between clearing firms and correspondents. With BarcodeAdvantage, paper documents are scanned, stored and organized using barcodes – transforming a paper trail into a rapidly accessible, centrally managed digital document archive. BarcodeAdvantage can speed the account opening process by eliminating the need for paper forms to be couriered and processed by the clearing firm. Electronic documentation is secure and can easily be replicated to meet institutional security standards.

MULTI-TENANT ENVIRONMENTS

For partners seeking to extend their offerings with account opening, OpenAdvantage has flexibility and scalability to be incorporated into your financial services platform. Many organizations such as clearing firms and back-office providers want to extend their offerings with account opening and update capabilities. Multi-tenant capabilities are essential to enabling OpenAdvantage to be delivered as Software-as-a-Service (SaaS) offering.

Multi-tenant environments enable a single installation to simultaneously support multiple organizations. For example, OpenAdvantage enables a clearing firm to support multiple correspondents from a single installation. Each correspondent firm has the option of utilizing a standard or alternatively a configurable account opening process. Configurations are based off the master template but are maintained separately so that changes made for one correspondent are isolated and a single system can be used to serve many firms simultaneously.

Our configuration was designed for service bureaus / clearing firms as well as brokerages. Master templates can be created and be modified by correctly permissioned correspondents to add additional documents / questions / business rules or workflows.

SUMMARY

Account opening automation projects are often underestimated. Software and service providers looking to extend their offerings with account opening should carefully consider partnering with Arius prior to embarking on a costly and lengthy development project. Today, financial services firms are actively investing in account opening systems to immediately lower the cost and complexity of client on-boarding. With the investment of 150 man years of development and more than 10 years of field experience, Arius has built a flexible and easy-to-use account opening platform. Partnering with Arius will allow you to go-to-market immediately, leverage a proven solution and lower your development costs.

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