RFP GUIDELINES

E-Sign (UK) Ltd

Benefits of Agreement Automation

A GUIDE FOR BUSINESSES

E-Sign.

Contents

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Introduction

Trillions of pounds in financial agreements are processed each year. This includes credit agreements, loan/lease agreements, new account openings, mortgages, pensions and annuities. Despite the rise of digital adoption within consumer industries,the majority of these financial agreements still rely on manual, semi-manual or disjointed paper processes.

Disjointed manual agreement processes are a huge risk for financial institutions (FIs). They frustrate customers, leading to high drop-out rates; they create inefficiencies, contributing to high operating costs; and they do not provide any visibility into whether agreements are executed in a consiw legally enforceable way. These issues can lead to legal disputes and regulatory non-compliance.

Today's financial services customer is looking for speed, ease and convenience – whether online, mobile, through an intermediary, or in-branch. Innovative financial service companies looking to win new customers and increase customer loyalty are turning to technology to help improve the customer experience, without compromising on risk. Automating the agreement process in today's digital world not only involves digitizing how agreements are prepared, signed and managed, but also how customers involved in the agreement process are verified and authenticated.

Using this Guide

This guide is for financial institutions (FIs) looking for technology that can automate the customer agreement process – from a customer's initial application, through to digital identity verification, the electronic delivery, presentation, signing and secure storage of an agreement, and the capture and management of all supporting audit trails. It is intended to assist organisations in determining their requirements, building a business case, and evaluating options for implementation.

The guide contains information about what technology to consider when looking for an agreement automation solution, what functionality to consider, and which stakeholders to involve in the process.

Agreement Automation

Agreement Automation is the name given to the digitisation of the customer agreement process within a financial transaction.

When a customer decides to open a new account, take out a new loan, sign a leasing agreement, or sign up for any number of financial products, they are transacting with a financial institution. The agreement will detail the exact terms of the financial transaction and will need to be agreed on by both parties for the agreement to be completed and the product or service delivered.

Before online and mobile banking, customers transacted with financial institutions in-person through a branch or intermediary using paper documents and manual identity checks.

In today's world, financial institutions need to offer their customers fully digital experiences, so that customers can carry out these transactions remotely. This means that the customer agreement process needs to be digitised. We call this process 'Agreement Automation'.

Agreement Automation is the digitisation of the customer journey from a customer's initial application, through to digital identity verification, the electronic delivery, presentation, signing and secure storage of an agreement, and the capture and management of all supporting audit trails.

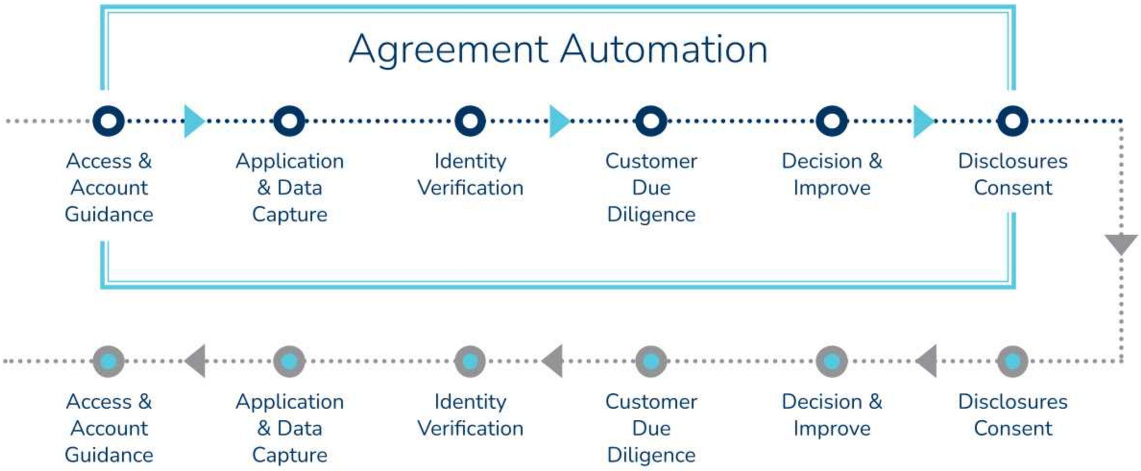
This guide is for financial institutions (FI's) looking for technology that can automate these processes.

Agreement Automation

How Agreement Automation Supports the End-to-End Customer Journey

Agreement automation is just one aspect of the entire customer journey, which includes customer acquisition, account opening (when applicable) and customer on-boarding. The diagram below shows where agreement automation fits into the overall customer journey. Financial institutions looking to automate the entire customer journey should look for technologies that are able to integrate with one another to deliver a seamless digital journey for the customer.

Figure 1: Key customer journey steps and where agreement automation fits in



Why Automate

Financial institutions automate their agreement processes for three key reasons:

1 Improve customer experience:

Speeding up the agreement process, removing arduous manual steps, and offering a fully digital solution improves the customer experience. Digitisation also allows customers to complete the process on their own device and in their own time.

2 Deliver commercial and operational benefits:

By streamlining the customer agreement process and reducing decision times, financial institutions can increase and improve the velocity of sales. Automating the agreement process also leads to a reduction in errors which means the cost of error-checking is eliminated, driving down operational costs when compared to paper-based alternatives.

3 Reduce Risk:

If set up correctly, automation can reduce risk because it allows FI's to control the workflow from beginning to end – meaning that the process is carried out compliantly. Digitising the agreement process also allows financial institutions to capture evidence throughout the process. This could be evidence of compliance, evidence of the customer's identity, or evidence of their intent to be bound by the agreement. If stored in a tamper-evident package, the evidence can help prove that the resulting agreements are legal, compliant, and enforceable if challenged.

How end-to-end solutions compare to standalone technologies

An end-to-end agreement automation approach is where each step of the agreement process is automated via one solution.

The agreement process (part of customer acquisition and on-boarding workflows), refers to the following steps in the customer's financial agreement journey:

- a customer's initial application
- digital identity verification
- the electronic delivery, presentation, signing, and secure storage of an agreement
- the capture and management of complete audit trails

An end-to-end approach makes it possible to gather evidence at each stage of the customer journey and link that evidence to the resulting agreement. The result is a single secure package containing all the evidence needed to ensure the agreements are fully enforceable.

End-to-end agreement automation is particularly valuable for financial institutions transacting with their customers via financial agreements that carry risk (such as credit agreements, new account openings, loan agreements, leasing agreements, mortgages, pensions and annuities).

Standalone technologies

Standalone technologies such as traditional e-signature differ from end-to-end agreement automation solutions as they automate one element of the agreement process.

Standalone and point solutions (such as standalone ID verification or standalone e-signature) can be beneficial for financial institutions that have already digitized one element (or multiple elements) of the agreement process and are looking to fill in the gaps in their workflow.

Standalone e-signature is also valuable for ad-hoc or user-initiated agreement processes such as HR agreements or single purchases, or when a high volume of low-risk documents require signing, such as internal policy documents.

To determine whether end-to-end agreement automation or traditional e-signature would be most beneficial to your business, ask yourself these questions:

1. Does your business involve the execution of a high volume of customer agreements that carry financial risk?
2. Does the regulatory environment in which you operate require you to prove that your customer exists?
3. Do you have a need to validate that your customer is who they say they are?
4. Do you need to validate that the person who is giving their consent to be bound by the agreement, is the person whose identity you have validated?
5. Do you need the flexibility to conduct different identity verification checks on customers dependent on differing factors such as their creditworthiness, the value of the transaction, or their geography?
6. Do you need to collect evidence that a fair and compliant process has been followed?
7. Do you want to avoid arduous manual steps for the customer?
8. Do you want to improve the customer experience without compromising on risk?
9. Do you require signed agreements to be made tamper-proof so that they have integrity if they are relied on as evidence in court?
10. Do you require secure storage which is compliant with local data protection laws?

Answers

Mainly YES – E-Sign End-to-end solution should be considered.

Mainly NO – E-Sign web based application should be considered.

EQUAL – Talk to our on-boarding team to assist and evaluate your requirements

Functionality To Consider

When determining what functionality is required, review each stage of the customer's agreement journey. The stages to consider are as follows:

Step 1: Application

End-to-end agreement automation starts with an application via an online form or app. This stage captures and validates the customer's personal information, such as name, address, date of birth and bank details, among other information.

Step 2: Digital Identity Verification

Automated ID checks allow financial institutions to prove they know who the applicant is (KYC verification), and that the applicant is genuinely the person that the financial institution is interacting with (referred to as Prove Your Customer verification), instantaneously.

Know Your Customer (KYC) Verification: This can be achieved digitally by matching application data (such as name, address, date of birth, and bank details) to trusted data sources such as electoral roll and credit bureaus. This mitigates risk by screening customer identity against negative data to identity fraud and anti-money laundering activity. IP geolocation, device verification, and corporate checks also contribute to building a strong verification profile of a customer.

Prove Your Customer (PYC) Verification: This can be achieved digitally via methods such as two-factor authentication, SMS verification, knowledge-based authentication, document verification, or facial recognition.

Step 3: Document Generation & Presentation

This is the stage in which agreement document(s) are generated (using the verified application data) and presented to the customer.

Step 4: E-Signature

This step involves the actual signing of an agreement, signalling the customer's intent to be bound to the terms and conditions of the agreement. When digitizing the entire agreement process, the signature element is often experienced by the customer as "click here to sign". E-signatures have the same legal status as handwritten ink signatures in the United States, Canada, the European Union, Australia, China, Brazil, Japan, and many other countries, under the following:

- United States: ESIGN Act and the Uniform Electronic Transactions Act (UETA)
- Canada: Uniform Electronic Commerce Act (UECA)
- European Union: Electronic Identification and Trust Services Regulation (eIDAS)
- UK: Electronic Communications Act 2000 (ECA)
- Australia: Electronic Transactions Act

- China: Law of the People's Republic of China on Electronic Signature
- Brazil: Provisional Measure No. 2200-2 of 2001
- Japan: Law Concerning Electronic Signatures and Certification Services

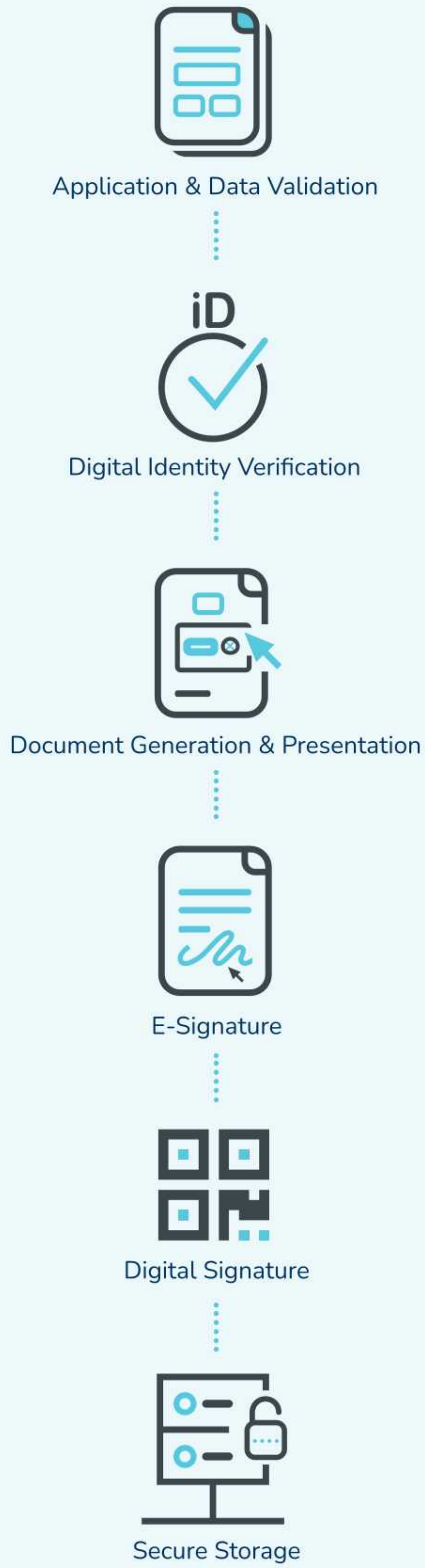
Step 5: Tamper-proofing

A digital signature is the encryption technology that secures the e-signed document(s) and evidence package. Based on public-key cryptography, the digital signature proves whether the digitally signed content has been tampered with.

Step 6: Secure Storage

This final step in the process involves the secure storage of the audit trails, the agreement, and all related information. Digitizing this step means storing everything in a secure digital environment.

Figure 2: End-to-end customer agreement process



Stakeholders to involve in the process

The digital readiness of financial institutions will influence the ease with which an agreement automation solution can be adopted, and the time taken to recognise the benefits.

Those which have fully implemented digitalization and have a pervasive digital infrastructure will be at an advantage.

Cross-functional teams are an important factor in successful agreement automation implementations, which typically involve specialists from operations, sales, compliance, risk, legal, digital, and IT departments.

Since the RFP process takes place before a supplier has been chosen, it is essential that business sponsors and those who will ultimately make the decision on which solution will be purchased, should be present.

For more information about which internal stakeholders to involve in an agreement automation project, refer to the Stakeholders Guide below.

Stakeholders Guide

Stakeholders	Why they should be involved	RFP Sections they would be interested in
Digital Strategy / Transformation	With a mandate to transform businesses through innovation, digital teams are an important stakeholder in the automation solution buying process. Digital can use their knowledge of customer experience trends, new technologies, and the organisation's transformation agenda to advise other stakeholders on the innovation, and whether it will deliver on the organisation's core digitisation goals. The digital team should ensure that a chosen solution will improve the customer experience by reducing friction during the customer agreement process.	• Business benefits • Functionality • User experience • Use cases • Client references • Pricing model & commercial terms

Stakeholders	Why they should be involved	RFP Sections they would be interested in
Commercial Sales	The commercial team should be involved to ensure that the solution delivers tangible business benefits. These include higher conversion rates, reduced turnaround times, and increased sales velocity. The commercial team should evaluate whether the business case stacks up and ensure that the solution will have a positive impact on the commercial success of the company.	• Functionality • Use cases • Client references • Business benefits • Pricing model & commercial terms
Operations	Operations are likely to be one of the primary teams involved in the purchasing decision. With a mandate to look at ways to operationally transform the business, they will want to ensure that the solution can reduce operating costs and increase the efficiency of people and processes. They should also look for evidence that an evaluated provider can deliver the project on time and on budget.	• Business benefits • Functionality • Use cases • Client references • Integration, architecture & deployment • Workflow & control • Pricing model & commercial terms
Risk	There is a high volume of business that will potentially go through the solution. Therefore, the risk team should be involved with the purchasing decision so that they can assess the solution for multiple risks; ranging from safeguards against applicant fraud, third-party and staff fraud, to whether the necessary fraud and AML checks are in place. The risk team should evaluate whether the solution shows signs of hidden risk (e.g., legal, operational, fraud-based,or other), how the solution mitigates risk, and how could the solution be configured to address future risks.	• Functionality • Business benefits • Use cases • Client references • Integration, architecture & deployment • Pricing model & commercial terms

Stakeholders	Why they should be involved	RFP Sections they would be interested in
Compliance	The compliance team is responsible for ensuring that the business is compliant with industry and customer protection regulations. The compliance team should ensure that a solution delivers compliant signing ceremonies and an agreement process in compliance with all relevant regulation. They should ask questions about whether a financial institution has control over the workflow, and how the solution collects evidence to prove that a fair and compliant process has taken place.	• Functionality • Business benefits • Compliance,agreement enforceability, & evidence management • Information security & data privacy
Legal	Because financial agreements are legal documents, companies should always include the legal department in the purchase decision process. Legal will want to be sure that an agreement automation solution can create agreements that are executed legally and enforceable (with the right evidence to support them should they be challenged).	• Business benefits • Functionality • Compliance,agreement enforceability, & evidence management • Information security & data privacy
IT / Technical Architects	Representatives from the IT and technical team should be involved in the process to assess how the solution would be integrated with the company's existing technology architecture, and the speed and ease of integration. They should also assess the ease at which the solution can be updated or new features added, to future-proof the solution.	• Integration, architecture & deployment • Workflow & control • User experience
Procurement	The procurement team will be involved in the procurement process to select a vendor. Procurement will be interested in the following information from vendors: transparent costing; scalability across the business; a proven ability to support similar customers; and ROI.	• Functionality • Business benefits • Use cases • Client references • Integration, architecture & deployment • Pricing model & commercial terms

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