

Achieving Straight-Through Processing with Electronic Signature



WHITE PAPER

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Financial institutions require a significant amount of documentation and security for every transaction. This makes straight-through processing an ideal and effective way to manage a larger volume of financial documentation to accelerate transaction cycle times, reduce costs and create a better client experience. However, for many financial transactions, the signature process—the step which makes the transaction legally binding—is still conducted via pen and paper, making straight-through processing a myth.

That is, until the advent of legally binding electronic signatures. eSignature technology, which has been legally binding in the United States and Europe for more than 10 years, makes it possible to complete the documents for loans, new account openings, order management, compliance and more—all online without pen and paper. In addition, such technology can integrate with little to no customization with many financial systems and software, including CRM and ERP systems. In fact, some larger solutions are ready-made to integrate, thereby making it very easy to implement within a

commercial bank, credit union, wealth management firm, insurance company or other financial institution.

In this whitepaper, we will discuss the role electronic signature technology plays in straight-through processing, the benefits of eSignatures, and several important criteria to consider when selecting an electronic signature solution.

Definitions

First, let's quickly define a few terms:

- **U.S. ESIGN Act**—In 2000, the U.S. Electronic Signatures in Global and National Commerce (ESIGN) Act established electronic records and signatures as legally binding, having the same legal effects as traditional paper documents and handwritten signatures.
- **Electronic signature**—The Electronic Signatures in Global and National Commerce Act (ESIGN) defines an “electronic signature” as an “electronic sound, symbol or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record.”
- **Straight-through processing (STP)** enables the entire trade process for capital markets and payment transactions to be conducted electronically without the need for re-keying of data or manual intervention, subject to legal and regulatory restrictions. (Wikipedia)

Paper Delays Financial Transactions, Adds Cost

Printing

Faxing

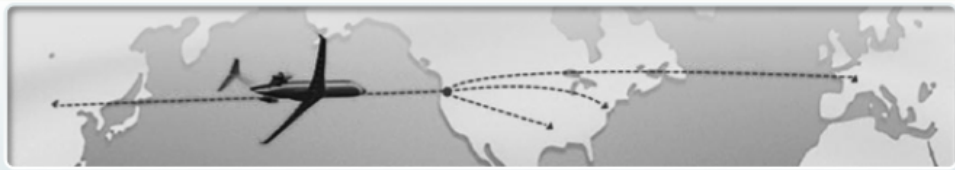
Shipping

Lost Contracts

Missing Signatures



Distributing Copies to Each Signer



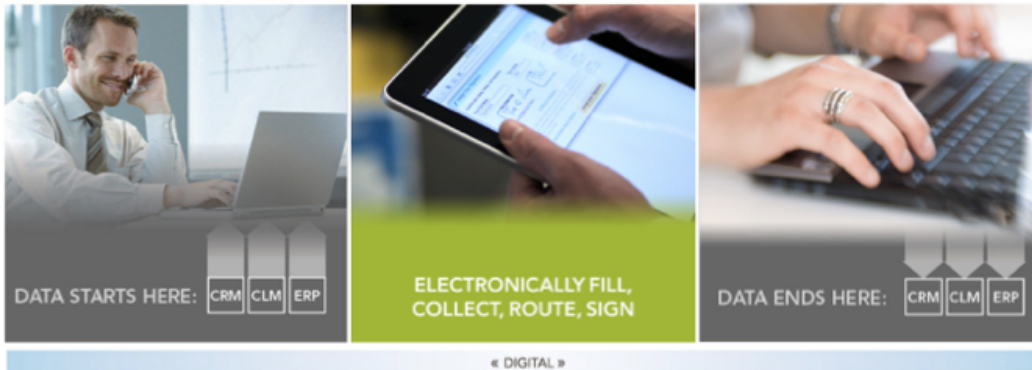
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eSignature & Straight-Through Processing

Seamless Transaction »

No Data Gap

« All Data Electronic



- Faster transactions
- No errors
- Complete visibility
- No re-keying or reconciliation

- Secure documents
- No faxing
- No overnight shipping fees
- Higher productivity

Why switch from pen and paper to eSignatures?

The benefits of using electronic signatures are many:

- **Accelerated transaction cycle times**—Companies using eSignature report increased close rates by 80% or more and accelerated document cycle time from weeks to just minutes which in turn increases speed to revenue.
- **Lowered costs**—Costs for paper, printing, faxing, and overnighting are reduced significantly.
- **Improved compliance**—The leading solution will not return documents until they are complete, thereby eliminating signing errors and NIGO (not-in-good-order) documents.
- **Increased productivity**—There's an opportunity to reduce man-hours in rekeying data by easily integrating with systems that automatically update customer-inputted information and store completed documents.
- **Enhanced client satisfaction**—Through eSignatures, financial institutions provide better member convenience and service with anywhere, anytime signing. Members can open new accounts and loans, and make account changes in minutes online.
- **Verification of signers' identity**—Third-party identity management and authentication ensures safety and security.
- **Increased compliance**—Documents are returned in good order—complete and legally-binding—with a court admissible audit trail.

Process Overview

Forms that require signatures typically kick off other important processes such as fulfillment, invoicing, and customer engagement. Using paper processes, manually handling these steps—such as re-keying customer information and/or data, scanning, and communicating next steps via email—is slow and error-prone. However, using a solution to electronically execute loan documentation, the completed paperwork can file itself in the proper contract management system and present the data from form fields to other downstream systems without re-keying. This is possibly the greatest time and quality impact on the execution phase delivered by an STP solution.

Although electronic signatures have been legal since 2000, they've only become mainstream in the past couple of years. This means that for many financial institutions, there's still a tremendous opportunity to provide a competitive differentiator by offering electronic signatures as both a convenience to customers, as well as a means towards achieving better operational efficiency through accelerated transaction cycle times and reduced costs.

The essentials of integrations

For real straight-through processing, business process interoperability is a must. For financial institutions, enterprise software systems must be connected in such a way that they are able to share data and facilitate procedures with little to no employee effort.

Many systems designed for financial institutions are able to automate most of the experience, but the “last mile” of the transaction—the signature—still requires pen and paper. In many cases, this means generating documents out of the current system, getting the signatures through several potential means described later, and then scanned back into the system for archival. Until recently this was considered a fairly efficient process, and systems for accommodate the use of paper were put in place.

However, there is a better, faster, more efficient and cost effective way. Several leading systems are integrating with electronic signature, including such as eOriginal, MeridianLink and PCLender, all of which integrate easily with electronic signature provider DocuSign.

Consumer Acceptance

Just as important as internal capabilities is external acceptance. Circumstances that now make electronic signatures desirable for consumers include the following:

- 1. Ubiquity of the Internet**—This should not be taken for granted when it comes to working with consumers. The Internet is now a utility, which means that there’s an expected level of interaction and automation, not to mention comfort with Internet and SaaS technologies. Further, it’s mobile, allowing clients of financial institutions to transact business on the go, anytime, anywhere, on most any device.
- 2. High levels of security**—Because signed documents are by nature sensitive and highly valued, the security surrounding them must be exceptional—not just in perception, but also reality. Only after security levels have been proven over time could electronic signatures become not only accepted, but mainstream.
- 3. Cultural acceptance of electronic signatures**—Although eSignatures have been legal since 2000, pen-and-paper signatures have been around much longer, and have taken longer to fall. The ubiquity of the Internet and the power of the convenience thereof has led to an acceptance and understanding of eSignatures.

A Harris Interactive survey last year found nearly three in four (72 percent) adults are frustrated with completing paper-based forms, documents or business agreements. Reasons cited include:

- 72% stated the fields in many forms and documents were often too small to write in
- 38% said it’s too inconvenient to return signed paper documents by fax or mail

To implement new loan processes with a benefit to members and enhance compliance with authentication, Alliant Credit Union of Chicago switched to straight-through processing with DocuSign’s electronic signature solution, saving nearly \$300,000 within the first year.

- 34% said their handwriting was too messy for others to read
- 23% make too many mistakes

The right electronic signature solutions—those with forms integration—eliminate all of these consumer frustrations. Form fields provide the space and character counts for the required data. eSignature delivers convenience by enabling consumers to sign and return without having to print, fax, mail, or overnight completed documents. And, form fields that automatically pull and update customer data (that’s been keyed in via computer or mobile device to remove the challenges of messy handwriting) eliminate the need to rekey data and thereby eliminate mistakes.

eSignature Provider Criteria

When it comes to selecting an electronic signature provider to fill the gaps to complete straight-through processing, there are a number of considerations:

Ease of Use—The easier you can make the process for employees and customers, the happier both will be. Find an electronic signature solution that is efficient and simple, that doesn’t require expensive programs or delayed downloads. Remember, the easier it is, the faster it is to complete.

Security—For legal documents, security is extremely important. Look for a provider that offers SAS 70 Type II tested data centers and solution, as well as maintains a comprehensive array of technical measures to protect the service. A robust set of customer-controlled settings can provide further heighten privacy and security protection.

Visibility—It is important to track each step as a document goes through the approval process. Instead of spending time personally going from approval to approval, find an electronic signature service that does it for you, one that enables you to have multiple people sign the same document in the correct order, as well as sending reminders to speed up the process.

Legally Binding—Integrated signer authentication, a complete audit trail and tamper-proof virtual seal of the signed documents are a necessity to ensure legality, as well as a secure and encrypted web page.

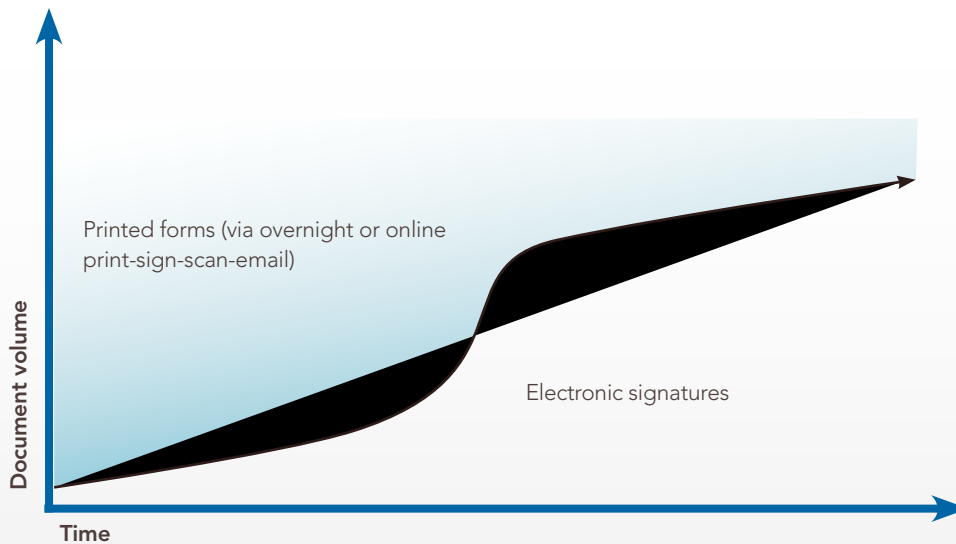
Mobility—With people increasingly on the go and managing their lives through mobile devices, the speed and accessibility of a company can be the difference between them signing with you or signing with something else. Look for a solutions provider with a versatile and secure option that allows you to send, sign, track, and store contracts and documents in a mobile environment.

Branding—The connection customers, clients, and members make with their financial institution should be supported through every interaction. Look for a solution that allows you to incorporate your branding so your customers will feel the experience is consistent with your institutions brand identity: one that's efficient and fast.

85% of Alliant loan applicants complete their DocuSign paperwork the same day.

The long view of eSignatures & STP

Straight-through processing is about a triple benefit of accelerated transaction cycle times, reduced costs, and an enhanced member experience that leads to greater satisfaction, loyalty, and retention. Given that electronic signatures have reached the inflection point across financial institutions, to remain competitive banks, credit unions, wealth management firms, insurance companies and other financial institutions must embrace this new standard. Due to the importance of security and integration capability to financial institutions, the natural choice is to select the global standard for electronic signature: DocuSign.



In time paper forms will be replaced by electronic signatures.

About DocuSign

DocuSign® is the global standard for electronic signature®. DocuSign accelerates transactions to increase speed to results, reduce costs, and delight customers with the easiest, fastest, most secure global network for sending, signing, tracking, and storing documents in the cloud.