

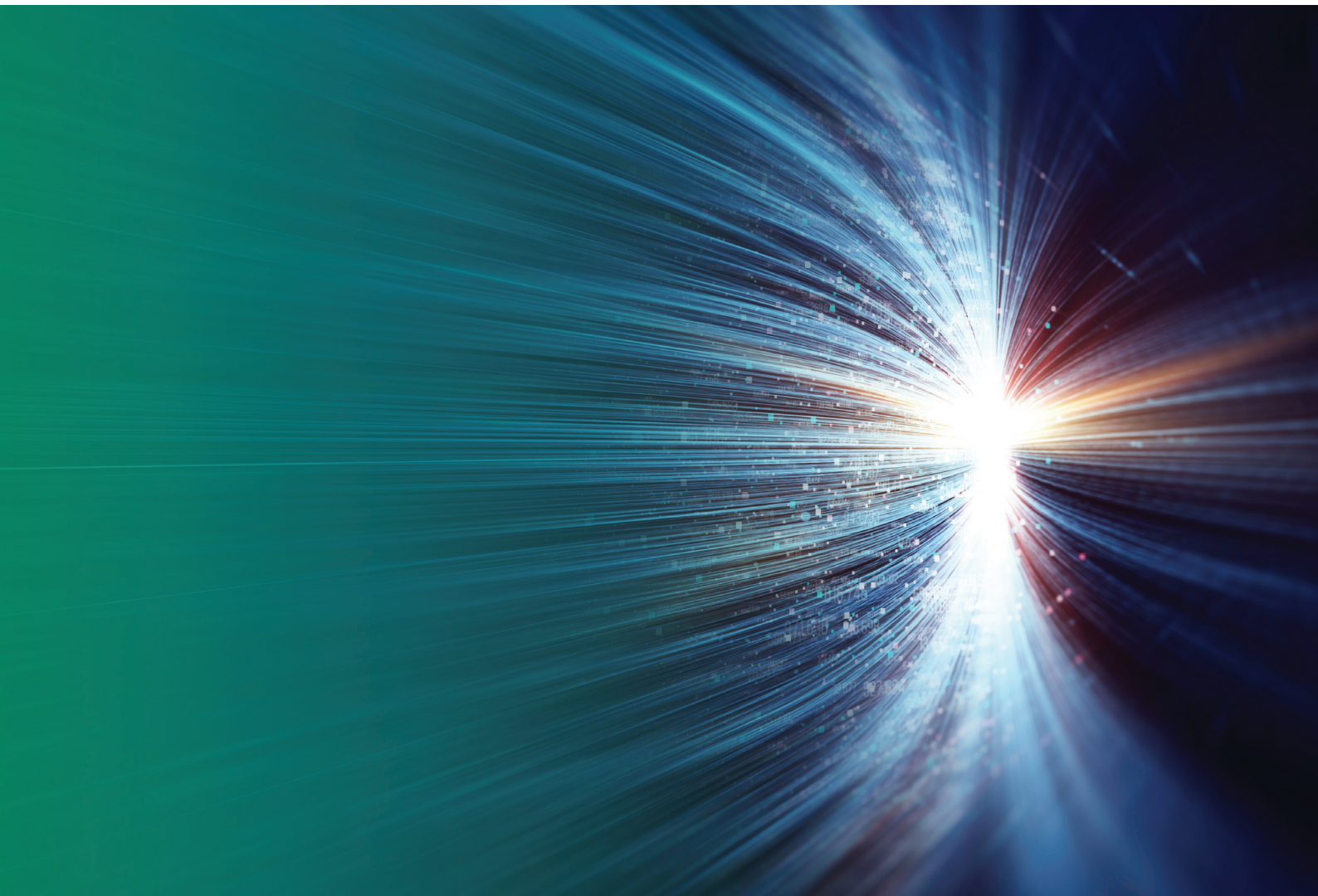


IHS Markit®



# The Future of Client Onboarding

New approaches from leading buy-side and  
sell-side firms for client lifecycle management



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# Onboarding: On the Brink of Transformation

Long overlooked, under-resourced and underestimated, client onboarding and client lifecycle management have stepped into the spotlight. Both the buy side and sell side now recognize that improving the onboarding experience provides a competitive advantage by creating positive client relationships. Simultaneously, a new wave of onboarding technologies is bringing the potential for true digital transformation within reach for the first time.

This combination of organizational support and technological advancement has given onboarding teams an opportunity to transform the function. But what is the best way forward?

SIFMA and IHS Markit explored the answer by conducting one-on-one interviews and bilateral conversations with both buy-side and sell-side participants. Their responses identified some of the processes and technologies that are helping to streamline and strengthen the client lifecycle from end to end.

We discovered that leading **buy-side teams** were establishing a central command, commissioning point specialists to replace generalist teams, centralizing data and documentation and establishing regular stakeholder communications.

Similarly, establishing a single point of contact, taking a bolder approach to collecting client data, centralizing and integrating the workflow and centralizing the data were all approaches that were helping the **sell side** to streamline and enhance the onboarding process.

When it comes to **technology**, we found that many onboarding teams were planning ambitious digital transformations. They are seeking to enhance workflow efficiency and scale, consolidate and coordinate data and develop systems that support greater visibility for both internal and external stakeholders. Platform technologies are also enabling both buy-side and sell-side participants to stabilize their systems by closing the loop with formal offboarding processes.

We invite you to explore this whitepaper to discover what some of your onboarding peers are doing and catch a glimpse of the exciting possibilities on the horizon.

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# Catalyst for Change: Onboarding's Pivotal Moment

## Fast-evolving regulatory imperatives and business realities are pulling onboarding into the spotlight.

Onboarding has reached an inflection point where industry pressures, new organizational perspectives and technological advances are converging to transform this critical function.

Thinning margins and growing competition have placed unprecedented pressure on onboarding teams to move as quickly and efficiently as possible. At the same time, the obstacles to streamlining the onboarding process continue to pile up. A more stringent regulatory environment— especially in know your customer (KYC) and anti-money laundering (AML) procedures— plus growing transaction volumes and complexity have combined to make onboarding an increasingly challenging and time-consuming process.

While the pressure continues to mount, onboarding is also being asked to fulfill a critical new role. Instead of viewing onboarding narrowly as an administrative and compliance function, both the buy side and sell side are now seeing it as an integral part of a firm's ability to attract and retain clients, maintain a competitive advantage and protect eroding margins.

The challenges are significant, but digital transformation is bringing the opportunity for real change within reach for the onboarding function. More resources are being allocated to supporting client attraction and retention by enhancing the customer experience. With this shift, onboarding has gained new prominence as one of the key touchpoints where firms can differentiate and demonstrate service excellence.

But what happens next? Many onboarding teams recognize that this is the moment to step out of the regulatory whirl and begin to rethink the strategy, but where should they focus their efforts? What should they do to improve performance today while ensuring that they are preparing for the future?

This whitepaper examines two priority areas that emerged through interviews with leading practitioners, insights from industry experts and the analysis of quantitative client lifecycle management industry data:

**New Processes.** As buy-side and sell-side onboarding teams emerge from regulatory crisis mode and examine the discipline more strategically, they are discovering opportunities to streamline and optimize it significantly by replacing legacy processes with new approaches and proven best practice. This includes the implementation of offboarding processes that close the loop on the client lifecycle and dramatically reduce overhead, minimize risk and enhance the client experience.

**Technology Solutions.** Onboarding has been resistant to technological innovation in the past, but a second wave of onboarding technologies has finally arrived. The convergence of maturing technology and an organizational commitment to digital transformation has created a golden opportunity. Onboarding teams must invest wisely in technologies that eliminate manual processes, streamline workflows and create more transparency across the activities of all onboarding stakeholders.

By focusing on these priority areas, buy-side and sell-side onboarding teams have an opportunity to solve some of their most frustrating challenges. More importantly, they have an opportunity to protect the organization's margins and competitive advantage by improving efficiency and strengthening a key client touchpoint.

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“We want to make sure that our clients are happy and looking to expand their relationship. And one way to do that is onboarding. You only touch a client a few times, and onboarding is one of those areas.”

VP - Client Administration at an asset management firm with ~\$3T AUM.

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# The Buy Side: Suggestions for Transformation

## High-functioning teams at leading buy-side organizations are finding new ways to create efficiency and resilience in the onboarding process.

While onboarding teams face bigger challenges than ever before, they also face new opportunities to transform the onboarding function. The maturation of client lifecycle management technologies, coupled with a renewed recognition at the leadership level that onboarding plays a critical role in a firm's competitive advantage, is empowering onboarding managers to explore solutions and effect real change.

IHS Markit and SIFMA talked to onboarding executives at leading buy-side firms in order to gather their insights. The suggestions provided here are based on their input.

### Establish a command center

Buy-side input suggests that a high-performing onboarding function relies on a centralized team that works with the incoming client and coordinates across departments. This central team understands the data and documentation required by various teams and acts as a project manager that ensures all of the puzzle pieces are in place and the onboarding process is moving forward on schedule.

The director of a global investment management corporation described their process: "We now have a project manager who oversees a team of individuals who are responsible for making sure everything's moving internally. Previously, we had the same people overseeing the process as well as taking on a host of data-capture tasks and owning the collaboration with the sell side, but we have now centralized the onboarding oversight function and delegated low-level and specialist tasks to other teams. This shift has been a way of optimizing the functional alignment and improving the client experience."

### Build expert workflow teams

A number of buy-side representatives talked about transitioning from a generalist approach, in which a single team straddled multiple workflows, to a specialist approach where each stream of the workflow is assigned to a separate team. For example, one team interacts with the external broker/dealer set up, another team sets up the custodian, and a third team sets up any external trading platforms.

As one respondent described it, "My team only handles the broker side onboarding. We work closely with another internal team to open the needed collateral accounts. And there's a third team that's basically under the same umbrella with us opening all of the foreign markets accounts and custodial accounts."

Additionally, these core workflow teams tap into the expertise of legal, tax experts, KYC specialists and other experts as needed.

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We have now centralized the onboarding oversight function and delegated low-level and specialist tasks to other teams

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## Create a central repository

In addition to centralizing the oversight of the onboarding process, firms are centralizing the documentation and data required to complete it.

Firms that have adopted platforms to centralize and distribute the information required for onboarding move faster by reducing manual effort and enabling internal and external parties to access information more directly.

To quantify the impact that a centralized portal can make on a firm's efficiency, we extracted data from Counterparty Manager, an industry solution for counterparties to manage client lifecycle workflow, documentation and data. We found that, on average, banks access documents uploaded by the investment manager 200 times per year. For a mid-tier investment manager working with 25 banks and 50 entities, that adds up to 5,000 access points per year, or approximately 2,000 potential email requests.

At that rate, even a highly efficient team capable of reading and responding to each request within two minutes will lose 67 hours of productivity per year to simple document requests. Since firms can have hundreds or even thousands of accounts and can have considerably more relationships with counterparties, inefficient systems can result in hours of lost productivity.

When a central repository is API enabled, the value to the firm is enhanced further, as the data can be transmitted to populate any tools the firm uses to manage the various onboarding workflows.

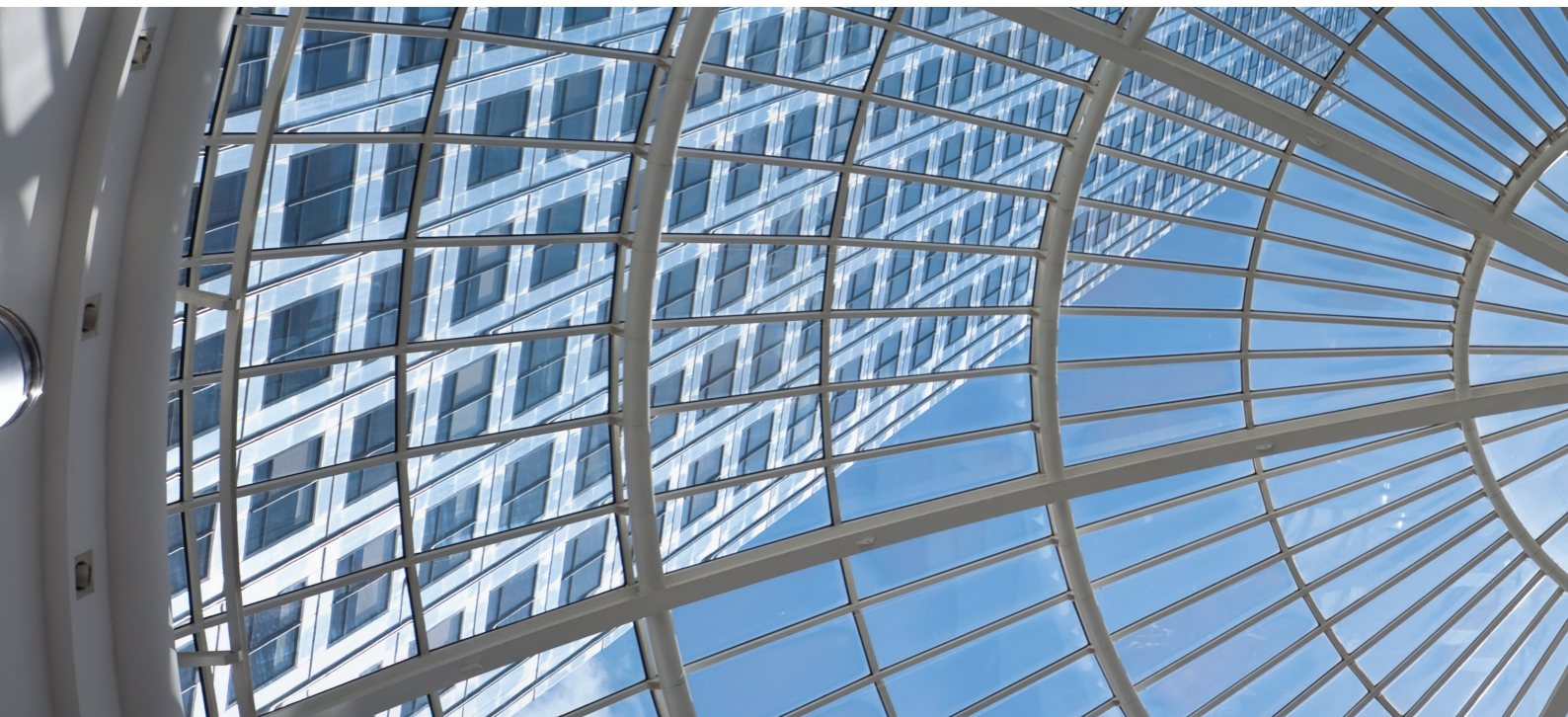
Onboarding teams increasingly recognize the potential of centralizing and securely sharing the data, and adoption rates for portal technologies are rising. One respondent said, "We're evaluating options for a portal at the moment. We would like to extend the process so clients have more visibility and can also exchange documents and data. We're even replacing the process of printing, signing, scanning, and emailing a contract with a digital signature solution."

Another respondent said of the digital portal they had implemented recently, "It's the first step in a broader, multi-year client experience program that's currently underway. Our clients' first point of engagement with us is going to be more technologically supported than historically it's been, so now they're actually able to exchange data and documents with us."

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Even a highly efficient team will lose 67 hours of productivity per year to simple document requests

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## Establish regular touchpoints

Many onboarding teams are actively researching and in some cases implementing solutions that automate parts of the process, but the reality is that for the time being, for most market participants, onboarding is largely a manual process. That means that moving the process forward requires a concerted and sustained human effort.

One of the most effective ways to accelerate the onboarding process is to establish weekly calls with the various stakeholders where the most pressing items can be discussed and resolved. While ultimately, the implementation of an automated lifecycle solution will eliminate the need for these types of touchpoint, they are a useful interim measure to help teams keep lines of communication open and tasks moving forward.

## Leverage technology

Adopting new team structures and optimizing manual processes can significantly improve onboarding speed, efficiency and the overall client experience, but technology also has a role to play. High-performing onboarding teams are actively evaluating and implementing a wide range of advanced technologies.

One respondent said, “We’re looking at things like robotic process automation where that might make sense. We’re also taking a look at client lifecycle management solutions. We’re working to develop a workflow and engagement solution that builds on our internal operating system. Ultimately, what we’re building internally is meant to connect to what we’ll leverage externally to the sell side.”



# The Sell Side: Suggestions for Transformation

**Efficient onboarding and lifecycle management processes must find a way to balance speed to revenue with adequate protection against risk.**

The incentives for getting the balance right have never been greater for the sell side. The speed and responsiveness of the onboarding process has become a key competitive advantage and a factor that directly influences the buy side's decision to work with a specific counterparty.

As one respondent from one of the world's largest asset managers put it, "If you think about yourself in the context of a client, you're more willing to continue going to the same place if you're satisfied with the client service."

Another respondent agreed, "There's pressure to get things done quicker. The client's assets are in the door and we need this set up. We started tracking particular launches and saying, 'Okay, how long did this credit approval take? How long did legal take? How long did the operational set-ups take?' And then we started challenging the brokers, saying, 'This is how long you're taking versus your competitors. Where are we losing time?'"

However, streamlining the opening of an account is no easy task. When a bank receives a request to open a new account, it sets off a complex, multi-step process. First, they must identify parameters such as the type of transaction, type of account, domicile of the account and the bank entity the account will be transacting with in order to determine the process to follow in setting up the account. Once the complete package of information is received and the due diligence process gets underway, that process can involve KYC/AML checks, credit approvals, the setup of a line of credit, negotiation of the legal agreement, regulatory checks, validation of tax forms and determination of withholding, operational setup and collateral management.

While approaches to client onboarding may vary across sell-sides, there are several practices that show broad promise in accelerating this complicated process without compromising diligence.

These promising practices were identified during bilateral discussions between IHS Markit's in-house experts and its sell-side clients.





## Create a single point of contact

When counterparties task multiple teams, such as KYC, tax, legal and regulatory, with contacting clients either directly or through the sales team, it creates a time-consuming and uncoordinated system that places undue strain on both the client and the organization. When clients are contacted by multiple people making different (and sometimes overlapping) requests, it creates confusion, delays and distrust. Additionally, when the responsibility for data collection is distributed across multiple people or teams—or, in some cases, even offshored—no one feels directly responsible for maintaining the quality of the client relationship.

Providing a central onboarding team—ideally, one in the same area and time zone—creates consistency, continuity and a closer rapport with the client. This not only improves the client experience, it also makes clients more likely to provide information.

While some firms appoint sales to the intermediary role, this is inadvisable. Sales teams lack the domain expertise to engage the client effectively during the onboarding process, and they also tend to prioritize the client's comfort at the expense of the onboarding process, thereby delaying requests for additional information, corrections and clarifications. By “protecting the client,” sales teams can protract the process unnecessarily, which is why the point person or team should be a dedicated onboarding resource. To keep the process moving forward, limit the sales role to prioritizing incoming requests based on the perceived business value.

When transitioning from multiple teams to a single point of contact, start slowly. It can take time for internal teams to learn to trust that central contact to collect the right information from the client, and it also takes time for the client to get used to the new system. Over time, that central contact point can take on progressively greater levels of responsibility and even initiate discussions with clients about how to improve communications further through process changes or technology implementation.

## Recognize the value of data sharing

One of the most effective changes sell-side onboarding teams can make is to be bolder about asking for client data. This may seem like a controversial approach, as clients can be very protective of their company's data, but the longer it takes to collect the data, the longer the onboarding process will take. Ideally, the conversation about data sharing should examine the overall need at the operational level, with the goal of broadening those categories universally. This is more effective than initiating a new conversation at the start of every new account opening.

By preparing a rationale for each type of data required, you can reduce the resistance to more open sharing. Instead of simply adding new requests from other departments to the list, ask the subject-matter experts to supply the reasoning behind the request. By clearly articulating the need to the client—especially when the situation calls for data and documentation outside of the norm—you can give them what they need in order to get their own firm comfortable with sharing the information. Improving the quality of the communications in this way will streamline data collection up front and cut down considerably on the back-and-forth.

## Centralize, automate and integrate the workflow

Sell-side participants who manage client onboarding and client lifecycle management processes on desktop or cloud spreadsheets report the greatest frustration with inefficiencies and delays, and they are also the most vulnerable to risks created by human error.

Building a central, automated system solves these critical issues and enables the onboarding team to track the number of requests and where they are in the queue. However, sell-side organizations that implement centralized systems often struggle with adoption, and without the participation of departments such as credit, legal, compliance and risk, the workflow grinds to a halt or reverts to offline processes.

The solution is to create a system that doesn't require participants to log into an additional platform and replicate work that they already conduct within their own departmental systems. Using rule sets, the actions taken and milestones achieved on various departmental systems can be pushed to the onboarding workflow and move the process forward without requiring people to learn new systems or perform additional tasks.

For example, if the credit team already maintains credit limits and reviews on their own system, setting a rule that updates the onboarding workflow when they mark a review complete is preferable to requiring them to log in to the workflow platform and record the action.

Similarly, counterparties should think carefully before building self-service portals that enable clients to input their information directly. While submitting information via a digital portal may seem to be more convenient than filling out and emailing or faxing forms, it can actually have the opposite effect, as clients transacting with several counterparties must log in to multiple platforms for each of their counterparties and adapt to multiple data formats and requirements. As a result, many are bypassing the portal altogether and reverting to email as a preferred and familiar communication channel.

### Implementation Tips:

For companies that plan to introduce a client portal, consider using APIs that connect to a central data repository and pre-populate the information that a client is required to fill out. This can improve adoption rates by providing greater convenience to the client, and it also benefits the organization, which can use the data to feed their internal workflow systems.

## Centralize and analyze the data

Centralizing onboarding activity on one platform can strengthen and streamline the process, and centralizing onboarding data has a similar effect. Consolidating the data in a central location reduces manual errors by minimizing data duplication, reducing the amount of rekeying (and mis-keying) and eliminating the lag time in accessing the most recent data. It also builds transparency into the system so that multiple internal teams and, in some cases, external stakeholders, can gauge the progress of the onboarding process. And finally, when data is collected into a “single source of truth,” it’s easier to keep it clean and up to date.

That same mechanism also enables sell-side firms to measure and analyze performance across the onboarding process. When the system is capable of collecting and comparing metrics, businesses can see which clients generate the greatest volume of transactions, how frequently requests are rejected or delayed due to a need for more information and how long each department takes to complete key tasks.

## Focus on high-risk areas

Sell-side onboarding must balance the natural tension between two objectives: the need to conduct scrupulous regulatory compliance and the need to expedite the onboarding of new customers. When the onboarding process is too lengthy and onerous, banks and brokers run the risk of losing business to speedier institutions.

Compromising on the quality of the review is not an option, but separating high- and low-risk events and delegating or automating the latter can speed up the process considerably. Some banks are now undertaking analyses of onboarding processes to understand which types of approvals are automatic and which require a closer review.

For example, if an account is a mutual fund domiciled in the US and regulated by the 1940 Act, that account doesn’t need to be reviewed by a credit officer: this step can be undertaken by an operations analyst. Similarly, AML compliance and corporate tax departments can establish rules and policies that enable KYC and tax operations teams to conduct this part of the onboarding process. In situations where a new account is being added to an existing agreement, an operations analyst can ensure the correct capacity and authority is in place and that no special provisions are being requested, thereby negating the need for costly legal resources.

By operationalizing pro forma or low-risk activities, sell-side firms not only minimize risk and accelerate the process but also reduce costs and conserve the energies of their most specialized, high-value departments and roles.

## Formalized Offboarding

The final step in the client lifecycle has historically been an afterthought, but there is growing recognition that formal offboarding is an essential part of the process. While there are many different definitions of offboarding, for the purposes of this paper, it is defined as a process in which accounts are closed and entities removed from agreements once the account goes dormant or the contractual obligations are fulfilled.

Establishing a formal offboarding process that closes the loop on the client lifecycle and removes outdated information is an essential step in building a more stable and efficient system. When no offboarding process exists, complications arise as outdated account data clogs buy-side systems and former clients are contacted with needless and confusing requests for information.

One buy-side respondent admitted, “More than 200 of the entities on our agreements right now are not only not actively trading, they are actually closed. Nobody had the valence here or the direction to ask to remove them. We’re now socializing with the client-facing teams and the trading desk to let them know, ‘If you haven’t traded anything in the last two years, we’re removing you from docs and we’re asking the brokers to shut down your account.’”

For the sell-side, the situation is no better. The impact of a poor or nonexistent offboarding process results in considerable business costs, both in terms of the person-hours wasted and the damage to the broker’s client and counterparty relationships.

Technology has a critical role to play in this overlooked and underserved part of the client lifecycle. In tandem with the establishment of formal offboarding processes, platform technologies can help both buy-side and sell-side organizations by:

**Automating processes.** Ideally, an automated workflow will trigger a set of specific offboarding activities after a specific period of inactivity or an account closure request. This workflow may include sending a confirmation of closure to the client as a courtesy, removing client data from active systems and notifying counterparties of the account closure.

**Ensuring data integrity.** Consolidating data in a single source and strengthening the integrations that allow multiple systems to share it helps to eliminate the duplicate records and inconsistencies that complicate the client lifecycle. When systems are fragmented and siloed across functions, it becomes exponentially more difficult to find and update the data everywhere it appears and act on that data in meaningful ways.

**Improving communication.** Offboarding requires diligent counterparty communication, but achieving this level of transparency is challenging because different pieces of the onboarding process are often siloed across multiple departments. Buy and sell sides need to prioritize the establishment of centralized tools for managing and distributing information pertaining to account openings, account refreshes and account closures across internal teams and external counterparties.

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# Onboarding Technology: Riding the Second Wave

**As early onboarding technology makes way for a second wave, the function is poised for true digital transformation.**

The focus on keeping pace with the rapid changes in regulatory compliance had pushed considerations such as optimizing onboarding efficiency and enhancing the customer onboarding experience to the bottom of the list for most organizations, and as a result, the adoption of technology solutions was delayed.

These hurdles resulted in a slower maturation and a fragmented vendor landscape during the early days of onboarding technology, but in the last couple of years, the market for client lifecycle management solutions has gained considerable ground and a second wave is now here. Many are now talking in terms of a wholesale digital transformation where processes, skills and technologies are radically redefined. Effecting real change will take considerable effort, but for onboarding teams and the broader organization, the stakes are too high to continue with business as usual.

## The second wave in onboarding tech

After a slow start, onboarding technology is being driven forward by its second wave. As a number of early vendors left the space, an initially fragmented vendor landscape has shrunk and consolidated, leaving behind a small group of dedicated, top-tier solution providers which are actively refining and expanding on their offerings. As the market contracted, revenues increased, enabling vendors to invest more robustly in R&D. According to Aite, 89% of client life cycle management solution vendors saw revenue grow more than 10% in 2018, and 78% are investing more than 15% of revenue back into their solutions.<sup>1</sup>

The capital markets themselves have recognized these advances, and they are more optimistic about the technology's potential and motivated to invest in it. Aite predicts that global IT spend on client lifecycle management solutions will grow by an estimated 60% between 2018 and 2022.

One interview respondent described it this way: "The iteration of technology is happening faster and faster. I remember getting my very first email address: now we're talking about trying to retire email entirely. There's a lot of wood to chop, but it's attainable and there are many participants both on the buy and sell side who are willing to move the needle forward on progress in this space. It's an exciting time."

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There are many participants both on the buy and sell side who are willing to move the needle forward on progress in this space

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<sup>1</sup> Aite, Client Life Cycle Management Vendor Review: All on Board in Capital Markets?, 2019.

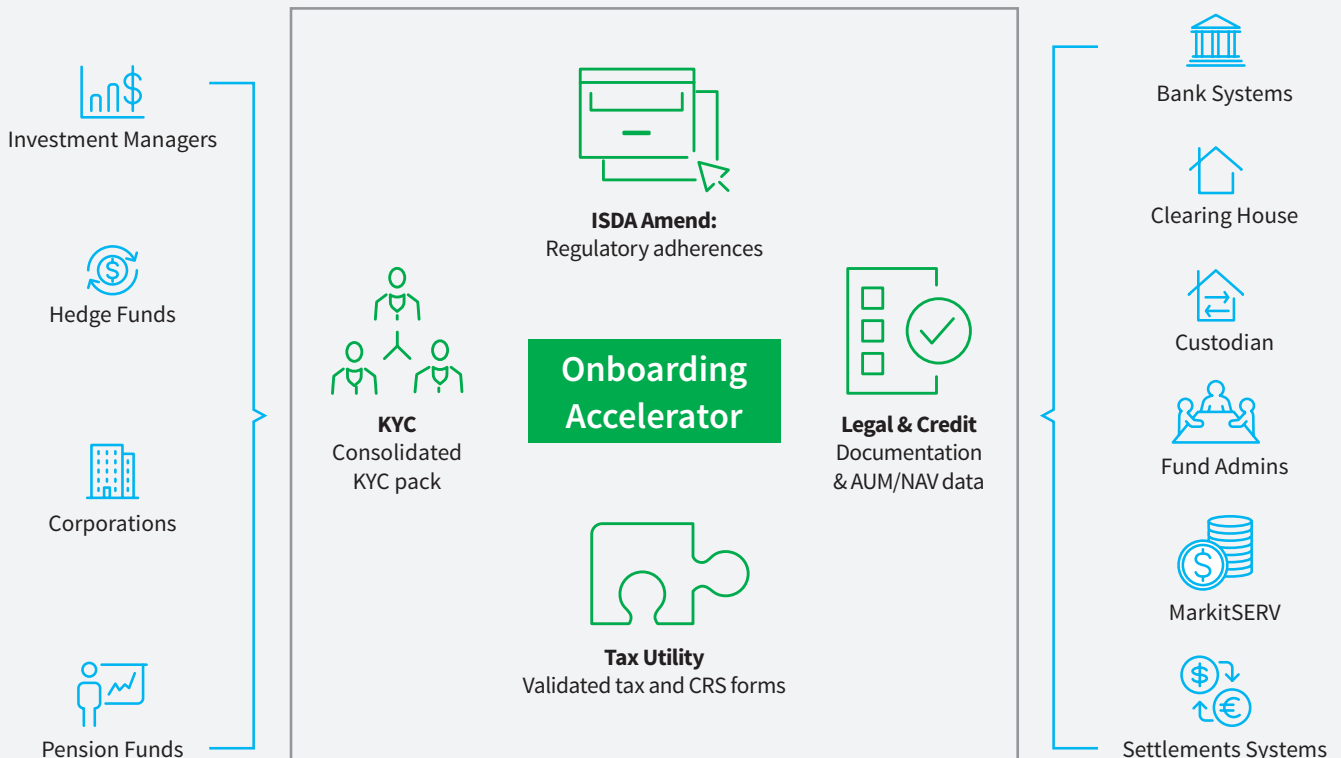
## The transformation of onboarding

Against a backdrop of rapidly evolving technological capabilities, onboarding teams are increasingly seeking to support a holistic approach to the function. Workflow platforms are designed to manage the process from end to end, from the initial submission of the onboarding request to the ultimate offboarding and account closing. Vendors are developing robust platforms capable of integrating and managing data and workflows for entity data, document collection, KYC and tax profile validation, regulatory protocols and self-declarations, legal and credit agreements and operational setup. Leading vendors are also supporting open APIs that significantly enlarge the onboarding ecosystem by enabling connections with both the organization’s broader internal systems as well as external systems.

Many of the onboarding professionals IHS Markit and SIFMA AMG interviewed had plans to take a holistic approach to functional improvement rather than implementing point solutions to alleviate specific issues. One respondent said, “I think we have a big opportunity to not only focus on onboarding, but the offboarding and everything that happens in between, so KYC refreshes and connecting it from the point of initiation of an onboarding request all the way to termination.”

Many teams are going beyond remediation and planning ambitious projects that will make onboarding a truly data-driven and client-centric function. Several respondents described their upcoming technology initiatives and plans in terms of a digital transformation. One explained, “The focus on onboarding is part of a broader digital transformation project that spans the company’s operational infrastructure. We stood up many applications globally and looked at the various processes and procedures and onboarding was highlighted as something where we have the opportunity to really digitize the process.”

The focus on onboarding is part of a broader digital transformation project that spans the company’s operational infrastructure



## Efficiency and scale

It's little surprise that technologies that automate and streamline the workflow top the list of priorities. The need to manage a growing volume of work as well as the pressure to increase speed to revenue and improve the customer experience are all challenges that the next wave of onboarding technologies is designed to solve, including workflow automation and document digitization.

One buy-side respondent explained, "We're really pushing our brokers to automate a lot more of the credit approval within certain parameters. If a fund isn't leveraged, we want them to just approve it. Ideally, the only things we'll need humans or SMEs to do is to solve for a lot of the new regulation or changes in regulation that will continue to come out. As the landscape changes, you will need people to adjust the automated system, but that's absolutely my goal, to remove as much of the human component of it as possible so that you just input information and trade five minutes later."

For many onboarding leaders, evolving technologies such as robotic process automation (RPA) are on the radar.

One respondent said, "We want to have a lot more data straight-through processing and use machine learning. Within five years, we'll definitely have an automated process and the ability to go a lot faster."

Another agreed, "We have asked ourselves: 'Do we really need to have this inbox where we have to answer these very straightforward questions? Or can a robot answer 95% of those questions and we just get the 5% that are a little more complicated?' This type of digitization will allow us to focus on the more complex project work where our expertise and insight is most valuable, versus just doing all of these manual processes."

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## Consolidation and coordination

Technology also holds great promise for consolidating and normalizing data and coordinating market participants—including brokers, custodians, corporates, fund admins, managers and service providers—each of which contributes data and actions required to drive onboarding forward.

One of the most exciting developments that next-generation onboarding platforms have made possible is the creation of a digital institutional identity. Shifting the data from its analog state, distributed across documents, external applications and spreadsheets, into a single, digitized source has the potential to dramatically reduce the number of redundant information requests as well as enable teams to maintain cleaner records and minimize the risk of privacy breaches. It's also a prerequisite to building a truly customer-centric onboarding process that delivers a qualitatively better customer experience.

As one respondent put it, “If you've got the underlying client inputting the various pieces of information—such as their LEI, regulatory disclosures, and custodian information—into a utility, you've got a golden source that everyone can feed off, and that dramatically reduces, if not eradicates, all of this bilateral repetition of managers and the sell side going to clients and to each other to sort all of that information.”

This sentiment was echoed by many onboarding professionals. One agreed, “Often, the time to funding is completely out of our control because some critical piece of account data is sitting with the sub-custodian in Malaysia or something like that. We can't open the account without it and it sits there for weeks. It would be good to have an industry utility where more of that data is essentially available or where we share information a bit more openly to streamline the process.”

There was general agreement among respondents that the industry is heading towards greater collaboration and resource-sharing. One respondent observed, “If the sell side, buy side, custodians and agents all used the same form and referenced the same account number, life would be so much easier.” Another said, “We're all becoming more disciplined around our data and working towards alignment to ensure that what we know is what they know and that we're moving in this journey in lockstep to the extent possible. There is a large move towards a centralized data repository.”

The ultimate goal for many onboarding teams is to create a single, integrated workflow that coordinates all participants across the full onboarding life-cycle and uses digital identities to streamline processes and eliminate wasteful repetition and delays.

When asked to describe the ideal onboarding platform, one respondent said, “Ideally, once we agreed to deal with the client, they would log in to a portal where they could access a draft contract as well as a request for any data and KYC documentation required. Then they would upload everything and e-sign the contract to eliminate the number of turns between the organizations. We would be plugged into internal databases and then perhaps industry databases to front-run any requirements. So, if we knew we were doing a deal with a certain pension plan, we would have all of their data up front and just ask them to confirm it or refresh it instead of asking for something new.”

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There is a large appetite in the industry to move towards a centralized data repository

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## Transparency and Analytics

Digitizing the onboarding process not only holds the promise of optimizing efficiency and increasing speed to revenue, but also bringing much-needed transparency to a process that has historically been frustratingly opaque.

Greater visibility into the process accomplishes a number of goals. Perhaps most critically, it reduces the volume of communications that onboarding teams are currently forced to maintain with external and internal stakeholders.

One respondent described their current situation this way: “When I have to email someone to find out whether an account is credit-approved and operationally set up, it feels as though we’ve gone back in time 15 years. The fact that I don’t have a dashboard where I can just go in and see how things are progressing, that I have to actually chase people, or consistently follow up to see where we are in a process or what the broker status is or consult an internal spreadsheet is just so frustrating.”

In addition, to keeping the onboarding team itself up to date, digitizing the workflow can also help the team empower internal and external stakeholders to “self serve” when they need a status update.

This benefit was the motivating factor for one respondent’s technology implementation: “The key business priority is to gain more transparency. We are working on an equity solution that is more robust in providing the front office with transparency into all those things that are being requested of the onboarding team. Currently, portfolio managers don’t have transparency in terms of the ability to see where that is in progress and how it fits in the breadth of things that are being asked of the onboarding team.”

Beyond streamlining communications and workflow, enhancing transparency within the system also offers an unprecedented opportunity to measure, analyze and improve onboarding processes. Shifting onboarding processes from inboxes and spreadsheets to a centralized, digital repository and workflow allows teams to identify and address bottlenecks, set benchmarks across transaction time, jurisdiction, client type and client and use those metrics to improve performance.

One respondent described their plans for the near future: “We want to be able to automate and manage the onboarding, see the different pieces of it that are going out to the different teams, set up guidelines or set up benchmarks, and run that as the onboarding dashboard. That would give us a far better sense of how things are working and how they could work better than the current way, where a project manager conducts team meetings and jots things down on paper.”

Another suggested that this type of performance data would be used to inform decisions about who to do business with: “As the technology evolves around onboarding data and especially around counterparties, and we’re able to get more disciplined in our ability to measure the service level, I think we’re probably in a better position to say, ‘You know what? We’re not going to route business this way. We’re going to route it this way.’ It becomes more of a substantive measure in terms of how business is being allocated.”

In addition to enabling individual onboarding teams to measure and optimize their own performance, the shift to digital workflows also holds the potential to enhance industry’s efficiency and performance as a whole. As more and more buy-side and sell-side participants migrate to digital onboarding platforms, the aggregate data will provide an invaluable source of insight that all participants can learn from. Platform providers will have a window into the processes that work best and can use that data to communicate industry norms, expectations and best practices to their use.

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The fact that I don’t have a dashboard where I can just go in and see how things are progressing... is just so frustrating

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## Envisioning the future

We asked onboarding professionals how they saw their function evolving in the future. These are some of their responses:

“Dynamic, exception-based process where teams focus on relationship management, not processing”

“Everyone will use the same form and identify clients with the same account number, including sell side, buy side, custodians and agents.”

“An industry utility where more client data is shared securely between counterparties.”

“Being able to connect internal databases and industry databases to front run any requirements and streamline confirmations and refreshes.”

“We want to see our processes automated, benchmarked, and dashboarded so that we can gain that visibility and monitor our progress against the goal.”

“We are building towards online onboarding where clients as well as counterparties can submit information and check on progress.”

“A ‘golden source’ for underlying client information, including LEI, regulatory disclosures and custodian information.”

“The digitization of manual steps, integration of bots to handle standard inquiries, standardized requirements across counterparties, streamlined communications with status and workflow and the successful integration of AI.”



## Conclusion

**Today's onboarding teams are stretched to the limit, but they are also full of optimism for the future.**

Client onboarding and client lifecycle management teams are beginning to actively refine processes, reshape roles and redefine the relationships with counterparties and clients in pursuit of delivering a better customer experience at scale. They are exploring ways to create an exception-based, fully automated onboarding process, connect clients and counterparties through portals, integrate AI and predictive analytics and create dashboards that provide visibility into the "black box" of onboarding processes.

As onboarding technologies and the onboarding role continue to evolve, the opportunity to effect a true digital transformation is suddenly within reach. In the near future, the client lifecycle could connect clients, sell side and custodians seamlessly, transparently and securely. It is an ambitious but attainable goal that will make onboarding virtually unrecognizable in just five to 10 years.



Learn more about IHS Markit's vision is to transform the client lifecycle by creating a single platform that supports and connects the entire ecosystem of financial market participants, data repositories and digital systems at [www.ihsmarket.com/Future-of-Client-Onboarding](http://www.ihsmarket.com/Future-of-Client-Onboarding)

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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