

Contactless experience:

The next disruption in financial services



Abstract

Life with COVID-19 is settling into a routine, albeit with major behavioral shifts – social distancing and minimal physical contact have upended the way we live and interact, spurring digital adoption across sectors. While the financial services industry went into digital overdrive to enhance virtual channels and ensure uninterrupted service in the wake of the pandemic, it is now time to gear up for the future. With pandemic-induced restrictions looking set to become permanent in the next reality, the future of banking will be increasingly contactless, where touch-free operations will transcend retail payments and become the norm in every line of business (LoB). Hence, redefined operating models with the capability to deliver contactless experiences across all areas of banking are emerging as the need of the hour.

Although document management is an area that spans across banking functions and LoBs, financial institutions have traditionally faced challenges in the electronic onboarding of documents. While banks have adopted e-signatures, physical presence is unavoidable for some processes like the notarization of documents, and the pandemic has put this issue in the spotlight. However, many countries are now passing laws to facilitate the electronic execution of documents and contracts through e-signatures and remote online notarization (RON). This is, in turn paving the way for the end-to-end digitalization of customer journeys. This white paper examines the prevailing state of remote notarization, regulatory changes, and the potential of RON to reimagine customer journeys.

Contactless banking: No longer just a nice to have

The COVID-19 pandemic continues to persist with a few countries in Europe announcing a second round of lockdown. The restrictions are likely to extend into the long-term, constraining operations requiring in-person interactions. As a result, contactless experience is emerging as a core customer expectation and is no longer just a nice-to-have.

In the financial services industry, while routine banking operations can be easily and seamlessly performed remotely, some complex transactions have no digital alternatives. Document execution and management is one such area. Though many financial institutions leveraged e-signatures and accelerated document digitalization programs during the COVID pandemic, the physical presence of customers is, however, required for notarization. For instance, executing documents such as powers of attorney, wills, trust deeds, residential and commercial leasing agreements, mortgage agreements, affidavits, and real estate contracts demand the physical presence of signatories. However, with the recent regulatory changes in RON, financial institutions are starting to look

at end-to-end digitalization of customer journeys to improve the overall experience, reduce operational inefficiencies, and future-proof against similar situations. In certain industries like wealth management, the adoption of RON as part of customer experience transformation is becoming paramount. Two key industry trends – excellent onboarding experience resulting in increased assets inflow and the investment of a large pie of the assets during the first year of engagement – will drive RON adoption in wealth management.

Regulatory landscape

In response to the COVID-19 pandemic, various countries have passed legislations to make e-signatures and RON legally binding.

- **US:** Two laws – the Uniform Electronic Transactions Act (UETA) and the SECURE E-Sign Act – govern the legality of digital and e-signatures in the US. Both these laws have defined policies and procedures governing the e-signature and the RON process. Each state needs to enact laws to authorize e-notarization. Forty eight states have adopted the UETA legislation for e-signature, while 26 states have passed laws authorizing remote notarization.¹ However, each state has its own remote notarization laws depending on the type of document.
- **Europe:** Europe has enacted the electronic IDentification, Authentication and trust Services (eIDAS) regulation applicable to all the member states of the European Union (EU).² The regulation defines three categories of electronic signatures – simple, advanced, and qualified -- where the qualified electronic signature has the same legal effect as the handwritten one. RON has also been enabled as part of the legislation; however, each member state has to adopt the legislation.³ Some countries like Belgium⁴ and Estonia⁵ have adopted e-signature and RON but have limited them to certain document types.⁶ Other countries are also adopting RON in a similar, limited way.
- **UK:** Electronic signatures are legally valid in the UK under the EU's eIDAS regulation and the UK's Electronic Communications Act 2000. However, some statutory bodies do not accept e-signatures, and RON is yet to be enabled in the UK.⁷
- **Canada:** Certain provinces like British Columbia⁸ and Quebec⁹ have enabled RON.

Some countries have stipulated and authorized specific industry solution providers with whom banks can collaborate and offer RON services to their customers. These considerations must be factored into the overall business strategy as adoption picks up across the financial services industry.

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[6] Financial Conduct Authority, FCA expectations for wet-ink signatures in light of coronavirus (Covid-19) restrictions, April 2020, Accessed Dec 2020, <https://www.fca.org.uk/news/statements/expectations-wet-ink-signatures-coronavirus-restrictions>

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[8] Justice Quebec, Temporary Measures Authorizing Notaries to Close Acts Remotely and Bailiffs to Serve Pleadings by Technological Means, March 2020, Accessed December 2020, <https://www.justice.gouv.qc.ca/en/press-releases/temporary-measures-authorizing-notaries-to-close-acts-remotely-and-bailiffs-to-serve-pleadings-by-te/>

Remote notary process: An overview

The document notarization process is largely manual and falls into three broad categories:

- **Paper-based:** This requires physical presence and identification of the signatories and witnesses; documents are attested physically through ink-based signatures along with the physical seal of the notary.
- **In-person electronic notarization (IPEN):** Here, the physical presence and identification of the signatories and witnesses is a must but documents are attested electronically with the notary's signature and seal affixed electronically on digital documents.
- **RON:** This involves remote identity verification of signatories and witnesses; documents are attested electronically with the notary's signature and seal affixed electronically on digital documents.

As regulators have relaxed constraints on notarization, banks now have the opportunity to adopt digital signatures and RON. This will help banks eliminate manual touchpoints and go completely paperless.

A typical remote notary process is initiated by sharing a link to the document requiring notarization with the respective parties and the notary. Multi-factor authentication, leveraging one or more methods such as single-use PIN, password, knowledge-based authentication, and public key infrastructure, is used to ensure secure access. Additional authentication through a video conference between the notary and the parties is required for the process to be completed. The notarized document is held electronically by authorized custodians and distributed to the parties (see Figure 1). Depending on the type of the document and jurisdiction, the remote notary process will vary.

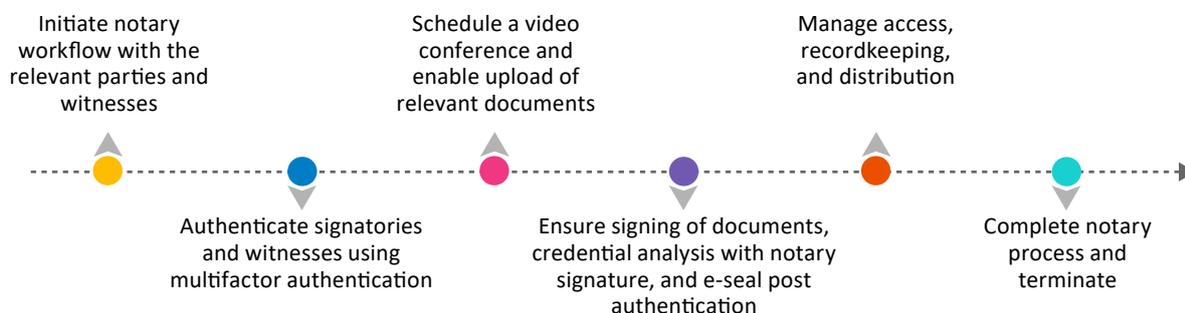


Figure 1: High Level View of the Remote Notary Process

Finding a formula for RON integration

Contactless experience will be key for banks to drive sustainable growth in the long term, especially as changing demographics indicate that millennials are now the largest target segment for banks. Millennials' and Gen Z's preference for digital is well established and engaging with them will require banks to move to their preferred digital channels. Financial institutions must therefore embrace digital engagement models for all banking activities across all LoBs, including complex transactions like mortgage, wealth management, and investment banking, and not limit it to retail banking.

Successful RON integration will help banks to attract and retain not only the millennial and Gen Z cohorts but also other digitally savvy customers. RON adoption offers banks an opportunity to reimagine customer journeys in areas such as wealth management, where customer experience is critical. Areas such as mortgages, where additional efficiency can be achieved in handling large volumes, can also benefit from RON adoption. Identifying the right use cases is thus crucial, and banks must make sure they choose areas where superior contactless experience will be a key differentiator to drive growth.

Banks can choose from multiple options to integrate RON into their ecosystem. However, they must also keep in mind that the customer journeys need to cater to customer preferences for traditional or IPEN notarization till RON becomes widely accepted, as well as consider jurisdictional regulatory nuances. An assessment needs to be undertaken to find the right solution based on the bank's ecosystem. Here are some important aspects that need to be considered:

Product vendors: A few product vendors have integrated e-signatures and remote online notarization onto their platforms. Banks should evaluate their existing product vendors within their landscape to leverage out-of-the-box capabilities, if available, or understand the vendor's future roadmap on RON support.

Public notary: A few public notary firms have started offering RON solutions. Banks can partner with such firms and provide a seamless experience to their customers.

In-house notary: Banks that are authorized custodians and offer in-house notary services have the option to internally build RON capabilities and leverage application programming interface (API) services from independent solution providers.

Banks will also need to address digital debt issues in areas related to document digitalization and e-signature within their ecosystem before embarking on implementation.

The bottom line

As banks accelerate their digitalization programs, integrating RON into their strategy will emerge as an imperative given its ability to differentiate the customer experience. With regulatory restrictions easing, RON will become the preferred approach for notarization among customers. Some banks have recognized the benefit of RON and are taking steps toward its adoption to elevate their customer experience and attract and retain digitally savvy customers from all segments.

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Awards and accolades



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