Docupace

Technologies That Are Driving Turnkey Straight-Through Processing For The Wealth Management Industry

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PREFACE

We were promised a paperless office years ago—exactly 40-years ago. Not only was this prediction wrong, the fact of the matter is that businesses have been producing more and more paper documents over the years, not less.

The idea of the "paperless office" first appeared in 1975, in a Business Week article that predicted all business would be entirely digital by the mid-1990s. Even though we moved toward digital communications, we are still far from the prediction, with global paper consumption projected to continue to grow along with population and development.

Financial Services is lagging, not leading most every other industry in its efforts to go paperless. Despite a litany of technologies deployed by Financial Services companies over the years, many firms are mired in legacy systems and struggling to modernize. Furthermore, there are only a few technology choices available to accomplish paperless processing, and not all were created equal!

Even though functional paperless processing has been available for the last decade, the financial services industry, driven by the ever-increasing demands of regulatory compliance and having operating margins at an all-time low, is just now embracing the many game-changing benefits of Straight-Through Processing. It began with the initial transition to electronic document storage, then to workflow, to e-signature, before finally moving to end-to-end Straight-Through Processing of New Account Opening & Maintenance. The industry must embrace these technologies on a wholesale basis if it is to realize the myriad compliance and cost-savings advantages provided by STP.

DEFINING STRAIGHT-THROUGH PROCESSING (STP)

If, when traveling, you could take a straight through train to your preferred destination, why would you opt for one with numerous stops where potential delays, at any one of the stops along the way, could result in a missed connection or even several missed connections?

Switch out the "straight through train" analogy with "Straight-Through Processing" and you will find that the marketplace today has a similar option of using straight through connections, when it comes to business processes -- across several industry sectors. You can manage processes manually at every intersection, or you can make use of available technologies that automate end- to-end Straight-Through Processing transactions. Those sectors that have the greatest concerns with privacy, cyber security as well as compliance with regulations are the first adopters of Straight-Through Processing. For example, innovators in the healthcare industry have already implemented mechanisms that offer electronic processing within a captive audience. In other words, patient documents go straight through the labyrinths of medical specialties, billing transactions and, as an example of end game—the pharmacy.

The concept has also been transferred into other sectors including energy (oil, gas) trading and banking, and financial planning.

But within the financial sector, the Straight-Through Processing system takes on a more universal scope as well as greater urgency, as there is little room for human errors in documentation what with the stringent state and federal regulations that need to be complied with...The return of Not-In-Good-Order (NIGO) documents from the regulating offices need no longer happen.

CURRENT FINANCIAL PROCESSING SYSTEMS

In the Financial Industry, the entire trade life-cycle can be a maze of manual processes, and requires human intervention, which slows the entire cycle. It can take several days, involve costly multiple data re-entry from paper documents and other sources, all of which are susceptible to errors, discrepancies, delays and possible fraud. The optimum goal is to minimize settlement risk for the execution of a trade. For this to happen, there has to be a network of multiple market participants to realize high levels of Straight-Through Processing.

The current state of business processing for most service products is disconnected and does not provide a client or advisor with a seamless and compliant way to process and view accounts from a uni interface. Input, as well as output, is disjointed, and overnight mail or faxing is the transport mechanism for moving information between entities. These static channels create a "broken dealer" and only achieve "part-through" processing.

CURRENT SCENARIO EXAMPLE...

Tim, the client, drops off a check and application to Bob, his advisor, who in turn hands it along with other non-related documents to Mary in the office. Mary sorts through the documents, makes copies, files brokerage documents in one file cabinet, outside business in another, and general office in another. On her way to the fax machine, Mary stops for a soda, gets the documents supervised by the OSJ, and then fills out a blotter. She then bundles the check and application up with a bunch of other checks and applications and hands them to Steve, the courier, who puts the package in a van and drives it to the airport. Steve hands it to Hal, the handler, who puts it on a plane for a rendezvous with a different Steve and Hal on the other side. Eventually, the check and app make it to the broker dealer.

When it gets to the broker dealer, the application is then given to Angie. Angie is a principal who reviews the application and notices that the wife on the application missed a signature. Angie calls Bob, the advisor, but gets voicemail, so she also emails Bob, that the application is incomplete and needs to be corrected. Bob, now back at his desk (being away for a client meeting) calls Tim the client, who is golfing. The phone rings during Tim's swing and startles him, so he hits the ball into the woods. When he picks up the phone, he finds a message from Bob about a missing signature. Hours later, Tim gets in his car, goes and picks up his wife, comes back into the office, she signs the application, Bob reviews it, puts it in Judy's inbox, who just left for the day....

When Judy gets to work in the morning, she again puts it on a truck that goes to a plane that goes

to another truck that goes back to Angie. Angie replaces the application with the other application at the bottom of the stack. After processing all the other applications that came in since she processed the initial app, she creates her daily bundle and....well we go easy on Steve and Hal this time, the application is processed and an account number is created and Angie then faxes or mails the account number back to Bob. Once the broker dealer completes his/her processing, a package is either faxed or shipped to the clearing house. If Tim wants to make a subsequent purchase, the process starts anew.

As noted the process involves a lot of manual touch points as well as time and money, which is important to note because the client check can only be held for 24 hours before it is required to be returned to the client. Every contact can be a very real point of failure and when one step fails, the whole process fails and the dreaded Not-In-Good-Order (NIGO) rate goes up. The madness has to stop...there is a solution.

CURRENT STATE OF THE INDUSTRY

The industry is in the infancy of a transformation from a disconnected network of financial services firms to a well-oiled machine interconnected by normalized, fully electronic data processing. Currently, there is a very mature and e interconnectivity for some components of the financial services world, such as trading, settlement and asset movements but there is no universal account-opening platform. There are fragmented, firm-centric rules and data that are passed between firms by converting their data to physical form, which is then interpreted by the receiving firm and reconstituted into electronic form in the new system.

Progressive firms have achieved certain levels of Straight-Through Processing internally with most of the automated processing, occurring within the four walls of the broker dealer. There are real reasons for the slow move to frictionless processing between all parties. Technology is one. However, web based systems and web services are now making it easier to get systems to talk to each other. Another key factor is that the technologies necessary for electronic processing such as e-signatures and check processing are proven and generally available. ESIGN and Check 21 are now law, and firms and advisors are rapidly moving away from the current methods.

This would also include what is known among broker/dealers as the Front, Middle and Back office. In other words, STP can be described as electronically capturing and processing transactions in one pass, from the point of first 'deal' to final settlement. It is a system used by innovative companies in the financial world to elevate the speed at which transactions are processed. Information that has been electronically entered is now available to be transferred from one party to another without manually re-entering the same pieces of information repeatedly over the entire sequence of events.

STP enables the entire trade process for capital market and payment transactions to be conducted electronically without the need for re-keying or manual intervention, subject to legal and regulatory restrictions. As such, STP also decreases any settlement risk.

Another advantage of usage of STP is it allows for orders to be processed, confirmed, cleared and settled in a shorter time period, more cost effectively and with fewer errors. Apart from compressing the clearing and settlement time, STP also provides a flexible, cost-effective infrastructure, which enables e-business expansion through real-time processing and access to enterprise data. STP also streamlines back-office activities, leading to fewer failures, lower risks and drastically reduces costs per transaction. It embraces a set of applications, business processes and standards, which are set to revolutionize the settlement and processing standards within the services industry.

It is important that all required information and signatures are accurately collected, complete and used across all appropriate forms for the transaction. Once forms are electronically processed, stored and signed and data and payments are securely transmitted between all parties – Straight-Through Processing is achieved.

FINANCIAL MARKET NEEDS

In the financial sector, Straight-Through Processing ("STP") takes on a more universal course. The end-to-end processing of transactions of financial instruments should ideally involve the use of a single system to process or control all elements of the workflow of a financial transaction. Straight-Through Processing requires that all parties involved with any transaction are work ow enabled. In order to put this powerful tool into the hands of advisors and their staff, the system must be pre-integrated and easy to use. The optimum is for a single vendor to deliver everything needed to automate new accounts workflows along with all other front and back office processes for an Independent broker/dealer or RIA.

The concepts of STP are applied to reduce systemic and operational risk and to improve certainty of settlement and minimize operational costs. When fully realized, STP provides asset managers, brokers and dealers, custodians, banks and other financial services players with tremendous benefits, including greatly shortened processing cycles, reduced settlement risk and lower operating costs. For STP to be successful, groups of firms need to work seamlessly together to improve the quality of the automation of transaction information between themselves either bilaterally or as a community of users (external STP).

The ability to transact any line of business from a single application does not exist today outside of Docupace, who has pioneered this effort and continues to contribute significant time and resources to drive efficient and paperless processing.

NEW STANDARDS - MEETING MARKETPLACE NEEDS

The only comprehensive electronic paperless application and check system on the market today specifically for the financial service sector comes from Docupace Technologies, a privately held company based out of Los Angeles California. The ability to transact any line of business from a single platform does not exist today outside of Docupace. Nor does any industry utility exist today outside of Docupace that has integrated universal connectivity between the clients, their broker dealers/banks/insurance companies, the product sponsors and the custody & transfer agents.

This company has pioneered this effort and continues to focus significant time and resources to drive efficient and paperless processing.

Docupace's vision and innovative industry solutions are putting firms in the "ready mode" for electronic processing. Clearing houses, custodians, and mutual fund companies are all beginning to offer solutions submitting information electronically and electronic new account opening. Deploying ePACS STP Platform today will position a firm for tomorrow's needs.

Docupace is the only company today that has cracked the code for delivering a service that is a fraction of the cost of traditional work ow systems and one that breaks down financial barriers for extending true, automated end-to-end workflow out to the field. Their proprietary product, the ePACS STP Platform delivers the future of any Straight-Through Processing for it connects systems, documents, and data seamlessly.

The Docupace ePACS STP Platform brings a tightly integrated solution suite that satisfies operations, compliance, and risk management and connects advisors and their clients through their broker dealer and RIA to financial institutions including mutual funds, insurance, annuity companies, clearing firms and custodians, non-traded REITS and BDCs, including some of the largest broker/dealers in the country. Presently there are over 300 clients using the Docupace platform exclusively.

Connectivity is continually monitored for optiomal bandwidth and unparalleled service control.

Docupace brings to the market a tightly integrated solution suite that satisfies operations, compliance, sales and risk. The interoperability between these systems is key to data flow and integration, but most importantly, to create a seamless experience for the end user. Straight-Through Processing requires that all parties involved with the transaction or request are workflow enabled. In order to put this powerful tool into the hands of advisors and their staff, the system must be pre-integrated and easy to use.

The company has forged partnerships with best of breed financial service solution providers such as Signix for e-signatures, RemitPro for paperless check processing, and Efficient Technology Ince.'s Quik! Forms form service to be a source that can deliver all of the technology necessary to automate the new account workflow, as well as all other back office processes. The interoperability between these systems is key to data flow and integration, but most importantly, to create a seamless experience for the end user.

Through bundling of required forms and the validation of required data, and integrated electronic signatures, the ePACS STP Platform helps ensure all required information and signatures are accurately collected, complete and used across all appropriate forms for the transaction. Once

The Docupace ePACS STP Platform Value Proposition:

- Facilitates shortening of the settlement cycle.
- Increases transparency.
- Avoids costly duplication of work and manual intervention.
- Reduces in risks and errors.
- Speeds data capturing, processing and report generation.
- Increases the overall efficiencies.
- Makes the market cost effective.
- Provides better regulation by systematic audit trial.

forms are electronically processed, stored and signed and data and payments STP Platform is a universal platform that provides users with a simple interface and a secure independent of the product type of carrier.

COMPLIANCE ADHERENCE/SECURITY

Compliance Adherence

Compliance is at the core of the Docupace ePACS STP Platform. Firms that use the Docupace Platform are realizing cost and time savings when it comes to regulatory compliance and audits. Docupace serves as an SEC Third Party Download provider for more than 300 firms across the US and as part of every installation, the company provides audit support for its clients. A key benefit of ePACS STP Platform is that representations and warranties for EISIGN, SEC, and FINRA will all come from one company — Docupace.

The company is one of the largest SEC Third Party Download Providers in the U.S. and is in use today by some of the largest broker/dealers in the industry, with over 120,00 registered representative, advisors, and users.

It is important to know that the frequency and intensity of SEC and FINRA audits are increasing. The ePACS STP Platform has audit features that can fulfill auditors' document requests in real time. Every user action and workflow action is tracked and logged and the ability to quickly produce quality and reliable compliance reports is due to the integrated nature of

the systems. Because the sub-processes such as check processing and e-signing are tightly integrated, reporting against the lifecycle is seamless. Rather than trying to tie together data and time stamps across multiple systems, ePACS STP Platform allows you to hand the auditors "comment proof" reports. The speed at which such requests can be delivered will also give the auditors confidence that a firm has control over its data.

Compliance and auditing functions are centralized. Based on the configuration of roles and visibility rules, compliance staff has a 360-degree view of all documents across the entire organization. The majority of brand audits can now be done from the home office. In order to satisfy SEC regulations 17a4, dealing with WORM storage requirements, Docupace has deployed EMC Centers in multiple locations. EMC's Centera Compliance Edition Plus hardware and software are tightly integrated with ePACS STP Platform and serves as the data vault for hundreds of millions of documents. There is not a more reliable, secure and faster WORM storage solution available.

Interoperability

- Enables end-to-end Straight-Through Processing by interconnecting data and procedures trapped in information silos
- Allows for systems and products to work with other systems or products without special effort on the part of the customer
- Increases productivity by automating human labor
- Eliminates redundant business processes and data replications
- Minimizes errors inherent in manual processes
- Gives managers a practical means of overseeing processes used to run business operations
- Places emphasis on business processes rather than on the s ystems required to operate them
- Strengthens security by eliminating gaps between proprietary software systems
- Improves privacy by giving users complete control over their data
- Enables real time enterprise scenarios and forecasts

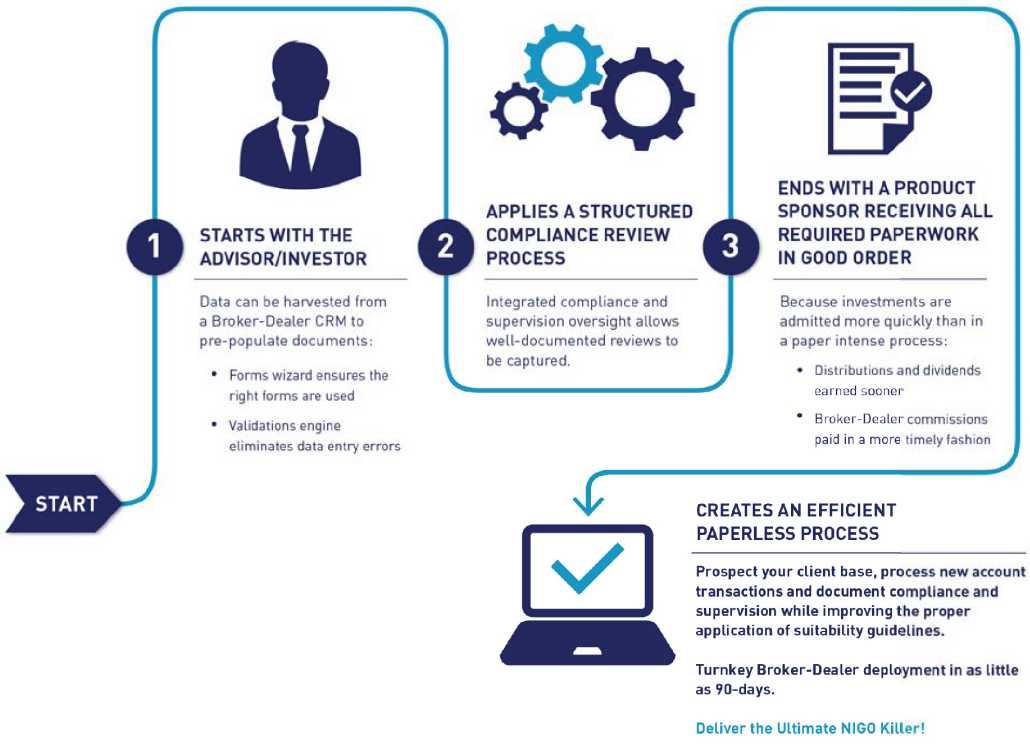
Security

Switch Communications is the primary data center for Docupace systems and represents a unique fiber nexus interconnection point accessing all of North Americas largest telecommunication providers. The data center is SAS 70 audited and is located in the US Safe Zone in southern Nevada. The area is void of weather or other hazards and is the most stable ground in the western hemisphere.

More than 20 of the top Internet carriers in the world interconnect at Switch Communications assuring that Docupace clients always have the fastest possible connection.

APPENDIX

How Does Docupace Work?



- The advisor meets with the client, gathers data and enters into a CRM or directly into Docupace's STP Platform application
- Advisor launches Starting Point (Docupace's e-forms wizard) which selects the appropriate forms and pulls data from the CRM tool to populate all required forms. Since all of the forms have edits and validations, you're ensured your forms will be "in good order."
- If the client has a check to process with the electronic application, the advisor can scan the check using Remit Pro. Remit Pro will capture the checking data, automatically processing the funds.
- The Advisor sends the forms electronically to the client for e-signatures or has the client e-sign the form in the advisor's office (wet signatures are optional).

- The signed forms are processed by Docupace's STP Platform solution. STP Platform validates the data and e-signatures for compliance and routes to the supervisor for approval.
- The supervisor e-signs approval as required and approves documents online (providing the BD/RIA approval). The BD/RIA now as all forms and data captured in their books and records system.
- After BD/RIA approval, the forms, data, e-signatures and funding data are routed electronically to the RIA Custodian.
- The RIA Custodian electronically confirms back to the BD/RIA and advisor that the account has been opened, with a new account number where applicable.

Cost Savings Example: Product Sponsor

Savings per Application **$59**

	Current Process		With Docupace*	
	Rate	Cost	Rate	Cost
Advisor	20 min	$33.33	7 min	$11.67
Administrative	30 min	$10.00	11 min	$3.50
Back Office Ops	30 min	$10.00	11 min	$3.50
Supervision	20 min	$16.67	7 min	$5.83
Mail/Overnight	- -	$5.00	- -	$2.00
NIGO Cost	35%	$11.08	8%	$0.91
Total Cost		**$86.08**		**$27.41**

That's a saving of **$59** or **68%** on every transaction!

DISCLAIMER

Estimates are not a guarantee of cost savings. A number of other factors may affect your actual costs and savings, and your actual results may differ.

Annual Savings per Advisor **$2,253**

	Current Process		With Docupace*	
	Rate	Cost	Rate	Cost
Monthly Applications	3	$138.67	3	$48.53
Back Office & Reprocessing Cost	- -	$136.80	- -	$39.17
Total Cost		**$275.47**		**$87.70**

That's **8** hours saved and an additional revenue potential of **$832** for each advisor!

Annual Savings for your Firm **$563,296**

	Current Process		With Docupace*	
	Rate	Cost	Rate	Cost
Monthly Applications	800	$34,665.67	800	$12,133.33
Monthly Nigo Reprocessing Fees	- -	$34,200.00	- -	$9,792.00
Total Cost		**$68,866.67**		**$21,925.33**

That's **2080** advisor hours saved and an additional revenue potential of **$208,000** for your firm!

DISCLAIMER

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Cost Savings Example: Back Office or Advisor

Savings per Application **$59**

	Current Process		With Docupace*	
	Rate	Cost	Rate	Cost
Advisor	20 min	$33.33	7 min	$11.67
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FAQS AT-A-GLANCE

What types of business can be processed with the ePACS STP Platform?

All types of business, including communications and transactions, between all parties involved. Whether it's a single request from the advisor to the home o or a complex transaction involving multiple products across multiple vendors. The ePACS STP Platform seamlessly and electronically connects the client to the advisor, the advisor to the BD/RIA, and the BD/RIA to the product sponsor (mutual fund, insurance carrier, alternative investment company, clearing firm or RIA custodian).

Who's currently using the ePACS STP Platform?

Over 500 Docupace BD and RIA (encompassing over 130,000 users) clients are using the Docupace ePACS STP Platform to streamline their business workflow, store hundreds of millions of documents, and make Straight-Through paperless processing a reality. Some clients include: Fortune 500 Financial Firms; Specialty BDs & RIAs; 125,000 Advisors; Hundreds of Investment Providers.

How secure is the ePACS STP Platform?

Docupace's security measures are ranked among the highest in the industry. The entire STP platform is hosted at the Tier IV Gold Data Center in the Las Vegas desert. This is the most secure hosting facility in the U.S.

Docupace's network security measures are ranked among the industry's highest performing deep packet inspection systems. Each document deposited into Docupace's system is individually encrypted with the same types of algorithms used by the world's largest banks, credit unions and financial institutions. Every time the document is accessed, it is analyzed to be certain that it has not been tampered with or modified without the proper in the audit trail including email, IP addressed used, and exact time of signing in order to better protect clients.

DISCLOSURE

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More information about transitioning regulations may be found through the SEC and FINRA. For more information visit www.docupace.com.

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