



systemware

NEXT GENERATION BANKING

*Electronic Storage and Retrieval of Documents In
the Financial Services Environment*

Whitepaper

15301 Dallas Parkway Suite #1100 Addison, TX 75001
www.systemware.com
v: 1-800-535-8681 f: 972-239-7242

Financial institutions have worked for years to achieve the “paperless” office. Today, most forward-looking organizations recognize the cost and efficiency benefits of electronic documentation management.

Yet in many financial institutions, paper continues to accumulate at an accelerating pace. This is often the case because few banks have taken the time to quantify and track the true cost of a paper-based workflow. Even for those financial institutions that do understand the rising cost of a hard-copy workplace, many have not implemented electronic document systems due to organizational constraints, technology challenges or simple inertia.

But in today’s increasingly competitive marketplace, financial institutions can simply no longer afford the waste and inefficiency of the traditional hard-copy environment. Handling and storing paper is expensive, wasteful, and time-consuming. It diverts staff from more productive and profitable activities. The inefficiencies of paper handling – when spread over branches, business units and geographic markets – can reduce productivity, increase errors, and drive customers away from even the best financial institutions.

In this white paper, we examine the true cost of paper-based banking, the emerging generation of electronic document storage and retrieval technologies, and the measurable benefits of moving to a true “paperless banking” environment.

The True Cost of Paper

Banks and other financial institutions continue to generate massive volumes of hard-copy documentation.

According to the American Records Management Association (ARMA) and IDC:

- The average company spends between 7-14% of its total costs on document processing in a paper environment
- An estimated 7.4% of staff time is spent searching for documents
- Average storage cost per page = \$.014 per year, or about \$1,400 per file cabinet
- Storage requirements for hard copy documents *DOUBLE* every 3 years
- The average company spends 280 hours annually per employee looking for lost documents
- Due to a lack of solid disaster recovery planning, 70% of companies *NEVER* fully recover from a disaster

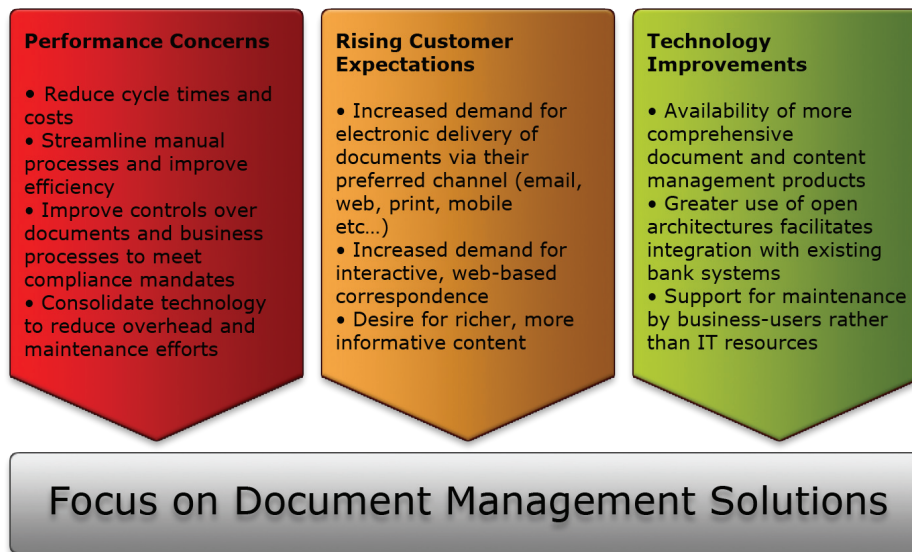
According to a study of the banking industry by Coopers and Lybrand, the typical financial institution:

- Spends \$25,000 to fill a 4-drawer file cabinet and \$2,000 annually to maintain it
- Loses 1 out of 20 office documents
- Spends \$250 recreating each lost document
- Spends \$20 on labor for filing each document
- Spends \$120 searching for every misfiled document

Hard-copy documents are hard to find because the particular pages needed by an employee may be misfiled, in use by another staff member, or simply lost.

Understanding the Business Case

Financial institutions are implementing electronic document management solutions for a number of good reasons. According to a 2006 study of the banking industry by Celent, banks, credit unions, and financial services firms are adopting advanced document management technology to achieve these expected results.



Source: Celent

The Siloed Enterprise

Many financial institutions suffer from information systems that are disjointed, inefficient, and poorly integrated. This situation arises from several common historical patterns at banks and other organizations.

Like other businesses, banks have in the past tended to implement software applications to handle basic business processes such as payroll, human resources, and customer relationship management (CRM). Banks in the past also deployed specialized applications to manage financial services-specific tasks, such as loan processing, customer accounts, statements, and reporting. Those systems worked well enough for a time, but they also tended to create their own “information silos” that are separate from and difficult to integrate with other bank systems.

This silo effect is magnified when banks grow through acquisitions or mergers. By combining applications and data warehouses from multiple organizations, the new enterprise often finds itself with a vast array of diverse and hard-to-integrate information silos.

Financial institutions that cannot see and share information among functional activities and geographical branches are at a distinct disadvantage. Poorly integrated information stores can,

for example, create very different experiences for customers who walk into different branches, or who check their balance online one day and call the bank's Interactive Voice Response (IRV) system the next. If, in another example, a customer service representative (CSR) cannot instantly see a customer's combined account balances, that CSR may be unable to offer an appropriate savings or investment product while speaking to that customer.

Most banking executives now recognize the cost and inefficiencies associated with obsolete and siloed stores of data, information and documents. But the cost and complexity of "enterprise class" solutions have prevented many banks from seeking and deploying a workable solution.

Now there is good news: banks can solve many of the most difficult problems associated with "information islands", while at the same time enjoying the benefits of true paperless banking. The solution lies in an emerging class of more efficient and productive electronic content and document management solutions.

Next Generation Document Management

In direct response to the cost and waste of the traditional paper-based approach, a new generation of electronic document storage and retrieval technologies has now emerged. Adapted and refined specifically to meet the needs of financial services organizations, this advanced document management approach allows banks and other financial institutions to leverage the benefits of true paperless banking.

This next-generation approach can be used to manage both physical and electronic records, including email and associated attachments, in a consistent, integrated manner. The best of this new class of electronic document management technology can be used to create, capture, process, store, and retrieve any type of record. These solutions capture form data electronically and then provide seamless integration with existing documents, records, scanned images, rich media, and other types of content.

Banks can leverage a modern electronic document management system to automate internal processes so that instead of handling forms as standalone records, they are managed as an integral part of a true enterprise content infrastructure. This approach allows organizations to use both forms and form-collected data in any content-based application across branches, geographical locations and business units.

A New Document Environment

Years ago, financial institutions used microfilm or microfiche to capture and archive images of checks, remittance advice forms, and other physical documents; and in fact, specialized software applications were developed to accommodate these specific types of documents. While other banks have struggled to maintain filing cabinets and off-site warehouse storage facilities packed with hard-copy versions of banking documents and other day-to-day business forms. But as the cost of managing hard-copy and film-based documents continues to escalate financial institutions are anxiously seeking more efficient imaging and document management solutions.

Leveraging newer technologies, virtually any type of document in any organization can be

converted to electronic format and managed in a document management solution. In the financial services industry, a number of traditional documents can be converted and stored in an advanced electronic document management system, including:

- Signature cards
- Savings/CD/checking account application forms
- Customer account statements
- Loan application forms
- Letters of credit
- Checks
- Credit card applications
- Personnel records (for bank employees)
- Accounts payable/accounts receivable related documents (invoices from vendors, vendor communications, purchase orders, service contracts, licensing agreements, etc.)

In an electronic document management system, paper documents can be scanned and converted into electronic files, while existing electronic files can be “captured” directly into the system. Even archive documents that were previously stored on microfilm or microfiche can now be converted to a digital format. In both cases, innovative embedded indexing can be added to files to enable rapid searching and retrieval of specific archived data.

A fully featured document management system should also integrate seamlessly with an organization’s current core banking system, without re-keying customer information – which introduces the risk of creating new errors. Forms, documents, and records that are now handled electronically (such as email messages and Web-based account application forms) should be organized uniformly with older documents that have been scanned, indexed, and loaded into the system.

Managing Financial Services

Banks can deploy today’s next generation document management systems to increase productivity, to reduce cost and waste, and to improve overall customer satisfaction. Technology that could previously only be afforded by the largest international financial institutions can now be leveraged by banks of all sizes. Systems have been developed and refined to meet a number of specific financial services requirements, including:

Account records. Electronic document management allows banking organization to integrate content across multiple systems. By allowing various content repositories and workflow systems to act as a single unified platform, these more efficient systems eliminate the problems associated with scattered and “siloeed” information. An electronic accounts record solution:

- Consolidates customer records in a centralized location
- Provides fast, secure access to customer documents
- Allows financial institutions to comply with the Gramm-Leach-Bliley Act, Patriot Act, and other regulatory requirements
- Supports simplified customer authentication and reduced fraud
- Reduces transaction times

Electronic Statements. By evolving to an electronic document management environment, banks can give customers fast and easy access to their financial information. Online banking portals allow customers to view and print current and historic statements in a convenient and secure way. By offering electronic statements, banks can measurably reduce costs (saving as much as 50-60% compared to paper-and-mail statements), while distinguishing themselves from non-electronic competitors. An advanced electronic statement system:

- Improves customer service and satisfaction, while encouraging customers to adopt online and other electronic services
- Integrates smoothly with existing online applications and core legacy systems
- Reduces print, labor and postage costs
- Can be extended to other branches, call centers, and business units
- Provides a vehicle for targeted marketing of new products and services
- Delivers a rapid ROI and a clear competitive advantage.

Loans. As the number of customers and loans increase, it can be difficult for banks to manage the loan package and required documentation across the life of the loan. Manually tracking loan covenants and collateral documents across a large loan portfolio can pose serious loss, compliance, and audit risks. By leveraging the capabilities of a robust electronic documentation management solution, financial services firms can significantly improve the performance of their loan operations. Electronic document management for loans:

- Electronically captures, securely stores, tracks, and provides instant access to loan files and related documents
- Proactively alerts exceptions to support ongoing risk mitigation
- Allows automatic tracking of missing and expired documents
- Reduces loss exposure, eliminates paper storage, and improves customer service

Compliance. Financial institutions can also use next-generation electronic document management technologies to meet a wide range of regulatory requirements, including:

- **Gramm-Leach-Bliley Act** — details specific rules for governing the collection and disclosure of customers' personal financial information. Financial institutions are also required to have a written information security plan to protect the nonpublic personal information of both current and previous clients.
- **Bank Secrecy Act (BSA/AML)** — requires financial institutions to generate suspicious activity reports (SARs) for questionable customer transactions in an effort to detect and prevent money laundering.
- **SEC 17.a-4** — requires all financial institutions to retain customer records on media that is in a non-rewritable and non-erasable format and for a specified period of time (the length of time varies depending on document type).
- **U.S. Patriot Act Section 326** — outlines the customer identification process for financial institutions. This process includes verification of customer identity, comparison with government lists, and retention of these records for five years after the account is dormant or closed. During this period in accordance with the Gramm-Leach-Bliley Act, financial institutions are required to maintain safekeeping of such nonpublic personal information.

By taking advantage of today's intelligent document management systems, financial institutions have a distinct advantage in the ability to fulfill their growing compliance and regulatory obligations. Through these systems, organizations can confidently manage electronic documents to meet compliance and regulatory standards. Specifically, these systems allow organizations to more efficiently access documents as needed, to maintain strict corporate security standards, and to effectively orchestrate document retention and disposition policies as required.

Services and Scalability

The best of today's new breed of electronic document management solutions also allow banks to quickly and efficiently launch and adjust services, support merger and acquisition strategies, and grow to meet changing market conditions.

By adopting a solution based on a service oriented architecture (SOA), banks can quickly and efficiently adapt business processes to deliver new customer services. A SOA uses industry-standard components, connectivity and Web services, and allows a financial institution to react quickly to changes in customer need, regulatory requirements, or the competitive landscape.

Today's robust and flexible electronic document management solutions can also be scaled to meet the needs of virtually any financial institution. Smaller community banks can gain the advantages of today's most sophisticated technologies, in a solution that is both affordable and suitable to their technology expertise. Larger organizations, including the world's most complex international banking corporations, can leverage these capabilities to deliver comprehensive services across national boundaries, portfolios and businesses.

The Benefits of Going Paperless

Banks, credit unions and other financial institutions can realize measurable benefits by deploying next generation electronic document management solutions. According to a study by Nucleus Research, the hard cost advantages of an electronic document management system can include:

- A 75% reduction in printing costs
- A 55% reduction in postage, overnight, and fax costs
- A 40% reduction in storage space requirements
- Reduced paper-related labor cost

Financial institutions can also improve the efficiency of document distribution and sharing. Faster document retrieval helps boost overall employee productivity.

By managing documents electronically, banks can improve information security, strengthen their audit processes, and meet today's more rigorous regulatory requirements. Finally, a next generation electronic document management system allows banks to dramatically improve customer service and satisfaction while distinguishing their brands and building customer loyalty in an increasingly crowded financial services marketplace.

About Systemware

Systemware, Inc. is the leading enterprise content management (ECM) company delivering the most advanced products on the market today. Systemware is able to effectively and efficiently capture, index, store, and manage billions of documents generated by some of the largest financial organizations. Systemware enables customers to capitalize on information assets in order to make better business decisions, expand their customer view, and improve customer service while reducing costs, ensuring compliance, and mitigating risks associated with the ever increasing volume of customer documents and records.

In addition to providing a wide range of enterprise content management solutions, Systemware also offers a suite of applications developed specifically for the financial services industry — Systemware FS for Loans, Systemware FS for Account Records, and Systemware FS for Electronic Statements.

Systemware FS is an affordable, easy-to-use solution. The Systemware solution is built on a standards-based platform incorporating a service oriented architecture (SOA) in a Web services environment. Designed specifically for financial services firms, Systemware FS is robust and scalable, and can be configured to meet the needs of any financial organization – from a community and regional independent bank to the largest international financial institutions.

Systemware electronic document management solutions are in place and providing measurable benefits to many of the world's most successful financial services organizations. Founded in 1981, Systemware is a privately-held corporation headquartered in Dallas, Texas, with branch offices throughout the United States. For more information visit www.systemware.com.