



New Norms

Wet signatures – irreversible changes underway

July 2020

V1.0



The evolution of signature

Wealth management firms have had to review their approach to how they carry out their business, especially in the light of COVID 19 pandemic.

It was not that long ago, when we all interpreted 'signature' in the same way - someone placing a physical signature on a hard copy of a document with a pen, a wet signature. Some cultures use seals however the word "wet" implies the same - the signature is made with ink or wax and requires time to dry.

Historically, it was the only method to enter into a legally binding contract. Face to face meetings used to be the standard way of concluding agreements and wet signatures for years played key part in it.

Given the widespread adoption of digital channels and a shift in customer expectations, an increased number of firms have started exploring and implementing new approaches. Increasingly, financial services organisations have started accepting electronic signatures.

Over the years, electronic signatures have been gaining popularity. The adoption of technology to integrate electronic signature has been on the rise, however the progress in this aspect has been relatively slow. Security, legal validity and reluctance to change have been referred to as key issues.

The restrictions imposed by the COVID19 lockdown in the recent months have resulted in a massive jump in their implementation across businesses.

The pandemic has changed the way we live our lives and conduct the business. It has also meant that the so long awaited acceleration in the adoption of electronic signature has taken place.

Electronic signature, or eSignature, has been defined by eIDAS as information in an electronic form, which is "associated with other data in electronic form and which is used by the signatory to sign".¹

There are three types of electronic signatures:

- Simple electronic signature (SES)
- Advanced electronic signature (AES)
- Qualified electronic signature (QES)



The continued increase of e-signatures...



*Intelliflo DocuSign functionality saw a **1189%** increase in uses during the 2 months of the pandemic. The back-office provider compared aggregated user data from February, before Covid had hit the UK, with the respective data from April, when the lock down was in full swing.²*

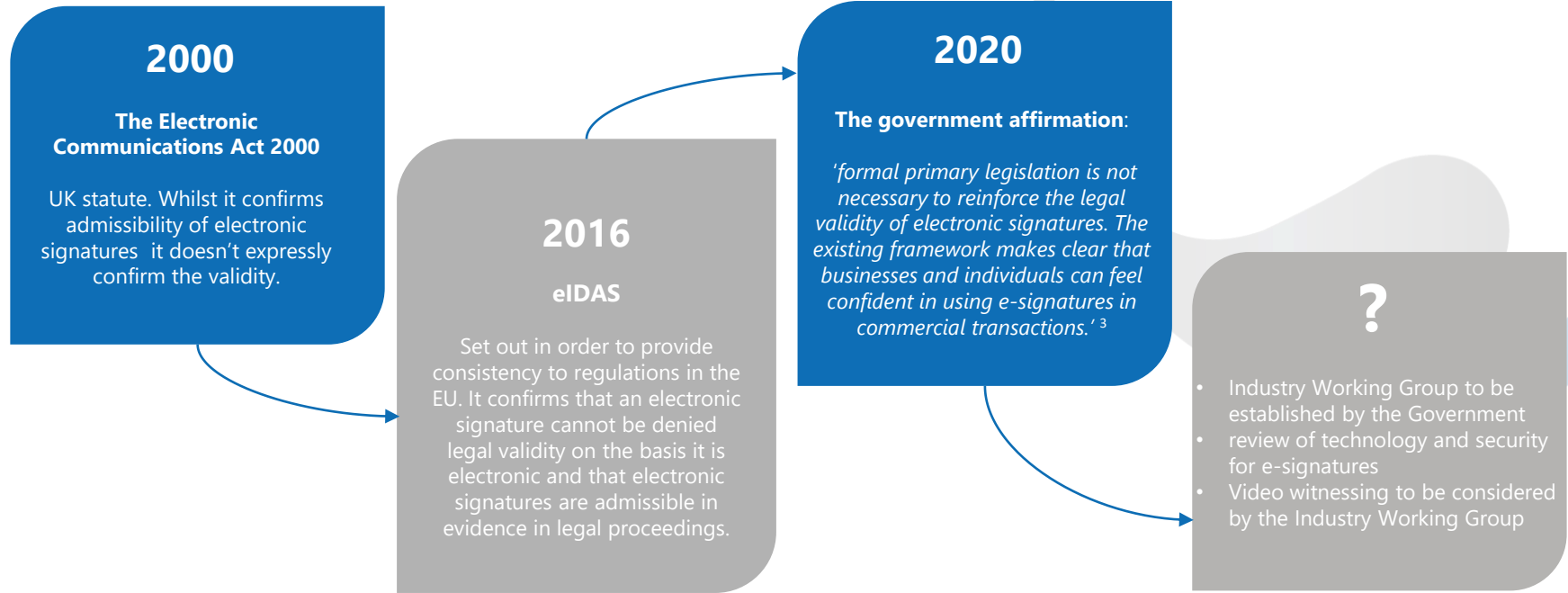


¹ICO - Guide to eIDAS

²Daniela Esnerova - E-signature use jumps tenfold

The legislative evolution of electronic signature

The Pandemic changed traditional use of wet signatures, however assurance on the safety and validity of the electronic signatures was sought. The following diagram presents how 'validity' of electronic signatures has evolved:



³ Government response to the Law Commission report Electronic Execution of Deeds: Written statement - HCWS143

Benefits of Using Electronic Signatures

If implemented properly, electronic signatures help organisations realise numerous benefits. There are number of e-signing solutions on the market that can be integrated into the existing processes. Integration of electronic signatures into the business process will help not only to meet requirements of today but also tomorrow.

At Simplify we help companies to re-engineer their processes, document the customer journeys to support the use of electronic signature.

Electronic signatures allow the customer to open, maintain and close their investment accounts at lower cost. For insurance firms claim assessments or policy agreements are key areas of benefits. ⁴ Integration of electronic signature into the claims processes within one of the biggest insurance providers in the UK resulted in the £45k savings a year, providing numerous other benefits to their customers and employees.

Key benefits of electronic signature include, but are not limited to:



Improved Customer Outcomes

- Quicker and simpler customer journeys
- Flexibility to sign at chosen time and location
- Reduced cost for the customer
- Safety – social distancing enabled



Process Efficiencies

- Faster transactions
- Streamlined processes
- Reduced administration time
- Reduced use of paper
- Reduced cost for the business



Leverage Technology

- Enable remote working
- Address Information Security
- Enable process efficiencies to be realised



Risk Reduction

- Reduced risk
- Increased security through the use of available solutions i.e. exacting authentication, secure encryption, a tamper-evident seal

Considerations

The following points should be considered when implementing electronic signatures:



Intention to authenticate

For the signature to be valid, the signatory's intentions to sign and be bound by the document need to be clear.⁵



Regulations

Any applicable regulations or requirements must be satisfied e.g. the requirement for the signature being witnessed in applicable scenarios.⁵



Type of e-signature

Different level of technical expert evidence is available for different types of electronic signatures, e.g. the way of accessing document ie through the use of a password, PIN, encryption key and/or other authentication process.⁵



Document Type

There are certain types of documents or document categories for which electronic signatures are not appropriate. Common categories of exclusion are wills and trusts, powers of attorney, and declarations given under oath however details and categories of exclusion should be confirmed by the legal counsel.



Technology

The regulation is technology-neutral and doesn't mandate use in a particular technology. Technology keeps evolving and there are many integrated e-signing solutions on the market, which allow the companies and their customers sign contracts online.⁶



Risk of Fraud

This is however not different to any other type of signature. Numerous e-signing solutions on the market can help to reduce this risk.



Evidence

Additional evidence may help to support 'intention to authenticate' e.g. phone calls, meetings (including in via remote means) emails related to signature.⁵



BREXIT

In case of the UK no longer being subject to the eIDAS Regulation, this would not mean any imminent changes to the law and market practice in respect of electronic signatures.⁶

⁵ Farrer & Co Coronavirus: Wealth Managers embrace the use of electronic signatures for taking on new clients

⁶ PLC Magazine Electronic signature platforms key contractual issues

Conclusions

Whilst considerations are required in respect of implementation of suitable electronic signature, there's no doubt that the recently observed acceleration in the use of electronic signatures will only continue.

The pandemic has triggered change in behaviors that has long been overdue. The progress that has been made in the past four months in moving towards electronic signatures is now irreversible.

Electronic signatures will shape the future for financial services organisations and customer expectations, delivering great efficiencies for both as a result.

For more information watch out for our White Paper on Electronic Signatures.

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The continued increase of e-signatures...

The research run by Intelliflo indicates the continued increase in use of electronic signatures. Out of 534 respondents, 68% expect less frequent face to face communications when it comes to 'a new normal' ⁷

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⁷ Daniela Esnerova - E-signature use jumps tenfold

Why Simplify?

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