ELLICE CONSULTING

James Berkeley's Profitable Growth Notes

The Art of Onboarding Clients

Why are experienced professionals constantly "surprised" by compliance obstacles when "onboarding" clients when they have come across almost every obstacle on multiple occasions during their career? If the idea is to provide a warm welcome when clients cross the threshold of our firm, shouldn't we start by visualising the optimum client experience, the probable obstacles on that route and mitigating the risks? You don't achieve that by asking the client to walk alone across a rickety wooden plank perched perilously over piranha-infested waters in pitch darkness.

My observation in many regulated businesses (wealth management, asset management, professional services and insurance) is that the leaders have allowed the client experience to be driven by the Compliance Officer rather than the other way around. They are so focused on top line revenue growth (closing the sale) that they have largely ignored the onboarding process or they are so fearful of compliance penalties that they have castrated front line staff from developing their own ideas (arbitrary tick box process) or failed to empower them to set their own higher standards (cost considerations).

Many practitioners rail against increased regulation. They just don't get the logic. What they forget is that regulators are like all of us. They think with logic and act on emotion. If you don't know or don't consider their emotional imperatives you haven't got a cat in hell's chance of making some sense of it.

Here is a powerful visualising technique and an example for a private bank:

1. **Why is there a need for a client onboarding process?** (build a trusting and peer-level UHNW client-bank relationship)
2. **What is the ultimate result to be achieved?** (greater preservation of capital inter-generations)
3. **What alternatives exist that can meet that goal?** (client experiences and compliant investment strategies)
4. **What alternatives can we create that meet this goal?** (application of new technology, knowledge, expertise and contacts to the client experience and investment strategies)
5. **What risks are attached to these alternatives?** (compliance risk, financial risk, operational risk, counterparty risk and so on)
6. **How may we mitigate or control the risks?** (preventative and contingent actions)
7. **What does the risk and reward comparison look like?** (attractive, questionable or unattractive trade-off)
8. **How much risk is the firm willing to take in return for how much benefit?** (There is no point in coming up with a "high risk" client onboarding process in a low-risk environment. In other words, a Relationship Manager, who sets up a bank account for the President of Equatorial Guinea and which a family member uses to buy a set of prized art at Sotheby's would be unwise if he didn't first let the Client know that in the

onboarding process the source of all funds paid into the account would need to be properly accounted for. If in doubt, veer on the side of caution.)

Greater regulation is a reflection on societal “norms”, whether we like it or not. Perception is reality when it comes to compliance. If politicians and the wider society perceive they are safer with more stringent rules and regulations then most firms have two choices, accept it or move on. More powerful firms and interests may have greater resources to fight regulation but that is not an option for most firms or trade bodies.

Businesses can help themselves by better curating the client experience from start to finish, making appropriate allowances for both mandatory regulations and impressive professional standards, which are consistent with the operating beliefs and core values of the firm.

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