Online and self-services are becoming increasingly popular in the banking sector. This is due to customer needs requiring online services to be available 24/7. At the same time, banks are hoping that outsourcing certain activities to (potential) customers will bring about possible savings and efficiencies.

Today, many banks are wondering which online services they should provide to their customers. In addition to established applications such as e-banking and information management platforms, the focus is increasingly shifting toward online client onboarding - especially in retail banking.

How can banks open a client account online while complying with current regulations?

First and foremost, it is about meeting the customer's needs for simplicity, clarity and consistency (i.e. customer experience without breaks between systems). Then, security and data protection aspects also play an important role - although customer needs are shifting towards the online world, they are also increasingly changing with regard to data security and privacy. A client onboarding process must not only be offered through different channels, but must also be simple, fast, self-explanatory and secure. Compared with client onboarding in a branch where the client advisor has a chance to support and explain the process, this opportunity is absent when onboarding a client online. For example: while the client advisor explains to the customer why the disclosure of income and assets is necessary for approving a credit card application, the customer in self-service needs to read through the questions on his own and might be inhibited by the multitude of personal data he must disclose. Online, the hurdle to cancel the onboarding process is much lower - no "escape" from the branch is necessary, the potential customer only needs to close the browser window.

Digital identification plays an important role in the client onboarding process. Although this step is quite important for the bank, for the customer it is a necessary evil from a usability point of view. Here again it is important to implement aspects relevant to the customer such as simplicity, clarity and security along a holistic identification process.

Today there are three established methods for digital identification. For banks, the FINMA Circular 16/7 is crucial. The circular defines the requirements under which a client onboarding or identification via online channels is FINMA-compliant.

The different methods as well as their advantages and disadvantages are listed below: video identification, online identification and self-service identification.

1. Video identification

After selecting the desired products, the customer enters his personal data on the bank's website and then starts the video call. The call agent guides him through the video call and checks if the ID is valid, checks the customer data relevant for identification and then completes the identification.

For the digital signature of account opening documents, the customer gives his consent by entering a one-time password (a transaction number, or TAN) that is sent to him by SMS. The documents are then electronically signed and securely encrypted (using a hash value).

Advantages of video identification:

- ✓ The identification is FINMA Circular 16/7-compliant
- ✓ The qualified digital signature is considered a legally binding signature, i.e. it is equivalent to a handwritten signature according to OR Art. 59a (and to ZertES).
- ✓ With the consent of the customer, the signature may be used for signing further documents in the future
- ✓ According to the Federal Office of Communications (OFCOM), this is the only way to identify customers online and to have them legally sign by means of a qualified electronic signature.

Disadvantages of video identification:

- ✗ The video call may be perceived as being unpleasant or complicated. It is therefore important to "prepare" the potential customer prior to this step.
- ✗ The (omnichannel) integration of a video channel via different devices and operating systems (Apple vs. Android) is much more complex compared to other solutions and requires an appropriate infrastructure - including a call center that can handle video calls in the preferred language and carry them out accordingly.
- ✗ The availability of this method of identification is linked to the service hours of the respective call center (usually Monday - Saturday 8:00 - 22:00).

2. Online identification

With online identification, the identity is verified by entering personal data and by means of a valid identification document. The MRZ check ("Machine Readable Zone") is used to systematically check various security features on the ID document. In addition, the "authenticity" of the customer is verified by (digitally) submitting a utility bill (e.g. an electricity bill) and a money transfer from an existing bank account.

The digital signature of the required documents is carried out electronically by means of TAN confirmation. However, this method of digital signing, is not defined as being qualified.

Advantages of video identification:

- ✓ The identification is FINMA Circular 16/7-compliant
- ✓ The customer can carry out the identification at any time and without interaction with a call agent or a bank representative (i.e. 24/7 availability).

- ✓ The integration of an additional channel (video channel) is not necessary, i.e. there are no special prerequisites for the infrastructure in this respect.

Disadvantages of video identification:

- ✗ Only customers with an MRZ-capable ID document can be identified.
- ✗ The signature is sufficient only for advanced electronic signing (and not for the qualified signature, according to ZertES).
- ✗ The money transfer from an existing bank account delays the completion of the online identification.

3. Self-Service identification

With self-service identification, the identity is verified by entering personal data and by means of a valid ID document. The photo of the ID is checked for a few security features. In addition, a biometric facial comparison between the passport photo and the selfie taken during the identification process takes place.

The digital signature of the necessary documents is carried out electronically by means of TAN confirmation, but this type of digital signing is not considered to be qualified.

Advantages of video identification:

- ✓ Identification can be carried out independently of time, location and device
- ✓ The integration of an additional channel (video channel) is not necessary, i.e. there are no special prerequisites for the infrastructure in this respect.

Disadvantages of video identification:

- ✗ Only customers with a MRZ-capable ID can be identified.
- ✗ The signature is sufficient only for advanced electronic signing (and not for the qualified signature, according to ZertES).

In summary

No matter which method of identification and which channels the bank chooses, the following remarks are important:

- The method of identification that a bank wishes to offer always depends on the preferences of its customers, the products it offers and the risk assessment. (In this sense the content of this article is to be understood as a guideline and not as a legal recommendation)

- Despite online and self-services, personal contact between the client and the client advisor will remain important in the future. There will be no complete replacement of the traditional channels (such as the bank branch) in the near future.

- In addition to identification and signing applications, well-established providers offer additional services along the customer opening process. Examples: Further checks of the ID document, integration and handling of name screening (against PEP and sanctions lists) and, in any case, automated processing and execution of all checks, such as this solution from Swisscom. An end-to-end view of the onboarding process is useful and recommended in any case.

Are you interested?

Are you facing similar challenges in online identification and are you looking for an experienced partner who can help you avoid common pitfalls of digital onboarding projects?

We at Swisscom Management Consulting help our customers with this topic on a daily basis where it helps the most: at the interface between business and IT.

We are looking forward to sharing further information with you.

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