

CAPCO

SWISS ELECTRONIC ID:

WILL IT BECOME THE CLIENT-ONBOARDING DISRUPTOR
BANKS HAVE BEEN WAITING FOR?



INTRO

Business processes are becoming increasingly digitized as technology evolves. Client onboarding, however, is still largely manual. To 'digitally' onboard a new client, for example, requires multiple identification and authentication processes which involve physical IDs and are therefore costly.

There is arguably a growing demand from consumers and online businesses for a digital version of the traditional ID card. For banking, a digital ID has the potential to genuinely disrupt client onboarding.

THE E-ID PROCESS

An electronic identification (e-ID) solution may unlock unprecedented possibilities in the digital age. An e-ID can enable individuals to identify themselves online in an immutable and secure way while remaining in control of their personal data. Further use-cases for an e-ID may include authenticating personal attributes in an online transaction (e.g. age) or providing an electronic signature.

In Switzerland, the federal authorities have just completed the legal framework for an e-ID¹. The e-ID act will devolve the responsibility of providing electronic identification to the private sector while backing it by opening access to their central public register upon consent from the identity owner.

The Swiss e-ID ecosystem is designed to distinguish four main roles with the following rights and responsibilities:

1. The ID owner

- Is in control of their personal data through an opt-in approach on their e-ID.
- Signs up with an identity provider of their choice and decides which personal data he/she is willing to share with relying parties.

2. The public registry

- Checks and confirms the existence of a person and their identifying features such as name, gender and date of birth.
- Ensures that providers and their solutions undergo a strict recognition procedure and are also subject to regular checks.

3. The identity provider (IdP)

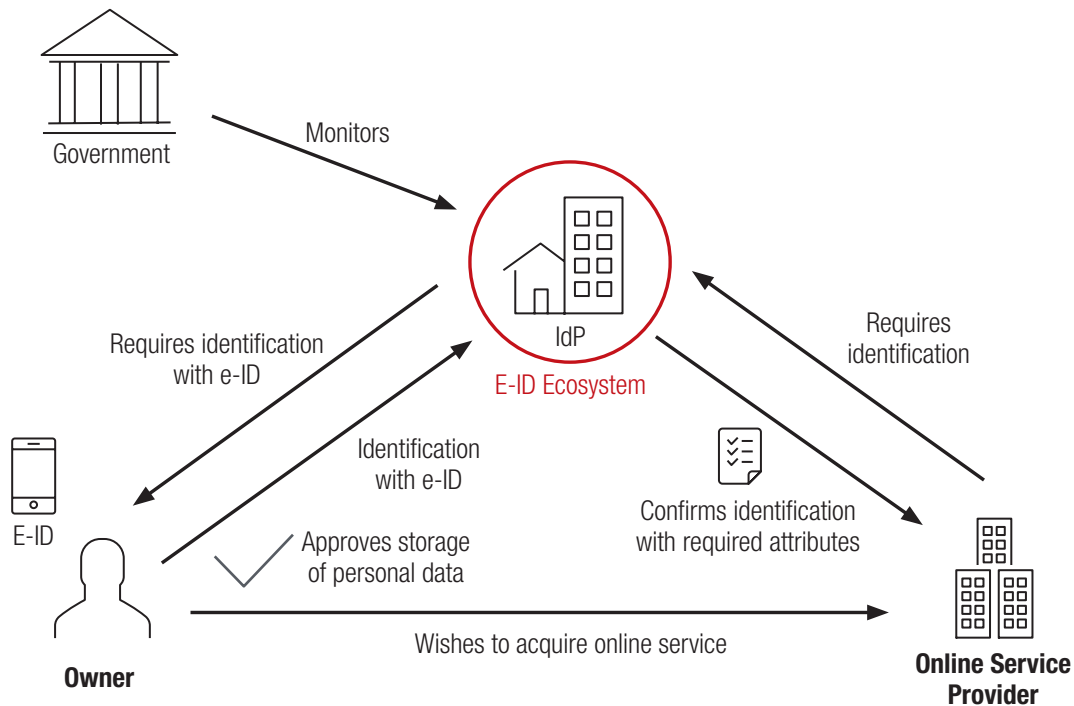
- Owns the technology platform which enables the ID owner to safely perform online authentications.
- Can create additional authentication and personal data sharing services between ID owners and relying parties.

4. The relying party (RP)

- Organizations that consume digital identifications or personal attributes of the ID owner via ID provider.
- Benefit from a standardized, validated and digitally accessible source of data.

¹ Compare : Loi fédérale sur les services d'identification électronique (LSIE)

THE ECOSYSTEM OF THE E-ID AND ITS OPERATION AS DESIGNED BY THE GOVERNMENT



Source: illustration on page 9 of the document <https://www.bj.admin.ch/dam/data/pass/aktuell/konsultation/konzept-d.pdf>

Ok, so Switzerland will soon have an e-ID. What's the big deal for banks?

Over the past decade, banks had to invest massively in order to meet Know-Your-Customer (KYC) and anti-money laundering (AML) identity verification requirements. However, recent market events have shown that in some cases manually complying with these standards does not always protect individual banks from being fined.

In the near future, identification verification will become even more costly, if the AML revision introduces periodic verification renewal requirements.

The e-ID thus provides a great opportunity for banks to significantly reduce their efforts with identity verifications, if they are prepared to build or integrate an IdP solution.

WHY SHOULD BANKS CONSIDER BECOMING AN IDENTITY PROVIDER?

Due to the nature of their business and their regulatory requirements, banks have a strategic advantage over non-financial online players, as they already address important identity verification requirements. Banks already own the necessary customer proximity and trust to verify and maintain sensitive personal data for their clients through their FINMA-audited KYC processes.

Furthermore, banks hold validated client information for which online merchants are willing to pay (given client consent), e.g. validated addresses or credit scores. This opens the opportunity for new revenue models and higher client retention in the future.

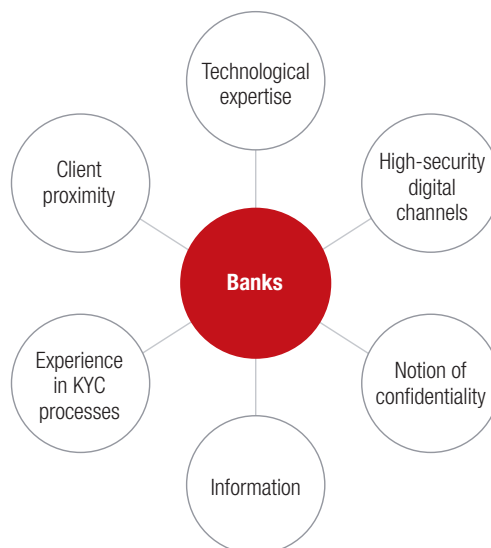
Thus, banks should consider becoming an identity provider, given the proportion of opportunity and effort.

Potential way forward for proactive movers

In addition to the issue of what role to aspire to, banks will have to decide when to respond to the change triggered by the e-ID. They can (a) ignore the opportunity, (b) be a follower or (c) become a proactive shaper of the emerging electronic innovation.

The law has deliberately left some design choices open for the industry to come up with standards. Proactive shapers will thus be rewarded for their pioneering efforts with the benefit of influencing design choices to their advantage.

STRATEGIC ADVANTAGES OF BANKS TO BECOME ID PROVIDERS



For the brave who choose to be proactive, we believe there is a three-stage approach to successful e-ID offering development:

1. Develop a value proposition

- Start to build your e-ID offering by focusing on yours or your clients' single biggest pain point with online identity verifications (e.g. today's onboarding process, FINMA recognized electronic signatures, etc)
- Based on the pain point, develop a client interaction design that is fit for purpose (for example, a slick mobile app for a client base that is technology-averse will not do the trick)

2. Road to minimum viable product (MVP)

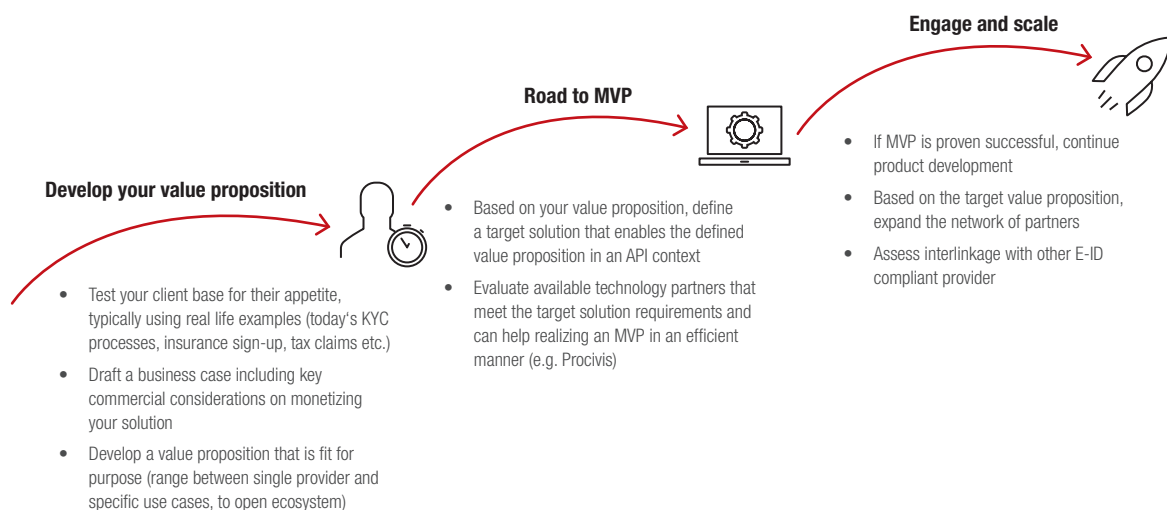
- Define a solution blueprint including future features
- Seek feedback from the client, the regulator and dependent parties

- Evaluate available technology partners that meet the target solution requirements or significant parts, and can help realizing an MVP in an efficient manner
- Draft a business case including key commercial considerations for monetizing your solution

3. Engage and scale

- Decide if a proof of concept with a closed user group is helpful to validate key assumptions
- Develop and launch an MVP
- If MVP is proven successful, continue product evolution for other pain points, monetization opportunities, etc
- Based on the target value proposition, expand the network of partners, either through introduction of APIs or selected partnerships
- Assess interlinkage with other e-ID compliant providers

THREE-PHASED JOURNEY FOR SUCCESSFUL ADOPTION





HOW CAPCO CAN HELP

Capco offers various options for helping clients transform and evolve their customer onboarding, increase revenue, manage risk or regulatory change and ultimately reduce costs and improve control.

1. Value proposition design

- Using agile and design thinking methods, Capco can help you identify your pain points with online identity verification

2. Project management

- Develop and execute a plan to MVP for an e-ID solution as well as select and manage the required third parties

3. Market screening

- Support you with vendor selection, RFI preparation and evaluation, vendor briefing and feedback sessions

4. Business case development

- Develop a dedicated business case for the development and roll-out of an e-ID solution

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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

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