

THE SECRET TO SUCCESSFUL CLIENT ON-BOARDING

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AGENDA

- **OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS**
- **GETTING TO GRIPS WITH KYC AND AML/CFT RISKS**
 - Risk Assessment
 - Know Your Customer (KYC)
 - Customer Due Diligence (CDD)
- **MANAGING CONFLICTS OF INTERESTS**

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS



- **MOST LAWYERS DO CLIENT ON-BOARDING BADLY, IF AT ALL!**
- Lawyers are great problem-solvers!
- When they commence their consultation with a new client, most lawyers jump straight into problem solving!!!!
- This is their first "faux pas"!

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

■ IDENTIFY WHO YOUR “IDEAL CLIENT” IS

- In the early days of your law practice (and even later), it will be tempting to take on every case because you need the revenue.
- This is not a good path to take if you want quality referrals.
- To effectively grow your law practice, you must:
 - understand the kinds of engagement you want. This will guide you towards the types of clients you want to serve.
 - define your ideal client and stick to that vision when accepting referrals and taking on new cases.
- Identifying and understanding who your ideal client is will help you target them and better service their needs.



OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

- **IMPROVE CUSTOMER EXPERIENCE BY BUILDING ON YOUR “BRAND EXPERIENCE”**
- There are two types of services that lawyers provide to clients (1) legal service and (2) client service.
- While many clients cannot judge for themselves the quality of legal work products....
- **ALL CLIENTS**, however, can distinguish between a practitioner :
 - who is accessible and responsive (for e.g. one who returns calls and responds to emails in a timely manner) and another who doesn't;
 - who writes clearly and another whose communication is filled with jargon and legalese;
 - whose secretary/receptionist is pleasant and whose reception area is aesthetically pleasing and another whose staff is rude and unhelpful and whose workspace is not appealing.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

- who proactively counsels, educates and imparts wisdom and another who is always reactive.
- Brand experience is about intangible value that leads to tangible results.
- From the first client contact to the conclusion of any engagement, lawyers must create experiences that make clients want more.
- Pleasant, educational, professional and interesting experiences are fundamental to building a one of a kind practice.
- It all rests on “Brand Experience”.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

- There are six pillars to creating an awesome brand experience



Source: (Jay Harrington 2014)

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

1. THE PITCH

- Client relationships often starts and ends with
- However, are you “pitching” right?
- Pitches should be succinct and to the point (drop the reciting bios routine, the lengthy monologues, presentations, introductory emails).
- Instead, focus on engaging with the client.
- Your objective is to show prospective clients that you truly understand their needs and can, meet them.
- Talk less, Listen More.
- Answering questions is another opportunity to increase credibility with the client and increase chances of engagement.



OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

2. CLIENT ON-BOARDING

- For most lawyers and law firms, “on-boarding” a client is limited to:
 - confirmation of fee estimates;
 - an exchange of signatures on an engagement letter; and
 - (where applicable) the receipt of retainer fees.
- This is impersonal and unpleasant for clients.
- Represents a missed opportunity for lawyers.
- On-boarding should be a discovery phase during which both the lawyer and the client get to know each other.



OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

- On-boarding is also not just about your product or service.
- It is about the entire experience of doing business with you.

Accordingly:

- Create an easy, streamlined and user friendly process for persons to sign up as clients
- Streamline or eliminate any burdensome steps from the client intake process. In particular, things like filling out long forms by hand.
- Clients can access digitized forms and documents on the web from any device, fill out or sign, and submit them to you with ease nowadays. If you offer the option for clients to fill out their forms online and e-sign their retainer agreements, it cuts out quite a few steps from the process. No more downloading, printing, scanning, uploading is required.
- This improves retention rates and helps minimize delays in the legal sales process.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

3. BILLING PRACTICES

- Be upfront about:
 - your pricing method (fixed fee, time spent, success fee, break costs);
 - additional costs /disbursements that you are likely to charge;
 - your actual billing practices (i.e. frequency of your bills, timeline in which bills should be paid, etc); and
 - any VAT and/or duty that may arise.

- Lawyers and law firms are steadily moving away from time sheets and adopting value pricing models.

- Value pricing is a term used to describe a pricing model that sets fees based on the value of the work to be done for the client. Once a scope of work is identified, clients are generally given fixed fee estimates.

- The up-front fee model allows a client to weigh the costs of legal representation against the benefits and make an informed decision about how to proceed with their legal affairs.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

4. COMMUNICATION

- Effective communication is one of the most important parts of the lawyer client relationship. Lawyers tend to forget about this.
- Most common complaints:
 - The lawyer / law firm was “not responsive”.
 - The lawyer / law firm “did not communicate well” during the representation.
- Good communication needs to be a priority for lawyers right from the start of a new client relationship.
- Not only will proper communication during the intake process set the right tone for the rest of the representation, but more importantly, it will make the client more likely to hire you in the first place.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

The good thing is that effective communication can be managed. To achieve this goal, it is important that you:

1. Request for the Client's Preference for Receiving Information:

- How the client would like to be contacted: face to face appointment, email, phone call, letter or other methods such as WhatsApp, Viber, Skype etc.
- The frequency of updates that the client expects.
- The frequency of face to face meetings that the client expects.
- Establish a timetable for pre-trial conferences based on available dates.

2. Be Pro-Active:

- Being "reactive" rather than "pro-active" is a sure fire way to spoil a brand experience.
- By the time a client reaches out to you, it's likely that the client has been waiting for an update for several days. Being proactive about communication rather than reactive can drastically improve both your client retention and new client referral rates.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

3. Identify Who Will Accompany the Client Throughout the Engagement:

- Designate who will be the client's go-to person/buddy/ally.
- All communication from and/or to the client should be routed to that person.
- That person should be able to manage the client.
- More importantly, that person should be able to resolve any problem or misunderstanding that may arise during the course of the engagement.
- This ensures that the client has a familiar person to turn to in time of need.
- Otherwise, this may result in the client going to another lawyer / law firm.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

5. HOSPITALITY

- Does visiting your office feels like a trip to the dentist?
- Drab décor, rude and unhelpful staff and lack of basic amenities all influence a client's perception of the value being provided.
- Hospitality is a ripe area for stress testing.

6. TRAINING AND EDUCATION

- Clients engage you not just because you are smart but because they want to get smarter too!
- Client training is a big part of brand experience.
- Not only is it appreciated by clients, but it is also a great way to stay close to clients between matters.

OPTIMISING YOUR CLIENT ENGAGEMENT & INTAKE PROCESS

■ AUTOMATE YOUR PROCESSES

- Despite the major technological advances happening all around us, the client on-boarding experience for most lawyers / law firms today is still incredibly cumbersome and manual.
- Information is gathered haphazardly through a combination of emails, paper forms, and handwritten notes.
- This makes the intake process inefficient, and worst of all, creates a greater likelihood of errors and exposure to malpractice claims.
- A number of products are available nowadays to manage all of the common client intake processes with one, all-encompassing solution. But it is also possible to develop a good protocol using available methods as well.
- At the very least, you should try to go paperless to minimize waste.
- The best way to really optimize your process and implement a consistent, organized workflow is probably by using an actual client intake software.

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

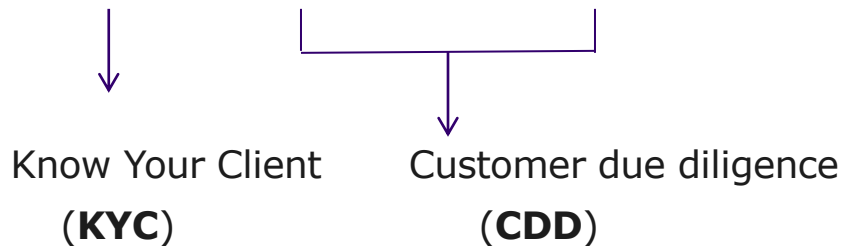
RISK ASSESSMENT & DUE DILIGENCE

■ Scope:

- A risk assessment must be carried out for all new clients to consider the risk of money laundering and terrorism financing and/or any reputational risk to the lawyer/firm.

■ Two main elements of risk assessment & profiling

- Risk Assessment and Profiling
- Identification and Verification



GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

THE RISK BASED APPROACH

■ The Risk Based Approach



- Why is there a need for risk assessment?
- Types of risks to which lawyers / law firms are exposed and vulnerable:
 - In the context of lawyers / law firms, the risk of money laundering or of terrorism financing is defined as the risk of professional services being used directly or indirectly by criminals to channel illicit money.
 - The purpose of establishing a “risk-based approach” is to make sure that anti money laundering and combatting the financing of terrorism measures applied by lawyers / law firms is proportionate to the identified risk.

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

RISK ASSESSMENT

■ Identifying Risks

- The need to identify risks – When?
- How do we identify risks – Red Flags
 - Combating ML/TF relies on legal professionals (i) being alert to “red flags” indicating that the client is seeking to involve them in criminal activity; (ii) choosing to abide by the law, their ethical obligations and applicable professional rules; and (iii) discerning legitimate client wishes from transactions and structures intended to conceal or promote criminal activity or thwart law enforcement.
- The risks the legal sector faces depend on variety of factors (“red flags”):
 - The client base;
 - The services provided;
 - The geographic location;
 - The source of funds;
 - The choice of lawyer;
 - The nature of the retainer.

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

CASE STUDY - RISK FROM CLIENT BASE

■ **RISK FROM CLIENT BASE**

■ **Levels of Risks of clients**

■ The levels of risks associated with the client base could include for example:

- Clients considered as high risk (for example, Politically Exposed Persons);
- Medium risk clients;
- Low/standard risk clients.

■ **Types of clients**

■ The type of clients may also pose ML/FT risks

- Stable, long-term clients: Generally present a lower risk than new or one-off clients because Law Firms have had more time to know the client. There is always the risk that a new client is looking for a new opportunity to exploit the law services to launder criminal property.
- Individual clients: May be perceived to present a lower risk than legal entities. This is the reason why legal entities (for instance companies, trusts, etc) may lend themselves to obscuring the real source, ownership and control of property.
- Trusts/ Charities/Limited Liability Companies or structures: Susceptible to be used for concealing the source and control of funds and may be difficult to identify the beneficial owner of the money.

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

RISK ASSESSMENT

- Politically exposed persons (PEPs): They are seen as high risk clients.
- Non face to face client: They are seen as high risk clients.
- Clients with an affiliation to countries with high levels of corruption or in which there are terrorist organizations: They are seen as high risk clients.

The following types of clients might also be considered as high-risk for ML:

- Casinos;
- Offshore corporation and banks located in tax/banking havens;
- Leather goods stores;
- Currency exchange houses, money remitters, checks, cashers;
- Car/Boat and plane dealerships;
- Used-car and truck-dealers and machine parts manufacturers;
- Travel agencies;
- Brokers/Dealers in securities;
- Jewellery and precious metals dealers;
- Import/export companies;
- Cash-intensive businesses (restaurants, retail stores, parking).

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

RISK ASSESSMENT

Traits of High Risk Clients may also include:

- A client who is overly secretive or evasive about:
 - who the client is;
 - who the beneficial owner is;
 - where the money is coming from;
 - why they are doing this transaction this way;
 - what the big picture is.
- The client:
 - is using an agent or intermediary without good reason.
 - is actively avoiding personal contact without good reason.
 - is reluctant to provide or refuses to provide information, data and documents usually required in order to enable the transaction's execution
 - holds or has previously held a public position (political or high-level professional appointment) or has professional or family ties to such an individual and is engaged in unusual private business given the frequency or characteristics involved
 - provides false or counterfeited documentation

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS RISK ASSESSMENT

- is a business entity which cannot be found on the internet and/or uses an email address with an unusual domain part such as Hotmail, Gmail, Yahoo etc., especially if the client is otherwise secretive or avoids direct contact.
- is known to have convictions for acquisitive crime, known to be currently under investigation for acquisitive crime or have known connections with criminals
- is or is related to or is a known associate of a person listed as being involved or suspected of involvement with terrorist or terrorist financing related activities.
- shows an unusual familiarity with respect to the ordinary standards provided for by the law in the matter of satisfactory customer identification, data entries and suspicious transaction reports – that is – asks repeated questions on the procedures for applying the ordinary standards.

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

MANAGING RISKS

- **Managing Risks**
 - Risk profiling
 - Trigger events

- **Procedures for Risk Assessment**
 - (i) Conflict Checks
 - (ii) Client Screening
 - Ongoing Monitoring – Trigger Events

GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

IDENTIFICATION AND VERIFICATION

■ Identification

- Know Your Client (KYC)
- Ascertain who a person claims to be;
- When?
 - All new transactions

■ Verification

- Customer Due Diligence (CDD)
- To obtain evidence which tends to show that the person is who he says to be;
- When?
 - As prescribed by statute



GETTING TO GRIPS WITH KYC AND AML/CFT RISKS

CUSTOMER DUE DILIGENCE

■ CDD REQUIREMENTS

- Legal Requirements
- Appleby's internal policy

■ Legal Requirements

■ FIU Guidelines – Specific Transactions (**Transaction**):

- I. Buying and Selling of real estate;
- II. Managing client money, securities or other assets;
- III. Management of bank, savings or securities accounts;
- IV. Organisation of contributions for the creation, operation or management of companies;
- V. Creation, operation or management of legal persons or arrangements, and buying and selling of business entities.

■ Appleby's Internal Policy

- All new transactions
(except exempt transactions)



CUSTOMER DUE DILIGENCE

(Cont'd)

■ CDD REQUIREMENTS

- CDD Exemptions
- Eligible and Group Introducers

■ CDD Exemptions

- Law Firms
- Listed Companies (on a recognised stock exchange);
- Financial Institutions (e.g. banks, management companies, insurance companies);
- Government administrations/enterprises and statutory bodies.

■ Eligible and Group Introducers

- A form of simplified due diligence
- Reliance on Eligible and Group introducers
- Lawyers / law firms acting as Eligible and Group introducer.



CUSTOMER DUE DILIGENCE

(Cont'd)

■ EDD REQUIREMENTS

- Enhanced Due Diligence
- Verifications of Source of Funds and Source of Wealth
- Certifiers and certifications

■ **Enhanced Due Diligence (EDD)**

- High Risk Clients
- Related to a PEP or PEP involved in transaction
- Suspicion of money laundering and/or financing of terrorism
- How is EDD carried out?

■ **Source of Funds and Source of wealth**

- Forms part of EDD and provides background information on clients
- Source of Funds – those activities which generate funds for the transaction/relationship
- Source of wealth – those activities which have generated the total net worth of the person before within and outside of the transaction/relationship.

■ **Certifiers and certifications**

- Care to be taken especially in high risk and non face-to-face relationships

CUSTOMER DUE DILIGENCE

(Cont'd)

The Documentary Requirements

■ CDD REQUIREMENTS

- For all new transactions as specified in the FIU Guidelines.
- Differentiation made between face-to-face and non face-to-face transactions.
- All documents for non face-to-face transactions should be duly certified as being a true copy by suitable certifiers

■ For individuals

- Photographic Identification document, e.g., Passport, Identity Card;
- Proof of Address;
- Occupation (which can be in the form of a c.v.).

■ For entities

- Certificate of Incorporation/registration/extracts of constitutive documents;
- Certificate of Incumbency;
- Structure Chart showing Ultimate Beneficial Owners.



MANAGING CONFLICTS OF INTEREST

■ SAFEGUARDS OF CONFLICTS OF INTERESTS

- New Business Intake – (i) Conflict checks; (ii) Initial client screenings (use of search engines such as World Check; KYC360 Risk Screen; Regulatory Data Corp (RDC)).
- Information Barriers Policy;
- Conflict Waivers;
- Register of conflicts of interests
- **CAUTION:** Law Practitioners Act – Section 10C (5)

Law Practitioners belonging to the same law firm shall not appear for different parties in respect of any litigation where there is a conflict or significant risk of conflict between the interests of those parties.

DECLINED BUSINESS

■ DECLINING BUSINESSES

■ **Examples of new businesses which lawyers/law firms might not accept**

- Excessive risk factors;
- Conflicts of interests;
- Ethical, regulatory or other reason to refuse, e.g. suspicion of money laundering.

■ **Terminating an existing client relationship**

- Failure to pay fees;
- Trigger event making it too high a risk;
- Reputational Risks.

■ **Notifications upon termination**

- Notify the client – caution if STR filed;
- Notify compliance and Finance – records.

Our Risks while providing certain services

■ MANAGING RISKS FROM SOME SERVICES PROVIDED BY LAWYERS / LAW FIRMS

■ Agency / Escrow Arrangements

- CDD Documents on all parties involved
- Supporting Documents
- Compliance Review

■ Third Party Directorships

- CDD documents on Company;
- Enhanced due diligence checks;
- Regular Monitoring.

■ Holding Client Monies

- Monitoring of payments by finance department – payments made only as per prior agreement;
- CDD on relevant parties.



ANY QUESTIONS?



THANK YOU