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Investments

Going Green: Can the Financial Services Industry Achieve a Paperless Future?

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How many sheets of paper does the average office worker, on a global basis, use every year? Maybe 2,000 sheets? If that number seems a bit low, how about 5,000? Guess again.

The average office worker uses 10,000 sheets annually! Consider how many colleagues are on your floor and how many floors are in your building. Now think about all the office towers in your city, all the cities in the country and all the countries in the world. Just imagine how many sheets of paper are used each year.

We've all heard how much waste ends up in landfills, from plastics and metals to textiles and other trash, but the biggest culprits are paper products – and much of that waste comes from offices. Organizations have taken some steps to reduce paper usage, but now there's a full-on need to “go green” and reduce our carbon footprint so we can minimize environmental damage.

For years, the financial services industry has relied on paper and fax machines without a definitive plan to reduce paper waste and abandon outdated, paper-consuming technologies. Other industries are finding ways to go green and reduce their environmental impact, so it's time for our industry to move toward a paperless state, even if zero paper usage is unlikely.

As an example, think about how we still use the fax machine to transmit documents between fund companies and dealers. The fax machine was invented in 1843 and, while revolutionary at the time, is now an outdated way to send documents.



Benefits of going green

One important advantage of reducing paper usage – aside from being environmentally responsible for future generations – is that it will finally bring our industry into the digital era to join companies in other sectors.

From a practical standpoint, digital communication is generally easier, faster and more organized, plus it's a way of doing business that is more attractive to end investors, particularly the next wave of clients who have grown up in the digital world without heavy reliance on paper.

Why is our industry taking so long to adopt solutions that will lead us into an ideal digital future?

Challenges of seeking greener pastures

In our industry's current state, procedures can be inefficient, and any noteworthy changes would require a significant paradigm shift in how the industry conducts business. Investor statements and reports are produced by both the fund companies and dealers, which can be a duplication of efforts, costs and paper waste. Fund companies typically mail transaction confirmations, tax slips and annual notices, while fund companies and dealers exchange faxes to process client requests.

Yes, fund companies have their own online client portals, but investors need a different login for each firm where they hold an account. Fundserv allows advisors to access client information for multiple fund companies through myserv and lets them communicate with advisors in certain scenarios through messageserv. But, the solutions currently in place have not yet taken our industry to the ideal digital state.

How can we leverage and improve on the solutions currently in place to achieve a paperless future in our industry?

Noteworthy industry initiatives

Fundserv version 30 is recommending adding to the standards an e-delivery preference for statements currently being delivered by fund companies. This step in the right direction helps curb the paper usage problem, especially when you consider the findings of the Fundserv MFDA Advisory Council that client-name statements from various fund companies may be confusing to clients and manufacturers are not required by law to issue client-name account statements (except when there is no active dealer on record).

To facilitate migration to e-delivery, the IFIC Mutual Fund Manufacturer Documentation and E-Delivery Sub-Group, along with the Manufacturer Advisory Council, have recommended an addition to the Fundserv Standards that will allow distributors to communicate a client's interest in e-delivery, along with the client's email address, to fund companies. Fund companies will then direct these investors to their website portal to manage consent for e-delivery and set up document-specific delivery options.

It is clear that we have some tools available to help guide us to a more permanent solution to the paper problem such as messageserv, myserv, the Electronic Processing Agreement, etc. How we work together as an industry to enhance solutions on the digital front will determine how quickly we will get to the future of our industry.

There is no better time than now to implement solutions that will lead our industry into the ideal digital future we can all envision. Let's go green and make paper in the financial services industry a thing of the past. Let's work together and make a commitment to propel the financial services industry into a paperless future.

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Have you considered a paperless future? Can you imagine a business without paper?
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