



EXECUTIVE SUMMARY

DIGITIZING PAYMENTS: The Online Account Opening Experience

Digitization of financial services is increasing markedly, and the COVID-19 pandemic has been fueling a pre-existing trend. Traditional banking services — like account opening — once administered in person, are now being conducted online in order to safely serve customers and members. Financial institutions looking to implement new digital services during the pandemic have faced a number of challenges.

To support financial institutions offering online account opening, the Center for Payments™ launched its second nationwide market study, *Digitizing Payments: The Online Account Opening Experience*. The study examines current financial institution practices and procedures to safely manage online account openings, as well as to detect, evaluate, and mitigate associated risks throughout the online account opening process. The results aim to provide financial institutions with insights into different strategies and actions similar organizations undertake for online account opening.

The complete findings of this study are available exclusively to members of the ten Payments Associations that participate in the Center for Payments, and questions should be directed to your Payments Association.

Key Findings

Online Account Opening is a Growing Trend

According to the results of this study, online account opening is a growing trend. Currently, 52 percent of responding organizations offer online account opening, with 46 percent of banks offering it, and 63 percent of credit unions. Survey results show it is one of the fastest growing services being added to financial institutions' suite of offerings, ranking second among a list of 18 other services ranging from faster payment solutions to Remote Deposit Capture. Of those that added online account opening in 2020, 36 percent of responding organizations indicated that COVID-19 factored into the decision.

Risk Avoidance is a Key Rationale for Not Offering Online Account Opening

While the majority of financial institutions participating in the survey offer online account opening, a significant number, 48 percent, do not. The reasons for not offering the service are many, but at the top is risk, with 65 percent of responding institutions citing this as the main reason they don't offer the service. Other factors are system/technology limitations (19 percent), cost (19 percent), and staff resources (18 percent).

Financial Institutions are Diligent in Monitoring Fraud with Online Account Opening

With risk as a top barrier to offering online account opening, it is important to understand fraud associated with this type of service. Based on the study results, on average 1.9 percent of all online accounts opened between November 2019 and November 2020 were suspected as fraudulent. Only 0.9 percent were actual fraudulent account openings among survey participants. But when viewing the median values for suspected and actual fraud the numbers are much lower, at 1.0 percent and 0.1 percent, respectively.

Of those participants who experienced fraud due to online account openings, the most frequent types of fraud cited were impersonated authorized party fraud (31 percent), digital payment fraud (24 percent), and counterfeit fraud (22 percent).

Various Tools are Used to Mitigate Risk and Fraud with Online Account Opening

Many financial institutions participating in the survey have measures in place to mitigate risk and fraud associated with online account opening. Nearly 70 percent of responding organizations limit online account opening to a geographic footprint. Fifty-six percent of institutions place dollar limits on funding transactions. Eighty-seven percent of financial institutions suspend or don't open an account when the account holder fails validation or authentication.

There are additional measures financial institutions can take to further reduce risk and the incidence of fraud related to online account opening. Institutions can require additional steps beyond Customer Identification Program (CIP) procedures to verify account ownership in *all* circumstances. Only 40 percent of respondents to the survey require these extra measures, regardless of the risk condition. With respect to initial account funding and specific to ACH transactions, financial institutions can place a hold on funds to help ensure they are good. Of the survey participants, 55 percent of organizations report that there is no hold if initial funding happens via ACH. And finally, financial institutions can institute different ongoing monitoring processes and procedures for new customer/member accounts. More than 70 percent of survey participants have the same monitoring processes in place for new accounts as they do for existing ones.

Conclusion

Digitization of financial services is a trend that is expected to continue. The COVID-19 pandemic may have accelerated this movement, but the new-found expectations and habits of consumers will remain long after the pandemic has waned. As such, financial institutions need to be prepared to serve account holders now and into the future with digital services, such as online account opening. While online/digital financial services present unique risks to organizations, they can be mitigated. With *Digitizing Payments: The Online Account Opening Experience*, the Center for Payments provides insights for financial institutions to safely offer and maintain online account opening. By leveraging the information outlined in the study, financial institutions can continue to meet the needs of their customers and members, while protecting their interests and safeguarding the U.S. financial system.

For the full report and more information on ways to support a safe, secure online account opening experience, contact your [Payments Association](#).

Key Terms

Average The result of summing the values divided by the *total number* of responses.

Median The center value of all reported data. The median provides an *approximate, but potentially more accurate average*, by eliminating extreme outliers.

Customer Identification Program (CIP) Prescribes “the minimum standards for financial institutions and their account holders regarding the identity of the account holder that shall apply in connection with the opening of an account at a financial institution.” An institution’s CIP procedures should be “appropriate for its size and type of business” and must enable it “to form a reasonable belief that it knows the true identity of each account holder.”

About the Study

Digitizing Payments: The Online Account Opening Experience, compiled and tabulated by Industry Insights, Inc. and designed in cooperation with the Center for Payments and key industry executives, is based on findings from online surveys fielded between October 22 and November 25, 2020. The results include responses from 525 C-suite executives, vice presidents, and managers/directors at financial institutions ranging in asset size from under \$500 million to \$5 billion or more. The survey examines current industry practices and procedures to safely manage online account openings as well as detect, evaluate, and mitigate the risks throughout the online account opening experience. For more information about the study, please contact info@centerforpayments.org.

About the Center for Payments™

The Center for Payments is a joint program sponsored by 10 Payments Associations for the purpose of helping members and staff better prepare for the continued evolution in U.S. payment systems. The mission of the Center for Payments is to advance the payments industry as a united voice through market intelligence and thought leadership. This program further enhances the value of membership in the participating associations. Current participants in the program include: ePayResources, EPCOR, Macha, NEACH, PaymentsFirst, SHAZAM, Southern Financial Exchange, The Clearing House Payments Authority, UMACHA, and wespay. These associations represent over 10,000 financial institution members, businesses and stakeholders with an interest in U.S. payment systems. Find out more at centerforpayments.org or contact info@centerforpayments.org.

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