



Alternative Finance Platform Review

Opportunities amongst
the chaos?





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Introduction

Where are the opportunities amongst the chaos?

The challenges all firms are wrestling with in the face of the coronavirus pandemic are felt keenly by every company regardless of their size. During the last few weeks most of us have been in 'crisis mode' - quickly assessing the changing landscape and making decisions on how to respond, often with less information than we would like. A crisis gives us all an opportunity to grow as leaders and adapt our businesses to this new reality.

Now that the dust has started to settle, what opportunities does this crisis give alternative finance platforms to make their operational process more resilient and flexible and deliver better customer service?

In this paper we lay out a blueprint for the operational challenges that alternative finance platforms face, the options platforms have to resolve them, and how Goji can help navigate these changes.

Those who survive “are not the strongest or the most intelligent, but the most adaptable to change”

Charles Darwin

Executive Summary

Learning the lessons from your survival

Survival is the immediate battle to be fought when such large uncertainty is presented by an uncontrollable event.

Harvard Business Review penned the phrase, “real leaders are forged in crisis” and the challenges of a crisis highlight to leaders the areas of their business which need to adapt and evolve to grow into a stronger company.

Goji has observed two emerging themes for alternative finance platforms:

- those with digitised back-office processes and systems have been able to continue to provide excellent customer service;
- diverging structural decisions (furlough vs refocus vs investment) as platforms review their single largest cost: staff.

Scaling after survival

Focusing on what matters for your business – your competitive advantage – not only wins the short-term battle, it wins the longer term war.

Robust back-office processes and system not only support scaling, they remove distraction from the delivery of what truly makes your business unique.

The learnings from your own survival can help you make the right decisions now to scale faster in the future.

Leveraging a partnership with Goji

Goji’s investment in technology and continuous improvement of operational process means managers can rely on a partner that delivers resilient, automated services that continue to provide excellence in customer service. Leveraging Goji’s platform capability also offers operational efficiencies and removes manual effort that would typically be performed in-house. This paper covers three areas where Goji can support you reduce cost and complexity:

- Investor onboarding
- Client money, assets and payments
- ISA management

Core Competencies

COVID19 has disrupted core competencies for all businesses

Assessing core competencies differs to building a strategy, however strength in these foundations gives a business and their leaders a better chance of delivering on their strategy and growth objectives.

We consider core competencies to be made up of skills and knowledge, systems and tech and managerial systems, all underpinned by a foundational set of values.

The impact of the pandemic on core competencies have largely been:

- Managerial systems (including leadership)
- Systems and technology (including most key operational processes)
- Availability of skills and knowledge (if staff reduction actions taken)

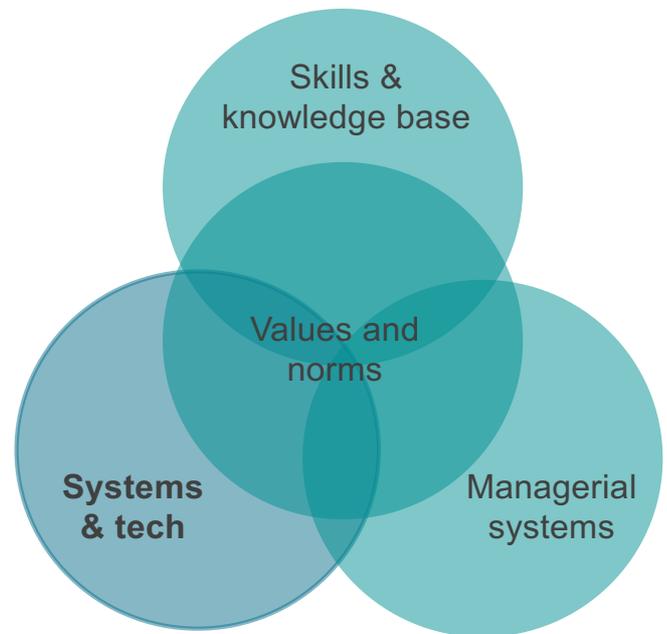
Long term views on scalable systems and technology

Great leaders are adaptable and can make efficient adjustments to their managerial structures in the face of change. New staff can be hired in the future to fill skill gaps where required.

Identifying back-office operational problems may be easy, but solving these problems takes significant time, cost and investment. This investment can hold back a company from allocating resource and achieving its main strategic objectives.

Successful asset managers utilise specialised investment platforms for the boring but necessary processes and flows which just need to work robustly and efficiently.

Many alternative finance platforms are now reaching a stage of growth. Selecting the right partners to enhance and digitise processes frees up resource to focus on the differentiating factors that can make a platform truly successful.



Core Competencies Framework



Investor onboarding (1 of 3)

Constraints of manual processes

Onboarding an investor is one of the first major contact points with a customer where a platform has the opportunity to deliver great customer service whilst also fulfilling their regulatory obligations.

Platforms aim to give customers as streamlined a process as possible and will integrate with various services to automatically verify identification. The problems come when some kind of manual intervention is required, for example:

- complex corporate investors
- PEPs and sanction list matches
- further ID/proof-of-address docs required
- verifying source of funds from the investor’s bank account

Each of these steps typically involves the investor sending further information by email or post which then needs to be processed by the platform’s operational team. Access to external services by operational staff e.g. ID verification and online banking is also often required to complete the process.

These manual processes can be tolerable under business as usual conditions, but when trying to manage a remote operations team, they can quickly become inefficient and error prone which ultimately result in a poor customer experience.

Operational process	Impact of pandemic
Managing KYC workflows	<ul style="list-style-type: none"> • Majority of staff work remotely which makes coordinating work harder • Supervision, support and QA of work is harder in a remote environment
Receiving investor documentation	<ul style="list-style-type: none"> • Documents can no longer be posted • Receiving documents centrally and co-ordinating review between a distributed team is hard
Communicating with customers	<ul style="list-style-type: none"> • Distributing phone calls amongst remote team is harder and infrastructure may not support it
Accessing external systems to verify customer details	<ul style="list-style-type: none"> • External systems may limit access to individuals either via permissions, multi-factor authentication or IP address whitelisting



Investor onboarding (2 of 3)

How Goji can help

Goji's platform handles all aspects of investor onboarding including KYC and AML verification and is a fully-digital, cloud-based and is not impacted by the need to work remotely.

Platforms interact with the Goji Platform electronically via an API meaning all processes are automated and the platform's operations team are not required to process manual workflows or access any external systems.

By relying on an expert partner to onboard investors and manage ongoing transaction monitoring, platforms can both reduce the time spent on these tasks as well as ensure their processes are more automated and resilient.

A typical platform can save around 150 hours per month by using the Goji Platform to onboard investors.

Task	Manual effort w/o Goji	Manual effort with Goji	Transactions per month	Time saving (hours)
Onboard UK natural person	1	0	80	80
Onboard UK natural person; referred status	2	0	20	40
Onboard UK corporate	1	0	5	5
Onboard international investor	5	0	2	10
Ongoing monitoring	15	0	-	15
Total saving				150



Investor onboarding (3 of 3)

Operational processes

Task	Goji responsibility	Platform responsibility
Onboarding UK natural persons	<ul style="list-style-type: none"> • Conduct ID check • Conduct PEP/Sanctions check 	None
Onboard UK natural person; referred status	<ul style="list-style-type: none"> • Review refer reason • Correct data as required • Request further documentation if required 	None
Onboard UK corporate	<ul style="list-style-type: none"> • Review corporate structure • Conduct checks on PSCs and UBOs • Request follow up info as required 	None
Onboard international investor	<ul style="list-style-type: none"> • Review requirements for jurisdiction • Request further information • Validation documentation 	None
Ongoing monitoring	<ul style="list-style-type: none"> • Rerun checks on change of address • Continuous PEPs and sanctions monitoring • Verify account ownership for all inbounds and outbound money movements • Source of wealth checks undertaken using a risk-based approach 	None

Client money and payments (1 of 3)

Daily reconciliation and monitoring burden

Ensuring investors can deposit funds seamlessly is key to increasing conversion in the investment journey.

This requires platforms to have permissions to hold client money which involves significant regulatory overhead; separate permissions, complex rules, external audits and internal governance.

Platforms need to reconcile these transactions and segregate them within a dedicated client money account. This reconciliation process often involves downloading bank account statements from an online banking platform and then running a manual process to allocate funds to investors. Any unallocated funds need to be manually identified and resolved.

This manual step can cause a delay in the availability of funds to an investor.

Platforms also have a responsibility to monitor the source and destination of inbound and outbound payments which can be difficult to do when working with bank statements.

These processes are time consuming at the best of times and become harder when staff are working remotely. This requires them to have access to sensitive systems without the usual security infrastructure that comes from being in the office e.g. 4-eyes oversight, audit of usage of multi-factor authentication devices etc.

Operational process	Impact of pandemic
Daily reconciliation	<ul style="list-style-type: none"> • Staff require access to online banking • 2-step verification is harder in remote environment as staff are not in the same location • External systems may limit access to individuals either via permissions, multi-factor authentication or IP address whitelisting
Source of funds and transaction monitoring	<ul style="list-style-type: none"> • Staff require access to online banking • External systems may limit access to individuals either via permissions, multi-factor authentication or IP address whitelisting

Client money and payments (2 of 3)

How Goji can help

The Goji Platform has a deep integration with partner banking infrastructure meaning that every investor has a unique account number within Goji’s client money account. The Goji Platform is updated in real-time when funds arrive and can be instantly reconciled and allocated to the investor’s account.

This means if investors send funds via faster payments, they can be available to invest almost immediately.

Goji’s access to the raw transaction data, combined with an integration with account identification software means the source of funds can be verified automatically, reducing the occasions when investors must provide supporting documentation.

A typical platform can save around 100 hours per month by using the Goji Platform to process client money and payments.

Task	Manual effort w/o Goji	Manual effort with Goji	Time saving (hours)
Daily CASS reconciliation	80	0	80
Monthly CMAR reporting	4	0	4
Monthly governance and oversight	16	1	15
Internal audit (pro-rated)	8	0	4
External audit (pro-rated)	6	0	6
Total saving			109

Client money and payments (3 of 3)

Operational processes

Task	Goji responsibility	Platform responsibility
Provide bank details per investor	<ul style="list-style-type: none"> Goji creates a unique account per investor once KYC is complete 	<ul style="list-style-type: none"> Platform displays bank details to investor
Verify source of funds for incoming payments	<ul style="list-style-type: none"> Goji monitors source of all incoming payments and checks they are owned by investor 	<ul style="list-style-type: none"> None
Allocate funds to investor	<ul style="list-style-type: none"> Goji automatically allocates funds to an investor's general or ISA account automatically and in real time 	<ul style="list-style-type: none"> Platform receives balance updates from Goji
Daily reconciliation	<ul style="list-style-type: none"> Goji conducts daily CASS7 and 8 reconciliations 	<ul style="list-style-type: none"> None
CMAR reporting	<ul style="list-style-type: none"> Goji completes CMAR reporting 	<ul style="list-style-type: none"> None
Governance and oversight	<ul style="list-style-type: none"> Goji is responsible for oversight of client money and payments processes 	<ul style="list-style-type: none"> None
Internal audit	<ul style="list-style-type: none"> Goji conducts annual internal audit of client money and payments processing 	<ul style="list-style-type: none"> None
External audit	<ul style="list-style-type: none"> Goji conducts annual external audit in line with regulatory requirements 	<ul style="list-style-type: none"> None

ISA Management (1 of 3)

Running non-core processes

Offering investors an ISA account is an important way of allowing them to maximise their returns by investing in a tax-free wrapper. Investors can also transfer existing ISA balances thereby giving platforms access to large existing ISA pots.

Transferring ISAs is typically a manual process as investors have to complete an ISA transfer form and most managers require a wet signature on the form.

Additionally, many ISA managers transfer funds using a cheque which must be banked manually.

These manual processes require specialist knowledge to complete and can involve a complex series of steps as both investors and ceding ISA managers need to be communicated with. This becomes much more complex when working with a fully remote team as post cannot be processed easily and cheques cannot easily be banked.

ISA Management (2 of 3)

How Goji can help

As an ISA manager, Goji takes responsibility for all aspects of managing the ISA.

This means platforms can offer their investors an ISA without needing to build inhouse expertise and operational processes to support the unique features of an ISA e.g. account limits, transfers and annual reporting.

Goji has invested heavily in automating ISA workflows and has close working relationships across the ISA industry with other ISA managers and TISA, the Investment and Savings Association. This has allowed Goji to work closely with these stakeholders to agree changes in processes that allow for electronic exchange of information where previously wet signatures were required.

ISA managers are also responsible for submitting several annual returns to HMRC which requires collating data across the ISA portfolio. Goji's systems automatically generate these reports.

A typical platform can save around 60 hours per month by using the Goji Platform for ISA management.

Task	Manual effort w/o Goji	Manual effort with Goji	Transactions per month	Time saving (hours)
Transfers in	4	0	10	40
Transfers out	6	0	2	12
Additional permitted subscriptions	10	0	0.5	5
Annual returns (prorated)	2	0	1	2
ISA repairs/voids (prorated)	2	0	1	2
Total saving				63



ISA Management (3 of 3)

Operational processes

Task	Goji responsibility	Platform responsibility
Transfers in	<ul style="list-style-type: none"> • Populate form for investor • Forward signed form to ceding ISA manager • Process paperwork from ceding ISA manager • Process inbound payment and reconcile 	<ul style="list-style-type: none"> • Receive notification from Goji when funds received
Transfers out	<ul style="list-style-type: none"> • Receive paperwork from receiving ISA manager and validate • Provide information to receiving ISA manager • Process outbound payment 	<ul style="list-style-type: none"> • None
Additional permitted subscriptions	<ul style="list-style-type: none"> • Populate form for investor and collect additional • Forward signed form to ceding ISA manager • Add additional allowance to ISA • Process paperwork from ceding ISA manager • Process inbound payment and reconcile 	<ul style="list-style-type: none"> • None
Annual returns	<ul style="list-style-type: none"> • Collate and validate annual returns • Submit to HMRC in specified format 	<ul style="list-style-type: none"> • None
ISA repairs/voids	<ul style="list-style-type: none"> • Receive instructions from HMRC • Communicate with investor • Cancel ISA and/or move funds and assets to a general account • Communicate to investor income that is now taxable 	<ul style="list-style-type: none"> • None
Tax year breaks	<ul style="list-style-type: none"> • Monitor investors that have not subscribed during a tax year • Block account for further subscriptions • Request ISA declaration from investors 	<ul style="list-style-type: none"> • None
Transfers in	<ul style="list-style-type: none"> • Populate form for investor • Forward signed form to ceding ISA manager • Process paperwork from ceding ISA manager • Process inbound payment and reconcile 	<ul style="list-style-type: none"> • Receive notification from Goji when funds received
Transfers out	<ul style="list-style-type: none"> • Receive paperwork from receiving ISA manager and validate • Provide information to receiving ISA manager • Process outbound payment 	<ul style="list-style-type: none"> • None





Summary

How Goji can help

Goji exists to provide modular platform technology to automate the key regulatory tasks that are needed to serve investors.

Goji's services can be integrated into an existing platform by means of our API or as a white labelled end-to-end investment platform.

The Goji platform drives efficiency by automating previously manual tasks and improves the customer experience by increasing the speed of processes and removing steps that would have previously required the customer to provide documents.

The most innovative managers are taking the opportunities that this crisis presents to make evolutionary changes to the way they operate their business.

Get in touch to find out how Goji can help you.

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