DIGITAL IDENTITY VERIFICATION FOR THE LEGAL PROFESSIONAL
INTRODUCTION

Trusted identity is at the foundation of the legal services profession. Lawyers adhere to stringent regulatory requirements to serve their clients and be certain that the people on the other side of a contract, negotiation, or transaction are, in fact, who they claim to be. The digital transformation of the legal services profession has upended traditional identity verification norms, forcing the industry to develop new techniques to correctly identify parties in a transaction.

The Canadian legal services market, however, is in the midst of a few fundamental changes that are upending the traditional model and causing firms to rethink how they establish the trust they need to function.

Increasingly, both legal services providers and their clients are engaging remotely and online. As legal service delivery evolves in this context, firms can benefit from Verified.Me’s solutions by achieving better compliance, greater customer reach, competitive advantages, streamlined secure onboarding processes, whilst protecting their customers and their assets.

When clients interact with their lawyers via digital connections rather than across conference room tables, verifying identities through traditional channels becomes much more difficult. In addition, the traditional operating model for legal services is in flux. The entrenched firm model is being upended by the rise of alternative legal service providers (ALSPs) and a growing number of legal professionals working remotely. These developments are driving both existing law firms and relative newcomers to find ways to maintain high standards for confidentiality, compliance, and security in an evolving, connected market.

Successfully serving clients in this new landscape requires innovative identity solutions that allow providers to address a wide array of legal functions with high assurance in client and third-party identities. Law firms, ALSPs, and other practitioners may be able to decrease expenses, bolster compliance, mitigate fraud risk, and provide better client experiences by embracing new digital identity solutions available in the Canadian market today.

In this whitepaper, we’ll outline some of the most pressing challenges legal professionals are facing and outline how better identification and verification processes can help address this challenge. We’ll also look at what’s on the horizon, and how existing firms, growing ALSPs, and other practitioners can best position themselves to capitalize on changing dynamics in the legal space with the help of digital identity networks like Verified.Me® by SecureKey Technologies Inc.
Legal services professionals operate under a series of unique circumstances when it comes to obtaining, handling, and storing information about their clients. At present, most lawyers rely on an easily reproduced photocopy of a driver’s license to prove client identity. In contract dependent use cases, minimal due diligence is required in determining the identities of signatory parties in order to maintain certainty, integrity, and transparency. Additionally, there are no institutional standards or best-practice guidelines that provide lawyers with a perspective on what is required for a verified digital credential.

The other part of the status quo is that there is no thought of the possibility for lawyers to securely determine the identities of signatory parties in PDFs, and other documents with certainty, integrity and transparency in their contract dependent business. They don’t really trust that virtual credentials can be used to prove that client’s and third parties are who they say there are in a way that meets compliance with regulations and legislation.

Regulations surrounding confidentiality and solicitor-client privilege, for instance, imply a strict mandate around determining identity for all communications and transactions on an ongoing basis.¹ Even as the broader market moves in the direction of digital service offerings, those high standards for identity assurance remain.

The result of these dynamics is a fundamental mismatch between entrenched analog identity processes and potential opportunities for efficient, secure online services. Below are some of the most pressing identity-related challenges within the legal services sector, with a particular focus on how existing processes impact both the overall client experience and sustainability of legal services companies.

¹[http://www.cba.org/Publications-Resources/Practice-Tools/Ethics-and-Professional-Responsibility-(1)/Solicitor-Client-Privilege](http://www.cba.org/Publications-Resources/Practice-Tools/Ethics-and-Professional-Responsibility-(1)/Solicitor-Client-Privilege)
Lawyer and paralegals in Canada have an obligation to conduct both identification and verification for the clients they serve. Identification refers to the process of obtaining basic identification information about a client at the initiation of the relationship between a client and solicitor.

For anything involving a financial transaction, including payment of fees for services, lawyers and paralegals are required to conduct identity verification. This means lawyers and paralegals must take steps to ensure that the client and any instructing third party is who they say they are, using reliable, independent source documents or information. For most Canadians, verification requires some kind of physical government identity document, like a driver’s license or passport.

These existing identification and verification processes are problematic for a few reasons. First, they require lawyers and paralegals to conduct manual checks of physical documents. Manual reviews are time consuming both for clients, who often must appear in person with extensive documentation, and for firms, which must dedicate staff time and resources to examining, copying, and storing sensitive documentation. On average, lawyers spent 48 per cent of their time on administrative tasks, and 94 per cent of firms aren’t sure how much it costs them to onboard a new client.

Second, the legitimacy and data points of physical documents are difficult to reconcile against the original source material. Legal professionals are typically not trained to be experts in counterfeiting or document verification, so it can be a challenge to determine the legitimacy of identity documents. In addition, legal transactions often involve complex interactions with third parties like financial services firms or real estate companies to determine beneficial ownership or the legal basis for business relationships. This adds an additional layer to identification and verification processes, making identity flows even more arduous. For example, the Law Society of British Columbia’s checklist to even determine appropriate verification requirements for a given legal transaction is a dozen pages long.

A high-assurance digital identity network can help reduce the amount of time firms spend identifying and verifying clients, allowing for more efficient use of staff resources. Even where in-person meetings are required by provincial law, robust digital identity networks could remove the need for manual document verification and reduce fraud risk for legal services providers.

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1See, for example, the list of provincial Law Society guidelines on p. 17: http://www.cba.org/getattachment/Sections/Ethics-and-Professional-Responsibility-Committee/Resources/Resources/2015/Legal-Ethics-in-a-Digital-World/guidelines-eng.pdf
2https://www.lawsociety.bc.ca/Website/media/Shared/docs/becoming/material/PracticeManagement.pdf
3https://lawyerist.com/starting-law-firm/
4https://www.lawsociety.bc.ca/Website/media/Shared/docs/practice/checklists/A-1.pdf
The status quo for identification and verification also leaves legal services providers vulnerable to targeted security risks. Current reliance on physical documentation, for example, requires firms to create and centrally store copies of sensitive client information. This creates a honeypot of data that, if compromised, could expose both lawyers and their clients to reputational damage and legal repercussions.

The security risk around identity has both human and technological dimensions. On one hand, human error is the leading cause for data breaches in the legal services sector. Less than 60% of Canadian lawyers are confident that their colleagues actually adhere to organizational policies around the storage and disposal of confidential information. On the other, large stores of valuable personal data also present an attractive target for malicious external actors, so strong cybersecurity tools are a necessity. The risk is compounded by the fact that only 19 per cent of legal industry professionals in the U.S. report using any form of authentication beyond a simple username and password to protect confidential information.

A robust digital identity system can not only help prove client identities, but also improve internal access controls to client data. A service like Verified.Me can give organizations the tools they need to confirm that only authorized individuals can view protected records and transactions, building trust between legal professionals and those they serve.

The legal services space is typically associated with long processing times and time consuming in-person visits. Streamlined digital identity processes can facilitate more efficient client experiences throughout the user journey. Currently, even the simplest legal transactions can be hamstrung in the absence of digital identity tools - it takes nearly a quarter of Canadian companies more than a week to collect physical signatures for legally binding documents, for instance. More generally, in-person visits to law firms and physical correspondence can cause delays and limit access to legal services for some clients.

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According to the Canadian Bar Association (CBA), “providing legal services electronically (i.e. using email, social media, videoconferencing solutions or other telecommunication services to interact with potential or current clients) expands client development opportunities and has the potential to improve access to legal services by those underserved by the legal profession.” However, the CBA guidelines also caution that these new offerings could raise risks if firms provide “inadequate client identification and verification.”

Comprehensive remote and digital identity verification options would better support the emergence of electronic services. A service like Verified.Me supports better client service, leading to more positive experiences throughout the customer journey.

NEW LEGAL SERVICES
BUSINESS MODELS DEMAND
NEW IDENTITY PROCESSES

While traditional law firms are adapting to growing demand for digital services, a new breed of legal services organization is also on the rise. ALSPs are typically smaller, agile organizations that specialize in a particular element of legal procedure. These companies are establishing themselves as legitimate competitors in the legal space, with worldwide revenue growing from $8.4 billion USD in 2015 to $10.7 billion USD in 2017. In a recent survey, 52 per cent of Canadian firms reported that they already leverage ALSPs or plan to hire one within the next five years.

The growth in alternative models for legal services is extending into the traditional firm structure as well, with a higher volume of lawyers working remotely on a regular basis. Three quarters of Canadian legal professionals reported that more of their colleagues worked from outside the office in 2019 than in 2018. Canadian lawyers are also likely to report that the option to work remotely is crucial for work-life balance, a key motivator for remaining with a firm. Because of this, secure digital infrastructure has become necessary for organizations to attract and retain quality employees.

These supply-side dynamics in the legal services market require established organizations and newcomers alike to provide consistent digital access to information and services while maintaining high standards for security and legal compliance. Better identity systems would allow legal services providers across the industry to capitalize on these emerging market trends and provide more reliable, safe, efficient, and compliant service.

The ongoing market evolution toward digital services gives legal professionals a valuable opportunity to innovate on their identity strategies, building more effective identification, verification, and authentication into their organizations’ core processes. To meet the demands of the shifting Canadian legal services landscape, professionals should invest in identity systems with a few key priorities in mind:
All client engagements begin with some sort of identity due diligence in the form of initial identification or verification. However, reliance on physical documentation for these procedures limits the efficiency and effectiveness with which lawyers can operate. Fortunately, organizations across the industry are beginning to see the need to improve digital infrastructure to streamline these procedures. Forty-five percent (45%) of Canadian Chief Legal Officers plan on increasing their spend on technology over the next two to five years, prioritizing blockchain-based architectures, like those employed by Verified.Me. Additionally, Verified.Me increases the legal reliability of physical and digital documents. Verified.Me allows lawyers to increase the legal reliability of an electronic document and confirm identity of the signatory at the time of signing – producing authenticity, integrity and long-term reliability of documents.

Legal and allied professionals need to invest in identity networks that incorporate high-assurance personal data and eliminate the need for staff to manually review identity attributes. The Verified.Me network, for example, helps clients to securely share personal information from trusted sources, including financial institutions. Verification is entirely digital, consent-based, and auditable, reducing reliance on inefficient physical documentation.

Document Signing Example

[Visualization of document signing process]

Because of the vast amounts of sensitive data they manage, legal services organizations will always be a uniquely attractive target for phishing and cyberattacks. Eighty-seven per cent (87%) of Canadian lawyers are already planning to increase the amount of resources available for cybersecurity over the coming 12 months, showing strong demand for better defenses.14

More effective identity procedures are a critical component of cybersecurity in the legal space. The Verified.Me service bolsters security in a few key ways: the service can augment internal data access governance, helping confirm that only the right people have access to protected data. Second, Verified.Me facilitates the secure communication of client information to law firms during onboarding, reducing the risk of malicious actors intercepting personal information. Third, Verified.Me is fully compliant with Canada’s Personal Information Protection and Electronic Documents Act (PIPEDA), and all participants in the network are contractually bound to abide by relevant provincial legislation.

Decentralization of Information

[Image of mobile app interfaces]

BETTER SUPPORT AND HIGHER STANDARDS FOR DIVERSE DIGITAL SERVICES

To remain competitive and provide the best possible client service, legal professionals must embrace digital service offerings. Status quo identification processes based on physical documents are not compatible with digital service delivery. A strong digital identity network must underpin new online services in order to help provide high standards for identification and verification while diversifying service offerings and reaching a broader client base.

Canadian regulations supporting the legality of digital signatures and remote legal offerings are already paving the way for innovation.15 Verified.Me can facilitate services like e-signatures, secure telecommunications, and digital fund transfers through enhanced remote authentication.16 Depending on the desired workflow, Verified.Me identity verification requests can be embedded into email or text prompts, facilitating a seamless user experience. Users are then able to send personal information from authorized data providers through Verified.Me, sharing relevant details with traceable client consent. In this way, legal providers can identify that the correct individual is signing the document or logging into a call, or that an individual is authorized to make a request for payment.

16Some features not yet available
The legal services profession in Canada is at an important crossroads. For legal services professionals, the proliferation of ALSPs is driving the market to innovate in key areas around external and internal experiences. Furthermore, the prevalence of digital legal services continue increasing, making them more readily available to the underserved and geographically restricted regions of Canada.

To support this continued evolution, however, legal practitioners should confirm that their digital infrastructure and identity procedures are keeping pace as service offerings advance. Existing process flows that rely on physical documentation lead to elevated compliance, security, and fraud risk, high administrative overhead, and cumbersome client experience. A digital identity network will provide the secure, streamlined identification, verification, and authentication procedures that legal professionals need to fully capitalize on the digital revolution.
Verified.Me offers a robust mechanism for implementing stronger digital identity processes in the legal services sector. The network, offered by SecureKey Technologies, was developed in cooperation with seven of Canada’s major financial institutions. The Verified.Me digital identity network makes it easier for Canadian lawyers, clients, and third-party organizations to prove who they are in legal transactions and reliably control access to sensitive material. Verified.Me adds strong registration and account recovery services that improve identification and verification while reducing operational costs.

SecureKey is already working across Canada to implement more robust identity options for lawyers and their clients. As an example, SecureKey has worked with Notarius to integrate identity verification offered by Verified.Me into Notarius’ ConsignO Cloud platform. This helps clients and other counterparties to securely sign electronic documents, with identity verification baked into the process. Through Verified.Me, parties have access to an auditable record of document signatures representing individual identities.

“Organizations and governments now have another legal and reliable option to get a document signed electronically by clients, consumers or citizens, using identities validated by trusted Canadian organizations, like their financial institution,” said Notarius CEO Claude Charpentier. “Verified.Me is a disruptive solution that brings major benefits to those constrained with compliance and regulations in their digital transformation programs.” Building new services with Verified.Me will empower legal professionals to better serve clients by efficiently providing secure, compliant digital offerings.
