



Promoting Electronic Filing

Ben Ark, National Corporate Research, Ltd.

Lori Feldman, North Dakota

Paul Hodnefield, Corporation Service Company

#IACA15



Stakeholder Perspective

- Stakeholder Benefits:
 - Simplified Filing Process
 - Quicker Turnaround
 - Reduced Costs (filing fees, follow up, etc.)
- Perceived Barriers:
 - Display of Record Data
 - Limited Capabilities
 - Rekeying Errors
 - Sufficiency of Electronic Records



Stakeholder Perspective

- **Functionality Expectations:**
 - Compatible with Statute
 - Full Range of Actions Available as with Forms
 - Attachments
 - User-defined collateral with attachment.
- **Filing Method Expectations**
 - XML
 - Preferred by largest volume filers.
 - L1 or L2



Stakeholder Perspective

- Fee-Related Expectations
 - Lower Filing Fees
 - Convenient Payment Method
 - Detailed Payment Tracking/Application Data
- Other
 - Medium-Neutral Application of Rules



Why file electronically?

- For the Filer... the benefits Paul discussed, including:
 - Nearly immediate acceptance/rejection
 - Lower filing fees (often)
 - Around-the-clock filing
- For the Filing Officer...
 - Lower processing costs
 - Improved accuracy/reduced data entry errors
 - Better service levels/turnaround time

So let's make e-filing mandatory!



Online Only Filing Challenges

- For the Filer
 - Reduced flexibility
 - Barrier for low-tech filers
 - Technical limitations/obstacles
- For the Filing Officer
 - Legislative/statutory authority
 - No backup/alternative filing method
 - Handling FTL/STL filings
 - Technical investment/costs



Overcoming these Obstacles (1/3)

- Support web and B2B XML filing methods
 - Use IACA 2013 UCC XML Specification to ensure maximum filer participation
 - Create high-quality paper form-like acknowledgment image
 - Have XML filing support/experts on-staff
- Provide last-resort paper filing method
 - Consider high-cost paper filings as backup
 - OR online indexing PLUS filer-provided scan of paper form and attachments
 - Required to handle FTL/STL paper filings



Overcoming these Obstacles (2/3)

- Provide training resources for low-tech filers
 - On-site and in-the-field training from filing officers
 - Online videos and step-by-step guides
- Retrain knowledge workers to support online filing questions
- Keep training/testing system available for new filers and staff training
 - B2B filers will need an ongoing test system for XML filings
 - Staff and filers will need a place to train
 - Maintenance/updates for future changes will need testing
- License or purchase online filing system from established vendor to reduce development costs
 - Many positive experiences with home-grown filing systems
 - Faster filer startup with commercial systems



Overcoming these Obstacles (3/3)

- Acquire legislative authority to reject paper
 - OR dramatically increase paper filing fees
- Partner with local legal and banking community and service companies early in the process to gather requirements and reduce friction
- Avoid expanding reasons for rejection
 - Online filings should remain as flexible as paper filings
 - Open drawer vs. ministerial authority



In Summary:
~~Overcoming~~ → Promoting

- Set the expectation that online filing is your primary model
- Organize your cost and service structure around online first, paper second
- Work with stakeholders early and often to encourage the transition



The North Dakota Experience

- HB 1136, passed and signed in Spring 2013, makes North Dakota the second state to require UCC records to be filed electronically.
 - Even though North Dakota no longer required SSNs or EINs in 2012, this new legislation reinstates the requirement that a UCC financing statement must provide a debtor's SSN or EIN.
 - The statute also requires the establishment of a new electronic central index filing system.
- The new law is scheduled to take effect no later than August 1, 2016 but it could take effect sooner.
 - The law provides that it becomes effective 90 days after the Secretary of State certifies that the new system is ready.



The North Dakota Experience (continued)

- The legislative process
 - Involving stakeholders and how that shaped the legislation
- Developing a new electronic system
 - Impediments and special considerations
- Staffing adjustments