



From the CEO's Desk

Greetings!

This monsoon it is raining wealth reports. Three big reports on wealth have been released in June by Capgemini, Crisil and Boston Consulting Group. The findings all point out that HNI Wealth has been growing consistently, besides the fact that wealth will grow fastest in emerging markets. It is especially heartening to know that in India, it is expected to increase at a compound annual rate of 18 percent. Catch an overview of the studies in the inside pages of the newsletter. After all, wealth is the most vital ingredient around which the world markets not only revolve but evolve as well.

As we brace ourselves to go beyond the frontiers of the domestic markets, Miles Software took the initial step by participating at the MEFTEC event, which was held in Abu Dhabi on 30-31 May 2011. We received a very positive and an overwhelming response from various large banks and several financial institutions around the globe.

While banks all over have diverted their focus on client service and value delivery, we too have appointed an ex-banker having over 30 years in the BFSI sector as our new Chief Delivery Officer. In his new role, Bhaskar Iyer will be responsible for strengthening our 'delivery' proposition by driving best account management and project management practices, and will spearhead all customer engagements.

I am sure you will enjoy reading this issue of the newsletter as much as that competitive game of tennis in which Djokovich deservedly lifted this year's Wimbledon's cup. Enjoy the insightful findings from the wealth world as well the pitter patter of the raindrops this season.

Happy Reading.

Contents

Miles Update	
Appointment of Chief Delivery Officer	3
Event Roundup	4
Special Report.....	
Ultra HNI segment set to treble in next five years: Report	5
World Wealth Report 2011	6
Global Wealth Continues Its Strong Recovery with \$9 Trillion Gain.....	7
Research.....	
Hot Technology Trends of Capital Markets around the World	8
Global Private Banking and Wealth Management Survey	10
Product Showcase.....	
MoneyWare Integra for FII's	12
Industry News.....	
The Middle East: Sitting on \$1.7 trillion in personal assets, Billionaires galore.....	13
Sebi proposes self-regulation for wealth managers	14
China's super-rich to fuel wealth management boom: Survey.....	14
Wealth management could be next major opportunity	15
61% of wealth management firms taking steps to improve client centricity: SEI poll	16
Regulatory scrutiny, client expectations shaping wealth management: PwC.....	16

Appointment of Chief Delivery Officer

Miles Software is pleased to announce the appointment of Bhaskar Iyer as its Chief Delivery Officer. In his new role, Bhaskar will be responsible for strengthening our 'delivery' proposition by driving best account management and project management practices, and will spearhead all customer engagements.

A qualified ex-banker, Bhaskar has over 30 years of rich experience in the BFSI domain spanning across Product Management, Solution Architecting, Delivery and Program Management and Customer Support Management.

Prior to joining Miles Software, Bhaskar was associated with Infracsoft Technologies for over 12 years in diverse roles. As Delivery Head at Infracsoft, he led a team of 200+ professionals across geographies managing local and international implementations. Bhaskar's insightful experience in implementation of strategies aimed at enhancing operational efficiencies and business margins of client organization has rightly earned him the title of a subject matter expert in banking and finance domain.



With a 'let's get it' approach, Bhaskar has won the appreciation and confidence of clients by demonstrating excellent relationship management skills and providing domain and project management expertise.

Event Roundup

Miles Software participated at the MEFTEC: The Financial Technology Market held at Abu Dhabi, on 30-31 May 2011. On showcase were our innovative MoneyWare™ solutions that have helped us deliver accelerated results to our customers.



Kutch Corporate Forum (KCF) organized a seminar on "Long Term Planning for Business growth & Success" on 30th April 2011 at Mumbai.

Milan Ganatra, CEO, Miles Software, was the guest speaker at the event. Speaking on this occasion, Milan Ganatra said "Each and every step in the growth of a business, including its sales and marketing techniques, needs serious consideration. It is good to set goals for every fiscal quarter and percentage of growth every year, but they must be reasonable enough to be achieved."



Ultra HNI segment set to treble in next five years: Report

India has 55 billionaires, according to Forbes's India Rich List 2011. Their combined wealth of \$246.5 billion, or Rs11 lakh crore, is more than the gross domestic product of Pakistan and Sri Lanka combined.

But this might just be the tip of the iceberg, says a recent report by rating agency Crisil, in association with Kotak Wealth. In 'Top of the Pyramid: Decoding the Ultra HNI 2011' report, Kotak Wealth and CRISIL Research have defined an Ultra High Net worth Household (UHNH) as one having a minimum net worth of Rs. 250 million (as of FY 2010-11). The number of UHNHs is expected to triple to 219,000 and their net worth is expected to grow fivefold to Rs. 235 trillion by FY 2015-16. The study identifies three distinct profiles of UHNIs in India – the inheritor, the self-made and the professional. It draws a clear differentiation between these three profiles in their approach to investing and spending, and perpetuation of wealth and lifestyle. It points out that UHNIs display greater risk aversion in personal investments. While real estate has been the most preferred avenue, alternate asset classes are now likely to gain popularity.

The rise of India's rich will cause it to overtake even the United States in terms of the number of billionaires, with China likely to be the only competition. The fivefold increase in net worth and increasing propensity to spend could together have an explosive impact on the luxury goods market. The research estimates the potential market size for the luxury jewellery segment at Rs 22,900 crore and for the luxury car segment at Rs 14,000-15,000 crore. Entrepreneurship is seen to be the biggest source of domestic wealth, but many of them are also professionals who have made their fortune in financial services or in the technology industry, a pattern which is likely to repeat itself.

The rich are also likely to save and invest differently. Investors are likely to reduce their exposure to debt and equity over the next couple of years while increasing investments in real estate and alternative asset classes such as private equity, stated the report.

The report highlights the relationship between increased earning and growth in the luxury market in India. It provides insights into differences in patterns of spending and investing, based on the UHNI profile and geography. The fivefold increase in net worth and increasing propensity to spend could together have an explosive impact on the luxury goods market. The research estimates the potential market size for the luxury jewellery segment at Rs. 229 billion and for the luxury car segment at Rs. 140-150 billion.

Key Findings

- Total net worth of Indian UHNHs to grow fivefold to Rs. 235 trillion by 2015-16
- Potential market size of luxury jewellery estimated at Rs. 229 billion
- Potential size of the luxury car market estimated at Rs. 140-150 billion
- UHNIs likely to increase exposure to alternate assets and diversify investment portfolio

World Wealth Report 2011

The World Wealth Report 2011 released by Capgemini and Merrill Lynch provides a snapshot of the world's high and ultra high net worth populations.

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Some highlights:

- Globally, HNWI's increased their financial wealth by 9.7% and their numbers by 8.3%
- There are now more HNWI's in Asia-Pacific (3.3 million) than in Europe (3.1 million). North America still has the highest HNWI population at 3.4 million
- The UHNWI population grew more rapidly than the HNWI population. There are now an estimated 103,000 UHNWI's
- HNWI's increased their allocations to equities (to 33% from 29%) and reduced allocations from cash/deposits (to 14% from 17%) and fixed income (to 29% from 31%)
- North American HNWI's increased their exposure to home country investments (to 76%) but are expected to reduce home country allocations going forward. In contrast both European (to 56% from 59%) and Asia-Pacific HNWI's (to 57% from 64%) reduced their home country allocations
- The average age of HNWI's is falling with the percentage who are aged under 45 rising from 13% to 17%. The number of young HNWI's is particularly high in Asia-Pacific (41%)
- The percentage of HNWI's who are women continues to rise strongly (to 27% from 24%). North America continues to lead in this figure with women making up 37% of the HNWI population

*HNWI's are defined as having investable assets of USD1 million or more, excluding primary residence, collectibles, consumables and consumer durables. For UHNWI's the threshold is set at 30 million.

Global Wealth Continues Its Strong Recovery with \$9 Trillion Gain, but Pressures on Wealth Managers Persist, Says Study by The Boston Consulting Group

Propelled by growth in nearly every region, global wealth continued a solid recovery in 2010, increasing by 8.0 percent, or \$9 trillion, to a record of \$121.8 trillion.¹ That level was about \$20 trillion above where it stood just two years prior during the depths of the financial crisis, according to a new study by The Boston Consulting Group (BCG).

Findings from the study appear in BCG's eleventh annual Global Wealth report titled 'Shaping a New Tomorrow: How to Capitalize on the Momentum of Change'.

- North America had the largest absolute gain of any regional wealth market in assets under management (AuM), at \$3.6 trillion, and the second-highest growth rate, at 10.2 percent. Its \$38.2 trillion in AuM made it the world's richest region, with nearly one-third of global wealth.
- In Europe, wealth grew at a below-average rate of 4.8 percent, but the region still had a gain of \$1.7 trillion in AuM.
- Wealth grew fastest in Asia-Pacific (excluding Japan), at a 17.1 percent rate. In the Middle East and Africa, growth was somewhat above the global average, at 8.6 percent. In Latin America, wealth grew by 8.2 percent. Together, these three regions accounted for 24.4 percent of global wealth in 2010, up from 20.9 percent in 2008.
- Wealth declined by 0.2 percent in the Japanese market to \$16.8 trillion. As recently as 2008, Japan accounted for more than half of all the wealth in Asia-Pacific. In 2010, it accounted for about 44 percent.
- In terms of individual countries, the nations showing the largest absolute gains in wealth were the United States, China, the United Kingdom, and India.

Assets under Management Rise by 8.0 Percent to Hit a Record \$121.8 Trillion

The Number of Millionaire Households Jumps by 12.2 Percent

Global wealth to grow at a compound annual rate of 5.9 percent from year-end 2010 through 2015—to about \$162 trillion

Wealth will grow fastest in emerging markets. In India and China, for example, it is expected to increase at a compound annual rate of 18 percent and 14 percent, respectively.

Asia-Pacific region's share of global wealth (ex Japan) is projected to rise from 18 percent in 2010 to 23 percent in 2015

The strong performance of the financial markets accounted for the lion's share (59 percent) of the growth in AuM. Its impact was amplified by the ongoing reallocation of wealth. From year-end 2008 through 2010, the share of wealth held in equities increased from 29 percent to 35 percent. North

America continued to have the highest proportion of wealth held in equities—44 percent, up from 41 percent in 2009.

Hot Technology Trends of Capital Markets around the World

Top Asia-Pacific Buy Side Securities and Investments Trends

<i>Initiative</i>	<i>Detailed Description</i>
Global firms expanding operations in the region	Hedge funds, global wealth management firms and private banks are growing rapidly in the region as Asia now represents the best growth opportunity for them. These players are bringing in advanced trading tools, better connectivity and superior order management and execution management systems. Regional players are also being forced to adopt quickly to stay competitive.
Rapid development in asset management tools and technology	Asset management technology in Asia is undergoing rapid development; this drives demand for better advisor tools, portfolio management systems, reporting tools, alerts, as well as mid and back office systems.
Outsourcing of non-core operations	Investment management firms, in their pursuit of generating higher returns, are focusing solely on the core functions and outsourcing a large part of non-core operations.
Expansion of the product universe and cross border trading	Product ranges for the region's investors are expanding, deregulation and initiatives by ASEAN exchanges are likely to develop cross border trading in the near future—these call for sophisticated tools and techniques to manage multiple asset classes and cross border trading.
Opportunity for Third Party System Integrators	With explosion of asset classes, firms are using a number of platforms to offer clients a wider array of product choices, at the same time having to handle and present them in a user friendly manner. This provides opportunity for third party administrators to tap into this segment of the market.

Top Asia-Pacific Sell Side Securities and Investments Trends

Initiative	Detailed Description
Focus on back office systems	Firms are focusing on increasing efficiency and enhancing execution and workflow by consolidating risks across growing asset classes; this needs superior order management and mid-to-back office systems.
Expansion of advanced trading methods	DMA, algorithmic trading entered Asia through Japan, Hong Kong and Singapore some time back; they are continuing to flourish; at the same time these techniques are making headway and finding greater acceptance in other countries like India, Malaysia, Thailand, Indonesia.
High Frequency Trading (HFT) on the rise in Asia	With exchanges providing ultra low trading latency and collocation services, HFT activity is picking up in the advanced markets in Asia. This is expected to bring in significant investments in technology for players active in this space.
Growth in cross border trading	Changes in regulatory environment and possible merger between exchanges (ASX-SGX) cross border investment flows are expected to rise in the medium to long term. This in turn will drive greater need for automation and STP to increase middle and back office efficiency.
Enhancements of internal tools	Growing asset classes and investor accounts are forcing broker firms to develop and enhance internal tools (like management information systems) to supply and manage information, track portfolio performance and handle post trade reporting.

Source: Celent Report

Global Private Banking and Wealth Management Survey

Status quo in the private banking and wealth management industry is changing as the focus shifts to client service and value delivery, according to a new PwC report, which includes PwC’s 2011 Global Private Banking and Wealth Management Survey. According to the report, *Anticipating a New Age in Wealth Management*, new competitors are challenging the dominance of established firms, and the impact of new regulations and more demanding client expectations is forcing private banks and wealth managers to change the way they operate. Those who can master change will be in a position to win increased market share and lead the industry, says PwC.

PwC’s 2011 Global Private Banking and Wealth Management Survey includes responses from a record 275 institutions in 67 countries. It found that wealth management continues to be a lucrative business with untapped potential for significant growth if institutions can be agile in adapting to changing demands.

The report outlines the following five key areas where private banks and wealth managers face multiple pressures:

Performance and Change	Markets and Clients	Client Relationship Managers (CRMs) and Human Capital	Operations and Technology	Risk Management and Regulation
<ul style="list-style-type: none"> Wealth managers’ average cost-to-income ratio remains stubbornly high, at an average of 71 per cent. Only 28 per cent reported cost-to-income ratios of less than 60 per cent, and only nine per cent also achieved revenue growth in excess of 10 per cent. Only 13 per cent of organisations rated themselves as high performing in terms of transformative change. 	<p>The relative growth rates between established and emerging markets now vary significantly, which is important when looking at the maturity of global markets (both on-shore and off-shore).</p> <ul style="list-style-type: none"> Thirty-five per cent of clients now demand controls reports, and 39 per cent demand evidence of compliance performance track records from their private bank/wealth manager. Fifty per cent of client assets leave the firm on intergenerational wealth transfers in many markets. 	<ul style="list-style-type: none"> Poaching talent from competing firms remains the top means of recruiting CRMs. Only 23 per cent of CRMs bring more than 40 percent of client assets with them when changing jobs. Forty per cent of respondents rated their CRMs as only average or below in terms of their ability to meet client needs. Thirty-two per cent of respondents said the main reason CRMs left their organisation in the past two years was that they were encouraged to leave because of underperformance in their job. 	<p>Only 17 per cent of participants rated their front-office systems as excellent.</p> <ul style="list-style-type: none"> Large financial organisations highlighted untapped revenue potential through increased collaboration and referrals from other business units within their organisations. Sixty per cent of respondents said their technology budgets have risen in the past two years, and 42 per cent of respondents have increased their operational budgets. 	<ul style="list-style-type: none"> Increased regulation and associated cost was cited as the No.1 challenge to business growth. Thirty per cent of participants indicated that the regulatory environment will have a significant impact on their operating costs. Reputational risk was viewed as the top risk to the organisation, ahead of ahead of market, credit and operational risk. Forty-one per cent of CRMs were rated as having average or below average ability to meet client risk management and regulatory requirements.

<ul style="list-style-type: none"> • Respondents see new non-traditional competitors emerging and more than 30 per cent expect significant consolidation over the coming two years. 	<ul style="list-style-type: none"> • Respondents cited referrals from existing clients as the biggest source of new clients and yet, only 37 per cent of CEOs believe existing clients would recommend them to new potential clients. 	<ul style="list-style-type: none"> • While 81 per cent of respondents think their firm’s relationship managers greatly understand clients’ investment objectives, only 56 per cent agree that they have a full grasp of clients’ overall financial goals, • Only 17 per cent of respondents said their CRMs currently have an established relationship with the likely heirs of their clients • The most profitable firms have, on average, far lower ratios of clients per CRM. In the wealth bands between \$5 million and \$10 million, there are 54 clients per CRM, but for those institutions with the lowest cost-to-income ratios there are only 26 clients per CRM. 	<ul style="list-style-type: none"> • The infrastructure requirements of regulatory compliance create opportunities for technology firms and outsource service providers. 	<ul style="list-style-type: none"> • Seventy-one per cent of respondents have reviewed their risk management frameworks within the past six months. • Despite the adverse financial impact, 57 per cent of CEOs surveyed believe the new regulations are beneficial.
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MoneyWare Integra for FII's

MoneyWare Integra FII edition handles all asset classes. The system is capable of handling multi market, multi security, multi currency; it allows creating sub account and investment done via P - Notes.

The system supports international and domestic security with other currency reporting. The system can be linked to Bloomberg for the priceless and real time portfolio monitoring.

Asset class covered:

- Equity
- Derivatives
- Commodities
- Mutual Fund
- Fixed Income
- Private Equities
- PMS
- Alternate's E.g. Art, Real Estate etc

MoneyWare Integra for FII 's	
Multi Market	✓
Multi currency	✓
International Security	✓
Portfolio risk	✓
Performance reporting GIPS compliant	✓

The Middle East: Sitting on \$1.7 trillion in personal assets, Billionaires galore

The Middle East's wealthy have become richer and richer, with 400,000 people in the region sitting on a \$1.7 trillion mound of wealth, Merrill Lynch's World Wealth Report 2011 has said. Only the United Arab Emirates saw a decline in its wealthy population, but the region's population swelled by 10.4 percent in 2010, the report revealed.

Tamer Rashad, head of Middle East at Merrill Lynch Wealth Management, said that rising oil prices and an increase in global equity market capitalization had driven the region's wealth growth over the past year. "One key differentiating factor for the Middle East economy is the significantly high ratio of savings to gross domestic product," he told Arabian Business.

This ratio reached 54 percent in Bahrain and 40 percent in Saudi Arabia compared to single-digit rates in developed countries such as the United States, the business site reported.

The UAE was the only Gulf player to see a slump in dollar millionaires, falling by 3.5 percent. The drop is believed to be tied to the Dubai real estate market collapse in 2009 which saw market prices in the emirate fall significantly -- almost by half. The report revealed that GDP in the UAE grew at only 2.1 percent in 2010, compared to 4.2 percent in Bahrain and 3.8 percent in Saudi Arabia.

Across the Middle East, holdings of real estate among high-net-worth individuals fell to 18 percent of all investments from 23 percent in 2009 as property markets saw a slump in demand. A high-net-worth individual is classified by Merrill Lynch as one with investible assets of at least \$1 million, excluding their primary residence.

Kuwait and Bahrain saw their high-net-worth players jump by 25 and 24 percent respectively, placing them sixth and seventh in the rankings of 71 countries, the report said.

Source: Al Arabiya News

Sebi proposes self-regulation for wealth managers

In a new set of rules for the estimated \$1 trillion wealth management industry, the Securities and Exchange Board of India is planning an intermediary regulatory body with representation from among the wealth managers themselves.

In the proposed self-regulatory model, the market watchdog will put the onus on wealth managers for compliance with the regulations. The new entity to be created under Sebi's guidance would work as the first-stage regulator, as also market development authority, a senior official said. The decision has been taken with a twin objective of regulation without hampering the growth prospects of this burgeoning segment of the financial services sector, he added.

The SRO model, where wealth managers or investment advisors would be asked to develop a stringent code of conduct in consultation with Sebi, would be complemented with stern penalty measures for erring entities. The proposed rules are also being discussed by the Financial Stability and Development Council, the high-level regulatory body chaired by the finance minister.

Source: Business Standard

China's super-rich to fuel wealth management boom: Survey

China's growing ranks of millionaires and billionaires, which mirror the country's turbo-charged economic growth despite the global financial crisis, point to a boom for the wealth management industry, according to a survey published on Wednesday. The number of Chinese individuals with net worth at least 10 million yuan (\$1.5 million) is set to nearly double to 590,000 this year from 2008, the survey conducted by global consultants Bain & Co and China Merchants Bank showed.

Wealthy Chinese will have combined assets of 18 trillion yuan by the end of 2011, up 18 percent from the previous year, the report predicted.

"It's not surprising. China is doing well even as the picture for most developed countries looks grim," said Johnson Chng, Bain's head of financial services in the Greater China region. "Wealth creation in China is marching on unimpeded."

The number of Chinese with net worth of at least 10 million yuan hit 500,000 in 2010, including 70,000 with more than 50 million yuan and 20,000 with over 100 million yuan. China's more affluent provinces and cities -- Guangdong, Shanghai, Beijing, Zhejiang and Jiangsu -- have the highest proportion of millionaires and billionaires in the country. Investment returns from China's red-hot property, private

equity as well as the launch of the Nasdaq-style second board in 2009 were driving wealth creation, Chng told reporters.

But the rich Chinese are scaling back their property investment as the government seeks to rein in the overheating sector, boosting demand for wealth management products. More than 90 percent of the wealthy individuals polled said they will not raise property investments in the next 1-2 years.

The survey found that nearly 27 percent of Chinese with net worth of 100 million yuan have already completed emigration to other countries and a further 47 percent are considering such a move.

Source: Reuters

Wealth management could be next major opportunity

With mobile and cloud computing having made a mark in traditional banking, wealth management could be the next area of focus. Finacle, which is the product offering for banks from Infosys, sees an opportunity here.

Mr. Haragopal Mangipudi, Global Head - Finacle, Infosys Technologies, told *Business Line*, "India is on a wave and needs a scalable wealth management solution." Providing an anecdotal example, he said, "Seven years ago, my driver didn't have a bank account; now, he not only has an account, he has also started using it for derivatives." He said that many banks will have to offer wealth management solutions to their customers as they (the latter) get richer.

In addition to wealth management, cloud computing and mobile banking are also going to be major drivers, said Mr. Haragopal. "We have a solution called Finacle Lite on the cloud and mobile banking that can work off several handsets, from basic phones to smart phones." Discussing Finacle's performance, he said that it has grown over 42 per cent, from \$208 million in FY10 to \$295.6 million in FY12. "We had 41 wins this year as compared to 31 last year," he said.

Talking about trends in tech-enabled usage of banking, he said that location-specific banking will be important for banks in the future. "For example, a bank based out of Jayanagar in Bangalore could offer some special services to gain greater market share in that locality."

Source: Finacle

61% of wealth management firms taking steps to improve client centricity: SEI poll

According to an SEI Quick Poll, 61% of wealth managers say their organizations are either actively engaged in client centricity programs or have plans to launch such programs in the next 12 months. Only 1% of wealth managers are satisfied with current levels of client centricity, according to the report.

According to the poll results, while respondents remain divided on the exact definition of 'client centricity,' the majority agree that the term refers to meeting end-client goals and financial needs, by both demonstrating 'empathy' - discovering / anticipating client needs (35%) - and providing technical solutions (26%).

Over the past 12 months wealth managers have worked to increase client centricity in a number of ways. Top-tested strategies include creating multi-disciplined sales and relationship management teams (25%), implementing overall organizational change (23%), and initiating firm-wide integration of client relationship information (19%).

Respondents also gave insights on how they intend to improve communication with clients. According to the poll report, the majority of respondents plan to give personalized advice (54%) through enhanced statements (61%), enhanced websites (54%), and clearer, more concise product and performance information (51%).

Nearly one-third of the group (27%) also intends to utilize mobile apps as part of their communication strategy.

Source: SEI

Regulatory scrutiny, client expectations shaping wealth management

Stricter regulatory oversight and more demanding customers are forcing wealth management firms to change their client service infrastructure and operating practices, according to a PricewaterhouseCoopers (PwC) report.

Wealth management continues to be a lucrative business, with untapped potential for growth, provided institutions are proactive in adapting to the changing demands. New competitors are challenging the dominance of established firms, resulting in a reworking of their operations. Those who master change, would be in a position to win an increased market share and lead the industry, the report, 'Anticipating a New Age in Wealth Management', said. The report surveyed 275 institutions across 67 countries.

Clients are cautious, smart and less loyal and expect excellent service and clear value, according to the report. Wealth management firms need greater operational efficiency and effectiveness,

not just to compete, but to survive. Being stagnant is no longer an option and institutions must now quickly adapt or face being left behind, it said.

Wealth managers would need to diversify their client bases, while increasing their awareness of non-traditional, high-growth emerging market countries, the survey said. It also added the industry faces pressures in many areas. First, the fabric of the wealthy investor has been transformed as a result of the global financial crisis and recent scandals. Clients are more active in managing their affairs and are paying increased attention to reputation.

Second, there is shift in the pattern of world wealth between emerging and established markets. A tougher regulatory oversight presents challenges for some wealth managers and opportunities for others.

Source: PwC