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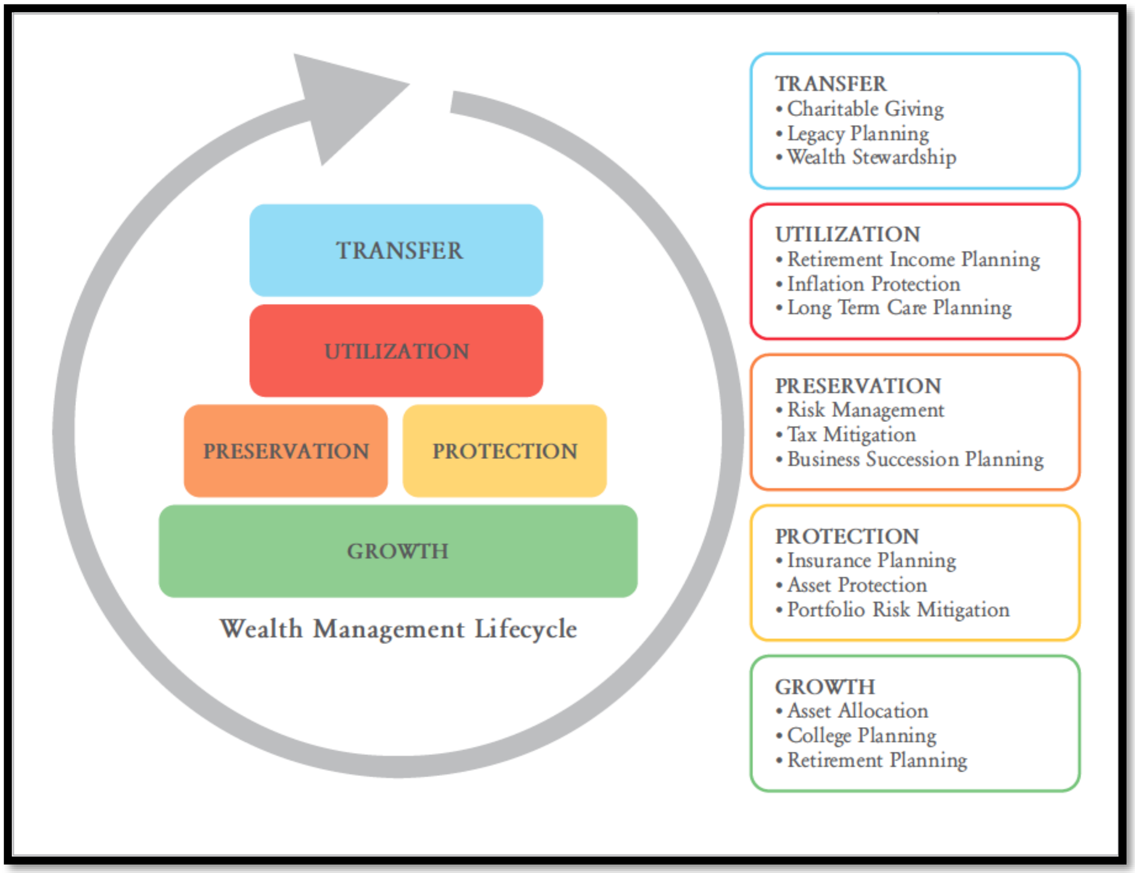
FINANCIAL SERVICES TECHNOLOGY REDEFINED

Improve business performance and identify new opportunities by leveraging actionable real-time business insights with Business Analytics and Reporting Software

Despite a rapidly evolving competitive landscape, wealth management firms need to adapt to economic and market developments, and continue to focus on their clients' portfolios. For most institutions, these clients take the form of high net-worth individuals (HNIs), corporations, and trusts. Catering to the needs of these clients is a team of advisors, researchers, client relationship managers, portfolio managers, traders and brokers, that work to help clients make investments across a swath of products - equities, debentures, mutual funds, futures, works of art, commodities, fixed deposits and ETFs.

To achieve the necessary portfolio growth, firms are increasingly learning to harness the power of their information - often through analytics. However, to accomplish this, they must first understand their data and structure it appropriately.

Figure – 1 Wealth Management Lifecycle



Managing information

Disparate Information

The investment advisory teams work on different sets of applications as they deal with a variety of investment products. Clients may not be interested in all the investment avenues offered by a wealth management unit, hence their details may be scattered across various trading applications. At times, this results in storing customer details differently across disparate applications.

Some applications need to store investment details for a short time only, while others need to store the details for a very long time - primarily due to regulatory demands. A typical wealth management team needs to prepare a list of reports for clients as well as for the bank (if not independent) on a periodic basis. Table 1 highlights reports that are often prepared.

Complex Information Requirements

Depending on the client relationship, investment decisions are made either on a discretionary basis or a non-discretionary basis. Wealth management organizations earn their revenue based on a fees and returns basis, so it is imperative for them to track the value of these investments and align them to the market on a periodic basis.

Apart from this, the wealth management firm is also interested in understanding which investment advisor is generating more income, which portfolio manager's mutual funds are doing well, and which researcher is performing research with a high-value-add that can be leveraged for greater returns on the investment.

Wealth management firms are also interested in understanding the risk appetite of their clients and the nature of their investment portfolio - both critical in suggesting a suitable investment strategy.

Table – 1 A range of Wealth Management Reports to be generated

Report Type	Description
Performance Attribution	Performance of the various components of the clients' investments, across different industries and instruments
Risk	Market Risk statement to the customers on their portfolio
Cash Flow	Cash Flow information to the customers
Fee Paid	Fees collected and invoiced to the customers
Holdings	Exhaustive list of all the holdings in different forms
Valuation	Mark to Market valuation of the Investments /Assets
Benchmark Comparison	Comparative statements: Plan Vs Actuals
Corporate Action	Dividends due & Corporate Actions due
Reconciliation	Reconciliation of the expected cash flow from sale / purchase of assets, dividend allotments with the physical / demat list of certificates
Physical Certificates List	List of Assets in Physical Certificate form
Cash Management	Reconciliation, Overnight balances, Overnight calls
Securities Reconciliation	Reconciliation statement

Information Management Framework

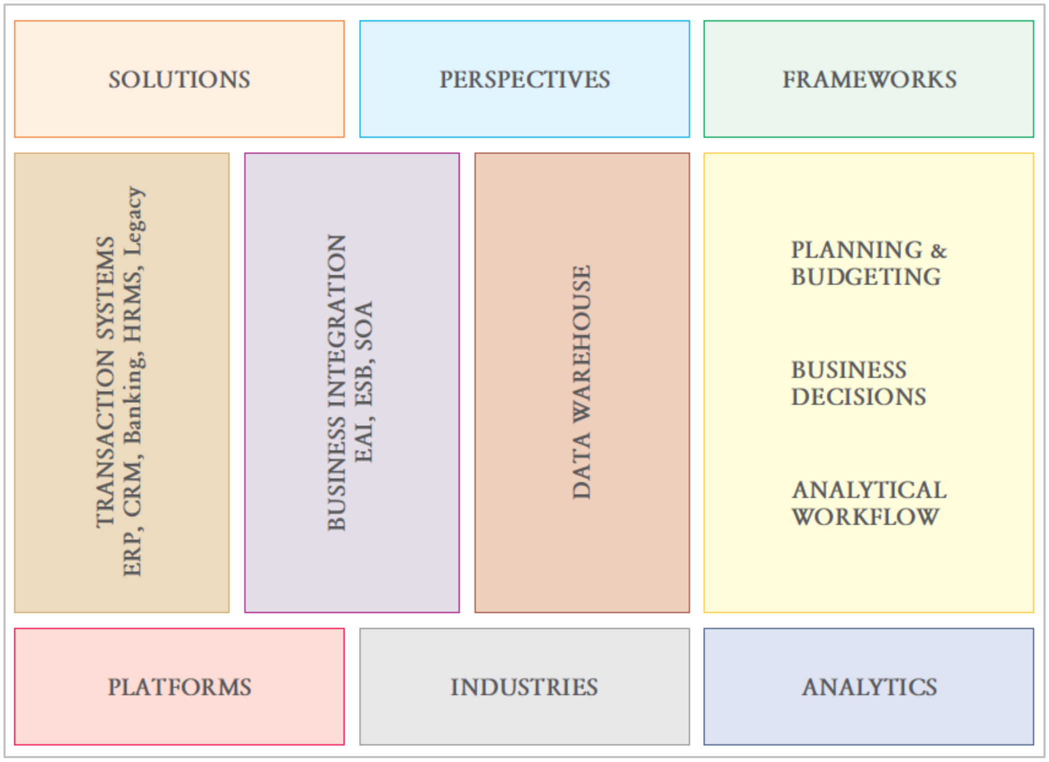
The Information Management Framework (IMF) enables the establishment of a single version of the "truth", and viewing of the complete investment portfolio segregated by clients/ sectors/ investment arenas/ profiles. Such a framework associates the influencers and decision-makers within the wealth management organization to specific actions/ decisions. Finally, the framework effectively reflects the earnings/ losses and other fees and costs involved in various transactions.

To enable IMF to work efficiently, data must be collected from trading systems and other record storage systems and assembled to reflect individual client portfolios. A complete list of master data (including the customer master data and trading reference data) also needs to be maintained. This master data hub can act as a golden source for master data and meta master data for the entire unit/ organization. The proper communication and exchange of meaningful information across various individuals, departments, and stakeholders is critical.

Most importantly, for the IMF to function, the source systems' data must be arranged in a meaningful manner, with a provision to store detailed transactions and other details on clients, products and industries. Provisions should be available to look at aggregated data and then drill down to the details when required.

In such a manner, the IMF unites the entire wealth management unit for information sharing through master/ reference data standardization. It also enables the unit to bring out the single version of truth, as it integrates the source systems' extracted data at a target database in a single schema.

Information Management Framework Components



Performance Management Framework

A Performance Management Framework (PMF) can be defined on top of the established IMF to monitor the organization's health on a number of aspects. This is accomplished through the use of a well-defined set of KPIs and Metrics. Essentially, the PMF on top of the IMF provides a single version of the truth made available in a prioritized and easily understandable format.

The set of KPIs and Metrics can easily be divided into the following subject areas:

- Assets Growth
- Clients Growth/ Churn
- Assets Quality/ Products
- Credit Risk
- Operations Risk
- Other Financial Metrics
- Employee Productivity (Trader, Investment Advisor, Client Relationship Manager)
- Employee Effectiveness (Investment Advisor)
- Process Effectiveness

Business Analytics Framework

Business Analytics (BA) play an even greater role in increasing the wealth of the clients, by providing critical insights into the markets, geographies and economic trends. BA enables this by analyzing the data that is already gathered through the IMF and perfected by the PMF.

For example, by using analytics, a firm can create an interactive environment where clients carry out a variety of simulations - hypothetically redistributing their investments across different asset classes and geographies. BA, by the way of a Global Balanced Asset Allocation System (GBAAS), can play this role.

The important inputs required for the BA environment to function are as follows:

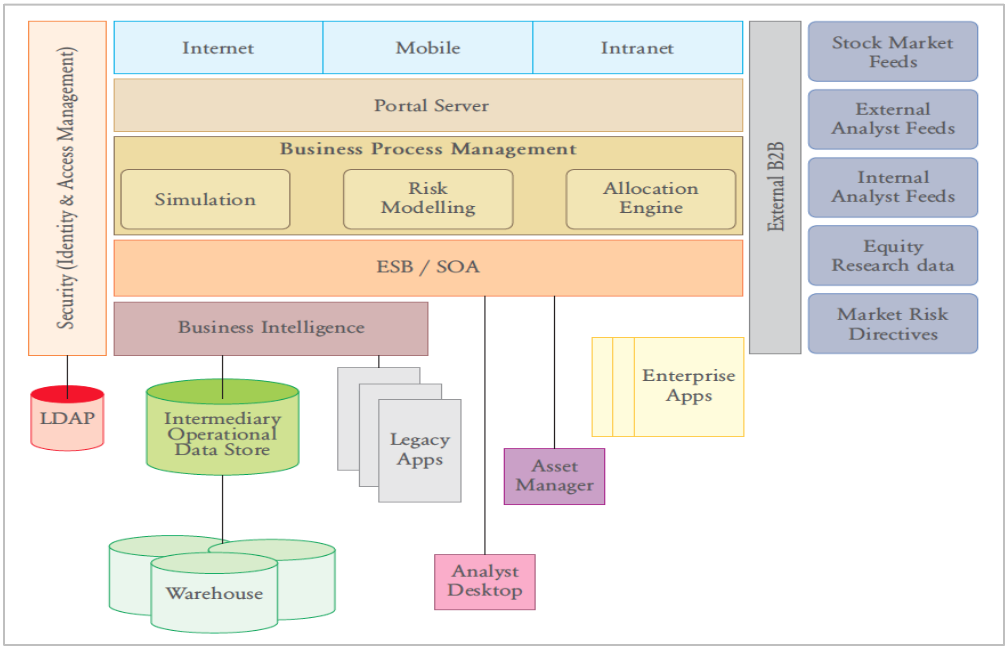
- Master data in dimensional hierarchy, along with the customer investment profile and risk appetite
- Research data arranged as per geographies, industries and focused organizations
- Projections on the research data for about 10 years
- Research data categorized and profiled into different risks
- Availability of statistical tools, interactive visualization tools and interactive decision-making data architecture
- Ability to drill down from the KPIs to dimensional architecture, and then to contributing detailed transactions
- Most importantly, the ability to model the data for some projections and simulations

Technology Framework

The technology framework for Business Analytics and Reporting must address all the three frameworks - Information Management, Performance Management and Business Analytics. This forms the underlying foundation for addressing the functionalities.

The important components of the Technology Framework are:

- Data Integration (DI)
- Data Management (DM)
- Data Arrangement (DA)
- Data Exploration and Analysis (DEA)



Conclusion

Several leading banks in the wealth management space are in the process of making major improvements in their information management capabilities. In most cases, these changes are occurring in the statutory area and risk management. However, this is only a stepping-stone. Wealth management firms can tap into the potential of business analytics to differentiate and ensure customer satisfaction.