

# Pioneering a new investment experience

*An unprecedented collaboration involving Avaloq, DBS, Leonteq and Numerix has led to an innovative – and genuinely front-to-back – platform for structured products that breaks new ground in turnaround time, efficiency and cost of production.*

The fact that many private clients have at various times been victims of errors in the execution or booking of a trade seems at odds with the service promise of a private bank.

Yet this has been a reality. And efforts to reduce – let alone remove – such flaws in the investment process have proven difficult to achieve to date.

Now, after around 12 months in the making, a unique collaboration between Avaloq, DBS Bank, Leonteq and Numerix looks like providing the 'silver bullet'.

The firms have gone public with their plans to implement what they describe as an integrated multi-issuer investment products distribution system. And the Asia Pacific region will be the first to benefit.

In short, cooperation in terms of technology, skill-set and connectivity will

enhance the offering and distribution of structured investment products.

This is not only for the end-client. The new platform will also help relationship managers (RMs) address the inherent problem relating to the challenge of filtering vast amounts of information so that they can make sense of it, and in an actionable way.

"What makes this platform unique is the fact that it is based on a buy-side approach, providing services to enhance customers' experience," says Jan Schoch, chief executive officer (CEO) of Leonteq Securities AG.

## TRUE COLLABORATION

Key to the agreement and commitment by Avaloq, DBS, Leonteq and Numerix to build this system has been creating a platform to achieve a true front-to-back solution. It brings together, for the first time, best-of-breed distribution, analytics, wealth



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management, customer relationship management and portfolio management technologies, which enable structured investment products to be



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And finally, Avaloq connects the whole system to the Avaloq Banking Suite, which allows the straight through processing (STP) of trades in these products, as well as creating the account statements.

From DBS' perspective, the partnership is an opportunity for it to pioneer a next-generation digital banking platform, in line with its desire to shape the future of banking.

"Through this initiative, we hope to broaden our customer base and deepen our service offering," explains

"Also," he adds, it is based on standardised processes and fully compliant with the respective local regulations."

### **SPEED AND RELEVANCE**

Information gathering, pricing and automation are the staples of some of the other recently-launched structured products platforms.

But while the connectivity is there, it's the moment of execution where the service of other platforms stops.

This latest investment product distribution system goes deeper.

offered and distributed efficiently and in a holistic manner – with DBS as the pilot bank.

More specifically, it can be broken into four broad stages. First, access to structured investment products is provided by DBS and/or Leonteq. In the future, this will also be extended to other selected product issuers, along with other products and instrument types.

Secondly, a web-based solution enables real-time, multi-user, analytics-based product structuring and pricing, as well as intuitive requests for quote (RFQ), along with trade and order management workflow, provided by Numerix.

Thirdly, there is access to designated automated services on Leonteq's integrated technology and product services platform.

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Andrew Ng, the bank's head of treasury and markets.

According to Steven O'Hanlon, CEO of Numerix, such a collaboration not only demonstrates what can be accomplished by leveraging best-of-breed technologies. It will also be what he describes as "a lynchpin in the transformation of the structured products market".

Further, Francisco Fernandez, CEO of Avaloq, whose customers already manage assets worth US\$3.9 trillion using the Avaloq Banking Suite, says the new solution will enable banks and wealth managers to access and provide new financial products quickly.

This platform doesn't just provide the connectivity, says Erdem Ozgul, senior vice president, Asia South sales, at Numerix. "It also puts the right content in front of the right audience."

The platform stretches across the entire lifecycle of a product, adds David Schmid, CEO and managing director for Leonteq Securities in Asia. "It starts with the sell side issuing the product, to the buy-side booking the product, and ultimately the client having a better product which they can understand and manage it within their portfolio."

In practice, therefore, any data which needs to flow from the sell-side to

buy-side can now do so in a seamless way. That has been lacking until now.

A tangible benefit is the transparency and time saving it provides for RMs in providing relevant information to a client about what action to take on a certain investment product within their portfolio.

For example, it might not be clear to an RM whether it is a good time to sell options based on certain underlyings, or over which time period.

Or, the RM might not be fully aware of the mechanics driving the value of a particular product.

As a result, the RM might send out 20 pricing requests in the morning – covering maturities of three, six and nine months, at a range of strike levels – to get a clear view of the yield on a particular underlying.

A dealer on the sell-side will then see such a request, price it and send it back to the buy-side.

But the RM might not get that information immediately; they might be out the office or busy.

So when they make a decision based on that pricing, the process has to be repeated to get a refreshed price.

Further, the moment a trade is executed, it gets booked into the client's account via Avaloq.

"With an online platform, the turnaround is much quicker," says Schmid. "Real-time pricing enables more immediate discussions between the RM and client, potentially leading to instant execution."

Yet the value-add starts much earlier, even before a single trade is made, says Calvin Yeap, head of equity derivatives trading within the treasury & markets team at DBS Bank.

"In a lot of financial transactions, one of the biggest gaps comes as a result of a failure to settle," he explains. "That happens because there are many corporate events, especially in equities."

### PROACTIVE ABOUT ADDING VALUE

An RM now has the possibility of being able to tailor the specific investment product from multiple issuers based on the needs and risk appetite of an individual client, as well as the market from within which they are operating, explains Ozgul.

At the end of the day, the vision for the platform is to help an RM be more productive and effective.

Yeap explains this further in a working example. "At the start of a working day, an RM would use his or her tablet to login to Avaloq, and then view a particular client's portfolio. Given their risk appetite and current portfolio, as well as how any positions have moved overnight based on global markets, the system will use its core analytics component to propose a trade which makes sense for that client."

### A REAL DIFFERENTIATOR

Avaloq, DBS, Leonteq and Numerix are adamant they are taking the market to the next level.

"Each firm has a particular competency, yet the industry hasn't typically worked together in a way which is as coordinated as it should be," explains Schmid.



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It plays to efforts already underway via various bilateral partnerships to improve the investment experience for all parties.

For example, in June 2014, Avaloq and Leonteq announced an agreement to further automate the processing of structured investment products in building an upgradable interface between the Avaloq Banking Suite and the Leonteq products and services platform for Leonteq customers using the Avaloq Banking Suite.

A few months later, in November, Leonteq announced the launch of a product partnership with DBS in the origination and distribution of equity derivatives structured products.

The latest, four-way collaboration will provide further revenue and cost synergies from the pooling of infrastructure, information technology and other support services. ■