THE GUIDE TO TECHNOLOGY & SYSTEMS SOLUTIONS IN ASIAN WEALTH MANAGEMENT 2013

hubbis

October 2013

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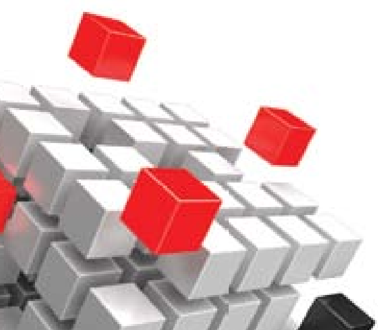

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FOREWORD

The role of technology across all aspects of the wealth management business – and for all types of organisations – has never been as significant as it is now in terms of what it can help organisations to achieve.

Simplicity, clarity, timeliness, relevance, compliance and efficiency are just some of the critical success factors today. Coupled with priorities such as being able to access the right client data and creating a unique client experience – systems and solutions are dominating conversations from the boardroom to the front-line, as firms strive to differentiate their offering.

The big challenges for the wealth management industry in Europe, for example, include thinner margins and the costs of implementing compliance. As a result, there have been two clear trends: first, a move away from self-implemented systems towards core and front-end banking packages; and secondly, especially for mid-sized and smaller banks, a move towards business process outsourcing (BPO).

In Asia, there has been a move towards some standardisation of applications, and some BPO to manage costs more efficiently. This highlights some of the vast potential in this region.

At the client-facing end of the business, with client reporting as a major touch-point for banks with their clients after onboarding, wealth management firms are exploring how to stand out and develop a better picture of their clients. They can then push this towards different channels for communication stand out.

The content in this publications looks at some of these trends in how technology is impacting the traditional role of wealth management. This covers building for the future by industrialising the business to ensure consistency and scale through modern, flexible and market-relevant platforms and processes. It also assesses how to create a world-class and differentiated client experience by more actively involving customers throughout the entire lifecycle and across multiple delivery channels.

On behalf of Assentis Technologies, I am delighted to be part of this publication.

And I hope you enjoy reading the content within these pages.

Urs Tanner
Chief Executive Officer
Assentis Technologies

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58%

"There is a real need to consider the extent to which IT objectives are aligned with the business values and goals. In many cases, this doesn't happen anywhere near as often as it should."

Page 2

30s

"We are working on processing, real-time pricing and online systems for FX and equity trading.Clients can put in an order and receive a confirmation in 30 seconds."

Page 22

2:1

"One bank [in South-east Asia] told me that for every two RMs it hires to meet the growing market volumes, it has to hire one customer support person to assist them with administrative work."

Page 30

42%

"As banks in Asia look to make better use of technology and systems to truly differentiate their wealth management offering, regulatory restrictions are the biggest challenge they face for dealing with client data."

Page 32

up to 70%

"Banks today already spend anything from 50% to 70% of their total IT budget on software and systems to address various regulatory requirements."

Page 40

No.1

Regulation today tops the agendas of all financial services players. Private banks are being heavily affected by regulations put in place with the aim to protect retail investors and increase KYC.

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INDUSTRIALISING WEALTH MANAGEMENT IN ASIA

THE ROLE OF TECHNOLOGY ACROSS ALL ASPECTS OF THE WEALTH MANAGEMENT BUSINESS IS AN INCREASINGLY CRITICAL DIFFERENTIATOR. IT CAN ENABLE FIRMS TO STAY COMPLIANT, ENHANCE EFFICIENCY, MANAGE CLIENT DATA, AND CREATE A UNIQUE CLIENT EXPERIENCE. BUT THIS ALL NEEDS TO START BY INDUSTRIALISING THE OFFERING.

Dealing with the various complex challenges confronting Asian wealth management requires a clear, focused and realistic strategy for putting in place the technology infrastructure and systems to ensure the necessary standardisation and scale as part of an "industrialised" offering.

The over-riding objectives for most wealth management organisations are several-fold: simplicity, cost-reduction, higher customer satisfaction, and greater RM productivity.

"The challenges that banks face in terms of profitability due to the increased pressures on costs and revenue are forcing them to be a bit more rational and realistic about how they conduct business," says Patrick Dreyfuss, the deputy chief executive officer at Societe Generale Private Banking for Asia Pacific.

This means reassessing and becoming more focused on their value propositions, as well as getting more active around the services they deliver to their clients and more selective on which client segments they target.

"Banks need to review their operating models to keep their costs down," explains Dreyfuss, "which means enhancing efficiency and finding ways to do this. Scale is a key part of this."

Adds Olivier Crespin, managing director and chief operating officer for DBS Bank's retail and wealth management businesses: "The challenge relates to the complexity, so the opportunity is to ensure simplicity, which will also reduce the costs."

Patrick Dreyfuyss

Societe Generale Private Banking

"The challenges that banks face... are forcing them to be a bit more rational and realistic about how they conduct business"

MORE ADVISORY CONSISTENCY

Inevitably there are many strategic objectives for every platform, but one of the most commonly-cited priorities is to industrialise the advisory process.

Given that the front-office represents the biggest expense in terms of resources, it is not only the back and middle offices where organisations need to provide the right tools and processes to enhance efficiency.

According to Crespin at DBS Bank, it is important to group clients by needs and then define the right operating model and systems to support the banker for each segment.

"It then means different types of RMs with different specialties can support each client," he explains.

Further automation also means providing more information for clients online so that there is no need to speak directly with an RM for certain transactions and services.

Practitioners are in agreement that the internet proposition should definitely be able to add value to the client, assuming there is the right information. This might include online equity and FX trading for private banking clients to be self-led, for example.

"This means some of the transaction flow can be diverted to automated offerings, in turn giving more time to RMs to analyse the portfolio and come up with recommendations for clients," says Crespin. "This ensures a better front-to-back alignment via the right operating model."

For many types of wealth management offering, the goal is a position where everything is automated.

That would reduce costs associated with hiring RMs, putting them through training and getting them up to speed so that they can deliver a good quality of advice.

CLEARER CLIENT COMMUNICATION

Industrialising the advisory offering also means giving RMs the tool and confidence to more clearly articulate what their value proposition is – why the client comes to see them in the

David Bellingham
PIAS

"Industrialising the advisory offering also means giving RMs the tool and confidence to more clearly articulate their value proposition "

first place and how the RM adds value, says David Bellingham, chief executive officer & responsible officer at Professional Investment Advisory Services. "IT is then about automating the rest of the process."

This is important given that although regulators are philosophically consistent in what they want to achieve, in reality there is a divergence in approach. Moving from one market to another therefore becomes more difficult, explains Bellingham, reflected in how product providers are dealing with the firm.

"How we adapt to that is by looking at all the risk points in the business and standardising those," he says.

Going forward, that might mean less discrete portfolio construction and more reliance on a centralised team of experts to do it for them.

In terms of finding new channels to drive a more focused advisory offering, Rob Birch, solutions strategist for the investment services business at Fiserv in Asia, says financial institutions need to use emerging technologies and applications to provide more relevant and targeted advice.

"Standardisation requires focusing closely on what is going to drive revenue and efficiency," he explains. "Financial planning has been shown to deepen client relationships, uncover held-away assets and need for other products and services offered by the financial institution. On the other hand, financial planning can also be very time consuming, because of cumbersome data input requirements."

A successful industrialised offering also means there is flexibility within the platform to account for different client appetites and tastes.

Key to this is the possibility of creating parameters for as many ways as possible within the system, and creating hard and soft blocks within the software, says Crespin.

By delivering tools that, as part of the core architecture, adhere to enterprise-wide policies across regions, financial institutions can leverage greater integration and automation, adds Birch. "This, of course, requires a single highly-flexible advice platform."

Ultimately, the right information needs to be provided, and in a timely way, to clients to enable them to act. "A lot of

the basis for the future has to be related to the communication and experience with the client," says Bellingham.

REGULATORY CONSISTENCY

Having a consistent platform built for the most demanding regulatory environment, and incorporating all product capabilities, is one preferred approach. And one which makes the overall platform much cheaper as well as enabling firms to be flexible.

After all, adds Crespin, it is a matter of time that regulatory playing fields will be leveled.

Along these lines, automating compliance solutions is one of the mains goal driving developments in many banks and other advisory firms (discussed later in this Guide).

This is critical in ensuring consistency of the offering. "It is becoming more and more complex for RMs and product specialists to remember and deal with [the many regulations]," says Crespin.

As a result, the objective is to embed rules into the platform and processes, for example creating alerts when doing a transaction, to ensure adherence.

Olivier Crespin
DBS Bank

"The opportunity is to ensure simplicity, which will also reduce the costs"

One of the most important components of investment advice, for example, is investment suitability, but the industry wasn't really able to ensure the right match itself. The regulator therefore had to step in to push forward the industrialisation of the advisory process.

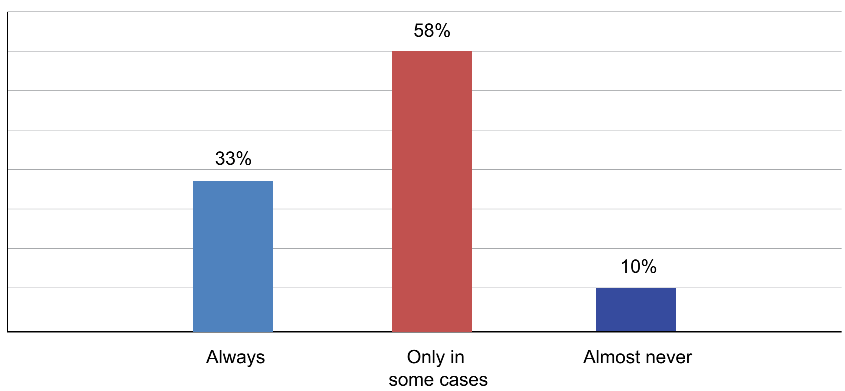
More generally, adds Nicholas Hacking, director of sales at banking software specialist ERI Bancaire, banks in Asia mustn't delay in finding the right systems solutions to tackle the compliance challenges.

"We're seeing a lot of demand from customers to automate their on-boarding processes," he says, "which can sometimes still be fairly manual and create issues in relation to customer confidentiality."

In looking to offer the right type of solution, while the use of iPads and mobile banking generally is still in its infancy, Hacking says banks will increasingly face significant changes in the way they communicate with customers, and in the way in which relationships are managed. "Not only will that require a lot of technological advances, but there is also a way to go in terms of reassuring clients on security and authentication issues."

Another key area for institutions to focus on – and one which Hacking says sometimes gets overlooked – is the way the regulators approach the back-office. "That includes issues around business continuity for data and systems," he explains. "Banks have to be serious about putting in place procedures in the case of an incident and really testing these. This includes protecting data from internal breaches."

Alignment of IT-investment portfolio with business value



Source: Hubbis

ALIGNING OBJECTIVES

In addition to the consideration of priorities for industrialised offerings, there is a real need to consider the extent to which IT objectives are aligned with the business values and goals.

In many cases, this doesn't happen anywhere near as often as it should.

There are many reasons for this, says Kannan Vijayaraghavan, executive director, business technology at Julius Baer. "It is a perception of what the drivers are and how the drivers are aligned with the business," he explains. For instance, the drivers for the front office mean getting more people to be inter-facing with clients; for the back office, it is more about efficiency and lowering the cost per unit.

"It would be helpful for all of the different functions signing up to a common goal," says Vijayaraghavan. "With a shared vision, then it is easier for people with different perspectives to see how they can organise their own areas towards that goal. Once this happens, even in a small way, there will be a better alignment."

Dirk P. Sibiet, country technology officer for ABN AMRO Bank for Singapore and UAE, agrees that the extent of alignment depends on the perspective.

In terms of the front office, for example, a lot of the IT investments being made at the moment don't immediately solve their issues, he explains, because the focus for the time being is streamlining operations, reducing costs, and getting in line with regulators.

"This will be the case for us for the next 12 to 18 months – given the need to meet the various regulatory requirements," says Sibiet.

In another example, at Barclays, Ignacio Vera, global head of internet and mobile, and head of offshore technology centres, says that when the bank looks at its overall IT budget, it invests maybe 3% to 4% of the overall budget on strategic projects aligned with business needs. The majority are about run-the-bank projects.

MAKING INDUSTRIALISATION WORK IN PRACTICE

While the objectives of a more industrialised offering might be simple in theory, achieving them in reality isn't. Doing so must start with a clear idea of a firm's goals and strategies. Yet there is no single correct system or approach. Plus, there is a danger that firms might just end up with too many systems, to add to the already large number which exist, in turn leading to difficulties in their integration.

Further, such far-reaching change needs to start with senior management to believe in and enforce the required changes.

Without such leadership, buy-in from everyone from RMs to technology support staff will be difficult to ensure.

> "It would be helpful for all of the different functions signing up to a common goal."

Rob Birch.

As investors become more sophisticated and trade / invest significant capital cross-border, Asia is one of the major beneficiaries.

With a single regional platform, Rob Birch of Fiserv says that cost and services / products to customers can be better managed through:

- Providing a standardised, holistic, client-centric view
- Aggregation of holdings and real assets
- Enabling third-party, middle- and back-office integration
- Allowing for real-time, adviser-client collaboration

"It starts with selecting a platform that was designed for flexibility in supporting multiple business units," he explains.

"This allows the financial institutions, at the regional level, to focus on setting up an integrated platform, which maximises efficiency."

In the individual markets, configuration changes are limited primarily to localisation for language, taxation and regulations, he says.

DRIVING INNOVATION

STEVE MONAGHAN, MANAGING DIRECTOR AND CHIEF INNOVATION OFFICER AT DBS BANK, LOOKS AT KEY AREAS WHERE WEALTH MANAGEMENT COULD BE MORE CREATIVE AND INNOVATIVE.

"While we look at every wealth management solution globally, when we talk to our customers about the functionality they want, it all comes down to the ability to get things done."

Hubbis - *What is your role at DBS Bank?*

Steve Monaghan - My job is around transformation; I'm really a lobbyist within the bank. I look at developments in different markets and across industries – from retail to auto – and at the ways in which people are changing business models.

I try to look at how all of this might be applicable to DBS and our customers, and at how the organisation as a whole can respond to that.

Hubbis - *Where do you see the greatest opportunities for bringing innovation into wealth management?*

Steve Monaghan - Speed, transparency and connectivity. Taking the first point, the speed at which we can comprehend and process information is changing dramatically.

To put it simply, the power in an iPhone today is equivalent to what put NASA on the moon. Our customers have access to that technology so we as institutions have to be very responsive in terms of how we enable that technology for our customers with banking services.

Connectivity, meanwhile, is largely driven by mobile, so we need to ensure our customers have easy access to us, and we need to be very responsive within that framework.

And from a transparency standpoint, customers might now have access to better information than some of their bankers, because of the sophistication of the tools they use. We therefore need to ensure we bring a higher level of transparency and trust, to serve our customers in a responsive way.

Hubbis - *To what extent do you look at innovation outside of this industry for application in your business?*

Steve Monaghan - I look at a whole range of industries. As an example, in seeing what Amazon has achieved in terms of being responsive to its customers, it brings back a very core lesson – simplicity.

Everyone has always thought that personal service and personal touch really makes the difference for the customer.

But if you look at every innovation in history – from the light bulb and the car, through to Amazon – ultimately simplicity for the customer wins.

So as a bank, while we look at every wealth management solution globally, when we talk to our customers about the functionality they want, it all comes down to the ability to get things done. This is a really important lesson to take away.

Hubbis - *What are your goals for the next 12 to 18 months?*

Steve Monaghan - From a simplicity standpoint, Steve Jobs said: "You don't take technology and work out where it fits with the customer; you take the customer experience design back to the technology."

Modern technology companies tend to spend a lot on design and engineering, but very little on selling.

This is because they design products and services which sell themselves; in banking and wealth management, we do the reverse. We are heavy on sales people, and look from a banking perspective.

I see a transformation in play at the moment, so my priority is to find out how we can build products and services that really change the game for our customers.

Hubbis - *What are the biggest challenges to achieving this?*

Steve Monaghan - This is an industry that is invested in, and values, complexity, so the move to simplicity requires a lot of effort. As an industry, we like doing things in an incrementally-simple way, but not necessarily able to jump to the end-game straight away.

So the biggest challenge is to first get people aligned behind a common vision and really understand what the opportunity is; the best way to start is to really listen and observe the customers, to understand what they value and what they don't.

So our focus as an organisation is to continue to invest time with customers.

Hubbis - *What is the "holy grail" that technology and innovation are yet to deliver in wealth management?*

Steve Monaghan

DBS Bank

"The holy-grail for me is contextually-actionable insight. Information is a commodity today, but insights are valuable."

Steve Monaghan - The holy-grail for me is contextually-actionable insight. Information is a commodity today, but insights are valuable – meaning the ability to be very relevant, and to provide customers what they need, when they need it and how they need it.

I used to be a commercial pilot, so as an analogy, if you think about old pictures of the planes that showed masses of dials and information, this is similar to what we do in banking. However, when you think about a fighter plane, it only shows the pilot the information needed to take action – what's relevant at the right time, to be able to take the right action.

As a philosophy, this suggests a move to simplicity that enables people to actually deliver results by giving the customer what they need and when they need, so they can take action which is valuable. ■

FINDING TECHNOLOGY-DRIVEN BUSINESS SOLUTIONS

One of the ways wealth management firms in Asia are trying to address the high cost-income ratios is by standardising processes.

The aim, from an operational and IT perspective, is to industrialise the business as far as possible – which is part of the requirement for scalability generally.

Yet this is a challenge given the need to provide clients with more bespoke solutions to clients, which in turn place greater demands on systems, and also given the desire from the business to be innovative – which doesn't naturally lend itself to the commoditisation of platforms.

These were some of the views of leading technology and operations practitioners, who came together in Singapore recently to discuss trends, opportunities and challenges in relation to finding business solutions through the smart use of technology and software – at a roundtable organised by Hubbis and co-hosted by Assentis Technologies.

Essentially, said practitioners, mass customisation is important in achieving profitable scale in Asia wealth management.

This is very important for regional or global banks that operate in multiple jurisdictions and need efficiency.

Benefits of customisation:

- Provide a consistent customer experience across channels
- Reduce chances of customer attrition; improve risk control
- Enable new products to be released more quickly
- Look at new channels for delivering wealth management

This requires firms to follow certain processes:

- Define the strategy – such as markets, customers, proposition
- Look at areas whether policies and products can be standardised
- Define end-to-end operating models and look for opportunities for process standardisation
- Match the technology roadmap with the operating model design

Coordination with the front-line, however, is critical to the success of any solutions discussed.

Co-host for this roundtable:

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Chief Executive Officer
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A SHIFT TOWARDS INDUSTRIALISATION IN ASIAN WEALTH MANAGEMENT

Dirk P. Sibiet: In response to the high cost-income ratios which is affecting many private banks in Asia, one of the easiest ways to address this is to focus on cost-reduction, which is by standardising processes as much as possible.

The end-result from an operational perspective is to become more like a factory with lean processes in place and also as little manual intervention as possible. This is our focus over the next 12 to 18 months, especially in terms of how we process transactions and also settlements.

As part of this, we are in the investigation phase of where in our processes between our front, middle and back offices can we become more efficient. We will then look at how we can further optimise the operations through straight-through processing (STP).

John Currie: For those banks looking to offer more bespoke solutions to clients, I see a potential challenge in trying to develop systems which can commoditise more complex products and incorporate STP.

This is because given the desire to create a more sophisticated and tailored product offering, systems may play catch-up.

There is also a tension in delivering industrialisation of the product and process as by achieving that, it inevitably means the platform is potentially less competitive from an innovation perspective.

John Currie
Barclays

Edrick Ho
ANZ Retail Banking

Benefits of customisation (aside from cost benefits):

- Providing a consistent customer experience across channels
- Reducing risk of customer attrition due to banker attrition as the relationship is stronger with the bank
- Improving risk control
- Giving the ability to release new products and new markets more easily
- Ensuring the ability to hub common processes for scale and consistency
- Being able to look at new channels for delivering wealth management, for example digital

Urs Tanner: In addition to focusing on reducing costs, I think banks need to make more effort to scale up the organisation.

I see a trend in Europe over the last three to five years, and especially Switzerland, where banks are dividing themselves more clearly into front and back offices.

Their focus is then to outsource their back offices to external providers. This is happening with smaller institutions, but also tier-1 banks are increasingly considering more and more flexible sourcing models.

This can be applied in Asia to help banks scale up their operations, which I think is essential to enable organisations to handle the costs they are facing, as well as differentiate in terms of the front office.

John Currie: When it comes to outsourcing, banks need to be clear that they are not outsourcing any responsibility or accountability.

Finding the right outsourcing solution is all about making sure that the providers can control the risks on behalf of the bank and report where this does not happen.

Kannan Vijayaraghavan: When it comes to outsourcing, doing funds transfers is straightforward and has already been industrialised.

However, with more complex structured loans, derivatives or structured products, for example, the question is whether the capabilities are there to deconstruct the products and cater to lifecycle events.

> "The end-result from an operational perspective is to become more like a factory with lean processes in place and as little manual intervention as possible. "

This lets organisations initially target those sub-processes that are most amenable to "industrialisation" with the most "bang for the buck".

Edrick Ho: The concept of mass customisation is important in achieving profitable scale in Asia wealth management. This is particularly important for regional or global banks that operate in multiple jurisdictions and need efficiency and scale. Although the concept is more relevant for retail wealth management it is also relevant for private banks that operate in the lower high net worth scale where pressures on cost/income ratios are prevalent. Our approach is the following:

1. Clearly define the strategy – for instance, markets, customers, proposition, offer

2. Look at areas whether policies and products can be standardised

3. Define end-to-end operating models and look for opportunities for process standardisation

4. Match the technology roadmap with the operating model design

KEEPING UP WITH THE DEMANDS OF THE BUSINESS

Dirk P. Sibiet: We manage the demands of the business by the operational, risk and IT teams being closely involved with the product solutions team when they are in the initial phase of discussions around designing new products.

This enables us to better guestimate the impact on our infrastructure and the applications running on the infrastructure. It also helps us to determine the impact on the processes such as booking and accounting for the product.

The involvement of all these teams helps to speed up the approval process overall.

Kannan Vijayaraghavan
Bank Julius Baer

However, catching up on the application development side remains a challenge. It is difficult to get vendors to respond quickly

John Currie: I am an advocate of end-to-end cost transparency for investment products because it is vital to have a disciplined process from front to back.

With new products, the initial business case has to flow through to the operations, compliance and IT functions to ensure it isn't overly-costly to process to the point where the revenue from the product becomes eroded.

Kannan Vijayaraghavan: In general, I don't think there shouldn't be a need for "catching up" with the business. Prioritisation should be managed towards the shared goal of achieving the bank strategy, and then working out the 20 or so things that are needed to get there. This then leads to a look

Dirk P. Sibiet
ABN AMRO Bank N.V.

at any constraints on the infrastructure and how these can be resolved.

TOOLS & FUNCTIONALITY TO DIFFERENTIATE THE OFFERING

Edrick Ho: We see an increasing trend of wealth customers wanting to be engaged more actively via digital channels.

As such, a large part of our investment is going into this space in internet and mobile.

Importantly, this is not about replacing the banker channel but complementing it to meet the emerging needs and behaviours of clients, via a multi-channel experience.

Research has shown that customers want instant access to up-to-date information on research and their portfolios along with selectively conducting their own transactions.

This allows bankers then to focus on more value-added services to clients, such as advisory.

For the banker channel we are seeing an increased need to improve salesforce productivity by providing bankers and their support staff with improved front-office tools and having these mobile and accessible.

In approaching the development of these tools it is important to first focus on leveraging what is already in place as in many situations the capability gap can be due to bankers not being aware of what tools they currently have access to and how best to use them.

In general, I am definitely seeing a shift in investments in wealth management platforms focusing on the front rather than the back office.

Urs Tanner
Assentis Technologiescc

Dirk P. Sibiet: We did a global study in recent monthly, and have come to the conclusion that we don't need a transactional e-channel capability.

As a result, our online private banking offering focuses on investment advice and counseling, and access to the current view of portfolios.

Edrick Ho: The key is looking at the customer from their perspective rather than the bank's definition.

Banks can sometimes make the mistake of pigeon-holing customers based on internal business line, segment, and associated AUM definitions rather than the actual customer preferences.

> "Banks in Asia are focused on mobility and being able to quickly push relevant information to their customers."

Urs Tanner: In Europe, I see less interest from banks in advisory through mobile channels; it is more about personal advice, supported by mobile devices such as iPads – assuming this can be relevant and incorporate the right type of information.

By contrast, banks in Asia are focused on mobility and being able to quickly push relevant information to their customers.

This is probably due to cultural as well as generational factors.

Urs Tanner: From my experience, banks tend to leave it to individual clients in terms of the type of information clients want. So banks are looking to bring in-house the functionality that enable them to create individualised and consolidated client reporting based on standardised modules.

This is less a question about geography, and rather about the individual client based on how they view and allocate their wealth. To provide a full picture, consolidated client reporting is also a key differentiator for banks.

AGILITY AND MOBILITY HOLD KEY TO TECHNOLOGY SUCCESS

SOFGEN'S PATRICK ENJALBAL, GENERAL MANAGER IN ASIA PACIFIC, AND RALPH CHICKTONG, DIRECTOR BUSINESS DEVELOPMENT, EXPLAIN TO HUBBIS THE SIGNIFICANCE OF COMMUNICATION CHANNELS, MOBILITY, AND COMPLIANCE AS BANKS IN ASIA TRY TO TACKLE THE VARIOUS TECHNOLOGY-RELATED CHALLENGES THEY FACE.

"The top objective for many organisations is to find ways to connect with their clients."

Hubbis - *What's your value proposition and how has it developed?*

Patrick Enjalbal - SOFGEN is an IT consulting group specialised in private, commercial and retail banking. Founded in Geneva, Switzerland, in 1999, SOFGEN started to serve banks in Temenos' products ecosystem. Since then, we have branched out to include other solutions such as Avaloq and TCS BaNCS, and changed our whole strategy.

We offer end-to-end banking IT services, both in and around core systems, ranging from requirements analysis and system selection to implementation and beyond. Our offering encompasses solutions to the most critical challenges facing banks today: in IT terms, banking evolution means more than just paperless statements.

In today's marketplace, it means dealing with highly-mobile customers who demand streamlined communications and interaction via multiple channels. It also means managing compliance and risk in an ever-more challenging regulatory environment.

And as if that were not enough, IT departments are under pressure to control costs as increased competition and regulation drive down margins, putting further pressure on budgets.

Hubbis - *What are the top priorities for banks at the moment?*

Patrick Enjalbal - Banks are not looking to make big changes to their legacy systems. Instead, the top objective for many organisations is to find ways to connect with their clients; competition is tough as there are now lots of players in the market – especially with more and more European banks coming to Asia.

So banks need to be mobile and agile, which means having the right channels to communicate with clients

Ralph Chicktong - Traditionally, systems development started with focusing on the back-end and thinking about the client as the second stage. Today, designing systems revolves around the client.

This requires banks to ask questions such as: "What do they need?"; "When do they need it?"; and "How do we get it there?"

Banks need to provide their existing clients with the best tools and attract new clients with better value-added service at the front-end.

Patrick Enjalbal - The other priority is providing forensic and behavioural tools for relationship managers (RMs) to analyse their clients, markets they are targeting, how other banks and customers are reacting regarding economic trends or social events and the capacity they have to invest in highly-risky financial segments.

Compliance is also particularly important. Banks have to be very careful with regard to who they take on as a client, as tax evasion is a serious crime around the world.

Ralph Chicktong - The focus on client data is partly driven by regulation that dictates what banks must know about their clients. Banks are now continually analysing their clients, and using that knowledge to address not only regulatory requirements but also clients' changing needs.

Banks increasingly use the data they've collected to determine which products and services to funnel towards different client segments and to dictate the most effective manner of interfacing with clients.

Hubbis - *What are some of the limitations of banks' existing core systems?*

Ralph Chicktong - Core banking systems are increasingly being viewed as back-end transaction-processing and accounting engines. Because client interface channels are increasingly complex and diverse – iPads, iPhones, internet banking, branch systems, ATMs and more – banks need to put in place an architecture that enables rapid product and services roll-out across all channels.

Today, institutions are layering additional client interface and risk management tools on top of the core banking system, allowing them to reach out to the client in a much more sophisticated, focused and timely way.

Hubbis - *How is IT now viewed within financial institutions?*

Ralph Chicktong - Banks need to have an understanding of the market and of what their clients want, and need to have processes in place to deliver, and mechanisms to align the business requirements with IT strategies.

Patrick Enjalbal
SOFGEN

"The challenge lies in communicating information about the new products to the client, and in providing the best tools or software to give them an overview of their portfolio."

We're seeing more and more recognition of this across the board.

Banks have a limited IT budget, and funds must be allocated to areas and projects that will bring in more business, retain existing clients and do so in the most cost-effective manner. This increasingly means that banks are looking at standard ways to interface with the client, to process transactions and payments and to manage documentation.

Hubbis - *Do you expect outsourcing to gain more momentum in Asia?*

Patrick Enjalbal - Outsourcing is a mature model used by many banks in Europe but has yet to be recognised in Asia. However, dedicated solutions have already been developed for specialised markets: for instance, solutions that allow RMs to compare portfolio performance against models based on clouds using anonymised data have been recently

"Banks have a limited IT budget, and funds must be allocated to areas and projects that will bring in more business, retain existing clients and do so in the most cost-effective manner."

Ralph Chicktong

SOFGEN

developed, and well-recognised by market experts and banks.

Ralph Chicktong - Medium-sized banks that are striving to offer sophisticated products and services but which have a limited budget will be driven to outsourcing. We are seeing a move towards "industrialisation" of processing where banks will a combination of outsourcing, third-party product and services solutions and in-house solutions.

To some degree, regulation will govern what can and can't be outsourced, and in some countries outsourcing will therefore be more difficult than in others.

Hubbis - *Do you favour models that involve cloud-based processes?*

Patrick Enjalbal - Cloud-based processes are not very new solutions: they have been widely used by banks and other institutions over decades; just to mention business process outsourcing services. Thanks to our experience in system audit, system implementation and application management, we are promoting a full set of solutions that allow banks to build their private clouds to standardise their technology, to reduce drastically the running costs and to provide to banks the functionalities they need to stay competitive.

We're implementing these models in some of the banks in the region. There is a lot of interest especially in emerging markets, where there is a desire for the latest technologies and functionalities but limited budgets to pay for it. The cloud approach therefore enables those types of institutions to provide clients with the same level of services as mature banks can in markets like Singapore or Europe.

Hubbis - *What are some of the ways organisations can differentiate themselves?*

Patrick Enjalbal - All of the banks have to make the same products available – otherwise clients would go elsewhere. That means banks have to be creative, and offer new and possibly complex products at a very fast pace. The challenge lies in communicating information about the new products to the client, and in providing the best tools or software to give them an overview of their portfolio.

Ralph Chicktong - The younger generation, in particular, want to be able to go online and see what's happening with their portfolio, be informed as to which institutions are launching new products, how those products work, and how they're relevant to them as clients.

Hubbis - *How important is it in reality to have a comprehensive mobile offering?*

Ralph Chicktong - Banks segment their clients many ways including younger generation, middle-aged and older clients. Different clients have different expectations in terms of their interaction with the bank.

Patrick Enjalbal - I think mobile offerings are a must-have today. However, the challenge is in providing the right data at the right time. ■

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DELIVERING A BETTER CLIENT EXPERIENCE

THE IMPORTANCE OF ENHANCING THE CLIENT EXPERIENCE AS A CRITICAL DIFFERENTIATOR IN WEALTH MANAGEMENT CANNOT BE OVER-STATED. AND IT REQUIRES A COMMITMENT TO PROVIDING THE RIGHT TOOLS AND SOFTWARE TO DELIVER IT.

Every time a wealth manager interacts with his or her client is an opportunity to prove how they genuinely stand out from their competitors. While there are many ways they can try to do this, the use of technology in various ways is becoming a bigger and bigger contributor their success.

"We can only deliver consistent client experience through enhancing infrastructure and processes," says Stefan Mueller, managing director, head of advisory, product and sales within Credit Suisse's private banking & wealth management division in Asia Pacific. "The private banking business is all about execution, we need to deliver on the promise of being a trusted adviser in a consistent way."

A major pre-requisite for a consistent client experience lies in a firm's IT-based processes.

From the relationship manager (RM) accessing an open architecture platform with thousands of solutions for the client, to implementing a common advisory process, to utilising portfolio construction tools that build asset allocation against the client's profile and analyses of risk scenarios -- this level of consistency can only be achieved through a control process.

"The re-engineering of processes is critical not so much for productivity gains, but has enormous impact on how much time the RM is able to spend with clients and the quality of the client experience," explains Mueller.

The way forward in private banking is high-tech and high-touch, adds Rajesh Malkani, managing director and head of private bank at Standard Chartered Private Bank in North and East Asia. "The next generation of clients will be more online than offline. We need to ensure we are able to engage our clients with cutting-edge technology and interact with them through online channels in addition to the personal engagement."

BETTER COMMUNICATION TOOLS

As private banking continues to grow in Asia Pacific, automation, IT systems and the re-engineering of processes will increasingly become the backbone of the business.

Stefan Mueller

Credit Suisse

"We can only deliver consistent client experience through enhancing infrastructure and processes"

“How good a bank’s infrastructure is, will be the cornerstone in delivering quality client experience,” adds Mueller. “It will optimise relationship management time with clients and ensure a culture of consistency throughout the firm.”

The tech-savvy clients prefer to execute certain trades and transactions from their mobile phones or PCs, for example. Banks and other firms therefore need to be able to provide the technology platform for these clients.

“We are working on processing, real-time pricing and online systems for FX and equity trading, connected to various international exchanges,” says Malkani.

“Clients can put in an order and receive a confirmation in 30 seconds. This level of high-tech connectivity and execution capability is a standard requirement in this industry today. Private banks will need to adapt in order to survive.”

According to Olivier Crespin at DBS Bank, the focus at his organisation is on having a universal platform that will cover its segments which are ranging from retail to wealth management to private banking.

Differentiation comes, he explains, from being able to offer private banking clients and Treasures clients access to the entire platform, to see all the relevant information through a single entry point.

According to Andrew Au, chief executive officer of AG Delta, a key concern for banks at the moment includes how they can take advantage of various opportunities they see from within their client base.

That has raised questions around the mass of information which exists, and the fact that RMs receive hundreds of emails and a lot of information on products, he explains.

To do this, they need tools and technology which can filter and distill all of this, to a point where the right ideas from the product gatekeepers flow to the RMs to ensure they are then disseminated in a timely way to end-clients. So if the research department is talking about the movement in a stock price, Au says there are many ways in which the client adviser can take advantage of that information.

For example, this might be in terms of identifying which clients to approach to initiate relevant dialogue, or which investment products could be utilised.

ROBUST REPORTING

From a client perspective, there is also a constant request for better, more comprehensive and consolidated reporting. Clients also want more direct access to almost real-time data through bespoke portals.

Financial institutions in Asia are also investing more in sophisticated tools that increase their clients’ understanding of their portfolio investments, especially the associated risks, while at

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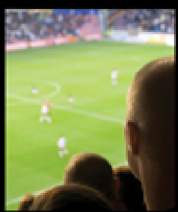

Motivation

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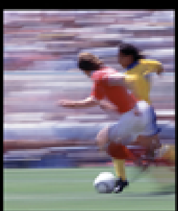

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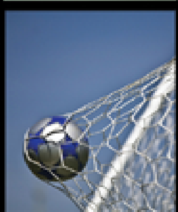

Goal

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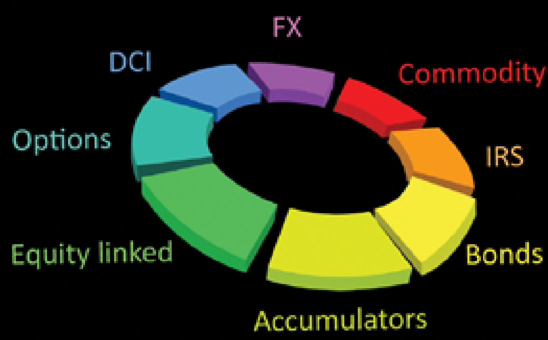

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the same time simplifying compliance with various international regulations.

"There are a number of tools available in the market today but the issue here is achieving long-term sustainability," says Paul Bollhalder, managing director and head of SIX Financial Information in Asia Pacific ex-Japan.

"Many firms tend to buy an out-of-the-box system, and then build their own business rules and product logic as an additional layer to reduce the need for manual input, and to also reduce manual error."

However, he adds, the effect of this is that as a new version of the system becomes available, firms are unable to integrate quickly due to the complex structures and dependability of down-stream/upstream legacy systems.

To help remediate some of these, firms must look at the "bigger" picture, advises Bollhalder, review the functions performed today and work with their vendors to ensure the data attributes and components they require are delivered in a usable format that can also be absorbed by multiple systems and work to retire processes that are no longer feasible.

Essentially, simplicity, clarity and timeliness are essential in client communications, says Hoong-Shen Wong, head of client reporting and output for UBS Wealth Management in Singapore and Hong Kong.

"It's all about providing advisers with the correct information at the right time to make the right calls and decisions for and with their clients."

Yet while technology is the enabler, it is also the problem, he adds. This is because there are so many legacy systems and so many vendors. There are so many issues, says Wong, for example data cleanliness.

"Vendors and products across the bank need to be consistent and ideally to communicate with each other."

THINKING LIKE A TECHNOLOGY FIRM

An increasing number of practitioners and senior management within wealth management think that one of the biggest game-changers in the realm of client experience will be the use of technology.

> "One of the biggest game-changers in the realm of client experience will be the use of technology."

As personal and business aspects of clients' lives increasingly integrate

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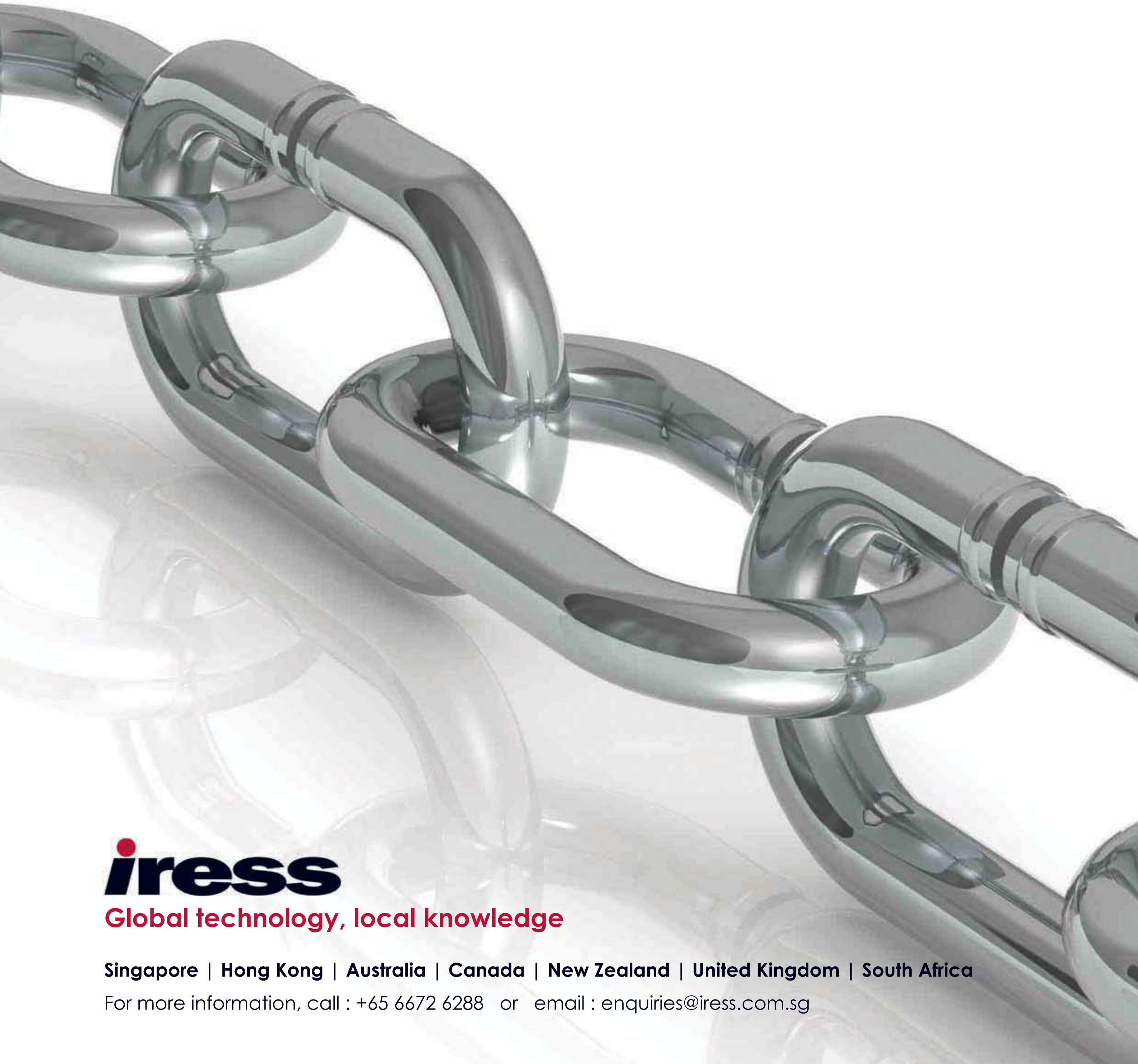

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And given that technology has the potential to improve all aspects of the wealth management process – from segmenting client bases, to collating and presenting information, to executing transactions.

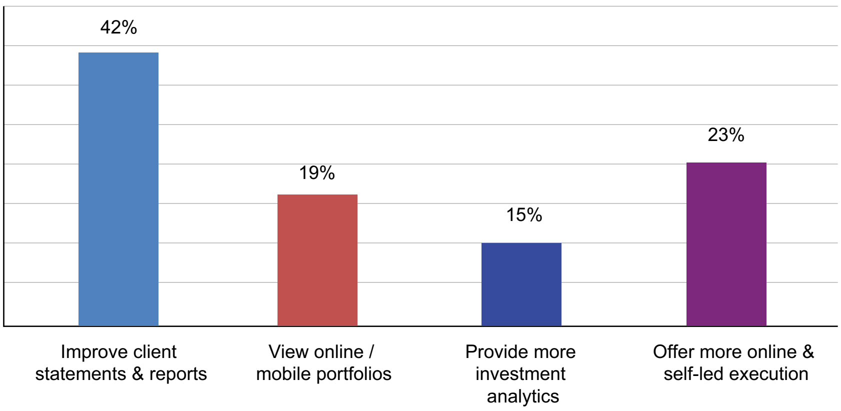
A growing number of organisations are moving towards the aggregation of the various channels and platforms they offer, into a single interface, rather than a client having multiple logins to different systems and interfaces.

Mark Jansen

PwC

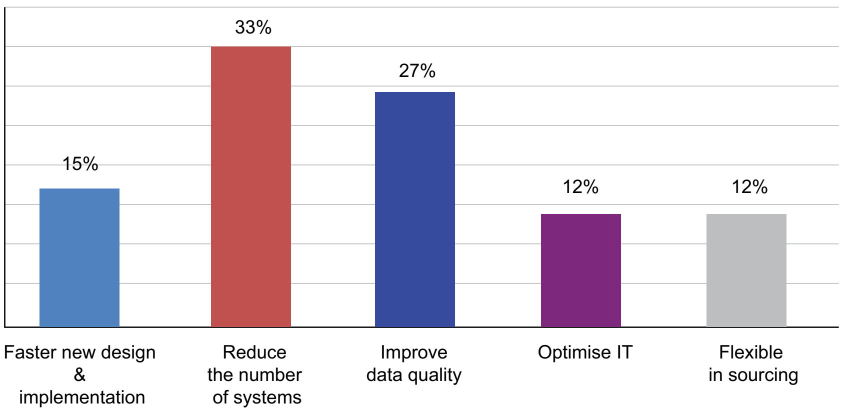
"A growing number of organisations are moving towards the aggregation of the various channels and platforms they offer"

How to boost transparency and the client experience



Source: Hubbis

The best way to improve operational and strategic agility



Source: Hubbis

So with a universal bank, for example, an individual might be a customer of the private bank, as well as having a credit card from the commercial bank and a loan through the corporate banking arm, explains Mark Jansen, partner, advisory, financial services industry practice at PricewaterhouseCoopers.

"That person wants to be able to see all the information in one place, if they choose to."

Once this type of service is in place, customers will notice the difference between those firms which have it and those which don't, adds Jansen.

In turn, there will be greater efficiencies for firms as well as satisfying digital-era client demands.

"Now we think we are a bank with a technology platform," says Mueller.

"In future we need to think we need to think of ourselves as a tech firm with a banking license – and we are far from this," he adds.

BRINGING THE RIGHT SOLUTIONS TO SOUTH-EAST ASIAN BANKS

ANSELM DE SOUZA, MANAGING DIRECTOR FOR SOPRA BANKING SOFTWARE IN ASIA PACIFIC, STRESSES THE IMPORTANCE FOR BANKS AND WEALTH MANAGERS IN SOUTH-EAST ASIA OF INVESTING IN SYSTEMS TO DRIVE REVENUE AND ENSURE A ROBUST PLATFORM THAT MEETS REGULATORY REQUIREMENTS.

"We see a need for banks to segment their customers and address a growing affluent segment in need of a wider range of banking products and expectation of better services."

Hubbis - *What is the opportunity for wealth management solutions at banks in emerging markets such as Indonesia, Philippines, Malaysia and Thailand?*

Anselm de Souza - With strong fundamentals, the emerging markets in Asia are driven by economic growth fuelled by foreign direct investments attracting liquidity into the markets.

In our solution space, we see a need for banks to segment their customers and address a growing affluent segment in need of a wider range of banking products and expectation of better services, delivering better yields in a time of low interest rate.

Meanwhile, the banks are looking for alternative sources of income as net interest margins are low.

Technologies and social norms have also changed the way banking is carried out today.

A good example is in understanding customer expectations, social media and fast-improving technologies to enable a mobile workforce or add new channels into the delivery mix.

It is here that Sopra Banking Software sees the opportunity to enable banks to serve their high net worth and affluent customer base with our suite of end-to-end wealth management solutions.

There are other opportunities for banking solutions in payments, corporate lending, core banking transformation and micro-financing, and even though at Sopra Banking Software we have a wide range of products and value proposition, we prefer to focus our efforts on the wealth management space.

Hubbis - *How can banks choose the "right" system?*

Anselm de Souza - There are always a number of stakeholders within a bank, each having different priorities that contribute to the decision of acquiring a new system.

These stakeholders are: operations professionals; portfolio specialists and product developers; RMs; the IT department; and senior management.

Whilst total cost of ownership is one key influencing factor, the banks also look at other financial figures such as return on investment (ROI) and total operating costs of running the systems.

Of course, features and functionalities of the software application must fulfil their needs to derive the true value of the acquisition.

Many banks in our target South-east Asian markets still have manual and semi-automated operations for their wealth management and securities processing.

For example, one bank told me that for every two RMs it hires to meet the growing market volumes, it has to hire one customer support person to assist them with administrative work.

Meanwhile, order management and execution is a paper-based process.

The rapid increase of volumes in wealth management products has put a strain on the middle and back-office operations.

Manual operations are subject to human errors. Mistakes and error corrections are extremely costly. These not only hurt the bottom line but the reputation of the organisation.

Overall, the cost of operations tends to increase in tandem with increasing volumes.

We therefore try to demonstrate that there are several areas of improvements that will contribute to the justification of a new system.

Anselm de Souza

Sopra Banking Software

"While the focus is on driving growth and the top line, the banks must ensure that risk and compliance are adhered to and efficiency of operations streamlined to drive costs down, thereby increasing margins."

Hubbis - *What are some of the other key areas of focus banks must pay attention to?*

Anselm de Souza - While the focus is on driving growth and the top line, the banks must ensure that risk and compliance are adhered to and efficiency of operations streamlined to drive costs down, thereby increasing margins.

For this, we have coined the acronym "GRaCE" (growth, risk and compliance, efficiency).

Our suite of products is aimed at enabling RMs and portfolio managers to better service their clients through consolidated 360-degree customer views, customer reporting and simulations while product managers, customer service units and operations are improved through product factories, straight-through-processing, automated order management and customer enrolment processes – all conforming to an ever-changing risk and compliance environment. ■

HOW TO MAXIMISE INVESTMENT DATA

WEALTH MANAGERS ARE UNDER TREMENDOUS PRESSURE TO GAIN A COMPETITIVE EDGE, IMPROVE SERVICE DELIVERY AND MEET COMPLIANCE REQUIREMENTS. AS A RESULT, THE AGGREGATION, ENRICHMENT AND DISTRIBUTION OF INVESTMENT DATA AND ANALYTICS TO MULTIPLE STAKEHOLDERS THROUGH MULTIPLE CHANNELS HAS BECOME MORE IMPORTANT THAN EVER.

Wealth management firms of all types acknowledge that they could – and should – be doing more to monetise the data they already have about their customers.

This relates to ensuring a deeper understanding of clients to lead to opportunities to better serve their needs and improve share of wallet. For example, the information organisations already know about their customers, particularly investment-related information, as well as deriving new insights from better mining of data, present significant opportunities.

Traditionally, data has been treated as a "means to an end". It is often driven by a specific business case or isolated projects. For example: What data needs to be processed? What is the minimum data required? Where is it currently located? And how should it be distributed?

Today, however, for individuals from senior management to technology specialists to front-line advisers – smarter management reporting through the use of client investment data is fast-becoming the technology and operational priority; it is a way to drive value for both wealth managers and also their customers.

This is also in line with how wealth management platforms have evolved over time. Core banking systems and transactional processing have been a key focus for banks. Now, there is a notable shift in focus as the data-needs powering the business are at a point of "critical mass". And it has become evident just how incredibly valuable data is as an asset in its own right.

In line with this, coming to terms with data as an enterprise resource should lead to improved enterprise data architecture, data modeling, data ownership, data protection and data management. And the best solution to the problem of accessibility of investment data is one that addresses the issue of data collection in the first place.

Further, in decisions around technology spend, banks need to make sure they involve staff who understand the business meaning of the investment data and can apply it.

This was according to respondents from international, regional and local banks in Asia to a best practice survey conducted in early 2013 by Hubbis and commissioned by DST Global Solutions.

Three primary uses of investment data:

- **Reporting** – internal reporting, external reporting, regulatory and client reporting
- **Advisory** – enabling advisers to gain deeper insights, and to understand what their clients are doing, and thereby understand how to provide more value to them
- **Firm-wide decision making** – deciding on the markets to enter and products to introduce

"Improving investment data management practices will allow relationship managers (RMs) to engage their customers more effectively," says Daniel Kennedy, regional solutions manager for DST Global Solutions in Asia. "They will be able to have more contextuallyrelevant conversations with customers around their portfolios, investment objectives and needs. They can engage in deeper insights, rather than just transact."

Ultimately, three key things that many practitioners agree banks need to get right are: showing the performance and position of a client's portfolio in the statement; email communication; and ensuring data security.

Daniel Kennedy

DST Global Solutions

"Improving investment data management practices will allow RMs to engage their customers more effectively"

REGULATORY RESTRICTIONS – A DATA HURDLE

As banks in Asia look to make better use of technology and systems to truly differentiate their wealth management offering, regulatory restrictions are the biggest challenge they face for dealing with client data, at 42%, according to the research.

New and pending legislation now requires banks to put specific processes and systems in place to ensure the way they collect, clean, segment, store, share, monitor and display investment data is consistent – and actually gets implemented. Yet the outcome in too many cases is piece-meal and make-shift solutions.

More specifically from a regulatory and compliance standpoint, the biggest challenges related to data were cited as being: (i) cross-border considerations – the proper classification of clients to adhere to certain cross-border rules; and (ii) multiple and conflicting requirements – in turn making hubbing of processes and technology into a centralised platform extremely challenging.

In line with more intrusive reporting rules around disclosure and tax, the integrity of data becomes even more significant in preventing situations where regulators feel the need to scrutinise the operations of individual organisations in more detail. In particular, clients are looking for coordinated and consolidated approaches to reporting, including for tax reporting.

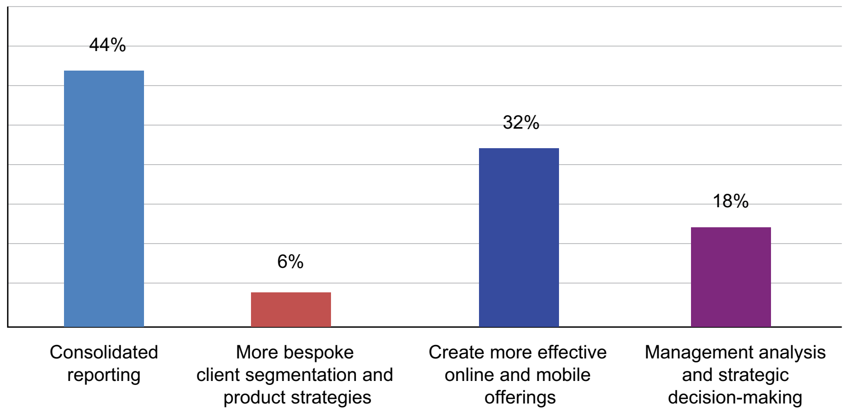
Regulatory compliance has therefore, become the biggest driver when deciding whether to either build or buy various systems and solutions.

BETTER ANALYTICS, MORE RELEVANT REPORTING

Despite the hurdles, the best practice survey also found that using investment data in smarter ways is increasingly important for wealth management organisations in Asia if they want greater visibility over clients' portfolio performance, to in turn lay the foundations for more tangible interactions for frontline advisers.

Many banks, after executing transactions for a client, for instance, tend to send a statement which summarises the activity in the portfolio, rather than focusing on key aspects or drivers of performance. Instead, to add value, it is necessary to enhance performance reporting, explained respondents.

How would you ideally like to use your client data?



Source: Hubbis

This requires better analytics, giving RMs the ability to approach their clients with more targeted proposals.

Trigger alerts and other notifications to advisers, for example, from either a risk or an opportunity perspective, are a good way to instigate an action on a portfolio. Such alerts can let RMs know when certain market-driven events have happened relevant to individual clients and the potential impact on the investment portfolio.

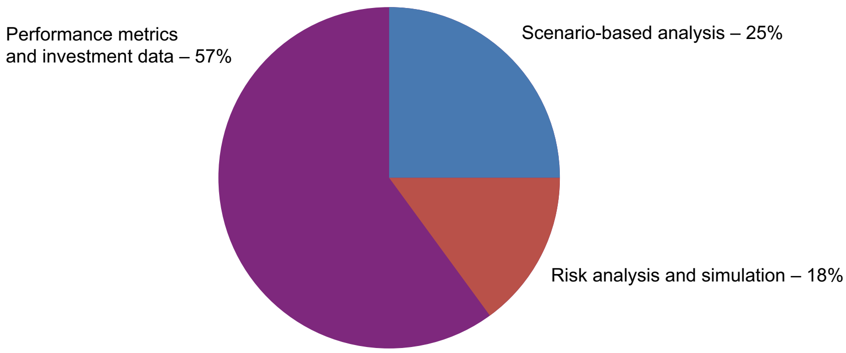
The RM is then armed with talking points for approaching clients in a more targeted and relevant way. That enables them to give better advice.

From a client's perspective, the rise of social media has shown evidence of the extent to which individuals want to connect with peers to get certain information which is directly relevant to them. They also want visibility on what their peers are broadly doing in relation to their investment portfolio.

Further, providing investment scenarios can facilitate more productive dialogue for RMs with their clients. Adapting statements to provide richer analysis of a client's portfolio can initiate more frequent and more productive discussions – especially if there is linkage with specific scenarios relevant to the client's individual portfolio.

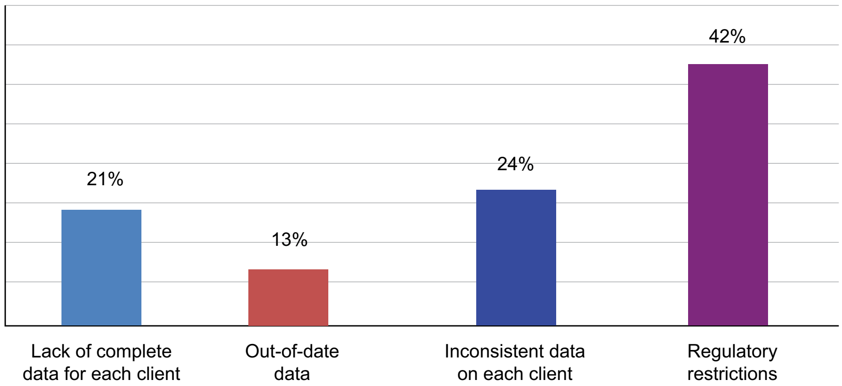
However, while many banks are keen – or have already tried – to beef up their analytics teams, there is a dearth of capable analysts to be able to define the parameters in the first place.

What data do you need to deliver the most value to clients?



Source: Hubbis

What is the biggest challenge you face around client data?



Source: Hubbis

ENGAGING CUSTOMERS VIA INVESTMENT DATA

In line with the evolution in Asian wealth management in how customers want to interact with their banks and advisers, it seems the real differentiator today will come from how a bank can facilitate this with its clients.

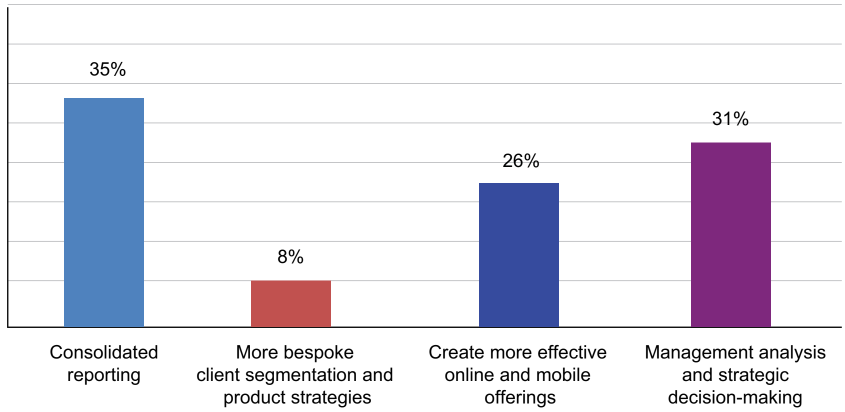
This is increasingly the case given that wealth management has become a commodity. And it tallies with the trend that an increasing number of wealthy individuals want to be engaged more actively via digital channels. As a result, a large chunk of technology investment (which isn't to fulfill regulatory obligations) is being spent on internet and mobile distribution, said the research.

Respondents agreed there is huge potential to differentiate by leveraging the user experience and design of online and mobile offerings. They also acknowledged that if they are not able to step up and meet those challenges, they will be at a disadvantage.

This is part of the banks being able to offer a clear and consistent multichannel strategy where clients deal with a single institution through all channels in real-time or near real-time, said practitioners.

Importantly, this is not about replacing the banker channel – but rather about complementing the face-to-face interaction via a multi-channel experience,

What is the most important application of the client data you currently have?



Source: Hubbis

to meet the changing needs and behaviours of clients.

And if banks can give customers the instant access they increasingly desire to up-to-date information on research and their portfolios, as well as to enable them to selectively conduct their own transactions, then bankers can focus on more value-added services to clients, such as giving advice.

BUY OR BUILD? OR BOTH?

The challenges in creating the right systems and processes to ensure best practice investment data management could make some banks opt to create their own make-shift solutions, according to some practitioners.

This is particularly the case when there are urgent, tactical tasks which need to be completed – often stemming from regulatory compliance obligations.

Given that some individuals regard the promise of a technology solution as taking too long to implement – and therefore unable to keep up with evolving business needs – some banks look to find manual, interim solutions.

Further, the pressure on costs can also lead to a hunt for "quick fixes" for what might seem like less strategic initiatives. In some cases, certain issues might appear to be too specific to the individual firm to make a third party solution realistic.

However, these manual or short-term, tactical work-arounds could have longer-term implications for the quality and usability of data in the overall system. Perhaps most importantly, this is arguably in conflict with what regulators might like to see – consistency in offerings and processes.

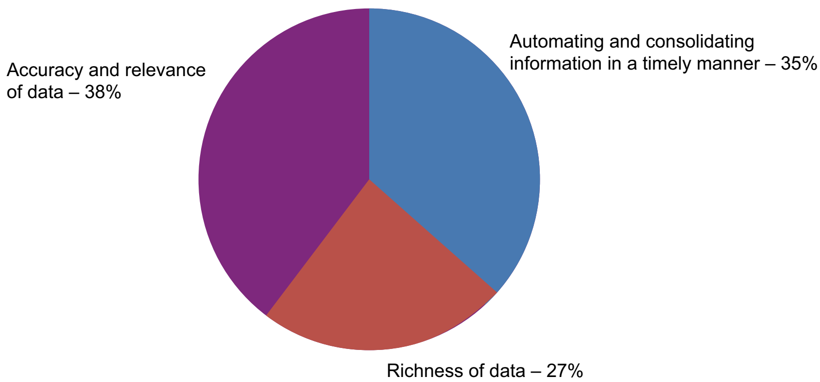
In fact, the need for consistent offerings may be a good enough reason to encourage institutions against doing too much on their own – and instead to look for outsourced or third party solutions.

In addition, limited internal manpower often makes tailored solutions far less appealing. Instead there should be more focus on a harmonised, global operating model, said practitioners.

Yet the option of a completely off-the-shelf solution is unrealistic. The most likely approach that most banks say they are considering is to source certain systems from an external party and then undergo some custom work in partnership with the vendor.

Ultimately, while individual solutions depend on where each bank stands and its objectives and priorities, having a clear data architecture with unique referential data (client, securities, positions, etc) is key. This is much better handled at the outset when setting up or revamping the core components of the IT infrastructure.

What are your 3 biggest challenges around management reporting?



Source: Hubbis

EFFICIENT TRADE CONFIRMATIONS

BANKS MUST LEVERAGE TECHNOLOGY TO CREATE AND MANAGE TRADE CONFIRMATIONS.

Given that a slick, fast-moving transaction platform is a key differentiator in today's highly-competitive world of wealth management, it is essential for banks to be able to efficiently and accurately control and manage the processing and reporting of all trades.

Further, it is a regulatory requirement for wealth managers to create individualised trade confirmations. And banks typically only have a very short timeframe to deliver such confirmations – usually within one to two days after a trade has been executed.

In addition, from the perspective of client service, they want to receive trade confirmations which are understandable and self-explanatory.

However, the number and variety of investment products available makes the management of relevant business templates a constant challenge for banks. The need for information in some cases to be provided by counterparties (third-party organisations) adds yet more complexity.

The consequences for banks which are unable to create confirmations with the required content in the prescribed timeframe are potentially highly-damaging – starting with violating local regulations.

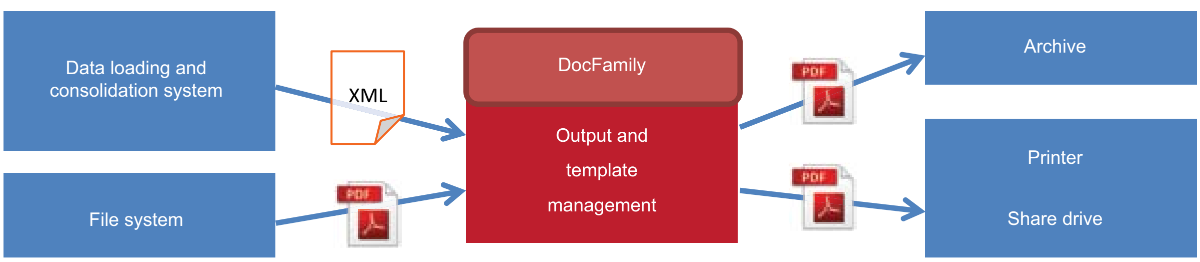
THE COMMON CHALLENGES OF A TEMPLATE APPROACH

Templates for trade confirmations within banks are usually maintained as Word documents for each and every business case and financial product.

Yet there are hundreds of these templates, with the documents often manually generated on personal computers with limited control or consistency over which version is used, and also over data protection.

The process is further complicated by situations where multiple systems host

The solution



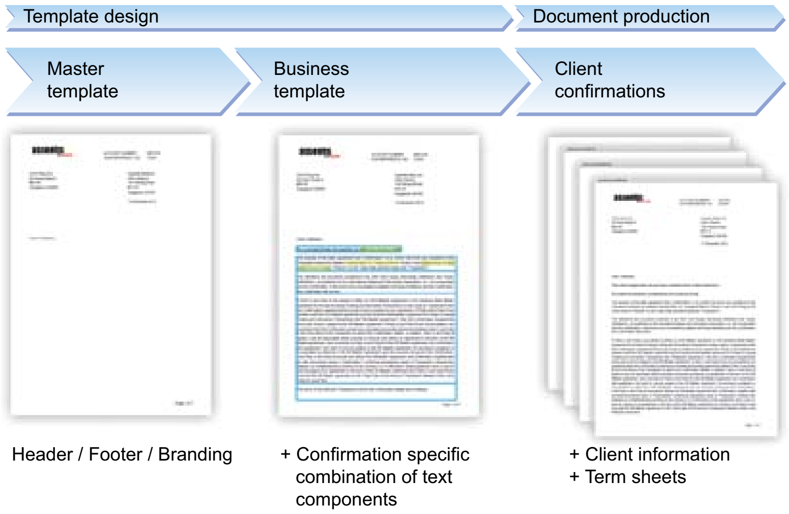
Source: Assentis Technologies

the trade information, client data and product terms and conditions. This contributes to challenges in generating the documents quickly and accurately.

Drivers of the efficient handling of trade confirmations:

- Increased pressure from authorities for professionally-managed trade confirmations
- A need for accurate "on the fly" generation of Long Form Trade Confirmations
- A desire for optimisation of operating processes by using a template repository
- An appetite for a content management solution with approval workflows and more control
- The need to protect and restrict access to client-sensitive data
- A move from straight-through processing of trade data upon execution towards the delivery of trade confirmations using batch processing
- A push for easier integration to channels and trading systems
- A need for high flexibility to include additional information, such as counterparty term-sheets
- Achieving the benefits of dynamic processing and selecting templates, content and delivery channels with electronic inserts

Document template design and production processes



Source: Assentis Technologies

A pitfall of manually manipulating documents and their respective templates, which happens due to the way the templates and information is currently stored and managed in many banks, unnecessarily exposes client data.

Existing technology and infrastructure also requires a large number of product term-sheets to be attached to the confirmations.

All of these shortcomings in existing operational processes make managing document templates a tedious and time-consuming task. For example, one change in legal terms and conditions has to be replicated in hundreds of documents.

BUSINESS DRIVERS

Some of the main reasons why the efficient handling of trade confirmations has become more important than ever before are listed in the box above.

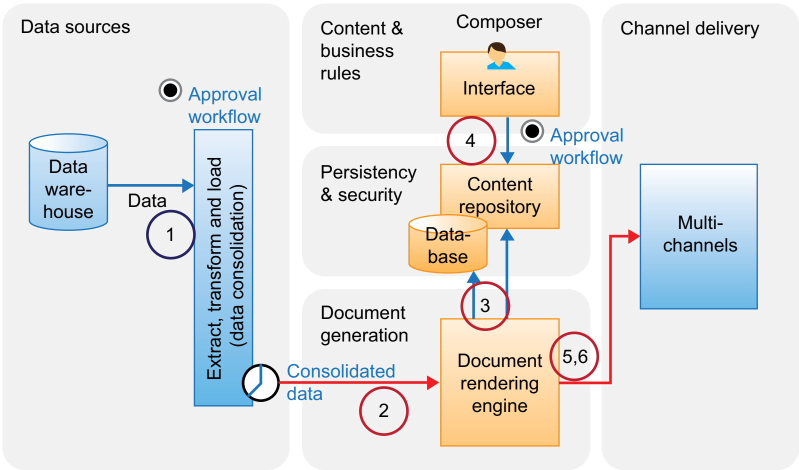
The Assentis solution enables and empowers business users to perform modular template-, business rule and content management through a web-based interface – in a controlled way – including approval workflow and revision- and version control.

Through applying business rules, the solution can satisfy business conditions via a combination of text or document templates. With an integrated channel delivery and post-processing capability that is data driven, documents can be created and delivered efficiently in an efficient straight-through process. The end-user is presented with a pre-assembled set of business templates that cater to a specific business event which is data-driven.

The master templates include page-layout functionality with different paper sizes and corporate branding – to be re-used as part of the business templates to give a consistent look and feel. The business templates focus on the content, business rules and dynamic data, with the appearances of complex table structures, counterparty content or relevant page sections.

These client documents provide the functionality to empower end-users

How does it work?



Source: Assentis Technologies

to mix-and-match pages, attachments and electronic inserts such as PDF documents from counterparties.

At the same time, they provide the flexibility to individualise this document for a client, or a group of clients, with easy manipulation of the relevant components to show and to which level of granularity to display the data.

The Assentis solution is featured as red boxes – this appears in the following sections: "Content & Business Rules"; "Persistency & Security" and "Document Generation".

1. Business Data from core-banking systems and trading applications are assembled with relevant business rules.

2. The solution receives the client information, trade details, product information and term sheets in data files and starts generating the trade confirmations in the "Document Generation" section.

3. This section gets document templates from the document repository in the "Persistency & Security" section.

4. The "Persistency & Security" section is a central repository that stores document templates that are pre-designed by users at the "Content & Business Rules" section. Document template designing is done via a web-interface, shown in a user-friendly interface.

5. Final assembly of the trade confirmation is completed and distributed via different channels. This is handled by the "Document Generation" section which chooses the file output formats and channel selection based on business data or from pre-defined methods of delivery.

6. Product term sheets can also be added at this stage, along with insertion of barcodes used for enveloping. The sorting of documents can also be done where a client may have more than one trade confirmation; these can also be sorted into one envelope per client's mailing address. ■

Specific business benefits of the Assentis solution

- Adherence to regulatory or compliance requirements
- Flexibility and scalability for future product launches
- Quick changes to document templates due to centrally managed text modules and business rules
- Faster time-to-market through applying online template designs and a content management system
- Reduced maintenance costs by being able to add or modify templates with minimal IT support
- The ability to do confirmations for several financial products with one template
- An open architecture that ensures easy integration with existing IT infrastructure – utilising 3-tiered JAP which is able to support a wide range of hosting environments

assentis

Perfecting Customer Communication

For more information, please contact the team in Singapore:

T 65 983 115 47
E sales-apac@assentis.com

AUTOMATING COMPLIANCE SOLUTIONS

ALREADY MUCH HIGHER THAN MANY INDUSTRY PRACTITIONERS WOULD HAVE EVER PREDICTED, THE COST OF COMPLIANCE IN WEALTH MANAGEMENT IS ONLY LIKELY TO RISE FURTHER. THIS IS DRIVING ORGANISATIONS TO FOCUS MORE TIME AND RESOURCES ON FINDING THE RIGHT AUTOMATED SOLUTIONS TO BRING BENEFITS SUCH AS SCALABILITY, GREATER EFFICIENCY AND MORE STANDARDISATION.

The flurry of regulatory reforms forced upon banks and other wealth management firms over recent years has had a substantial impact on the business. And rising costs, operational complexity and reputational risk – as some of the main consequences – have generally led to short-term, quick fixes.

Finding longer term solutions, therefore, is increasingly important. In short, that requires an investment in technology, as well as the outsourcing of back-office activities.

Whether firms opt to buy or build the solutions to meet changing regulations, automated systems are the most scalable, reliable and cost-effective way for the business to deal with the various compliance challenges it faces. And for it to stem the increasing amount of time relationship managers (RMs) must dedicate to compliance-related activities that distract attention and take their time away from client-related activities such as prospecting and meetings.

"Firms need to think about scaling the process," says Nayeem Khan, senior advisor and regional head of operations for Asia at Julius Baer. Automating processes takes the time-consuming, manual tasks away from client advisers, he explains. This means they can focus on generating business.

STRATEGIC SOLUTIONS VS TACTICAL FIXES

On the one hand, regulators tend to set tight deadlines, and sometimes only give firms a small window of time to implement changes, says Conrad Lim, deputy chief executive officer, Singapore, LGT Bank.

On the other hand, since financial institutions have a huge number of internal systems that work in conjunction with one another, making changes is an enormous task that cannot be done quickly or without significant planning. Plus, many organisations have to negotiate with head office if they want to adapt or replace IT systems.

So it is common for firms to do a manual fix in the interim. "Tactical patch-up solutions are inevitable," adds David Vignola, group head of compliance, Standard Chartered Private Bank.

Nayeem Khan
Bank Julius Baer

"Automating processes takes the time-consuming, manual tasks away from client advisers.... This means they can focus on generating business"


Manage the unexpected

While smaller, more tactical projects can be appropriate and useful in some cases, strategic moves will bring more benefits in the long-term.

"It's all about the ROI – the savings that will be made in the long-term," explains Tim Keady, managing director of Omgeo. "Regulation is driving firms to invest in technology."

For example, the obvious quick-fix – hiring more staff – is unsustainable, unrealistic and heightens the chance of manual errors.

In terms of trading activities, in particular, the margin for human error and the associated risks is a big concern – another reason why automated systems are very appealing.

RAISING THE BAR

When developing automated solutions to handle the regulatory burden, many banks say they are working to the most stringent regime, to ensure full compliance.

At DBS Bank, for example, Olivier Crespin says that since Hong Kong is more prescriptive than Singapore in certain areas, the bank has developed its systems according to Hong Kong regulations.

"We ensure the client is not over-concentrated in a single product," he says, but adds: "The system needs to be flexible with a lot of parameters, that incorporate soft and hard blocks, depending on which regime we are dealing with and to handle different levels of regulatory complexity."

Societe Generale Private Banking also implements its solutions according to the highest standards, and then manages by exception, adds Patrick Dreyfuss. "From an operational standpoint, the different requirements have diverged in the way they need to be implemented."

What is vital, he adds, is having a single management team – both on the business and support function side. "This is essential to manage all aspects, along with local on-the-ground compliance, risk and operational experts."

David Vignola

Standard Chartered Private Bank

"Tactical patch-up solutions are inevitable"

Conrad Lim

LGT Bank

"Regulators tend to set deadlines, and sometimes only give firms a small window of time to implement changes"

BARRIERS TO AUTOMATION

Unfortunately, a number of hurdles typically prevent some organisations from implementing new technology in the way they would like to, or as fast as they ideally want.

An obvious challenge is the cost of "all-singing-all-dancing" systems. Another is the fact that regulations are not always clear, which is not very conducive to automation.

An additional issue is the additional labour associated with integrating or updating the numerous existing systems to ensure they work in conjunction with any new ones. Linked to this is the potential disruption that could

Sachin Sawkar

Deutsche Asset and Wealth Management

"Banks typically settle for a combination of strategic and tactical approaches"

be caused during the implementation phase, plus the time to implement.

At the same time, the decision to develop or buy a new system is a big one, and the firm will need to be prepared for radical changes to the way in which staff operate – and even to the structure of the organisation.

As a result of these hurdles, Sachin Sawkar, chief operating officer, South & South-east Asia, and head of risk and governance, Asia Pacific, Deutsche Asset & Wealth Management, says firms typically settle for "a combination of strategic and tactical approaches".

Further, many automated systems today are purpose-built to help financial institutions execute checks and procedures that are mandatory. According to practitioners, there is a real need to constantly review and update technology in line with global and regional regulatory changes. This is especially important given the need to comply with inter-jurisdictional regulations.

As an example, banks today already spend anything from 50% to 70% of their total IT budget on software and systems to address various regulatory requirements.

However, an obvious challenge for many firms is finding yet more budget and resources to build or implement new technology systems.

"While firms are spending more on compliance, the budget is not a bottom-less pit," comments Khan.

OUTSOURCING AS A GROWING OPTION

Meanwhile, outsourcing is gradually become a viable option in Asia. It has not been a typical solution for private banks to date. But over in Europe, larger players have opted to outsource not just individual functions but the entire back office – including the technology piece – to specialist providers.

In July 2013, for example, Deutsche Bank announced its decision to outsource the back-office operations for its wealth management business in Switzerland to B-Source, a member of the Avaloq group.

According to Keady, 15% to 20% of Omgeo's customer base is outsourced. "And while the concept is fairly new to private banks," he says, "we are likely to see traditional outsourcing being re-addressed."

Vignola thinks of outsourcing as a "double-edged sword". Clearly there are various advantages and this model can bring vast cost savings. However, it is difficult to see what exactly is going on if the work is outsourced to a distant offshore location.

In Singapore, for example, the regulator has strong views over what can and what cannot be outsourced, add practitioners. And due to the level of reporting required, outsourcing may not necessarily be an easy win. ■

Tim Keady

Omgeo

"It's all about the ROI - the savings that will be made in the long-term"

BACK OFFICE INFRASTRUCTURE AS A REAL DIFFERENTIATOR

MARCELLO BERTOLI, GLOBAL MARKETING DIRECTOR AT OMGEO, EXPLAINS THE GROWING IMPORTANCE OF THE RIGHT SYSTEMS AND PROCESSES TO ENSURE OPERATIONAL EFFICIENCY IN MAINTAINING SOUND RISK MANAGEMENT IN PRIVATE BANKING IN ASIA.

"Recent financial crises and scandals [have] triggered a new focus on counterparty and operational risk management."

Hubbis - *What are the key trends now shaping post-trade processing and automation within wealth management?*

Marcello Bertoli - Investment in post-trade infrastructure has traditionally lagged behind spending in client and portfolio management systems.

While CRM systems are of paramount importance, however, a bank's end-to-end infrastructure needs to be well-oiled to make sure client data efficiently move through the value chain.

Post-trade processes and infrastructure have been brought to the forefront of attention by recent financial crises and scandals, which triggered a new focus on counterparty and operational risk management.

Hubbis - *What are some of the issues specific to Asia in this area?*

Marcello Bertoli - There is an increased presence of global private banking players in Asia. This is no surprise, given the amount of wealth being created in the region.

And it has resulted in global banks now competing with local institutions, which over the last few years have strengthened and honed their client management skills.

As most of the wealth in Asia is "new money", local investors tend to be more hands-on and less adverse to complex trading strategies.

As a result, private banks in the region need the right back-office infrastructure to ensure the operational efficiency of such strategies.

Hubbis - *What opportunities do these trends present for firms like Omgeo?*

Marcello Bertoli - Over the last few years, our focus on private banks and their needs has grown exponentially.

This is partly in response to the sector's increased attention on post-trade processing, to help this global community of clients improve operational efficiency, as well as to minimise cost and counterparty risk.

Omgeo is now entrenched in Asia with offices in seven countries that serve a client base throughout the region.

So as a leading provider of automated solutions for post-trade operations, we are well-positioned to support private banks in today's volatile financial markets.

Hubbis - *How are the processing needs of private banks and other wealth management firms likely to develop in 2013 and beyond?*

Marcello Bertoli - We foresee continued growth for Asian private banks. The industry is enjoying relative growth in comparison with other asset management segments.

The general economic outlook for Asia is also very positive when compared, for instance, with the distressed European economies: the influx of money into the private banking sector will continue to be positive.

As such growth inevitably attracts competition, post-trade infrastructure will become an increasing factor of differentiation.

Investors are becoming savvier – and more demanding. It's not only the biggest among them that will invariably scrutinise private banks' operational risk infrastructure.

Hubbis - *What is the impact of the ever-sharper regulatory spotlight on this part of an institution's business?*

Marcello Bertoli - Regulation today tops the agendas of all financial services players. Private banks are being heavily affected by regulations put in place with the aim to protect retail investors and increase KYC.

Saying that, we see the greater focus on operations being driven by the overall regulatory pressure and its emphasis on compliance and risk management rather than individual pieces of regulation.

Hubbis - *What is the potential to further commoditise and standardise trading activity?*

Marcello Bertoli

Omgeo

Marcello Bertoli - As trading gets more standardised, how do private banks continue to add value? Quality advice and trusted relationships are the most obvious answers.

But when trading activity becomes more and more standardised, back office infrastructure becomes a real differentiator. ■

"We see the greater focus on operations being driven by the overall regulatory pressure and its emphasis on compliance and risk management rather than individual pieces of regulation."

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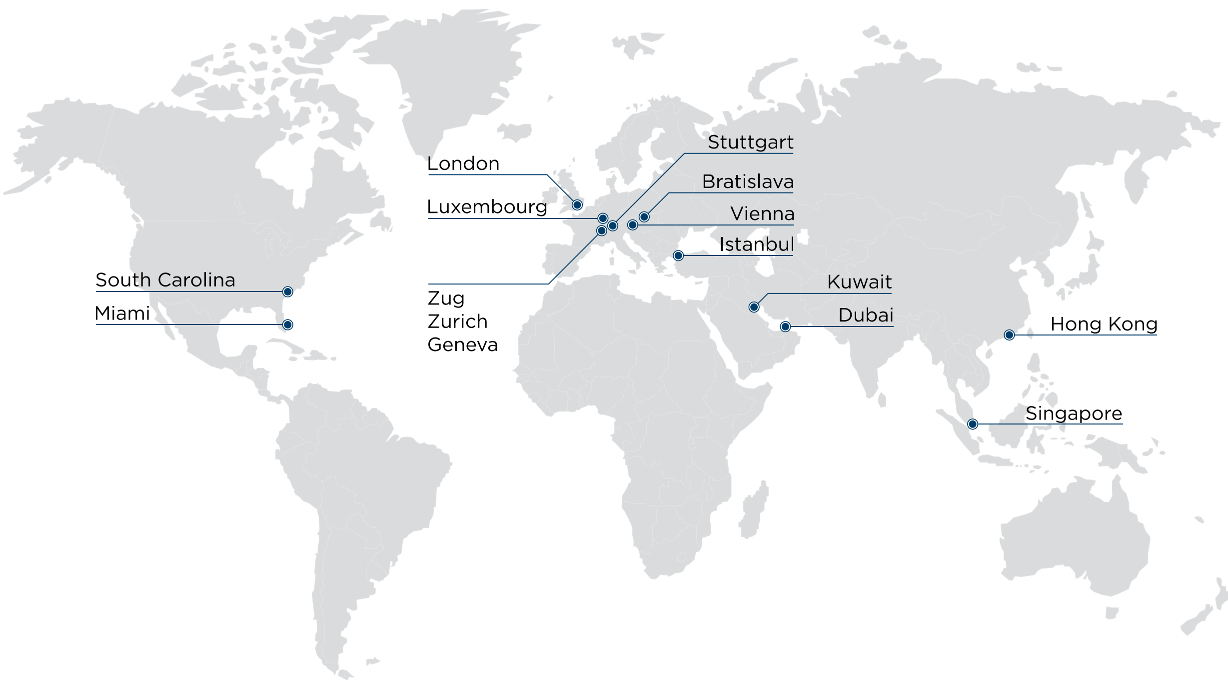

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