P E R S P E C T I V E

Wealth Management: The New Revenue Frontier for Banks

Finacle from Infosys

YOUR INNOVATION PARTNER

A Finacle Perspective

The wealth management business is a significant revenue generator for banks and financial institutions today. Banks have progressed from being mere distributors, facilitating transactions in various mutual funds to performing an advisory role for their clients. Client expectations have also increased manifold with the emergence of a stronger relationship between the bank as wealth managers and their clients. Customers are looking at banks as a one stop shop to meet their financial needs. On the other hand, wealth managers aim at managing their clients' wealth holistically, offering solutions for all their financial requirements.

Relationship managers are expected to manage their clients' mutual fund portfolio in such a way so as to meet their stated investment objective. Wealth managers aim at growing their clients' wealth by constantly tracking their portfolio, comparing it against benchmarks and re-balancing when required. This expansion of banks' role as wealth managers provides new opportunities to enhance their fee income generation capabilities.

Revenue from Wealth Management Services

To enable investors to build a mutual fund portfolio and manage the same, banks charge a transaction fee, a periodic wealth management advisory fee or a combination of the two. Banks charge a transaction fee for facilitating transactions in mutual funds. It earns an advisory fee under the broader service of managing the clients' wealth.

The online platform for investing in mutual funds is popular amongst investors, as it offers the convenience of transacting without the hassle of filling physical forms. Apart from banks, other financial firms also follow the online distribution model. These online transaction websites may or may-not charge a fee from the investors. They earn revenue from having a large customer base and earning trailer commission from the fund house. Banks however score over these sites by offering advisory services to their clients, besides the more basic transaction service.

Under the gamut of advisory services, banks differentiate their offerings by providing comprehensive analysis on the markets, the different mutual funds available and impact of various economic factors on the clients' portfolio, among others. The more specialized the service, the higher could be the fees charged by the bank for the same.

Banks may define different fee structures for different categories of clients. Hence clientele in higher segments of wealth could be given a favorable fee structure over clients with a lower asset base maintained with the bank. A bank intending to increase its asset base, could charge a lower fee for higher transaction amounts or for larger mutual fund portfolios maintained with the bank.

Banks may even charge different fees for different mutual fund schemes. Investments in equity mutual fund schemes could have a higher transaction fee for the investors, compared to debt MF schemes. Similarly different transactions in mutual funds could imply different fees being charged to the client. In order to encourage small time investors, a bank may not charge any fees for investment through systematic investment plans.

Hence, banks tailor their fee structure to meet their individual requirements of servicing a category of customers, increasing revenue share from a particular customer category and increasing their assets under management.

Technology Requirements

The wealth management system deployed by the bank should have the capability to meet the requirement of setting different fee structures as well as processing the fee charged from the customer.

Fee Set Up Capabilities

- Different fee structure for different customer segments
- Define discounts on fee charged, for certain customer segments
- Fee setup as a flat amount per transaction
- Fee setup as a flat amount for a period
- Fee as a percentage slab based on the transaction amount
- Fee as a percentage slab based on mutual fund portfolio maintained with the bank

- Fee based on different transaction types supported in the system
- Different fee structures for various categories of funds maintained in the system

Transaction Processing Capabilities

- Ability to pick up the fee to be charged on the basis of the set up
- Ability to charge and process transaction fee along with the transaction amount

Fee Processing in Finacle Wealth Management System

Finacle from Infosys addresses the need of banks to define fees under different asset classes, supported by its wealth management system. The solution provides the functionality to derive the fee amount as a flat amount, flat percentage or on the basis of a formula. The bank can also specify the minimum and maximum amount to be charged as fee for a transaction. Charges can be defined as an amount slab with reference to a currency. The charges can be fixed for each slab or based on a percentage with a minimum and maximum value defined for each slab. The system also supports charges defined as unit slabs. The charges can be based on units, date or period tiers.

Author

Priyanka Diwan
Consultant - Finacle Wealth Management Practice
Infosys Technologies Limited

Finacle from Infosys

YOUR INNOVATION PARTNER

PERSPECTIVE

Universal Banking Solution | System Integration | Consulting | Business Process Outsourcing

Infosys Technologies Limited

Plot No. 44, Electronics City, Hosur Road, Bangalore - 560100. India
Tel.: + 91 80 28520261, Fax: + 91 80 28521747, e-mail: finacleweb@infosys.com
www.infosys.com/finacle

Join us on Twitter, LinkedIn and Finacle Whiteboard at www.infosys.com/finacle/networking.asp