Preface

Hearty greetings from the Infosys Banking & Capital Markets team. On behalf of Infosys, I am delighted to present the first issue of our journal “FINsights”, a compendium of articles, which bring you insights into the technology powering the financial services business. The aim of the journal is to bring you the latest in technology, applied to your business scenarios, which will enable you to win in today’s flattening business world.

The first issue of FINsights focuses on the wealth management industry; an industry which is grappling with multiple challenges. An increasingly demanding and informed customer base, a challenging compliance environment and the jostling for a customer centric “trust” based role amongst trust banks, brokerages, insurance companies and family offices make for a very challenging business environment. This journal has a set of articles which look at these and other unique characteristics of the wealth management industry and I hope that they will not only make for enjoyable reading, but also help you in addressing some of your vexing business challenges.

I would like to thank all the contributors from Infosys Banking & Capital Markets group and also Alois Pirker from Aite group and Matthew Bienfang from TowerGroup for their insightful articles. I hope you will enjoy reading these articles as much as we have enjoyed putting them together. Please do not hesitate to get in touch with me in case you have any queries or comments. I look forward to your feedback and suggestions in making FINsights a relevant and topical journal.

Happy Reading!

Ashok Venuri
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From The Editors Desk

The wealth management industry is changing rapidly to meet the evolving needs of its participants. This is one area where true financial services convergence seems to be happening as trust & private banks, brokerages and retirement planning focused companies are all trying to get a bigger slice of the action.

Opportunities in new geographies and asset classes are driving a lot of the change in the industry today. These will lead to increased investments in the core processing platforms, as well as the need to tie the various platforms together. The need to bring systems together is very important to financial services firms from a financial planning & advice, customer data, client service and a Business Intelligence (BI) & reporting perspective. Open architecture is another very important consideration that is driving changes to the way the banks service clients. Further, the need to offer clients a wide bouquet of products is driving consolidation of information across the different products and asset classes. Changes in banker and advisor team structures as well as client segmentation for servicing will lead to better cost structures.

All of the above have technology implications for banks. Technology will need to be aligned with business to meet the needs of an agile organization that can respond rapidly to changing business circumstances. Technology itself is evolving rapidly and can sometimes drive changes in the organization through the ability to deliver more than what was hitherto considered possible. Information Technology (IT) organizations that are able to plan and react early, and then execute well on these changes are the ones that will succeed in meeting the needs of their business.

We are happy that this book addresses some of the biggest business challenges and technology implications addressing wealth management firms today. The debate on some of these topics is very timely. We hope that the journal will inform you and enable you to formulate a response to the many challenges facing our industry. We look forward to your feedback.

Happy Reading!

Balaji Yellavalli & Manish Jha
Editors
As wealth management firms increasingly migrate to an advice-driven business model, they are embarking on several 'client-centric' strategic initiatives such as advisor desktops, value-added client reporting, financial planning solutions etc. However, the current state of customer data is often the biggest impediment to implementing these initiatives. A Customer Data Integration (CDI) platform offers a scalable solution to manage firm wide customer data and support the complete customer view in wealth management firms.
Next Generation Wealth Management Platforms

As the wealth management industry transforms from a transactional business model to an advice-driven model, firms are embarking on initiatives to build ‘client-centric’ wealth management platforms. There are multiple business drivers prompting investment in such platforms:

- **Superior Client Experience**: Affluent clients have highly sophisticated reporting requirements, including consolidation of accounts held across the firm by household members, in-depth analysis of holdings and portfolio performance measurement & attribution. While most firms are taking steps to consolidate internal holdings, a few industry players have initiated steps to aggregate external holdings as well. Inability to provide sophisticated reporting affects the firm’s ability to retain and attract clients.

- To improve client experience, most firms have also initiated ‘Account Opening’ automation projects to reduce lead times for opening new accounts and addressing client attrition issues.

- **Front Office Efficiency**: Reducing the administrative burden on front office users (Advisors, Bankers and Servicing Teams) in carrying out day-to-day tasks is a key capability desired in technology platforms. These users traditionally spend a significant percentage of their time consolidating & analyzing client information via multiple disparate applications. Minimizing the time & effort spent by front office users on ‘non-value adding & routine’ maintenance tasks releases time for ‘value-added’ client servicing & sales activities.

- **Business & Revenue Growth**: Managing more high value accounts, increasing assets and fee-based revenues without a proportionate increase in headcount is expected to help firms maintain margins as competition for providing advisory services intensifies. A ‘client centric’ wealth management platform is key to supporting non-linear business growth and cross-sell / up-sell as it helps front office users provide advisory services to clients.

- **Effective Compliance with Regulations**: The need to comply with a myriad of regulations including KYC, Patriot Act, Investment Suitability and pre-trade compliance requires a client-centric view of information (as opposed to the largely prevalent product-centric view). The next generation wealth management platform is expected to facilitate this process.

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The Customer Data Challenge

Given their transformational nature, wealth management platform implementations face significant technical, project and program managerial challenges.

However, and more importantly, given the focus of achieving ‘client centrality’, a consolidated view of customer data is very often the most significant pre-requisite in order to achieve the above strategic objectives. In our opinion, most firms are still grappling to find a viable long term solution to this. The challenges in achieving a consolidated view of customer data can be attributed to various reasons:

- **Dominance of product silo applications**: Historically, origination and maintenance of customer and account information has been confined to legacy product systems across the firm with very little integration. For instance, change of a customer’s address or tax domicile is typically carried out on a product system based on a client request. Today, most firms lack an automated mechanism to apply such updates to all customer records across the firm via a single transaction. As customer information is not centralized, such updates must often have to be applied individually on all product systems.

- In certain large global firms, it is not uncommon to have customer and account information distributed across over twenty applications.

- **Limitations with CRM systems**: While most firms have invested in Customer Relationship Management (CRM) applications, these systems do not capture 100 percent of all customer information. For instance, critical customer information such as account holdings and mailing preferences are usually un-addressed. Even if CRM systems were to capture all information, they are not integrated / synchronized with legacy product systems where customer data continues to be maintained.

- **Complex holding relationships**: In addition to the primary contributor of wealth, ownership of accounts by family members, trusts & private investment companies complicates customer data. There is also a need to support access to account information by third-party members of the relationship such as accountants, external advisors etc, who technically qualify as household members. The customer data consolidation process is incomplete unless such complex relationship structures are addressed.

In summary, the customer data challenge in the wealth management industry involves bringing together CRM
information, household relationship information and account information across product systems to complete the picture and create a truly unified customer view.

- **Constraints with Legacy Customer Information Files (CIFs):** Most firms have invested in CIFs / Customer databases to address a part of the customer data issue. CIFs store client information (sourced from CRM systems) as well as account information sourced from various product silos, and by-and-large serve as the firm wide client master.

  Constraints with Legacy Customer Information Files (CIFs):
  - CIFs do not address certain critical requirements essential for a true 360° client view such as (a) data quality functions for cleansing & matching (b) account grouping functionality (both legal and custom grouping), (c) business services for synchronizing data between the CIF and external applications in real time / near real time and (d) access control management.

  Ability to distribute customer data to external systems in real time is a key requirement. This unified view & data distribution capability is a pre-requisite to support multiple business requirements – client reporting, business intelligence, AML & regulatory compliance, front office applications.

**What is Customer Data Integration?**

Customer Data Integration (CDI) is a software platform (custom-built or vendor product) that facilitates acquisition, maintenance and distribution of customer data in a timely and scalable manner. While consolidating enterprise wide customer data, CDI platforms offer certain distinct features:

**Business Services:**

A CDI platform provides a robust layer of business services that enable interaction & data exchange with other front & back office applications in the firm. Business services, which could be simple (such as ‘retrieve client SSN’) or composite in nature (such as ‘add client’), facilitate ‘create’, ‘read’, ‘update’ and ‘delete’ transactions by external applications on the CDI hub. These services, which could be executed in either real time or batch mode, enable the CDI platform to serve as the enterprise wide ‘System of Record’.

Fig 1: CDI based ‘Client-Centric’ Technology Landscape

However, CIFs do not address certain critical requirements essential for a true 360° client view such as (a) data quality functions for cleansing & matching (b) account grouping functionality (both legal and custom grouping), (c) business services for synchronizing data between the CIF and external applications in real time / near real time and (d) access control management.
Data Quality Management:
A CDI platform addresses three aspects of customer data integrity and data quality:

- Data validation capabilities to detect records with missing & unrecognized data elements that could potentially corrupt data in the CDI hub. Data validations could also incorporate complex rules that span across different records for quality requirements.
- Integration capabilities with data cleansing & standardization tools helps standardize data such as name, address, SSN to facilitate higher match rates & consistent information.
- Duplicate record processing – Identifying duplicate & suspect customer records by matching based on pre-defined attributes is vital to maintaining data quality. The CDI platform also provides a User Interface (UI) for data stewardship activities such as collapsing & merging duplicate / suspect records, and administering matching & validation rules.

Visibility & Security:
The CDI platform should incorporate ‘visibility & security’ functionality, based on entitlements. This ensures that only authorized users and applications are provided access to business services and data in the hub. In order to prevent unauthorized access, the ‘visibility & security’ module should filter all customer data retrieved from the hub.

CDI Driven Wealth Management Platform
A CDI platform is a pre-requisite to manage customer data and support the complete customer view in wealth management firms.

In addition to consolidating enterprise wide customer data, the CDI platform also provides a robust data integration platform for supporting most of the business critical front-office systems and internal applications such as account opening, client profiling & KYC, client website and banker compensation. In our view, implementation of these strategic applications in isolation, without effective integration with the CDI platform, will not yield the desired business benefits.

For instance, if a banker / servicing team member wishes to open a new account via the Account Opening platform, an optimal process starts with identifying the household and client who will own the new account. For identifying the client, the user’s request to retrieve a client record should be routed to the CDI platform. The CDI platform should respond with the search
results matching the ‘client search’ criteria, after applying visibility filters relevant to the user. The new account created for the existing client on the ‘Account Opening’ platform should be updated back into the CDI platform to reflect the new account linkage available for the client & household. Alternatively, if it is determined that it is a new client for whom the account is to opened, the client record created via Account Opening solution should be written into the CDI platform, so that it could be retrieved for later use – for instance by the ‘KYC and Profiling’ application. This level of integration with the CDI platform ensures that customer data is created and maintained in a streamlined fashion as part of day-to-day business processes.

**CDI Platform – Key Functional Requirements**

A CDI platform in wealth management firms should meet certain key functional requirements:

**CDI Data Model:**

The data model should support entities and relationships specific to the wealth management business model, including client-household hierarchies, banker / service teams and client accounts (maintained in product systems).

In addition to client details such as names, addresses, social security numbers, contact information, employment information, investment goals, risk profile etc., supporting linkage of accounts to clients / households is a key requirement for gaining the 360° client view.

Linkage of accounts to clients / households via legal account groups (a ‘legal account group’ is a logical grouping of accounts with common ownership) offers clear advantages in client servicing. The CDI data model should be able to meet this crucial requirement. In addition to legal account groups, the data model should also support custom account groups for needs such as relationship reporting & investment management performance reporting.

It should also be possible to define roles for clients (both ‘owners’ and ‘non-owners’) on accounts / account groups for reporting & servicing functions.

**Data Quality & Linkage Rules:**

The CDI platform should support linkage of new accounts received from product systems to client records (from CRM systems). It is important to have an automated rules-driven process to carry out these linkages based on matching attributes such as name, address, SSN etc. The automated processes should be optimized for reduced batch time.

No matches or partial matches should be reported for investigation via data stewardship screens. As a best practice, the rules-driven process should, on a periodic basis, also validate previously established linkages for changes in underlying parameters (such as name, address, SSN), with exception reporting via data stewardship screens.

In order to improve match rates, and ensure consistency of information, the platform should support interfaces to data cleansing tools.

**Business Services:**

A CDI platform should support simple and composite business services to enable data exchange with other front & back office applications in the firm, and enable it to serve as the enterprise wide ‘System of Record’. Examples of composite business services include ‘Add Account’, ‘Create Account Group’, ‘Delete Client’, ‘Add Client Role on Account’ etc.

Composite business services should be constructed by re-using simple business services to ensure consistency in business logic, and ease of maintenance. A composite business service could involve a combination of ‘create’, ‘read’, ‘update’ or ‘delete’ transactions impacting multiple entities in the data model. All data exchange should be filtered for visibility.

Batch loading processes should also be available as a part of the platform to carry out initial data loads as well as recurring loads, usually from legacy applications. As a best practice, the batch interfaces should also re-use the real time business services.

Some of the manual data quality / data stewardship functions such as manual linkages, client data maintenance etc should also leverage business services. The data stewardship screens should incorporate data visibility restrictions as per the firm’s policies, which can be fairly complex especially if the firm has operations in secrecy driven jurisdictions such as Switzerland.

**Integration &Synchronization:**

The CDI platform should notify and publish updates to external systems consuming client information whenever there is a change. For instance, a client address change initiated on the CDI platform via the front-office account opening application should be notified to all back end legacy applications that hold accounts for this client. Such synchronization mechanisms result in consistent data across the entire with significantly higher operational efficiency (fewer manual address-updates on legacy systems).
Implementation Best Practices

- **A Flexible Data Model** is vital to meet current & future business needs. The wealth management business has certain unique requirements such as client-household hierarchies, account groups, client – banker / service team associations and client roles on account / account groups. These should be planned upfront as part of the data model.
- Begin large programs, a **Phased Implementation Approach** is key to delivering the expected business benefits from CDI. The initial focus should be on one-time conversion exercises, data quality and setting up client – account hierarchies to demonstrate quick wins to end-users.
- **Gradual addition of additional customer information** to the CDI platform is recommended. For instance, after the initial implementation, additional information such as roles, account groups etc could be migrated to the platform.
- **Plan for integration with front-office applications** once data has been migrated and data quality has been addressed.

Conclusions

A CDI platform addresses current limitations & challenges with managing enterprise wide customer data.

It is a pre-requisite for building ‘client-centric’ wealth management platform to help firms migrate to a more profitable advice driven business model. As mergers & acquisitions (M&A) is expected to continue in the industry, a CDI platform will help accelerate integration of client data during the M&A process. In addition, it helps facilitate retirement of legacy customer application and save on costs.

Implementing CDI programs needs careful planning and executive sponsorship to help drive change in business processes and resolve issues such as data quality.

In conclusion, a well implemented & managed CDI platform will deliver increasing business benefits over time as the platform is enriched with customer data & usage.

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