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
Senior Vice President and Head - Banking & Capital Markets Group
Infosys Technologies Limited
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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 managers attempt to make the leap into a technology driven open product architecture platform, they will need to address as priority, the building of a consolidated product repository for all their product information needs. The drivers of this change include the explosion in wealth management product & service offerings and the resultant need to evolve from a manual, disjoint way of capturing and storing product data into a flexible automated system that serves as a catalog of all product information and associated relationships to portfolios, asset classes, benchmarks and is used firm wide as the gold source of product data.

Sai Kishan Alapati
Senior Principal
Infosys Technologies Limited

Anita Stephen
Senior Associate
Infosys Technologies Limited

Product Repository: The Foundation for Successful Open Product Architecture
Globalization, shrinking of global capital market barriers, increasing sophistication of clients and products and the overall flattening of the competitive arena are some of the key defining trends in the wealth management industry. The industry is increasingly moving away from the transaction-based model to a fee based structure and from manufacturing of products to distribution. A significant upshot of these trends has been the growth in importance of the ‘product’ dimension or entity as a focal point for different wealth management line functions. An analogy can be made to the retail industry where firm-wide product reference data drives key decisions made by a retailer with regard to pricing, discounts, availability, staffing and margins. Likewise in the wealth management industry, the central product repository, serving as source of all product reference data, is key to addressing the challenges of open product architecture wherein the wealth manager makes available proprietary as well as ‘best of breed’ third party products to the client.

Business Need for Product Repository

Increase in Product Offerings

With more and more wealth managers moving to an open architecture distribution model as opposed to being purveyors of in-house products, the sheer number of products that need to be tracked for client marketing, pricing, profitability analysis and client reporting has exploded. Added to that is the complexity of alternative investment products such as hedge funds, real estate investments, private equity, structured products, and commodities.

Advisory Services

The shift to an advisory driven model has created a demand for personalized advisory services for niche areas such as philanthropy, and investing in art. Products are increasingly used as building blocks to tailor solutions to specific lifestyle needs such as retirement planning, tax structuring or real estate planning. The product dimension is therefore not a simple suite of funds and securities but a complex amalgamation of products, both tangible and intangible (pure service), portfolios, ETFs, SMA and combinations thereof.

Centralization of Product Information

Traditionally most wealth managers have captured product information manually on spreadsheets or paper files and the information was often buried in multiple systems across the firm. This has resulted in a lack of consistency in product and asset class codes leading to problems in reconciling data across functions. Data inconsistency, inaccuracy and redundancy were manageable in the earlier mode of operation with mostly in-house and simple products; however in the new world of wealth management with a vast range of products and combinations, the need is to have a centralized product repository or catalog that can be accessed by different line functions. A consolidated product repository will act as the single source of truth of all product data for different functions within the firm such as marketing & sales, financial planning, product selection and portfolio construction, account opening, performance measurement and client reporting, risk management, compliance, business intelligence, management reporting, and banker incentive & compensation.

Key Functionality of Product Repository

The product repository should serve as a centralized catalogue of all product information and associated relationships to portfolios, asset classes, and benchmarks. The repository will be used firm wide as the gold source of product data and associated information. The repository will require interfaces, both inbound and outbound to acquire data from other systems as well as disseminate data. The key functionality that needs to be delivered by a consolidated product repository in the wealth management industry is listed below.

Product Life Cycle Management

The entire product life cycle functions such as creating / adding a product, modifying product data, reviewing products, and deleting / closing / retiring products will need to be handled via the product repository. The product repository should have front-end screens to perform updates to product related data. The screens should have user-friendly features such as prompts, drop downs of static data, helpful search criteria, and meaningful error messages. In order to enforce error free maintenance and better control, there should be maker checker workflows in place to authorize all data updates. The repository should contain batch interfaces to connect to external applications that will supply data relating to benchmark and return numbers.

Support Wide Range of Products and Services

The product repository will need to be flexible to support product characteristics of products that range in complexity from simple products such as mutual funds and deposits to complex and composite products such as structured products, exotic derivatives and Unified Managed Accounts (UMAs). The definition of a product in the repository needs to be addressed upfront, as often
product offerings may in turn consist of or contain other products or services packaged around products. The repository should therefore be able to address these multiple levels within its schema.

**Capture Product Characteristics**

The repository will need to design to capture a variety of product characteristics such as information on benchmarks and benchmark returns, asset classes, sub-asset classes, product minimums, fee schedules, tactical and strategic asset allocation weightings, sales and marketing information, general ledger information, manager information, NAV / pricing and product returns & risk characteristics. It should be able to support multiple hierarchical formats for storing product and asset class hierarchies and grouping of products by strategy or service. Linkages between the product and the security master where appropriate should be captured.

**Robust Data Model.**

Data standards for the different products and associated attributes will need to be established and all inter-relationships across data points captured. Appropriate validation and data integrity rules will need to be defined to ensure consistency and accuracy of data in the repository.

**Audit Tracking.**

To increase the operational efficiency of managing the product repository, all user intervention as well as automated intervention should be audit tracked with details on user ids, date and time of update, attributes updated (original and modified data) and comments logged for a particular update. The audit trail must be made available to operational users with appropriate entitlements as a user-friendly report. Firms can use xml based storage and retrieval mechanisms to optimally capture and report on history of updates to the data in the repository.

**Reporting Capability.**

The product repository should have reporting functionality in order to query the repository for product comparisons or to generate pre-defined user catalogues, brochures and reports for different functions such as client marketing, account opening, calculation of fees or AUM by product or asset class, and management and regulatory reporting by product. The reporting tool may need to integrate with an ECM tool for content distribution to various consuming applications. Users should be able to access reports either by logging in to the system or via a link on the intranet or from a client portal.

**Data Security.**

The product repository should be integrated with the firm’s single sign on infrastructure. All access to the repository should be governed by appropriate access control and user entitlements so that only authorized users can have access to the data to view, update or delete information. All user activity will need to be monitored, preferably by automated activity monitoring software.

**Data Distribution.**

The product repository should serve as the single source of all product data, and other applications should...
periodically be able to source their product information as a web service from the central repository through a services oriented architecture (SOA) framework.

**Getting It Right**

It is imperative for wealth management firms moving to open product architecture platforms to invest in comprehensive product repositories, if they haven’t already done so. There are 3 critical steps required to ensure a successful implementation of a firm wide product repository.

**Get the Right Data Model:** Inputs from different stakeholders and functional representatives will be required to capture all the relationships and use of product information in the repository. An important point to keep in mind is that the data model will need to be flexible to accommodate current needs as well as anticipated needs.

**Have Data Governance Procedures:** The product repository is only as good as the quality of data residing in it. Data stewardship and governance mechanisms are required to ensure that bad data is trapped and corrected and the data is up-to-date.

**Define Integration Roadmap:** To ensure use of the product repository as the single source of product information, firms will need to plan the interfacing of the various applications to the repository. This will need to be done in phases depending on the criticality of product data to the application and ease of integration.

**Conclusion**

A centralized product repository will help solve problems of duplicate, outdated and disjoint product data. It will be accessed by all applications and functions that require product related information thereby streamlining processes, increasing efficiency, lowering throughput time and improving accuracy of business processes. Investment analytics teams can rely on a single source of clean and rich product data to perform analysis on products to suit clients’ investment needs. The marketing and client relationship teams can use the repository as a basis to prioritize their product offering and solutions that combine multiple products. The central repository will make it possible to link fees, tax, profitability, account opening and asset under management modules to an accurate source of product data thereby enabling analysis and reporting from a product perspective both for internal decision making and regulatory reporting. In conclusion, as wealth management moves to a technology driven open product architecture platform, one of the biggest priorities will be the building of a consolidated product catalogue / repository for all their product information needs.

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**Sai Kishan Alapati**
**Senior Principal**
**Infosys Technologies Limited**

Sai is a Senior Principal with Infosys’ Banking & Capital Markets practice. He has over 11 years of industry and consulting experience with financial services clients in the US, Asia and Europe. He has managed projects in the areas of wealth management reporting, customer data integration, business intelligence, performance measurement & attribution and data quality.

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**Anita Stephen**
**Senior Associate**
**Infosys Technologies Limited**

Anita is a Senior Associate with Infosys’ Banking & Capital Markets practice. She has worked for over 7 years in the financial services and IT domain with leading companies to implement risk and compliance initiatives and data management processes.
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