Wealth Management - Transformation Scope

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Contents

1.
Executive Summary

Wealth Management is an investment-advisory discipline which incorporates financial planning, investment portfolio management and several aggregated financial services. Wealth Management industry has several Front, Middle and Back office operations situated globally. The Wealth Management industry is known for offering a much more stable stream of revenues and profits than the rather volatile and cyclical investment banking and securities trading functions.

There are several manual Middle & Back office activities/processes being performed by thousands of employees of the organization. To have the activities/processes completed, organizations are incurring huge operational cost in terms of manpower, human resource management, training, retaining and employee benefits.

Transformation of those activities/processes using various Lean, Analytics, Robotics Process Automations & Cognitive tools would help the Wealth Management organizations to concentrate more on improved Customer Services, enhanced Customer Satisfaction, New Products, New Client Segments, thus making more profit, investing lesser time on the back-office management and issues.

2.
Introduction

Wealth Management is a broad term and typically deals with managing both the assets & liabilities side of client's balance sheet. An overview of various investment needs of HNIs and understanding the 'management' part of 'Wealth Management' for the HNIs, comprises of understanding the service providers and the range of products and services offered to each segment of HNIs, types of service mandates, various segment-mandate mixes, regulatory aspect of Wealth Management at various levels and AML are the major activities of Wealth Management.

Wealth Management Processes

Client Acquisition: Roles such as Investment Advisory, Product Manager and Credit Operations, etc., are available in the Front, Middle and Back offices. Client Engagement, Client Profiling and Targeting, Building Relationships.

Financial Planning: Risk Profiling, classification of clients based on the Risk-return principle, understanding the stages of the human life cycle, analyzing the clients' comfort zone for investment, risk tolerance, determining investment objectives, various asset classes, and portfolio classification based upon the proportion of various asset classes.

Asset Allocation: Understanding and designing an efficient frontier, portfolio maintenance and rebalancing: How to balance the portfolio basis a client's risk profile?

Portfolio Performance Measurement: Performance Measurement parameters, return parameters that determine the performance of the portfolio, such as 'Holding Period Return', CAGR, Risk Adjusted Return measures such as Sharpe Ratio, Treynor Ratio, Analyzing portfolio according to the asset class and the markets.

High Level Wealth Management Activities

Acquisition & Management	Onboarding & Setup	Advisor & Customer Services	Risk & Compliance	Transaction Processing	Settlements & Reporting
• Lead Management • Campaign Management • Advisor Self Service • Help & Guidance Suite of Applications for Advisors • Retirement Calculator • CRM Advisor Workstation • Offer/Order Applications	• New Account Opening • Document Control & Indexing • Funding & Transfers • Cashiering • Customer Onboarding • Suite of Applications for Advisors	• Compensation • Ad Hoc Queries • System Access • Services for Tax Assessment	• Client Suitability • AML • Trade Surveillance • Supervision • KYC Remediation • Op Risk Management • Internal Audit • Document Reviews	• Trade Booking for Advisors • Re-balancing • Portfolio Management • Settlement • Portfolio Accounting • Reconciliation	• Settlements • Books & Records • Custody • Reporting

Fig. 1 - Wealth Management Activities

3.
Problem Statement

The processes/activities in Middle office and Back office operations like Offer/Order applications, New Account opening, Customer Onboarding, Services for tax assessment, KYC, CBO Reconciliations, Settlements, Reporting, etc., are being handled manually, dependent on many legacy systems, where these are prone to errors, high risk, time consuming activities, increased turnaround time and cost.

There is scope for automation of the processes which are mundane/repetitive rule-based tasks within the process. In the current environment, those who do not adapt will be left behind. Companies must take measures to master their entry into the digital world. The corporate strategy must be reconsidered, and the business model optimized. Changes in customer behavior, pressure on margins and stricter regulations are forcing organizations to reorient their value chains. Wealth Management will need new ideas and concepts. Rather, the sector is essentially facing a paradigm shift. IT is a key strategic element as a means of guaranteeing an organization's growth, scalability and efficiency.
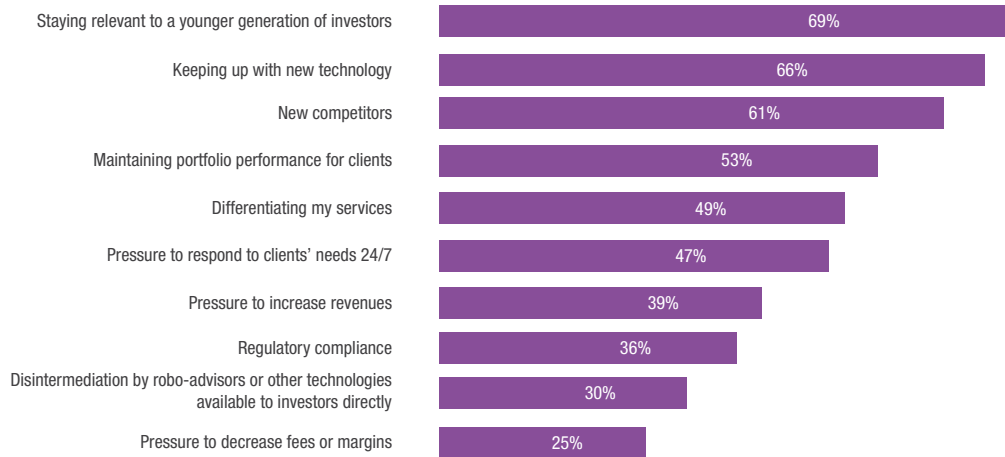
Tailored automation ecosystems can have a material impact on cost-income ratios by reducing process costs by >30%, enabling a more customer-centric operating model, and improving both business agility and intelligence.

As per the research of Business Insider Intelligence, an increasing number of wealth managers are using new technologies to make their operations more efficient and to increase customer satisfaction.

The technologies they are implementing include Robotic Process Automation (RPA), chatbots, machine learning, Application Programming Interfaces (APIs), and explainable AI.

Greatest Concerns for Wealth Managers
Global, 2017

Concern	Value
Staying relevant to a younger generation of investors	69%
Keeping up with new technology	66%
New competitors	61%
Maintaining portfolio performance for clients	53%
Differentiating my services	49%
Pressure to respond to clients' needs 24/7	47%
Pressure to increase revenues	39%
Regulatory compliance	36%
Disintermediation by robo-advisors or other technologies available to investors directly	30%
Pressure to decrease fees or margins	25%

Note: Values do not total to 100% because respondents could choose multiple answers.
Source: Forbes Insights, n=200, 2018

BI INTELLIGENCE

Fig. 2 - Wealth Management Concerns

4.
Solution

The existing processes have human element of mundane, manual and repetitive tasks including few non-value-added activities within them. To address the above problem statement, a detailed business analysis was performed, and the solutions were identified. Lean, Robotics, Analytics & Digital are various levers identified for each process which would successfully improve the efficiency of the processes.

The rule-based repetitive tasks were automated with Robotics Process Automation tools and non-value-added activities were removed from the processes.

Levers for Wealth Management Operations Transformation

Business value that can be delivered using process LEAN, RPA, Analytics and Digital as a solution.

Department	Onboarding	Back Office	Trading Ops	Compliance
Functions in Scope	• New Accounts (L)(R)(D) • Account Maintenance (L)(R)(D) • Document Management (L)(R) • Asset Transfer (L)(R)	• Cash Management (L)(R) • Cost Basis (L)(R) • Reconciliations (L)(R)(A) • Portfolio Accounting (L) • Reporting (L)(R)(A)	• Managed Accounts (L)(R) • Trade Processing (L)(R) • Settlements (L)(R)(A) • Corporate Actions (L)(R) • Commissions (L)(R)(A)	• Email Reviews (R)(A) • Supervision • Trade Surveillance (L)(R)(A) • AML (R)(A) • KYC (R)(A)(D)
Nature of Activities	*Manual processes; Extensive data extraction and entry*	*High touch data review points, multiple process hand offs*	*Manual processes; disjointed systems, critical processes*	*High touch data review points; extremely fragmented sub-processes, judgment-based process*

(L) LEAN (R) Robotics (A) Analytics (D) Digital

Benefits Assessed	40% FTE reduction	32% FTE reduction	30% FTE reduction	24% FTE reduction
	Business process and cost optimization	Enhanced advisor experience	Reduced cycle time and error rate	Improved adherence to regulatory requirements	Better utilization of advisor time towards broker/ sales advisory

Fig. 3 - Transformation Levers

5.
Use Cases

Below are few use cases which were successfully implemented for the Wealth Management processes as part of Transformation.

Use Case 1: Cost Basis Operation

Process Details: The list of transactions for which the Fair Market Value (FMV) needs to be updated on the applications is sent by the Client which helps the client to arrive at the FMV of the assets held by the investors. All the details on the list of transactions are formatted, compared with the one existing on the application and updated accordingly. Once the details are uploaded on the applications, a confirmation mail is sent to the client to continue the set of activities.

Problem Statement: Though the process step was just reconciliation between the list of transactions and application, the huge list of trades was a challenge to process. A number of resources had to be deployed to share the list and perform the required activity. Due to manual interruption, the task was monotonous and highly prone to errors. This led to escalations and low quality of productivity.

RPA Solution: Robotics Process Automation was implemented which monitors the emails from the client, saves the list of transactions, formats the data in the pre-defined manner, reconciles the FMV with the application and updates the applications wherever required. Once the transactions are completed, confirmation emails are sent to the client.

Benefits: RPA implementation has automated around 65%, leading to resource reduction from the process. RPA accuracy is 100%, eliminating the errors and increasing customer satisfaction with the high quality of productivity.

Use Case 2: CBO Recon

Process Details: The list of transactions for which the closing balance on each application needs to be reconciled, making sure all the closing balances are matching. If there is a mismatch with the closing balances of the applications, transactions need to be extracted and reconciled. After finding out the reasons for the difference, respective applications should be updated with the missing transactions.

Problem Statement: Though the process steps was just reconciliation between the list of transactions and various applications, the huge list of trades was a challenge. A number of resources had to be deployed to share the list and perform the required activity. Due to manual interruption, the task was monotonous and highly prone to errors. This led to escalations and low quality of productivity.

RPA Solution: Robotics Process Automation was implemented which extracts the data and closing balances on each required application. It compares all the balances and identifies the mismatched closing balances, extracts the detailed transactions from the applications in a pre-defined manner, identifies the missing transactions and highlights them. Analyst needs to just have a look and update the missing transaction on the application.

Benefits: RPA implementation has automated around 65%, leading to a considerable resource reduction from the process. RPA accuracy is 100%, eliminating the errors & increasing the customer satisfaction with the high quality of productivity.

Use Case 3: Documents Control

Process Details: The physical documents for various activities of Wealth Management are received by the onshore team through courier. These documents are manually scanned and saved on the database. The offshore team accesses the database manually, opens the documents, identifies the respective team based on a check list and allocates accordingly.

Problem Statement: Thousands of documents, both printed and hand-written data, need to be processed on a daily basis. A large number of resources had to be deployed to understand, identify and perform the required activity. Due to manual interruption, the task was monotonous and highly prone to errors. This led to misallocations, delayed processing and low quality of productivity.

OCR + RPA Solution: Optical Character Recognition (OCR) tool could read through the documents, identify the pre-defined key words on the document. Robotics Process Automation compares the OCR data with the checklist and identifies the respective team to whom the documents are to be allocated and assigns them accordingly.

Benefits: OCR + RPA implementation could automate around 65%, leading to resource reduction from the process. OCR + RPA accuracy is 100%, thus eliminating the errors and increasing customer satisfaction with the high quality of productivity.

Use Case 4: CBRS Process

Process Details: The data is extracted from the Cost Basis database using multiple selections and filters. Filter the TAXL Id. Check for the Quantity details of the ID on the mainframe application. Validate the Quantity on the application, update the Quantity as per the extract from the Cost Basis tool with appropriate comments and status. Cases having status – No Tax Lot, QTY mismatch, NIGO - In Process are sent to onshore for processing and come back in this queue. Go through the onshore comments and process as per instructions. Update mainframe application and Cost Basis database wherever applicable.

Problem Statement: Extracting, comparing, validating and actioning of the transactions on the various applications and tools is cumbersome as the volumes of the transactions are high. Also, due to manual processing of mundane tasks and highly repetitive actions, the error rate was high, and the production quality was low with huge time consumption.

RPA Solution: Robotics Process Automation implemented to interact with various applications to extract, compare, validate the transactions and provide the status of the trades with required comments. Wherever there are exceptions, RPA to route them for manual processing.

Benefits: RPA implementation automated around 50%, leading to considerable resource reduction from the process. RPA accuracy is 100%, thus eliminating the errors and increasing customer satisfaction with the high quality of productivity.

6.

Conclusion

The objective of the project was to analyze the existing problem areas that the customer has for Wealth Management processes and life cycle. RPA, OCR and Lean solutions were implemented after the detailed analysis of the process steps which included curtailing the Non-value-add activities within the process. The solution would give low operating cost to the Client, reduce the FTE, increase the productivity and accuracy by investing time in connecting with the customers, delivering a delighted service to its customers and attaining a substantial growth in the respective business line.

7.
Resources Used

- https://en.wikipedia.org/wiki/Wealth_management
- http://citywire.co.uk/wealth-manager/news/10-key-trends-for-wealth-management-in-2018/a1075496
- https://www.businessinsider.com/digital-evolution-wealth-management-report-2018-3?IR=T
- Detailed study and work performed for the Client as a part of transformation

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Lean & Six Sigma certified specialist with 14+ years of experience in strategic planning, problem-solving and decision-making skills combined with Process Excellence, Operations, Transition and Transformation background. Hands-on experience in managing Lean, Six Sigma projects, Change Management, Robotics Process Automations project life cycle initiatives by identifying, analyzing and delivering various automation scopes in the form of efficiency & productivity. Expertise in consulting & delivering successful projects for various industries like Investment Banking, Mortgage, Insurance, Wealth Management, Finance & Accounting.

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