2021

TECHNOLOGY TRAPS WEALTH MANAGERS MUST AVOID

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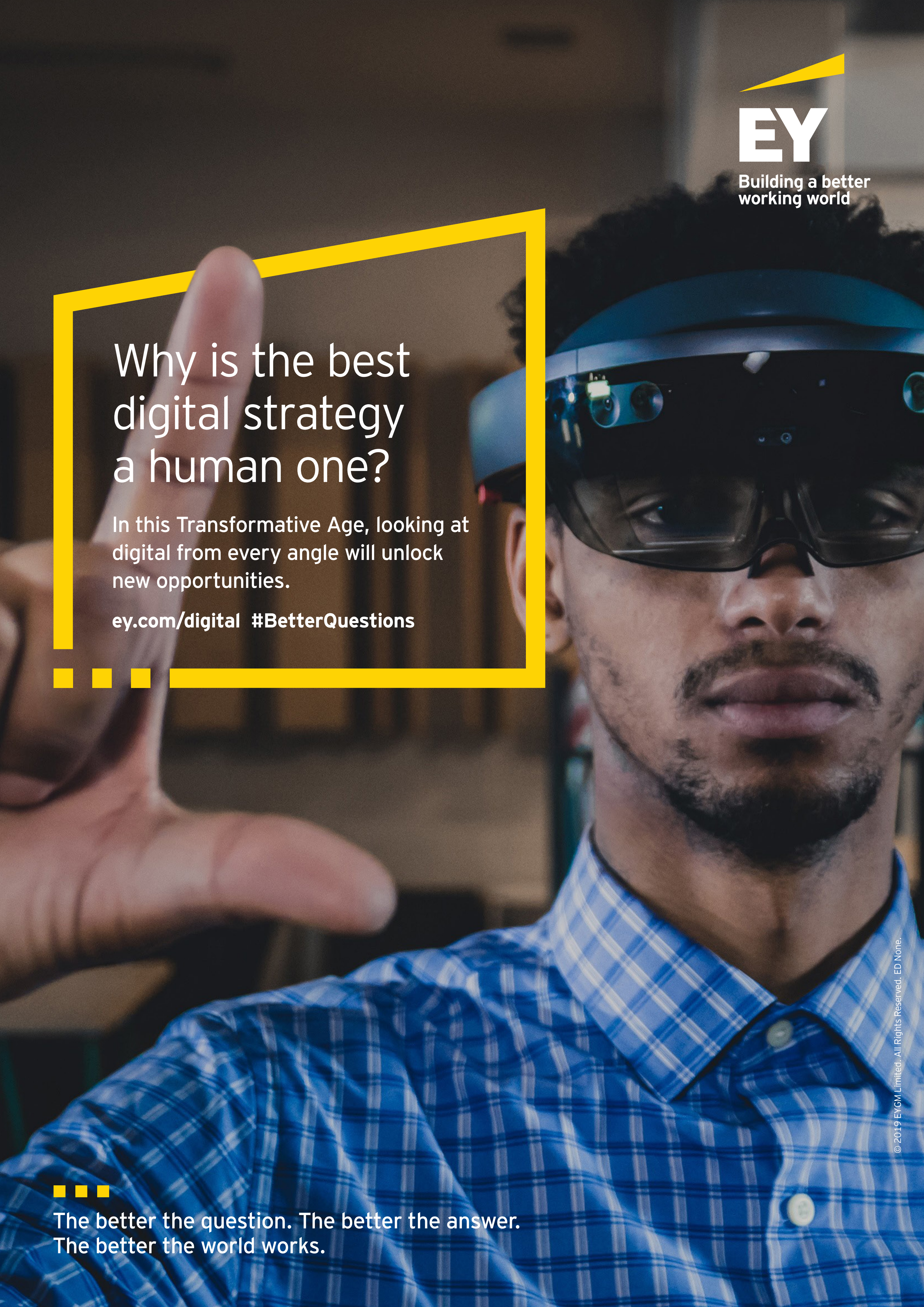
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FOREWORD

Digitisation has been one of the wealth management sector's predominant themes over the past decade. Even the most traditional of firms have seen the need to invest in modern tools to keep up with their more tech-led peers (not to mention all the disruptors that have entered the fray).

Then along came the COVID-19 pandemic, which made technological capabilities not just a matter of keeping up for firms, but actually one of keeping themselves together and continuing to do business.

Being thrust into a working from home new reality where high-touch client service could no longer be delivered in person changed the game. Digital maturity largely dictated how well wealth managers coped during the early days of the pandemic and, it could be said, how they will going forward now that behavioural norms have irrevocably changed.

Investments have paid dividends and then some, firms tell us. Those with the best set-ups were even able to flourish by using multichannel communications to maintain and even improve client engagement. Likewise, we have heard that for some institutions, advisor productivity has actually *increased*.

Warp-speed change

Across the board, the total disruption of the traditional service model has greatly accelerated the sector's digitisation, bringing planned investments forward and encouraging out-of-the-box thinking. This could be thought of as one of the pandemic's few silver linings.

Yet it is also easy to see how the warp-speed change could hold dangers. The popularity of the first edition of *Technology Traps Wealth Managers Must Avoid* confirmed just how concerned decision-makers are about making mis-steps. They know that the choices they make in technology selection, configuration and implementation will reverberate down the years. It is no exaggeration to say that those in charge of technology strategy hold client experience, operational efficiency, compliance and profitability in their hands.

WealthBriefing's technology-focused research output has always been designed to respond to the hunger for really actionable insight. This is especially true of the *Tech Traps* series. By giving providers the opportunity to bring their experiences to light we hope to showcase some of the best solutions available, certainly. But more importantly we are giving a platform to those who really are at the front line of technological developments, and who have seen choices play out for all manner of institutions, all over the world.

Providers' relationships with wealth managers have been taking a more consultative tone for good reason. Relationships between technology firms have also become markedly more collaborative in recent years, to the great benefit of the sector they serve. To be able to bring together such a selection of leading providers in one publication in a spirit of collaborative competition feels like a really positive development to us.

Having the benefit of these experts' collective wisdom will be a boon to organisations at a time of such far-reaching technological change. Yes, readers will have their attention brought to both "classic" and lesser-known errors that might be made in key areas. More inspirationally, they will also learn what the cutting-edge looks like in practice, and with real case study information from firms just like theirs.

We are delighted to have EY as our consultancy partner for the 2021 edition of this report. Their overview of technological developments in the sector sets the scene for what I hope readers will agree is a comprehensive tour of wealth tech's most exciting areas.

We will continue to delve deep into the technology traps wealth managers must avoid as they look to the future, and would be delighted to hear from any readers with insights to share.

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TECHNOLOGY TRAPS WEALTH MANAGERS MUST AVOID: AN OVERVIEW FROM EY

Roopalee Dave, Director, Wealth Management, and **Hassan Suffyan**, Director, Wealth Management Technology at **Ernst & Young LLP**, outline common pitfalls for wealth managers when developing and implementing a digital strategy.

SMART ACCELERATION OF DIGITISATION

Recent events have accelerated the new operating normal for the wealth management industry, with wealth managers recognising the need for digital investment in order to unlock long-term growth. Underpinning much of the opportunity is front-to-back digitisation of the operating model, and its implications on the business model.

There is a continuous need to invest in new technologies and embed digital capabilities across the firm, to ensure compliance and the ability to future-proof delivery. This includes enabling cloud functionality and increasing the use of Software as a Service (SaaS) and application programming interface (API) models. However, in the era of rising costs, it is important to avoid misconceptions that lead to costly mistakes, even while investment and activity scales up.

THERE IS A CONTINUOUS NEED TO INVEST IN NEW TECHNOLOGIES AND EMBED DIGITAL CAPABILITIES ACROSS THE FIRM, TO ENSURE COMPLIANCE AND THE ABILITY TO FUTURE-PROOF DELIVERY.

What are some of the common pitfalls in developing and implementing a digital strategy?

1. What do clients want and how do they wish to engage?

There has been a seismic shift in customer interaction and proliferation of "digital first" channels. The industry is progressing from traditional face-to-face contact, to websites and now to 2nd generation technology (e.g. mobile applications) and even 3rd generation preferences (e.g. digital assistant). For clients, it is a holistic experience and for wealth managers it is not enough to simply digitise tasks, but also consider how clients and relationship managers are able to engage during these interactions to build trust.

WEALTH MANAGERS MUST MATCH THE CAPABILITIES THEY NEED WITH THE APPROPRIATE CHANNELS FOR DISTRIBUTION. THIS CAN INCLUDE ADJUSTING TO THE CUSTOMER AND MEETING THEM WHERE THEY WANT TO BE MET, RATHER THAN WHERE IT IS TRADITIONAL OR CONVENIENT FOR THE WEALTH MANAGER.

The speed of change indicates how challenging it is for firms to accurately predict future preferences. The *EY Global Wealth Management Research*[1] highlighted mobile app usage was the primary channel for wealth activities in 2019 (indicated by 34% of wealth managers surveyed) followed by website access (28%) and this is projected to shift to 46% and 20% respectively, by 2022. In comparison, face-to-face and phone calls account for 15% and 12% usage in 2019, and are projected to drop to 12% and 8% by 2022.

Wealth managers must match the capabilities they need with the appropriate channels for distribution. This can include adjusting to the customer and meeting them where they want to be met, rather than where it is traditional or convenient for the wealth manager. For example, technology app stores have grown in prominence, not because of the rising cost of distributing physical media, but because that model best suited the growing number of smartphone users.

Today, it is not enough to build a standalone browser functionality and mobile functionality. Instead, clients want to be able to use different devices, depending on their lifestyle and circumstances at that moment. For example, a client may want to message their relationship manager using a mobile device whilst

travelling between meetings and continue the conversation using a laptop at home. These clients expect wealth managers to enable this omni-channel flexibility so that interactions in different channels are seamless and are combined into one set of customer experiences.

Introducing digital capabilities will require a fundamental change in how a wealth manager will service customers, and more importantly the end-to-end customer journey will need to be refreshed to ensure there is no impact to the customer experience.

Depending on their operating model and scale, wealth managers have the opportunity to either leverage external vendor solutions or develop in-house digital front channels (mobile/client portals) to compete in the market. The importance of front-office functionality has been accelerated by the recent pandemic, with wealth managers possessing these capabilities being better placed to retain existing clients, acquire new ones and deflect competition.

The world of client communications is broad, and focuses on texting, calls and video conferencing, but often also comes bundled with niche functionalities such as co-browsing, document storage, and e-signatures that enhance the client experience. Wealth managers must ensure the digital functionality chosen is sufficient to match their clients' needs and expectations; nor are they "set and forget" assets but require continuous enhancement and alignment to their operating model and long-term digital strategy, without impacting business operations.

2. It might be client first… but what about employees?

In considering the client experience, wealth managers may want to be equally focused on the employee experience, given the impact on front office, along with the efficiency gains achieved from enabling functions of any digital/digitalisation initiative.

IN CONSIDERING THE CLIENT EXPERIENCE, WEALTH MANAGERS MAY WANT TO BE EQUALLY FOCUSED ON THE EMPLOYEE EXPERIENCE, GIVEN THE IMPACT ON FRONT OFFICE, ALONG WITH THE EFFICIENCY GAINS ACHIEVED FROM ENABLING FUNCTIONS OF ANY DIGITAL/DIGITALISATION INITIATIVE.

The belief that only investing in "income-generating" teams rather than the full value-chain is a false economy. It ignores the productivity increase and cost reduction benefits that digitalisation can provide across the value chain and can create a cultural divide between client-facing teams and the rest of the organisation. For example, digitising the onboarding process will provide a better client experience, however relationship managers and client service teams cannot continue to provide the same seamless digital experience if the middle office remains on manual processes. A further, often overlooked, risk of having an asymmetric focus on front office is that front office systems tend to require integration and multiple exchanges of data with middle and back office platforms, which if implemented in isolation can result in loss of efficiency and an accrual of technical debt over the medium to long term.

Consideration needs to be given to what the service model looks like to support employees when issues with the digital products arise.

3. Are data and architecture design based on the strategy?

Data is required to deliver the seamless digital experience expected by a client, while regulations are increasingly penalising firms who do not have appropriate data protections in place. Data also underpins the development of new Environmental, Social and Governance (ESG) products, increasingly popular among clients but also demanding greater transparency on how such investments perform against ESG metrics.

DATA IS REQUIRED TO DELIVER THE SEAMLESS DIGITAL EXPERIENCE EXPECTED BY A CLIENT, WHILE REGULATIONS ARE INCREASINGLY PENALISING FIRMS WHO DO NOT HAVE APPROPRIATE DATA PROTECTIONS IN PLACE.

For the business, there are direct revenue-impacts to not having a data strategy, such as an inability to derive value from firms' data to deliver profitable business growth, or lack of access to timely and trusted data to facilitate effective business decision-making.

Meanwhile, a fragmented data landscape is resulting in high operational expenditure and delays to transformation programmes. Inadequate data governance can lead to persistent data quality issues and inaccurate reporting, while the costs of non-compliance alongside cyber threats and data ethics continues to rise.

Compared with other financial services organisations, wealth managers have traditionally lagged in technology/digital transformations. For many wealth managers, data is seen as a necessary evil, and their enterprise architecture is often tightly coupled with making business change difficult without increasing technical debt through tactical solutions.

However, for wealth managers to compete, their data and architecture needs to become a strength. There will be a need for a fundamental refresh in the technology roadmap and strategy, ensuring core technology enablers such as data, integration, workflow, and infrastructure, are in place to release business benefits. Client needs and regulatory requirements will drive key design decisions such as on premises vs. cloud (including public and private cloud), adoption of API and SaaS models, and even multifactor authentication vs. single sign-on (SSOs).

4. If Digital is the tool, should Agile be the approach?

Digital transformations typically lend themselves to Agile delivery methods. Many will try to replicate Agile projects as "purely" as possible based on methodology teachings. However, just as organisations are not identical, business transformations will vary depending on the situation. Agile is better thought of as a comprehensive collection of project management techniques, developed not to be used as a comprehensive collective, but rather selectively based on identified needs for the wealth manager and the transformation.

It's important to contrast the use of Agile with consideration of the output: the ability to achieve desired outcomes, but also whether there is sufficient productivity in the process, clarity around the objective and ultimately realisation of the business case.

AGILE IS BETTER THOUGHT OF AS A COMPREHENSIVE COLLECTION OF PROJECT MANAGEMENT TECHNIQUES, DEVELOPED NOT TO BE USED AS A COMPREHENSIVE COLLECTIVE, BUT RATHER SELECTIVELY BASED ON IDENTIFIED NEEDS FOR THE WEALTH MANAGER AND THE TRANSFORMATION.

5. (Most importantly) Digital is not a panacea

(a) Digital is one set of solutions that can support identified business issues, such as reducing certain administrative costs, or providing clients with expected experiences. It is not a fix-all: a digital transformation on a broken operating model will not address underlying issues impacting the business.
(b) Digital follows business strategy, rather than the reverse. Wealth managers need to identify and agree on a long-term vision and strategy for their organisation and be willing to leverage digital as one set of tools in their toolbox, enabling them to reach that wider transformation.
(c) All wealth managers will not be using the same set of tools. Different business models will require different sets of digital solutions, even if they are part of the same organisation.

For wealth managers on or embarking on a digital transformation journey, it would be helpful to take into account some of these additional considerations:

- Proper due diligence and assessment of vendor delivery capability: Rigorous assessment of delivery path for a chosen vendor is just as important as the features they can deliver. For example, how easily can you co-create your process universe and use cases with your chosen vendor? Or alternatively, how close is the "out of the box" functionality to your desired end state?
- Use Proof of Concepts as part of your request for proposal (RFP) process to test the ability to deliver and identify any gaps in functionality and the desired customer/employee experience.
- Put in place the right oversight models: Most of the oversight is focused on when the solution reaches business-as-usual (BAU), but that can sometimes be too late. It is important to have oversight of end-to-end transformation alongside any delivery capabilities, vendor or in-house, from the outset, starting with building strong service level agreements into your implementation contracts, and achievement assessments throughout implementation.

WEALTH MANAGERS NEED TO IDENTIFY AND AGREE ON A LONG-TERM VISION AND STRATEGY FOR THEIR ORGANISATION AND BE WILLING TO LEVERAGE DIGITAL AS ONE SET OF TOOLS IN THEIR TOOLBOX, ENABLING THEM TO REACH THAT WIDER TRANSFORMATION.

In summary, digital transformation needs to be closely coupled to business strategy with clear outcomes for the client and employee experience. Maintaining a sharp focus on enabling capabilities like data, combined with strong implementation and governance disciplines will be required in a rapidly changing environment, underpinned by threats from competitors, challenger banks, global pandemics and macro-economic factors.

[1] *Source: EY Global Wealth Management Research 2019*

About EY

In our wealth and asset management work today, not everything is innovation; a lot of it is evolution. And it's important to know the difference. FinTech disruptors continue to shift the rules, newer investors aren't flocking to older channels and cost pressure is relentless. From data and AI, to tech platforms and partners, the questions have never been bigger, and the stakes have never been higher.

At EY, we help clients re-think everything from pricing and operating models to coopetition and convergence. We bring critical questions into focus, which lead to bolder strategies, simplified operations and sustainable growth. Our sharp understanding of the state of play allows us to shift discussion from reacting to change, to helping shape it. Ultimately, we work with clients not just to stay competitive, but to change investing for the better.

For more information, visit www.ey.com/fswam or email rdave@uk.ey.com, hassan.suffyan@uk.ey.com

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DRIVING GROWTH THROUGH DIGITISATION – WHY ARE SO MANY WEALTH MANAGERS MISSING OUT?

Wealth managers which are systematising client intelligence and empowering their advisors with automation are still very much in the minority – and this is very much to their loss in sales and marketing – explains **Alessandro Tonchia**, Co-Founder and Head of Strategy at Finantix – now an **InvestCloud** Company.

The forced shift to entirely digital relationships will have exposed weaknesses in the way many wealth managers approach client prospecting, marketing and retention. The sector has been digitising at breakneck speed in recent years, and has made impressive advances as a whole. Yet what could have been its chance to *really* see its investments bear fruit has, in large part, withered on the vine.

FROM AN EFFECTIVENESS POINT OF VIEW, YOU MUST FIRST QUALIFY THE PROSPECT TO MAKE SURE THEY CORRESPOND TO ALL YOUR CRITERIA AND, CRUCIALLY, STOP PUTTING EFFORT INTO THOSE THAT DON'T.

So argues Alessandro Tonchia, Co-Founder of Finantix - an InvestCloud Company - and a passionate advocate for a more systematised, automated approach to winning and retaining client loyalty. There are multi-faceted business benefits on offer in his view, but a lack of joined-up thinking – and joined-up technology – is holding the vast majority back.

Now more than ever, firms need to have fully systematised client prospecting and implemented a centralised lead management model, he explains. Yet Tonchia's global travels among wealth managers have taught him that only around 20% have done so – something which is very often down to culture, he says: "Around half those that don't do it are ones where advisors 'eat what they hunt'. The other half might be trying to do things systematically, but often don't have the capabilities to fine tune the input for the right decisions."

SYSTEMATISING THE SALES PROCESS

So, what are these "right decisions"?

In testing market conditions, the starting point has to be deploying advisors' valuable prospecting time to maximum effect, Tonchia argues – by which to say assiduously scoring and assigning leads: "From an effectiveness point of view, you must first qualify the prospect to make sure they correspond to all your criteria and, crucially, stop putting effort into those that don't".

Trigger events like the reported sale of a company will naturally get the attention of proactive "hunters", Tonchia observes, yet without a fuller picture they may well be wasting their time if, for instance, the sale is small, liquidity is lacking or the client has evidenced a strong disinclination to pay for advice.

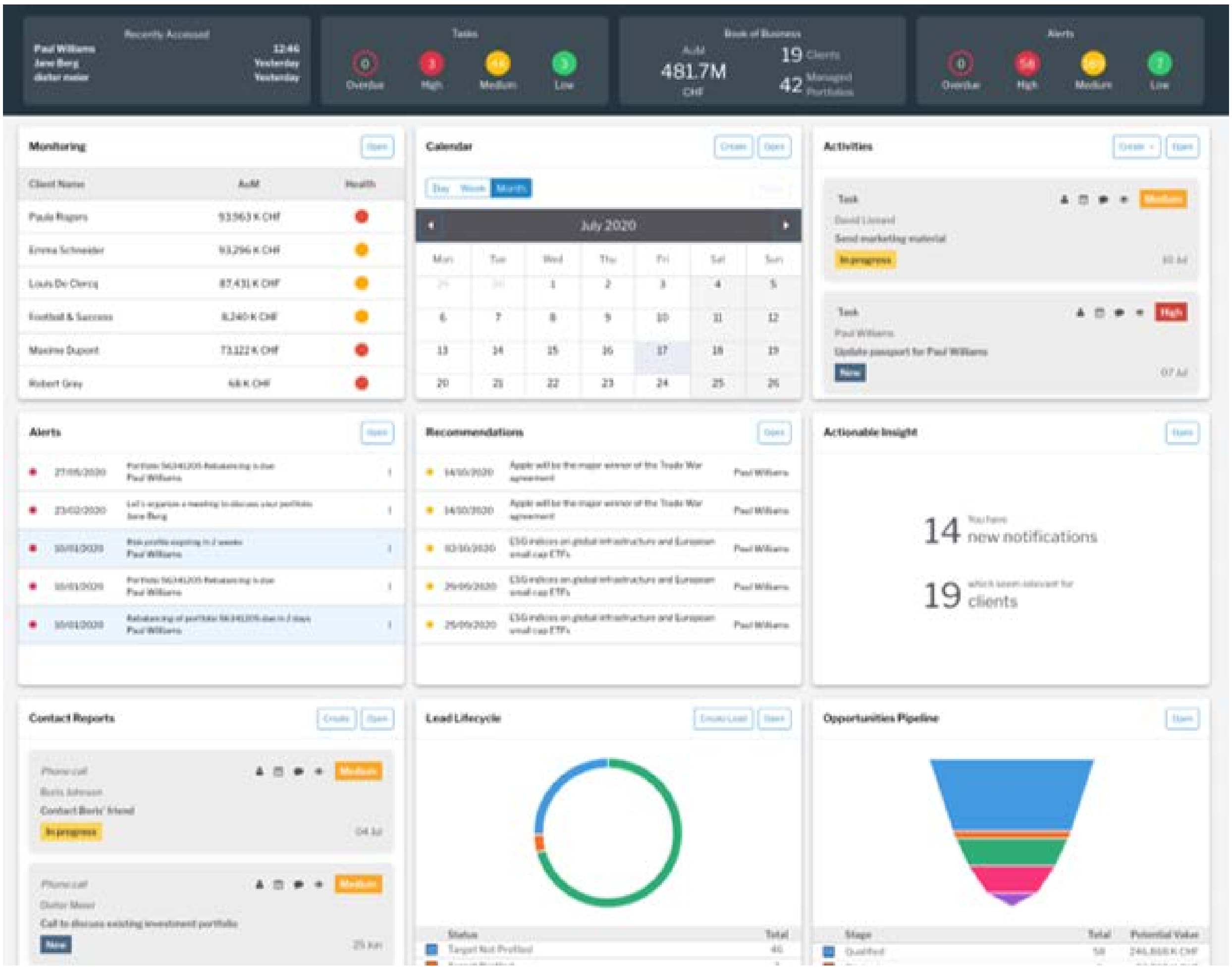
Once qualified, the next step is "scientifically scoring and assigning" leads, which in turn depends on having enough intelligence-gathering power to understand the factors affecting the best choice of advisor to make an approach, and which prospects to prioritise. These might be practical, like them having spare capacity or clients in a similar sector, or, perhaps more importantly, what Tonchia calls "affinity criteria" such as a shared language, passion or homeplace. (Finantix – an InvestCloud Company – allows for scoring against 10 criteria to determine which advisor is likeliest to perform best given a particular client's profile).

COLLABORATING TO WIN CLIENTS

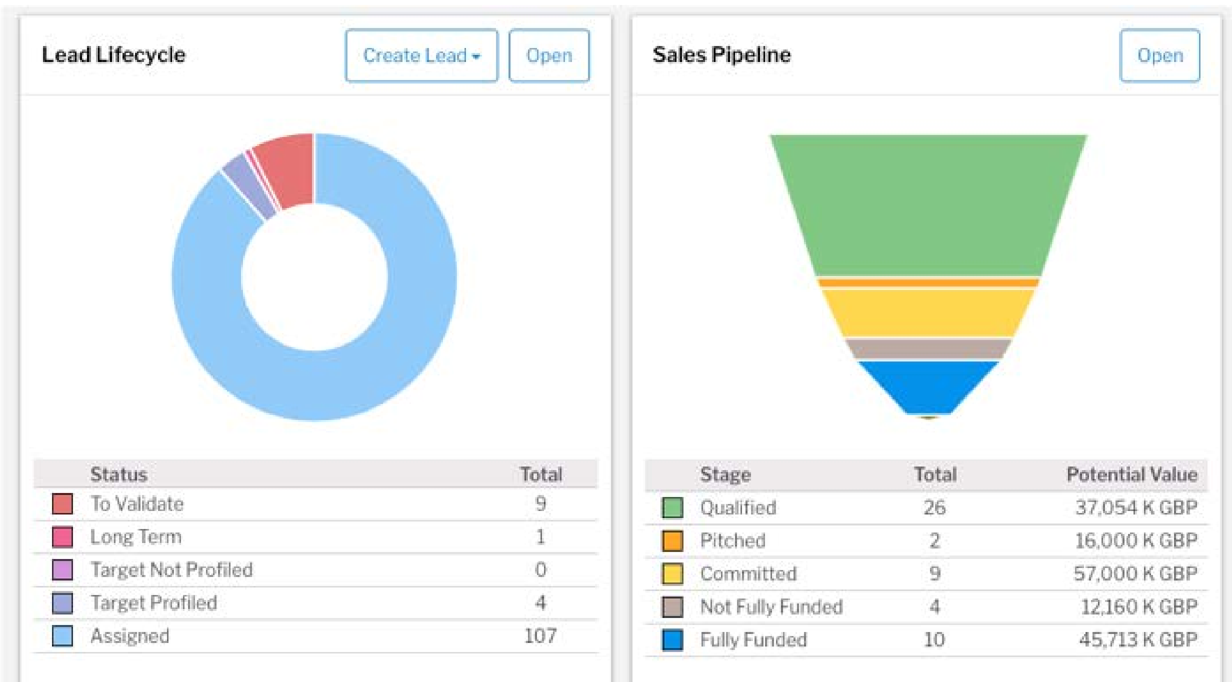
Systematising lead assignment chimes well with widespread moves from forward-thinking wealth managers to reduce reliance on the proactive efforts of "rainmakers" and for firms as a *whole* to own clients from the off. It is also an acknowledgement that organisations need to be demonstrably realigning around the client's needs from the start too.

ONLY IF YOU MANAGE THE PROCESS SYSTEMATICALLY CAN YOU ENSURE YOU DRAW ON ALL THE RESOURCES YOU HAVE INTERNALLY FOR NETWORKING AND INTELLIGENCE. THIS IS A DEFINITE WEAKNESS WE SEE ACROSS THE INDUSTRY, EVEN IN THE MOST PRESTIGIOUS FIRMS. THERE IS STILL A LOT OF SPREADSHEET BASED LEAD MANAGEMENT OUT THERE.

CLIENT PROSPECTING SYSTEMATISED FOR EFFICIENCY AND HIGH CONVERSION



ACTIONABLE INSIGHT ON AUM BUILDING



YOU CAN PROGRESSIVELY APPROXIMATE PERFECTION AS YOU GET A LOT OF ENTERPRISE-LEVEL FEEDBACK ON WHAT ESTABLISHES AND SUSTAINS RELATIONSHIPS IN PARTICULAR GEOGRAPHIES AND SEGMENTS, AND HOW CLIENTS AND ADVISORS BEST ENGAGE.

It is a great shame that haphazard lead generation and management methods so often preclude collaboration, notes Tonchia, as it may well be the case that a colleague (or even client) can make an introduction, there is an existing relationship with the corporate bank, or the firm has just the right specialist to make that first conversation really credible. It is easy to see how connecting these dots could quickly ramp up conversion rates, particularly when the opportunities to share best practice and perfect a collaborative methodology are factored in.

"Only if you manage the process systematically can you ensure you draw on all the resources you have internally for networking and intelligence," says Tonchia: "This is a definite weakness we see across the industry, even in the most prestigious firms. There is still a lot of spreadsheet-based lead management out there."

Having ascertained who has the highest probability of closing a lead, next comes the "what" of the things they should reach out with, Tonchia continues. "You need a marketing toolkit laid out for what you can impactfully offer this person," he says. "Is there a customised product offering? Which event can you invite them to? Which content speaks to their needs and interests?"

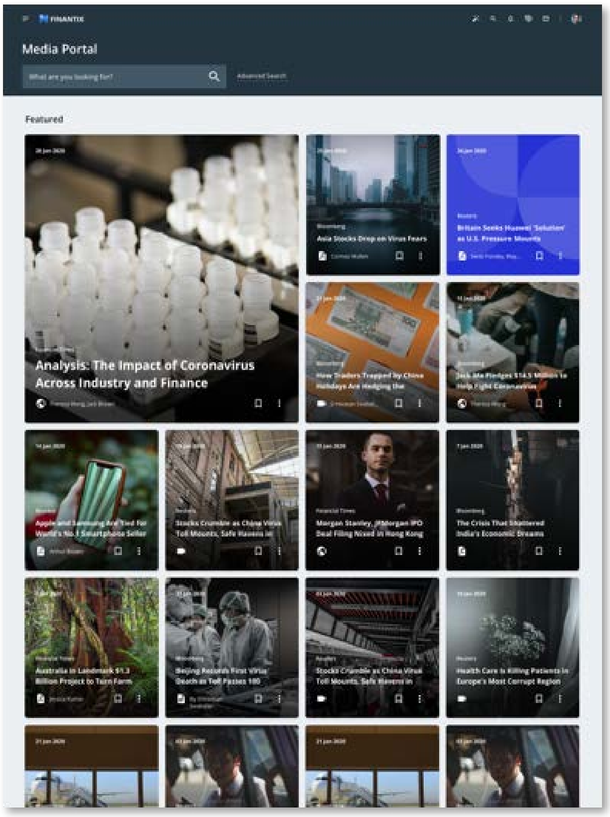
HITTING THE MARK

Here again, an organic approach puts firms at a great disadvantage. Even today, Tonchia sees firms that are not aligning their content strategy to an explicit segmentation of their target market, persisting with a scattergun approach. Even those which are investing in compelling content for all client personas cannot tell what is really hitting the mark.

As Tonchia wryly observes, in a highly competitive – and cost-conscious – world, wealth managers cannot afford to accept the old adage that "50% of marketing spend is wasted, you just don't know which half" - particularly now that new tools can grant near omniscience about what does and does not work. "You can progressively approximate perfection as you get a lot of enterprise-level feedback on what establishes and sustains relationships in particular geographies and segments, and how clients and advisors best engage," says Tonchia.

The second element of Tonchia's recipe for success is ensuring no valuable client intelligence slips through the net, and here he reminds firms how wide that can be cast today thanks to omnichannel engagement. "Your aim should be not to lose any bit of information advisors learn along the way, to augment that with information which is discovered automatically and to mine clients'

A MENU OF CORPORATE CONTENT FOR ADVISORS TO SERVE TO CLIENTS



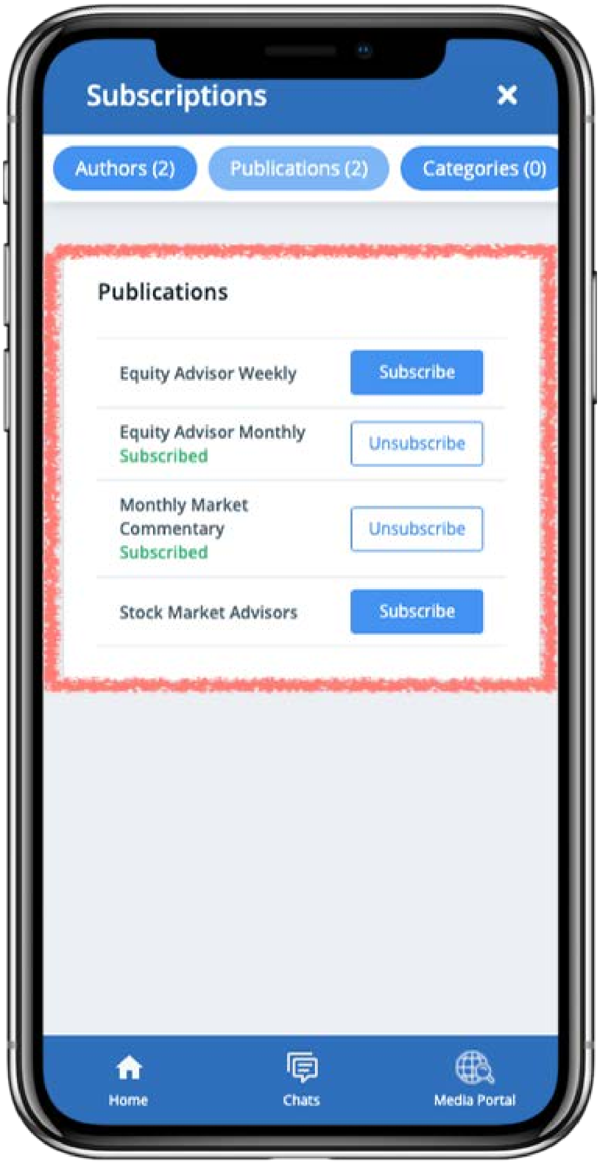
implicit preferences," he says. "How do they navigate the website? When do they chat? What questions do they ask? All possible sources of client intelligence should drive deeper personalisation, which is the third piece of the puzzle."

SCALING SUPERIOR SERVICE

The ideal may not be 100% automation, Tonchia concedes, but rather an *augmentation* of how advisors work, like them being presented with a selection of next best actions or suggested content based on a client's profile and history. Thus, new CRM tools are helping square the circle of how advisors can deliver superior service at scale. "With ten clients, perhaps you don't need much support, but if you have fifty then it takes superhuman effort keep all their needs and preferences in mind, especially as those tend to change over time" he says. "You need to be automatically guided towards the right personal touch using everything that can be known about that person."

Clearly, joined-up thinking is predicated on joined-up technology, but this is about more than the physical interfacing of systems, Tonchia warns. "You need *logical* connectivity running through your subsystems so they measure your KPIs and feed into each other as a basis for future action. Your website, content management and client relationship management systems all need to be pulling in the same direction."

PRECISE CUSTOMISATION IN THE DELIVERY OF INVESTMENT CONTENT



For Tonchia, that direction has to be all systems contributing to a sales effectiveness framework that is unapologetically geared towards *results*. "All too often you see institutions throwing money at technology, but not in a unified, sales-driven way," he concludes. "There is so much you can do with new tools, but to get the most from them firms are going to have to invest as much thought as money into the correct selection – and configuration – of their systems."

About InvestCloud

InvestCloud is a global company specialising in digital platforms that enable the development of financial solutions, pre-integrated into the cloud.

The company offers on-demand client experiences and intuitive operations solutions using an ever-expanding library of modular apps, resulting in powerful products.

Headquartered in Los Angeles, InvestCloud has over 20 global offices including New York, London, Geneva, Singapore and Sydney, supporting trillions in assets across hundreds of diverse clients – from the largest banks in the world to wealth managers, asset managers and asset services companies.

For more information, visit www.InvestCloud.com or email alessandro.tonchia@finantix.com

HYBRID WEALTH: ARE YOU OPTIMISED TO GET THE BEST FROM DIGITISATION?

Digital banking is more than a mobile app, and wealth management is no exception: it's about creating an entire experience to secure clients. **Christine Schmid**, Head of Strategy at **additiv**, reviews the true opportunities and fundamental considerations when adopting end-to-end digital wealth management.

HYBRID WEALTH – THE BEST OF BOTH WORLDS

Wealth management client needs' vary. How clients wish to interact with their bank varies and evolves throughout their relationship and depends on the market environment. But banks must be ready to support at all times. There will be periods when clients wish for independence, and at other times they'll seek guidance on the risks involved. They might even want the bank to handle everything.

WHEN DIGITAL TRANSFORMATION IS DONE RIGHT, IT'S LIKE A CATERPILLAR TURNING INTO A BUTTERFLY, BUT WHEN DONE WRONG, ALL YOU HAVE IS A REALLY FAST CATERPILLAR.
- GEORGE WESTERMAN, MIT SLOAN INITIATIVE ON THE DIGITAL ECONOMY

Banks must be ready, and, as Steve Jobs said: "It's not the customer's job to know what they want". To offer a rich service throughout a client's journey and lifecycle, banks must have a "hybrid" wealth solution. And finally, this must be achieved efficiently.

A hybrid approach enables clients to be offered the service that best suits their individual needs, and chose how they want to be serviced. Depending on these needs, the advice or support available is human or self-service, supported by intelligent analytics and offers real value:

- It enables clients to be serviced far more efficiently (only accessing relationship managers/advisors when there is a real need);
- It allows advisors to walk through proposals, optimisations and simulations in real-time; and
- It ensures relationship managers remain productive and focused on clients when it matters most, which in turn improves scalability for banks.

Rather than impeding the client relationship, a hybrid approach actually encourages collaboration - supporting in-person and remote advisor and client conversations through a multitude of channels. This approach goes way beyond the "next best trade" concept.

RATHER THAN IMPEDING THE CLIENT RELATIONSHIP, A HYBRID APPROACH ACTUALLY ENCOURAGES COLLABORATION - SUPPORTING IN-PERSON AND REMOTE ADVISOR AND CLIENT CONVERSATIONS THROUGH A MULTITUDE OF CHANNELS. THIS APPROACH GOES WAY BEYOND THE "NEXT BEST TRADE" CONCEPT.

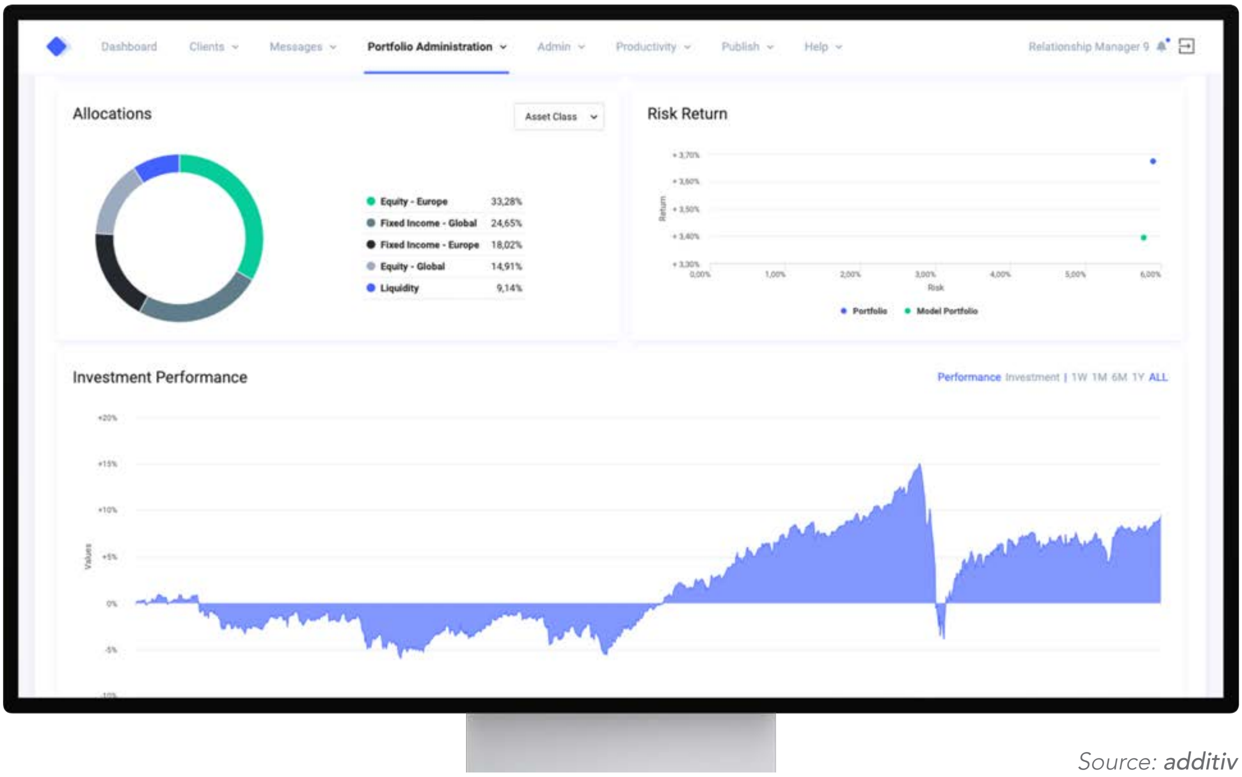
However, there is a common misconception about one aspect of a hybrid service: the self-service approach. It is often confused with robo-advisor online wealth management platforms, which offer automated portfolio management, but these are poles apart. A self-service model allows clients to gain insights and complete actions that historically would have been undertaken by an advisor as an administrative function.

At additiv, our Hybrid Wealth Manager product enables banks to offer a truly digital solution. It is a set of digital applications for managing investments and client relationships: Workbench, Mobile Advisor and an advanced self-service model: Client Cockpit. Unlike a robo approach, our Client Cockpit only automates the menial elements previous undertaken by the bank and really puts clients with their advisor in the driver's seat. It does this by:

- Offering users tools to view portfolio impact simulations
- Providing complete clarity by showing interactive views of positions and performance
- Presenting personalised content, next best trade and idea generation
- Giving quick and easy consent for advisor proposals and proposal exchange
- Offering real-time, secure and collaborative remote advisor, call centre communication at any time, from anywhere

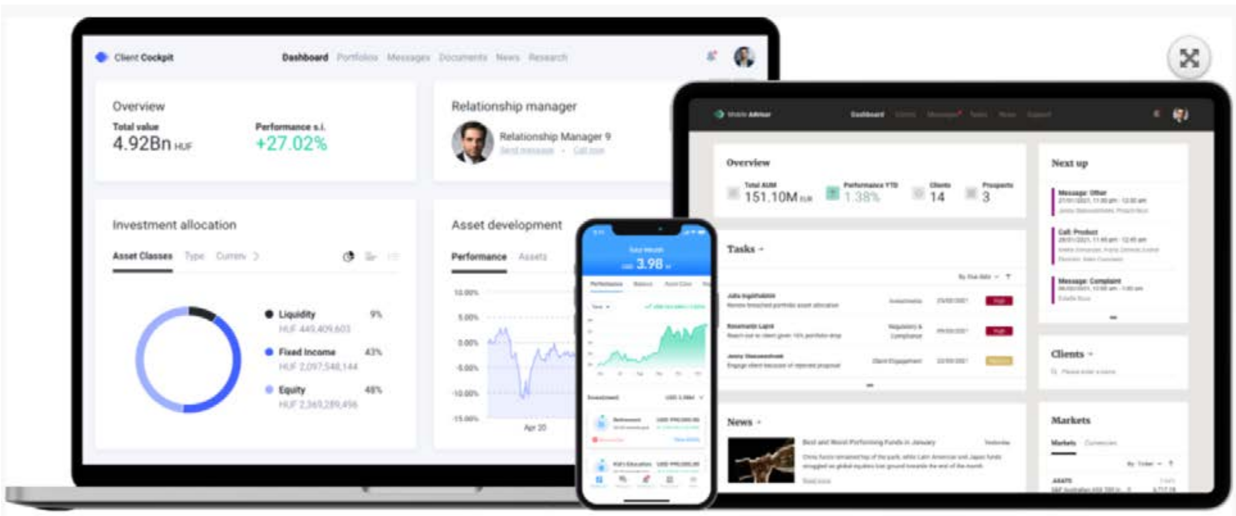
Our Hybrid Wealth Manager product gives a rich and seamless customer experience across all client touchpoints.

ADDITIV HYBRID WEALTH MANAGER WORKBENCH UX EXAMPLE



Source: *additiv*

HYBRID WEALTH MANAGER CLIENT COCKPIT UX



Source: *additiv*

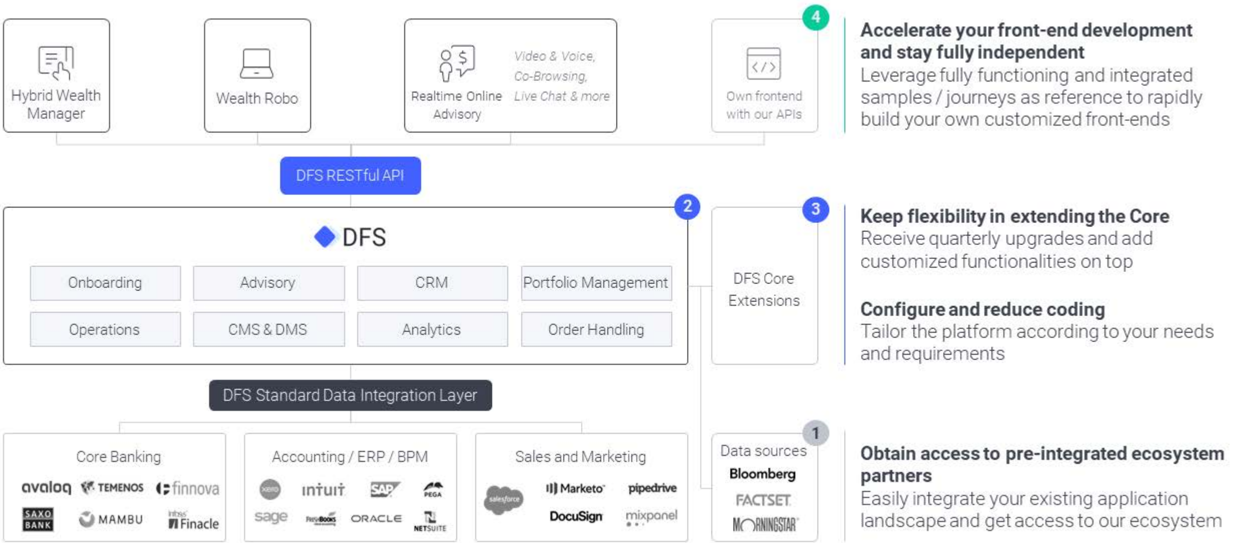
BUILD-YOUR-OWN BANK – THE ANTICIPATED NEXT STEP FOR APIs

TECHNOLOGY IS A USEFUL SERVANT BUT A DANGEROUS MASTER.
- CHRISTIAN LOUS LANGE, HISTORIAN

So digital should enable choice. But that choice shouldn't just be limited to interacting through the methods best suited to the client. It should also enable banks to offer clients a range of functionality and products, to add real value.

An application programming interface (API) enables this. APIs make it easier for developers to build products, to link with solutions and services, and thus broaden the opportunities to offer a wider range to clients. An API is a set of rules and protocols that allows clients to interact with any user agent or third-party channel to access products or services in a safe, simple and flexible way.

WEALTH SOLUTION BUILDER BASED ON ADDITIV DFS TECHNOLOGY



Source: additiv

At additiv, APIs are the backbone of our Hybrid Wealth Manager solution. Our omnichannel, front end-agnostic approach exploits RESTful APIs, leveraging all the benefits of APIs while also taking advantage of existing protocols to provide a high level of flexibility. These sit on top of our cloud-based orchestration engine, our DFS® system of intelligence.

APIS MAKE IT EASIER FOR DEVELOPERS TO BUILD PRODUCTS, TO LINK WITH SOLUTIONS AND SERVICES, AND THUS BROADEN THE OPPORTUNITIES TO OFFER A WIDER RANGE TO CLIENTS.

Built from the ground up, DFS® is a single platform with the agility to adapt to changing needs and the intelligence to deliver personalisation, at scale. It makes an ongoing digital roadmap operable.

DFS® is available in the cloud or as hybrid cloud set-up through Software-as-a-Service (SaaS), both as "out-of-box" and API-based "build-your-own-bank" delivery model. DFS® uniquely enables additiv customers to quickly launch new propositions such as Hybrid Wealth, while giving them the intelligence to maximise customer engagement according to their individual business and technology strategies.

In the past, some large and more traditional institutions have often built their wealth management platform internally from scratch. Nevertheless, according to Forrester research, 52% of those banks that built banking technology completely in-house missed their targeted timeline, and 45% came in more than 25% over budget. In particular, the burden of deploying basic infrastructure, designing client journeys and coding business logic and system logic was a major reason for project delays (81%). These are sobering statistics, but they shouldn't dissuade banks from developing in-house from the ground up, as long as they have the right foundation in place.

At additiv, we are helping banks to do this, enabling Banking-as-a-Service to become a reality.

Our clients can now access the same robust and trusted DFS® system of intelligence to "build their own bank" quickly. So, instead of us developing solution features directly for our customers, those banks who wish to manage this aspect in-house can utilise our toolkit of API modules. This enables them to easily build the functionality and client journeys themselves on top of a pre-defined, established foundation. And avoid those frightening Forrester statistics mentioned earlier.

Sourcing and extending components this way reduces technical complexity significantly, and spreads the cost of R&D across external players. By utilising our DFS® platform, it is far easier for banks to tailor these external components to their own brand and specific circumstances. It makes adaption to changing future needs far less onerous, removing the tendency to revert to big and costly start-from-scratch projects on a regular basis.

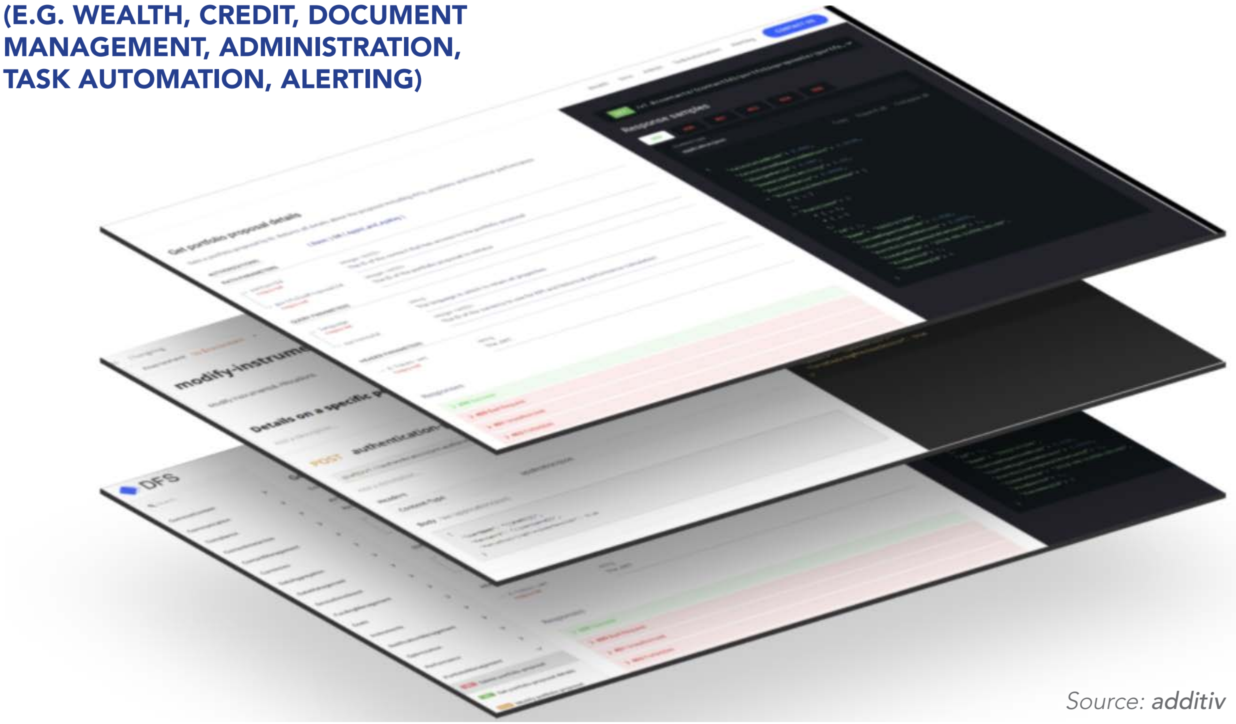
IN PARTICULAR, THE BURDEN OF DEPLOYING BASIC INFRASTRUCTURE, DESIGNING CLIENT JOURNEYS AND CODING BUSINESS LOGIC AND SYSTEM LOGIC WAS A MAJOR REASON FOR PROJECT DELAYS.

This frees up the bank's own internal resources to work on building elements that are truly unique to their value offering. Now, if a bank chooses to build in-house, they can finally be truly digital.

ENABLING A BANK PLATFORM MODEL – TOWARD BANKING-AS-A-SERVICE

So, for banks looking to build in-house, they can now become truly digital quickly without the risk of building

DFS EXPOSED THROUGH MULTIPLE API GROUPS SERVING DIFFERENT PURPOSES (E.G. WEALTH, CREDIT, DOCUMENT MANAGEMENT, ADMINISTRATION, TASK AUTOMATION, ALERTING)



Source: ***additiv***

the foundational wealth platform in-house. DFS® ensures optimum agility and intelligence to deliver the best customer experience at scale.

It is a system which sits separately from customer channels, that can pull in data from multiple systems of record. Only such a system equips an institution with all of the information – contextual, financial, behavioural, risk-related, locational – that allows banks to understand the customer well enough to:

- Present them with the functions that they need through a hybrid model;
- Design the wealth management platform that their clients really want, on top through API components;
- Understand clients sufficiently to offer meaningful ad vice and insight in an engaging way – at scale and at time and place where they can be a truly valued advisor;
- Manage multiple customer segments e.g. execution-only, discretionary and advisory, for new-to-wealth to UHNW, and deliver contextualised and relevant content and experiences to each;
- Grow their share of wallet with integrated prospect management and a rules engine to deliver compliant proposals and offers; and
- Improve speed and service range by using APIs to quickly access services from third-party software providers or add specialist features that improve customer experience and loyalty.

Ultimately, it comes down to having a platform to adapt to changing client needs and the ability to create new models - the equivalent of a safe pair of hands to support you, regardless of your digital needs. Isn't that what digitisation should be fundamentally about?

About additiv

Established in 1998, additiv partners with the world's leading financial institutions to help them capitalise on digital wealth management. Its DFS® system of intelligence is an omnichannel orchestration platform which uses RESTful APIs. It is available in the cloud or as hybrid cloud set-up through Software-as-a-Service (SaaS), both as "out-of-box" and API based "build-your-own-bank" delivery models.

DFS® uniquely enables customers to quickly launch new propositions, whilst maximising customer engagement according to individual business and technology strategies. Headquartered in Zurich, with regional offices in Kenya, Singapore, the UAE and Germany, additiv is proud to support their growing range of clients globally.

To learn more about how additiv is supporting financial institutions thrive in the digital age visit: www.additiv.com or email us at webcontact@additiv.com

additiv

ROBO-ONBOARDING: MEET THE NEW NORMAL; IT'S HERE TO STAY

Frictionless onboarding sets the tone for a fruitful relationship and the realities of a post-COVID world have accelerated the arrival of the future in the form of "robo-onboarding". **Hugo Chamberlain**, Chief Operating Officer at **smartKYC**, explains how automated, paperless processes provide a foundation for a host of benefits firms can ill afford to miss out on.

In the wealth industry, robo-advice is one of those stories that has been hovering in the edges of our consciousness for years. Challengers burst onto the scene around 2008 and market incumbents have been rushing to buy or build their own robo platforms ever since, with varying degrees of success.

I think we can all agree that rumours of "the death of the advisor" were exaggerated. In the 2020s, most people think of robo in hybrid terms, whereby wealth managers look to leverage the best of both man and machine in a manner appropriate to each client segment. Clients can be secured far earlier in their wealth journeys this way - even before they really *are* clients in asset terms.

ALTHOUGH THIS HAD ALREADY BEEN ACHIEVED BY ROBOS WORKING UNDER THE £10,000 THRESHOLD WHERE LESS STRINGENT KYC CHECKS APPLY, IT WAS TO BE AN INDUSTRY FIRST AT THE £15,000+ LEVEL.

This democratisation of wealth management services through robo offerings is much needed by both firms and investors (the former being under constant margin pressure and the latter often undermanaged at the mass-affluent stage). Yet for both cost and client experience reasons, I would argue it is only really workable in the context of fully automated onboarding. In this end of the pool, initial balances may be relatively modest, but large enough to trigger the most exacting KYC checks. But while immaculate compliance is non-negotiable, this work is unlikely to warrant expensive analysts' time.

START-UP SPEED; TIER 1 RIGOUR

This was just where one Tier 1 institution we recently worked with stood. It had ambitious plans to automatically onboard all new UK clients through its robo portal in under five minutes (absent any red flags). Although this had already been achieved by robos working under the £10,000 threshold where less stringent KYC checks apply, it was to be an industry first at the £15,000+ level.

SMARTKYC HAS PIONEERED THE USE OF ARTIFICIAL INTELLIGENCE AND NATURAL MULTI-LANGUAGE PROCESSING IN THIS CONTEXT; HOWEVER, I ALWAYS CAUTION INSTITUTIONS THAT THEIR SOLUTION NEEDS A HEFTY DOSE OF COMMON SENSE BAKED IN TOO.

An in-house build was considered. However, the challenge of achieving full automation while also guaranteeing the same rigour of screening applied to private clients quickly led the bank to conclude that strong adverse media search capabilities were crucial, and then to choose smartKYC as its engine.

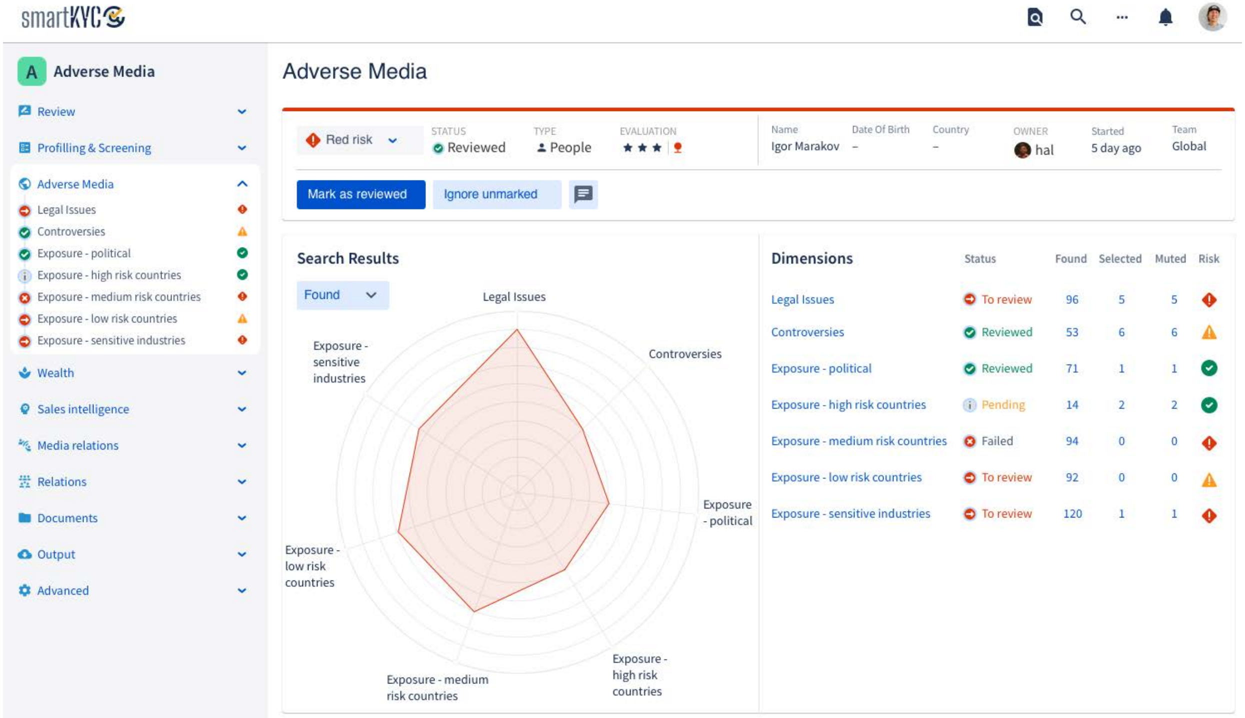
So, how did we deliver on start-up speed and Tier 1 rigour simultaneously in robo-onboarding?

Our first step was to take down the first hurdle to automation posed by initial ID and address verification processes. Apparently "digital" onboarding is often anything but, and even today you will commonly see that this is actually a two-step manual process requiring document upload by clients and then review by staff.

We fully automated this stage by connecting our platform to a credit data provider which verifies addresses through direct access to the UK electoral roll. Residency confirmed, these providers can then verify an applicant's bank accounts and prove their identity through knowledge-based authentication (special questions).

Next, we tackled checking against watchlists. The availability of aggregated lists like World-Check can create a false impression that automation is easy here. However, as many institutions have learned to their cost, if poorly realised this process can throw up myriad false positives which all but wipe out any automation gains.

A MORE SOPHISTICATED APPROACH TO ADVERSE MEDIA SCREENING



smartKYC has pioneered the use of Artificial Intelligence and Natural Multi-Language Processing in this context; however, I always caution institutions that their solution needs a hefty dose of common sense baked in too. Noticing if dates of birth are dissimilar enough to indicate different people is one of the numerous subtleties in making sure an applicant isn't rejected as if they were someone bearing the same (or similar) name.

The same need for subtlety is true of the final piece of the puzzle: adverse media screening. The term is easily grasped; the nuances of automating these checks are often not.

A SMALL HAUL FROM A WIDE NET

To catch all potential red flags, the net must be cast as wide as possible. Yet your eventual haul of information to be actually analysed needs to be limited only to what is relevant. If your system can't distinguish between an individual being accused of an affair versus allegations of money laundering, for instance, it will likely create *far* more work than it saves.

OUR AI-ENABLED TECHNOLOGY ASSESSES AND SCORES THE STRENGTH OF HITS BASED ON ALL IDENTIFYING ATTRIBUTES CAPTURED DURING THE MEDIA SEARCH COUPLED WITH A STRONG ASSOCIATION TO A GENUINELY ADVERSE CONCEPT.

The ability to draw these distinctions is fundamental to the success of our media screening approach. More basic solutions typically focus on searching for a name in proximity to a negative word or phrase, and so catch everything bad someone might be associated with – whether that is relevant to KYC purposes or not, or even if the link is nonsensical. They would not, for example, be able to discern that someone who had merely *acted* in a film about terrorism was not in fact associated with it at all.

In contrast, our AI-enabled technology assesses and scores the strength of hits based on all identifying attributes captured during the media search coupled with a strong association to a genuinely adverse concept. Yes, you would be right to assume that it takes an enormous amount of processing power to analyse, sort and filter a large number of hits from a multitude of multi-language news sources in a very short space of time. That is what it takes to automate media screening in a meaningful way.

Setting up these processes with institutions takes some work too, but here again putting real thought in is the key to making automation worthy of the name.

THINKING THINGS THROUGH

With our bank client, we first determined exactly what qualified as adverse media to ensure that the automated screening mirrored that of its existing manual systems. Then, we defined in granular detail which specific semantic patterns, sources of information and languages to incorporate. Finally, sophisticated and multilingual NLP systems were put in place to intelligently extract the pertinent nuggets of information relevant to the KYC process.

The result is a system which ensures enhanced due diligence, while also eliminating the burdensome "white noise" of false positives. The bank's target of fully automatic acceptance for 80% of applicants was easily

FEDERATED SEARCH THROUGH SMARTKYC

met, and its compliance team was then able to focus its energies on resolving remaining issues. Best of all, onboarding times were brought down to just three minutes for straightforward clients – that's about the time it takes to read this piece.

BEST OF ALL, ONBOARDING TIMES WERE BROUGHT DOWN TO JUST THREE MINUTES FOR STRAIGHTFORWARD CLIENTS – THAT'S LESS TIME THAN IT TAKES TO READ THIS PIECE.

With this industry first, we believe a bar has been set for both quality and speed in automated KYC checks that it is now incumbent on any firm with real ambitions in robo to meet. Compliance, cost-control and most of all the client experience demand *true* digital onboarding. The question is, when will your firm be able to deliver it?

About smartKYC

smartKYC's technology drives faster, better and more cost-effective KYC at every stage of the relationship – liberating human effort to focus on decision-making rather than laborious research. smartKYC fuses artificial intelligence with linguistic and cultural sensitivity and deep domain knowledge to set new standards for KYC quality, whilst transforming productivity and hardwiring compliance conformance.

smartKYC applies AI to extract precise open source intelligence (OSINT) from vast corpuses of information – internet and deep web, news archives, watchlists and corporate databases. All of this happens at speed and at scale, creating new possibilities such as straight through processing, batch remediation and continuous KYC risk monitoring.

HOW AUTOMATIC ACCOUNT ACCEPTANCE IS ACHIEVED

To find out more about smartKYC's advanced enterprise solution for KYC due diligence automation, visit www.smartkyc.com

smartKYC

DOES YOUR SOLUTION DESERVE RECOGNITION FOR EXCELLENCE?

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Nominations deadline	**17 May 2021**
Finalists & Winners notified of their success	**31 May 2021**
Public announcement of Winners	**30 September 2021**

HOW LOW-TECH COMPLIANCE HITS COMPETITIVENESS

It is becoming increasingly apparent how costly a low-tech approach to compliance management can be – and in many senses. **Thomas Imhof**, Regulatory Engineer at **Apiax**, explains how firms are turbocharging their competitiveness through cutting-edge regtech tools.

Those in the financial services sector will know that regulation comes at staggering costs. So much so, it has been estimated that compliance eats up 6-10%[i] of revenues for half of banks.

"Throwing people at the problem" is a time-honoured means of coping with compliance complexity. Yet it is an increasingly unsustainable one, not least because the magnitude of change (and risk) has rightly elevated the status and therefore compensation of compliance professionals. In developed markets, even entry-level compliance managers can command annual salaries touching US$110,000[ii]. Such is demand, experts can expect a leap of 8% for accepting a new role[iii].

The bottom line is also hit hard in more hidden ways, particularly when firms are maintaining compliance across multiple jurisdictions. A low-tech approach invariably means too much of the burden is borne by client-facing and investment management personnel, with them having to attend compliance training and interpreting internal policies and manuals. This time could clearly be spent in far more profitable ways.

Even more underappreciated, and arguably most damaging of all, is how much compliance complexity constrains the competitiveness of institutions - and by extension their client advisors - on the world stage.

RICH SEAMS UNMINED

Our "Staying compliant across borders" study makes this crystal clear. In a global world with increasingly mobile clients, cross-border compliance is an almost universal issue, and obviously even more so for serious players in the wealth management space. Of the 43 major financial institutions we surveyed, 93% provide services and products in multiple countries; 51% are dealing with over 20.

But these seemingly buccaneering figures obscure what we see as a real limitation (or perhaps more accurately self-limitation) of firms' ambitions. Although 55% of firms actively market their cross-border services, 45% only offer them passively. Strikingly, over a third (36%) of the most globalised firms offer *all* their cross-border services only on a reverse-solicitation basis. Rich seams are being left unmined.

ALTHOUGH 55% OF FIRMS ACTIVELY MARKET THEIR CROSS-BORDER SERVICES, 45% ONLY OFFER THEM PASSIVELY. STRIKINGLY, OVER A THIRD (36%) OF THE MOST GLOBALISED FIRMS OFFER ALL THEIR CROSS-BORDER SERVICES ONLY ON A REVERSE-SOLICITATION BASIS.

You might say that client-centric firms will do their utmost to deliver if asked. Otherwise, they may often conclude that actively pursuing certain services and products on a cross-border basis is more trouble than it is worth. We know that rising complexity frequently deters institutions from pursuing lucrative markets. It also drives agonising decisions to pull out of them.

ENDLESS PUZZLING

As compliance management practices currently stand, it is easy to see why.

Over a third of firms admit they struggle to provide clear do's and don'ts, leaving many to simply "puzzle it out" from reams of internal and external resources. Worse, and quite incredibly for the year 2021, client advisors at three-quarters of firms are still having to pore over paper-based cross-border manuals to know what they can offer.

QUITE INCREDIBLY FOR THE YEAR 2021, CLIENT ADVISORS AT THREE-QUARTERS OF FIRMS ARE STILL HAVING TO PORE OVER PAPER-BASED CROSS-BORDER MANUALS TO KNOW WHAT THEY CAN OFFER.

Burying advisors in a veritable library of books (or PDFs, which are little better) when they should be nurturing client relationships is clearly a misuse of their very expensive time. You could certainly say the same for the 40% of investment teams who have to monitor country-specific restrictions at the investment product level.

Clearly, few areas of the business will be untouched by the constant challenge of unpicking interlinkages between an entity's licence framework, regulatory requirements and country-specific offering exemptions. Compliance training, monitoring, maintaining cross-border manuals and the approval processes for advisors' (hopefully soon to be reinstated) travels are absolutely in the fray. So too are marketing and all the other business activities impacted by country-specific regulations, for which read virtually all.

NEITHER EASY NOR CHEAP

What's more, sourcing the information in the first place isn't necessarily easy nor cheap either. To this day, nine in ten firms are updating their cross-border compliance knowledge via traditional methods like memos, emails and calls. And, very likely adding to expenses, 53% of firms source legal information via external law firms, and 19% obtain legal opinions from consultancies.

WHATEVER THEIR FUNCTION, BUSY PROFESSIONALS ARE TYPICALLY CRYING OUT FOR A SINGLE ANSWER TO BE SURFACED FROM SCORES OF INTERSECTING RULES: THIS IS EXACTLY WHAT APIAX EMPOWERS FIRMS TO PROVIDE.

When compliance information is so diffuse and disconnected, it comes as no surprise that a substantial proportion of institutions have still not integrated regulatory restrictions into their key processes at all. What we have, then, is a situation whereby rules are being learned and relearned time and again, up and down the various business departments.

REGULATORY ONSLAUGHT SHOWS NO SIGN OF SLOWING DOWN, AND INTERPRETATION NOT ADMINISTRATION IS WHERE EXPERTS SHOULD BE FOCUSED.

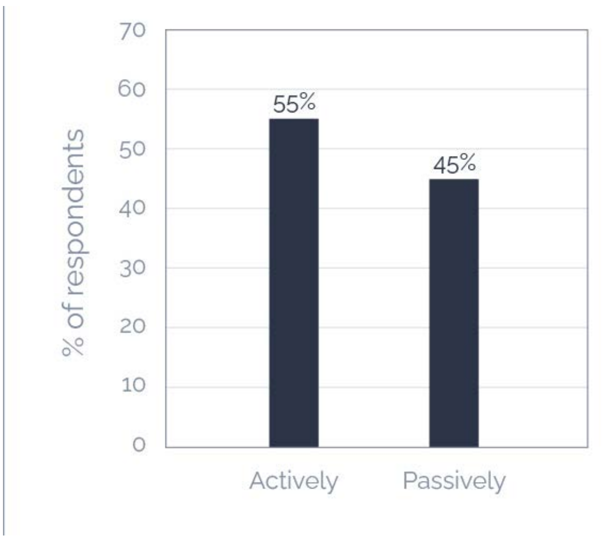
Our vision is diametrically opposed to this mode of compliance "management". It digitises knowledge, placing a rules repository at the centre of the organisation which allows everyone who needs to consume the information to access and work on it in a context-specific way.

Just as importantly, our approach allows the organisation – and its personnel - to *consume* that information in exactly the way that suits, whether that be through a compliance platform, app or APIs to existing systems. Whatever their function, busy professionals are typically crying out for a single answer to be surfaced from scores of intersecting rules: this is exactly what Apiax empowers firms to provide.

A RULES-CREATION ENGINE

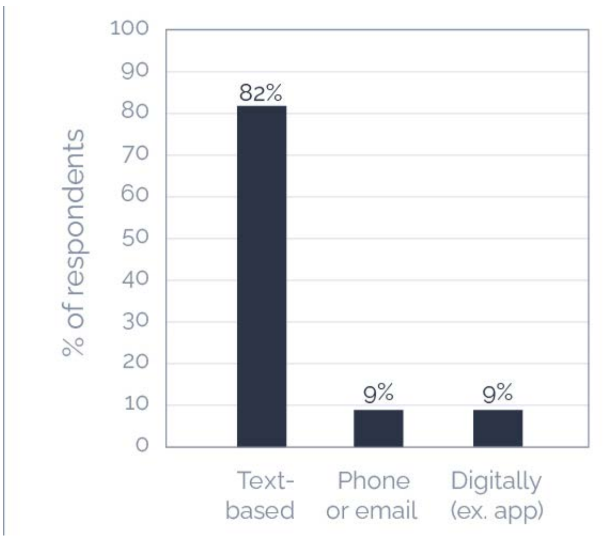
This empowerment is certainly about generating standardised and repeatable processes for embedding rules into complex, multi-jurisdictional organisations, fast. The regulatory onslaught shows no sign of slowing down, and interpretation not administration is where experts should be focused. Even more revolutionary is how our technology empowers the experts to disseminate what everyone needs to know without having to constantly call on IT resources (or almost having to become coders themselves!).

ACTIVE VS. PASSIVE CROSS-BORDER BUSINESS



Survey question: How do you serve clients across borders?

WAYS TO OBTAIN REGULATORY KNOWLEDGE



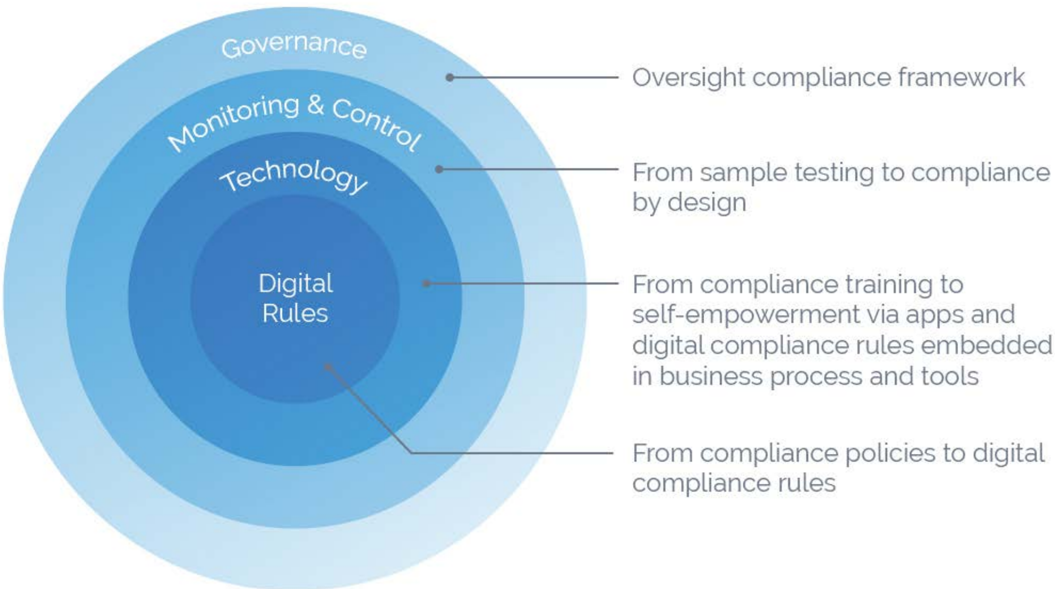
Survey question: How do you obtain regulatory restrictions for conducting cross-border business?

CURRENT CROSS-BORDER FRAMEWORK

Now

FUTURE CROSS-BORDER FRAMEWORK

Future



It would be accurate to call our solution a rules-creation engine for non-developers. More poetically, you could say it is software designed for compliance specialists, by compliance specialists, which allows them (and everyone else) to get on with their most valuable work.

We're proud to say that the industry asked, and Apiax answered, setting off a trend that will make much of the pains of compliance management completely fall away for great swathes of the industry. Not before time, an abandonment of the low-tech approach is already taking hold.

ENTHUSIASM BECOMING INVESTMENT

As might be expected, virtually all of our respondents see the advent of digital tools for ensuring cross-border compliance as an important development. Those with an eye on the competition should know that this enthusiasm is *definitely* translating into investment plans too.

Our study shows that 9% *already* have a digital rule aggregation solution in place to tackle multi-jurisdictional scenarios.

Many of the remainder will be catching up fast. Over the next year, a full 31% aim to fully integrate digital regulatory restrictions into their workflows and, at a quarter of firms, client advisors can look forward to easy-access digital rules, likely through an app. Constant calls to compliance and asking staff to thumb through weighty compliance tomes now starting to look very passé indeed. We see compliance frameworks evolving from policy, training and personal advice-based approaches to empowering employees via digital rules integrated into the business processes of a financial institution.

WE'RE PROUD TO SAY THAT THE INDUSTRY ASKED, AND APIAX ANSWERED, SETTING OFF A TREND THAT WILL MAKE MUCH OF THE PAINS OF COMPLIANCE MANAGEMENT COMPLETELY FALL AWAY FOR GREAT SWATHES OF THE INDUSTRY.

Our research confirms that a gulf is opening up between the leaders and the laggards in compliance management. The implications for operational efficiency, risk management and talent retention are plain to see, as is their impact on profitability.

However, the broader impact we hope to see is an end to firms self-limiting their potential because the compliance burden makes them fear opening themselves up to certain products, services or even whole markets. Regulation has driven risk-aversion and dampened competitiveness for far too long. Firms need to see tech-enabled coping mechanisms as a real competitive advantage instead.

[i] Risk Management Association
[ii] Robert Half
[iii] Compliance Professionals Salary Guide – August 2020

About Apiax

At Apiax we make it radically simple to comply with regulations worldwide. Companies of all sizes in financial services can use our software to bridge the gap between compliance, business, and technology.

Apiax gives you access to a database of verified, machine-readable regulatory knowledge, as well as binary answers to your most pressing regulatory questions. Unlike paper-based manuals or in-house compliance training, we make it easy for you to excel in your daily tasks. This frees up significant resources so that you can focus on your strategic issues and create great experiences for your customers.

For more information, visit www.apiax.com

APIAX

OVERCOMING SUITABILITY SHORTCOMINGS WITH DIGITAL FINANCIAL PERSONALITY PROFILING

Where it's used in client engagement efforts at all, technology tends to focus on the administrative aspects of advisors learning about their clients, while treating those clients as robots. **Greg Davies**, Head of Behavioural Science at **Oxford Risk**, explains how technology can be blended with behavioural science in a powerful approach to both suitability and client engagement that delivers hyper-personalised and self-refining recommendations to human investors.

Personalities don't have an "off" switch. Different facets of our psychologies may turn their volume up or down depending on the environment, but they never tune out completely, even when we wish – and act as if – they would. Many a cool head has wholeheartedly believed in the power of a perfect plan. A plan that need only be put in place to all but guarantee safe passage to journey's end. This is why the course of every career, every fitness regime, and every true love has always run so smoothly. It's why everyone who's ever joined a gym has a glistening six-pack and can press a hippo over their head, and we're all comfortably retired in our 40s.

The trouble with cool heads is that they make plans for other cool heads, when in fact they should be making plans for heads blinded by emotional reactions, and temporarily less capable of dealing with a stressful world.

Selecting good investments is important, but achieving good investment outcomes is more so. Our financial circumstances can clash with our financial personalities in such ways that – psychologically – the person who set the course is not the one who will have to stick with the journey. A future expected return looks a lot less tempting when viewed through the lens of immediate anxiety.

COMFORT AND CONFIDENCE

Good investment outcomes require more than only good investments. They require an ongoing series of good investment decisions. Good decisions are made from a place of comfort and confidence. You can't fire a cannon from a canoe.

The recipe for comfort and confidence is different for each investor. The only universal is that ignoring these differences can be costly. If we're out of the markets, we could be reluctant to get in, and sit on cash at an unseen, but very real cost of foregone returns. If we're in, we could be too keen to get out, or to tinker, scratching itches with trigger-happy trades that can be cured only with time, and which inevitably lead us to buy high, and sell low.

THE TROUBLE WITH COOL HEADS IS THAT THEY MAKE PLANS FOR OTHER COOL HEADS, WHEN IN FACT THEY SHOULD BE MAKING PLANS FOR HEADS BLINDED BY EMOTIONAL REACTIONS, AND TEMPORARILY LESS CAPABLE OF DEALING WITH A STRESSFUL WORLD.

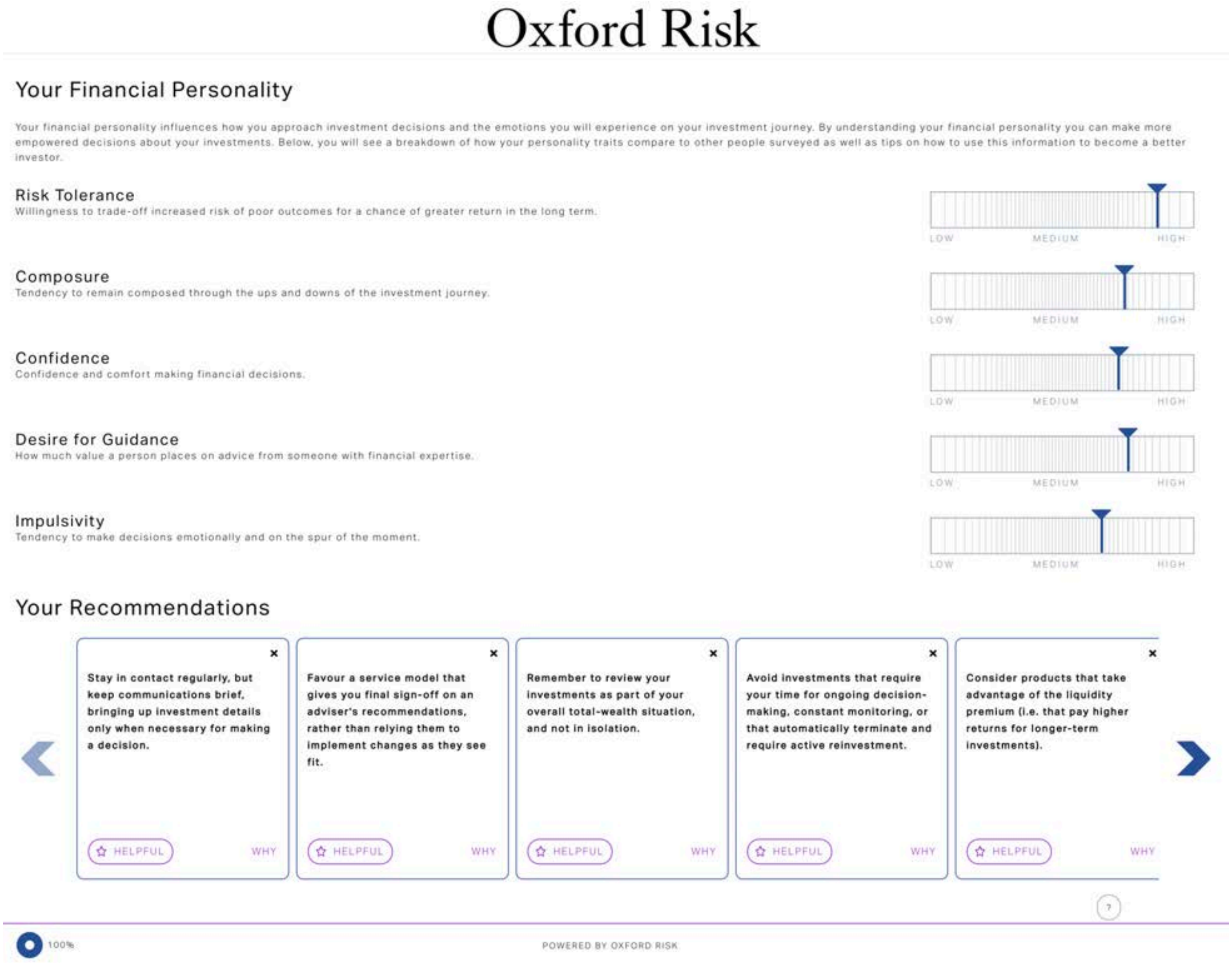
Just as we each react in different ways to different diets based on our genetics, our lifestyles, and our health goals, so too with investing. We find comfort in different things in different situations. That could be preferences for a certain type of investment, content or style of communication, or what guidance we get along the way. Beyond avoiding financial sugars, healthy investment prescriptions should be highly personal.

BUYING STORIES

Personal sentiments may feel too nebulous for the numbers-driven world of investing. Yet investing is a human activity, and humans buy stories, not numbers. The right story gives us the comfort we need to stick with a plan, to engage with guidance, and to keep our eyes on our long-term objectives, amid the shouts of short-term stresses.

OVERCOMING SUITABILITY SHORTCOMINGS WITH DIGITAL FINANCIAL PERSONALITY PROFILING

A COMPREHENSIVE PROFILE OF EACH CLIENT



Oxford Risk has a long history of using academic insights and extensive empirical validation to assess financial personality and preferences on multiple scales. Advisors using our tools benefit from enhanced client engagement driven by scores on 15 distinct aspects of financial personality. These play vital roles in:

- assessing comprehensive suitability;
- highlighting cases of vulnerability;
- guiding product selection;
- tailoring client communication and decision-making processes; and
- revealing attitudes to responsible investing and philanthropy.

Our latest research and its application in real-world settings show how these insights can enable hyper-personalised solutions at scale, helping investors to be as comfortable as possible, as effectively as possible.

Our need for comfort, like our personality, cannot be turned off. It has to be catered for. Preventative prescriptions beat costly cures.

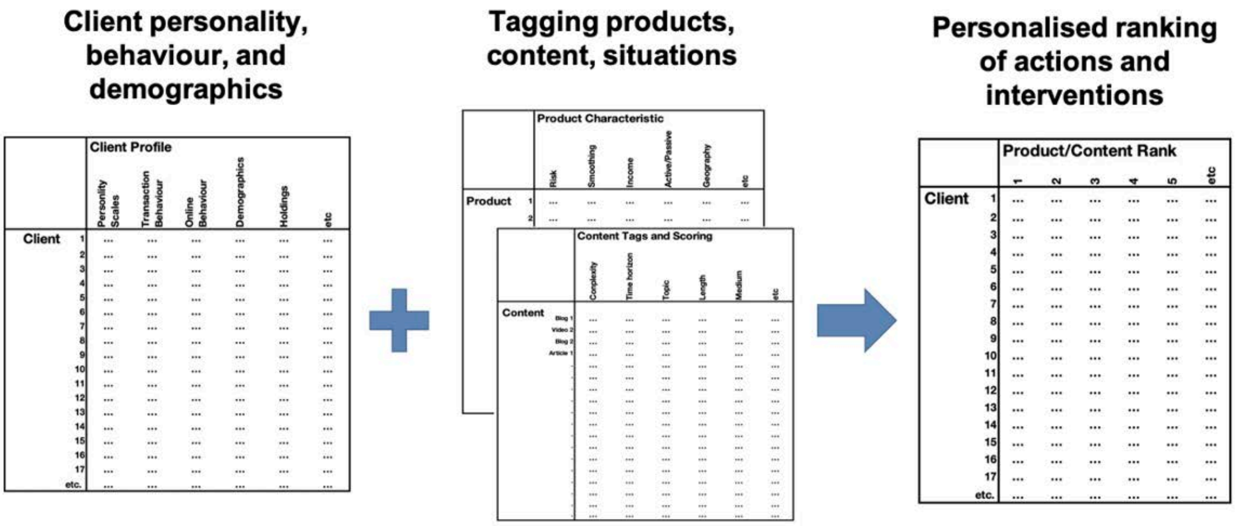
OUR NEED FOR COMFORT, LIKE OUR PERSONALITY, CANNOT BE TURNED OFF. IT HAS TO BE CATERED FOR. PREVENTATIVE PRESCRIPTIONS BEAT COSTLY CURES.

USING TECH TO APPLY BEHAVIOURAL FINANCE TO REAL LIFE

For a high-level example of how this can be achieved, consider a system where each client of a given firm has completed a financial personality assessment, coupled with an assessment of each investor's accompanying financial situation.

These assessments can be further supplemented with other behavioural information, short-term changes to financial circumstances, and demographics. For example: details of account activity, such as log-in records, trades, or contacting their advisor; what happened to a given portfolio last week; and working and/or family

INTERVENTIONS RANKED BY APPROPRIATENESS



circumstances. This gives a comprehensive profile of each client, as seen at the top of page 23.

DRILLING DEEP

Because we already know a lot about which actions, messages, or products are most suitable for clients of different sorts, we can build up a similar profile for lists of products that are available to each client, categorising them according to risk level, liquidity, "smoothness" over the investment journey, complexity, or any one of a dozen other attributes.

WE CAN ALSO BUILD AN INVENTORY OF POTENTIAL CLIENT ENGAGEMENTS, OR ACTIONS, OR DECISIONS, SCORING EACH ON ATTRIBUTES THAT CAN IDENTIFY WHICH SPECIFIC ASPECTS OF INVESTOR PERSONALITY THAT INTERVENTION WILL BE MOST APPROPRIATE FOR.

We can undertake a similar exercise for client communications: tagging all blogs, videos, articles, and newsletters according to their content, length, complexity, suitability for specific situations, etc.

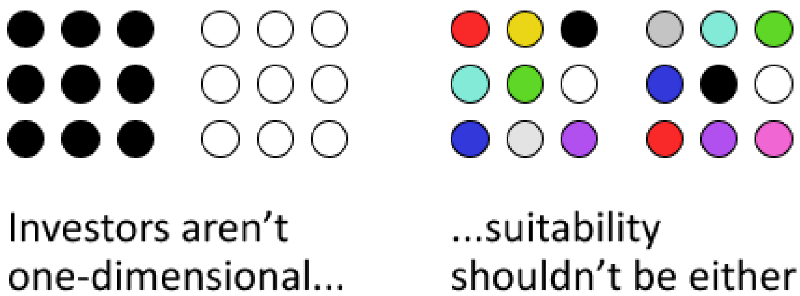
We can also build an inventory of potential client engagements, or actions, or decisions, scoring each on attributes that can identify which specific aspects of investor personality that intervention will be most appropriate for.

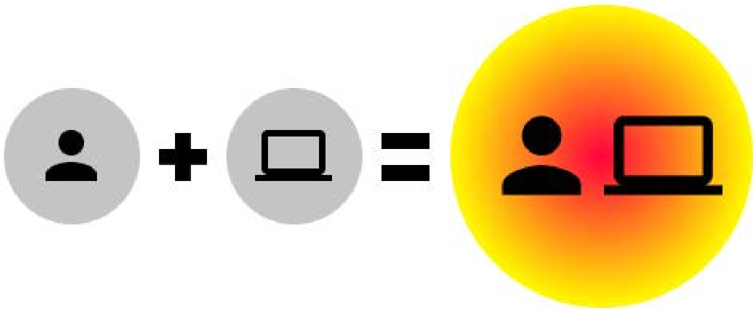
With these simple lists in place our proprietary algorithm is able to rank each product, communication, or intervention according to which is most suitable for each specific client right now, and to continually do this in real time as circumstances change, or as the product or content lists are updated.

Even more powerfully, as the system observes which options are actually chosen or acted on by each client, Artificial Intelligence ensures the machine learns from each interaction, gradually sharpening and improving the accuracy of its recommendations over time.

INVESTMENT IS A JOURNEY; INVESTMENT TECH NEEDS TO COME ALONG FOR THE *WHOLE* RIDE

Our research has conclusively demonstrated that we can measure investors' financial personality with simple but well-constructed questionnaires that are: quick and easy to use; stable and empirically validated; and which add substantial depth to client profiles.





Humans and tech play best when they play together

These questions don't need to be answered at a single point in time, but can be spread over the course of the client relationship. This turns an onerous upfront-focused profiling process into a valuable element of client engagement, enabling an ongoing dialogue which gives the investor valuable feedback on their financial personality, within a system that continually refines and personalises recommendations and feedback.

THIS TURNS AN ONEROUS UPFRONT-FOCUSED PROFILING PROCESS INTO A VALUABLE ELEMENT OF CLIENT ENGAGEMENT, ENABLING AN ONGOING DIALOGUE WHICH GIVES THE INVESTOR VALUABLE FEEDBACK ON THEIR FINANCIAL PERSONALITY, WITHIN A SYSTEM THAT CONTINUALLY REFINES AND PERSONALISES RECOMMENDATIONS AND FEEDBACK.

Technology can be harnessed not only to make the administration of cursory "risk-profiling" more streamlined. It can enable a truly comprehensive approach to suitability, that recognises the complexity of each client, and subsequently prescribes advice designed for humans, not robots: hyper-personalised recommendations, prompts, nudges and communication that help investors towards better decisions, based on a rich understanding of who they are.

Over the next few phases of development, using data collected in each phase, this suite of client engagement and scientific suitability tools can be mapped to ever more sophisticated decision-support tools to ensure that all investors get the best investment outcomes for their unique needs and personality, in a manner that's as always-on as they are.

About Oxford Risk

Founded in 2002 by leading decision scientists from Oxford University, we are experts in behavioural finance and financial well-being. Our software solutions leverage behavioural science and quantitative finance to improve both investor and investment management.

We build software that assesses an investor's psychological willingness, financial ability, and emotional ability to take investment risk, and, where required, their responsible investing preferences, and combines them to provide evidence to support advisors' recommendations for the right level of risk for an investor to take right now.

To learn more, visit www.oxfordrisk.com or email greg.davies@oxfordrisk.com

Oxford Risk | Behavioural finance. Applied.

GET THE RIGHT BALANCE BETWEEN MAN AND MACHINE

Wealth managers must implement efficient, scalable ways of working, while capitalising on the human elements of their offerings that create lasting value. **Darren Berkowicz**, Managing Director at **SS&C Technologies**, explores how each "flavour" of firm can discover - and deliver – the optimal balance of man and machine for each client and employee.

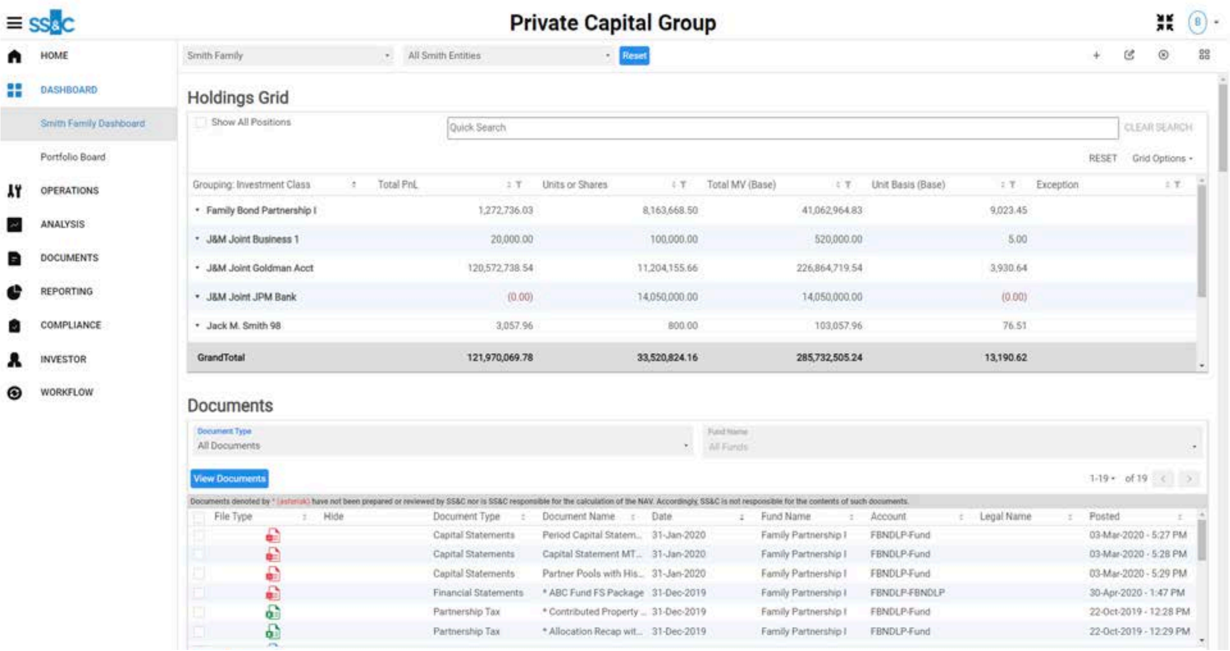
The public health response to the global pandemic tested the resilience of wealth managers and family offices on a number of critical measures, but perhaps none so profoundly as their ability to sustain client communication and confidence.

Without the benefit of in-person meetings or opportunities to mix socially, firms had to be especially creative in finding ways to maintain an appropriate level of client contact – particularly in the early days of market uncertainty, when wealth managers had to calm investors' nerves and persuade them to stay on course. Firms also faced a similar challenge internally, as they sought to maintain a sense of culture and collaboration among staff forced to work remotely.

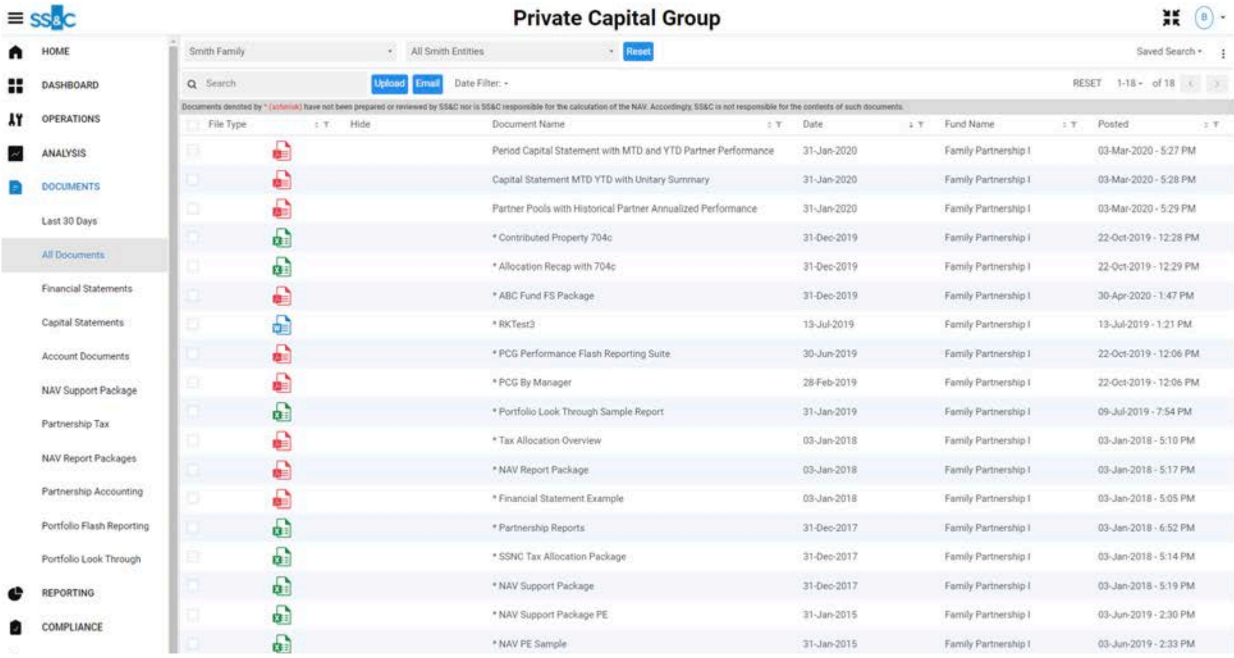
The situation favoured firms that had invested in digital communications tools, such as interactive client portals or mobile access apps. Even before the pandemic, the role of technology in creating a differentiated client experience, while at the same time enabling firms to service clients at scale more efficiently, was a lively topic of discussion in the industry. The pandemic simply underscored the importance of having a robust digital presence and accelerated the trend toward online communications from both the client and wealth manager perspective. Individuals and families became even more reliant on – and comfortable with – interactive technology in nearly every realm of their personal lives. Videoconferencing, a staple of the business world for over two decades, suddenly became a fixture in consumer households.

Now, many experts are telling us that changes wrought by the pandemic – particularly those that increase convenience for the consumer and efficiency for businesses – are likely here to stay, even after the vaccines have done

DASHBOARD LEVEL VIEWS PROVIDING USERS WITH THE TOOLS TO REVIEW PORTFOLIOS, DOCUMENTS, BENCHMARKS AND A HOST OF OTHER RELEVANT DATA ELEMENTS



FULL DOCUMENT REPOSITORY FOR FULL DATA RETENTION OVER THE LIFE OF A RELATIONSHIP WITH SS&C



their job. As the industry prepares for a post-pandemic world, it's a fair question to ask: has the pendulum swung too far? Does digitisation pose the risk of diluting the personal equity wealth managers have built with their clients over the years, or in some cases over generations? How do firms strike the right balance between "white glove" service and digital self-service appropriate to each client's personal preferences?

SOME CLIENTS MAY BE PERFECTLY COMFORTABLE WITH A DIGITAL ONBOARDING EXPERIENCE, BUT THEY DON'T WANT TO THINK AN ALGORITHM IS DOING THEIR ASSET ALLOCATIONS. FIRMS MUST BE PREPARED TO ACCOMMODATE A WIDE RANGE OF HIGHLY INDIVIDUAL INTERACTION PREFERENCES.

TECHNOLOGY'S EVOLVING ROLE

Historically, this is a relationship business, especially for multi- and single-family offices (MFOs/SFOs) and wealth managers serving an UHNW clientele. Personal trust with clients is a firm's brand promise. Equally important is building rapport, the ability to show clients that you understand and empathise with their aspirations, life choices, and views about wealth. Until recently, technology largely stayed in the background, enabling firms to serve clients efficiently and deliver error-free reporting, but for the most part invisible to clients.

Today, however, technology has become integral to the client relationship. A strong digital backbone with multi-channel options for interaction is virtually essential for wealth managers and MFOs who wish to stay relevant in their clients' lives. Some traditional investors may welcome the quarterly in-person portfolio presentation (or video chat), while others will want to check their performance daily online. Some clients may be perfectly comfortable with a digital onboarding experience, but they don't want to think an algorithm is doing their asset allocations. Firms must be prepared to accommodate a wide range of highly individual interaction preferences.

BRIDGING THE GENERATIONAL DIVIDE

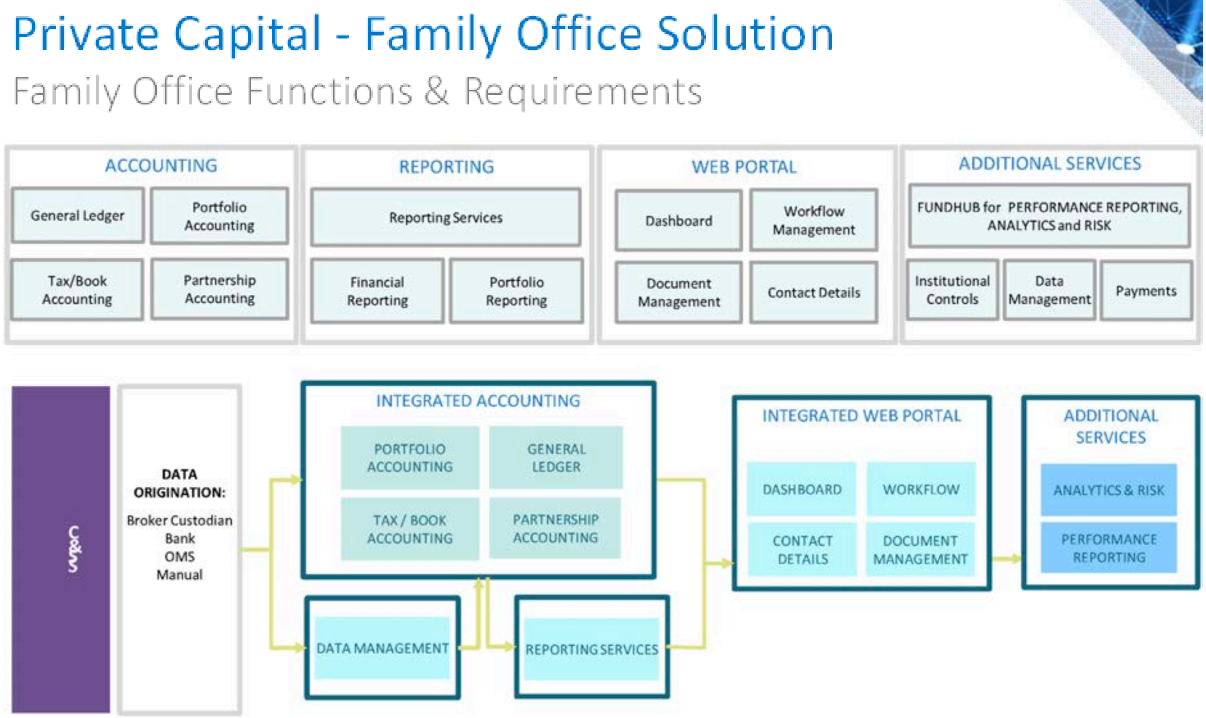
Family offices have the added challenge of preserving and strengthening relationships across multi-generational families. High-end wealth managers, too, need to develop a rapport with their clients' heirs if they hope to retain their assets when they inherit their parents' wealth. These days, younger family members are likely "digital natives" who have grown up with always-on smartphones and tablets in their hands. They may even prefer digital over human interaction in their financial affairs, and be sceptical of seasoned professionals' advice when they can get a range of "expert opinions" instantly online.

Technology is key to bridging this generational divide within the context of a holistic family or household relationship. But it must be a complement rather than a substitute for cultivating trust and a rapport with all family members. A firm that can show clients it has their best interests at heart, while simultaneously delivering a modern digital access experience, will have a better chance of sustaining relationships as wealth is transferred from one generation to the next.

TECHNOLOGY AS A SERVICE DIFFERENTIATOR

Paradoxically, firms that leverage a high level of automation and integration in their operations are in the best position to deliver the personalised service that sets them apart. Freed from laborious administrative tasks, managers

SS&C'S REVIEW OF THE FUNCTIONAL REQUIREMENTS OF THE MODERN FAMILY OFFICE AND OUR ABILITY TO SOLVE OUR CLIENT'S REQUIREMENTS



can focus more proactively on clients and their life goals. Instead of processing data, they can spend more time reviewing and analysing data to make better-informed recommendations and decisions on their clients' behalf. They have the information they need at their fingertips to drive meaningful and productive conversations with clients. Success goes to firms that deploy technology effectively in the service of users, not the other way around – empowering people with greater flexibility to meet their clients' needs rather than locking them into rigid processes.

So how can firms quickly achieve the technological agility to adapt to changing client expectations and support a superior service model? The question has many wealth managers and MFOs rethinking their technology strategies from the ground up. Building a viable technology infrastructure for the long term can be likened to building a house – it requires a strong foundation and thoughtful planning. Missteps at the planning stage may constrain your ability to add enhancements in the future.

REBUILDS OR OUTSOURCE?

Given that technology is constantly advancing and evolving, many firms have turned to the outsourcing option to reduce the risk of falling behind. Outsourcing doesn't have to be the "one-size-fits-all" proposition that it used to be. Under today's co-sourcing arrangements, wealth managers and family offices have the flexibility to outsource some or all of their core investment management technology, as well as operational and compliance workflows, while retaining certain activities in-house.

Reducing operational overhead is certainly a key factor in the outsourcing decision, but no longer the most compelling reason to outsource. Firms today choose outsourcing to drive greater efficiency, achieve scalability and reduce operational risk. Outsourcing typically allows firms to implement new solutions more quickly than an onsite installation, and to stay current on technology with regular upgrades included in their service. And as many firms have discovered under work-from-home orders, offsite technology hosting makes business continuity planning much easier.

Outsourcing may, in fact, enable firms to achieve the optimal balance between technology and talent. It allows firms to offer clients a modern digital experience while making the best use of their human capital – freeing people from operational drudgery to focus on building lasting connections with clients.

About SS&C

SS&C is an innovator in technology-powered solutions and operational services for the global investment management industry, with particular expertise in the full range of alternative investments, including private equity, hedge and hybrid funds, funds of funds, real estate, real assets and direct investments. SS&C is also the world's largest alternative fund administrator, with around US$1.95 trillion in assets under administration. SS&C serves a worldwide clientele with a network spanning the major financial and commercial centres of North America, Europe, Asia and Australia.

For more information, visit www.ssctech.com

BOOST THE ADDED VALUE OF ADVICE WITH GOAL MONITORING

Gearing advice to specific financial goals is a powerful way to demonstrate added value and increase client engagement. But this requires careful thought around advice monitoring, efficiency and - of course - compliance, explains **Ronald Janssen**, Solution Owner, Goal-Based Planning, at **Ortec Finance**.

The industry's efforts to automate (parts of) the advice process are progressing fast, driven largely by technological advances and the increased availability of digital data. Yet as ever, achieving progress is not without its challenges.

Chief among them is how to maintain regulatory compliance when advice is generated by an algorithm. Then, there are all the considerations around engaging with clients efficiently and constructing an optimal hybrid journey that allows both clients and advisors to work together in the best way. Just as important, though perhaps not as easily appreciated, is the need to monitor advice in an efficient manner and ensure that added value is *demonstratively* delivered.

Regulators' focus on the suitability of advice continues to get tighter globally, creating a concomitant need to monitor the advice clients are being given with real rigour. As we all know, firms must ensure their advice aligns with a client's willingness and ability to assume investment risk (or to put it more starkly, their capacity to bear losses). And, in recognition that people generally invest for a reason related to life plans, we must be able to demonstrate that the risks taken really are necessary to achieve those personal goals.

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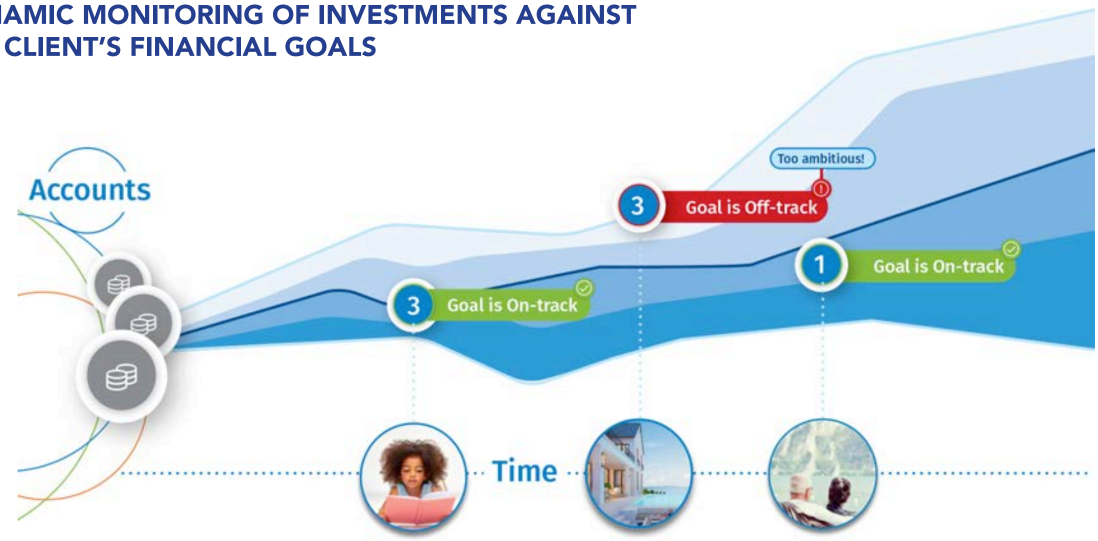
RISK EXPOSURE THROWN INTO STARK RELIEF

The dramatic market downturns and uncertainty caused by the coronavirus pandemic threw this last imperative into stark relief. In many cases, the risk a client is willing to take is determined with a questionnaire, a qualitative approach. This gives no answer to the question: is it realistic that the client can achieve his or her personal goal? In some instances, the client may need to take *more* risk with (parts of) their investment portfolio, while in others the client can afford to take *less* risk to achieve their personal goals. With a goal-based approach, the client gains insight into the short-term risk of the portfolio, but also its long-term risk, their capacity to take risk and the probability of achieving a goal. These insights help answer *why* a client should take more or less risk.

DYNAMIC MONITORING OF INVESTMENTS AGAINST THE CLIENT'S FINANCIAL GOALS

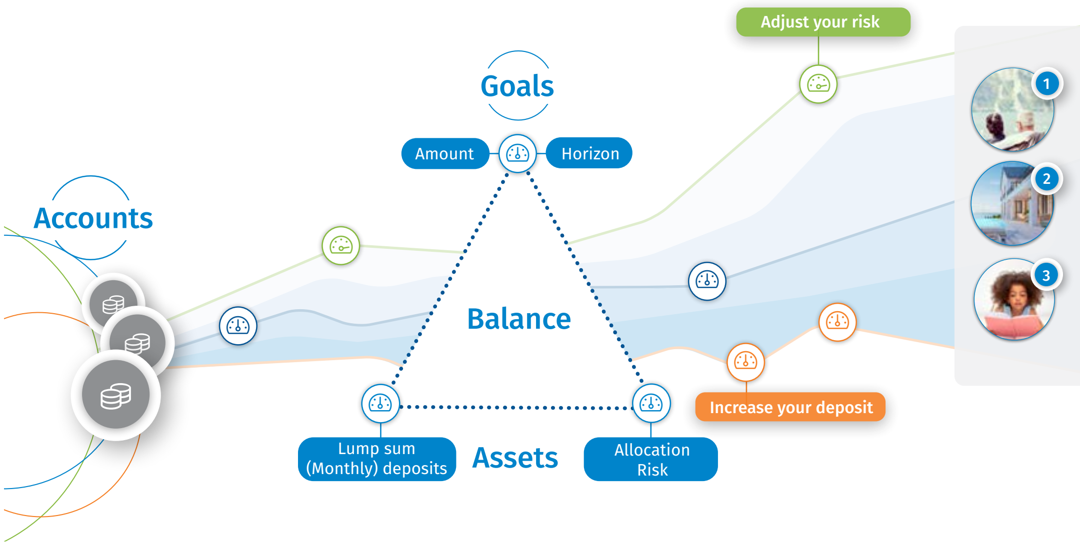


Why would you advise a client to take on more risk than actually necessary? Even though the question may seem rhetorical, it is not common practice to check whether the risk level of a client's portfolio actually fits with the risk level necessary to achieve the personal goal. Because most portfolio decisions are still mainly driven by the outcome of a generic risk questionnaire, the connection between this decision, the client's financial situation, the goal and the remaining horizon is often absent.

generate insights into the probability of success in attaining client goals. Providing up-to-date and realistic insights as to whether a portfolio is likely to reach its objective is not easy, but a solution exists. With Ortec Finance's monthly updated economic outlook and the operational capacity to evaluate hundreds of thousands of portfolios overnight, wealth management firms can start bringing this additional value to their advisors, portfolio managers and clients.

DYNAMIC PORTFOLIO ADJUSTMENTS AND TRULY ACTIONABLE ADVICE

Manage assets and adjust your strategy to realise Goals



ADVISORS CAN ADD MORE VALUE TO THE CLIENT

As time progresses, the value of a portfolio will fluctuate, based on the performance of the markets and client deposits and withdrawals. Over time, there may be opportunities to reduce the risk of the portfolio due to better-than-expected results and possibly because of a shorter investment horizon. As markets showed last year, the timely mitigation of the downside of a portfolio may be hugely beneficial to both client and advisor. In contrast, during the investment horizon there may also be need for adjustments to the plan, when performance disappoints. Proactive suggestions, e.g. to make extra deposits or to take extra risk (if the client is willing and able), and timely course corrections clearly prove the added value of the advisor to the client, so why isn't this common practice yet?

NEED FOR REALISTIC PORTFOLIO PROJECTIONS

In order to monitor client goals proactively, advisors need to have insights into realistic and up-to-date projections of the client's portfolio. Realistic projections require a more sophisticated approach than simply looking at the past performance of the portfolio. In our white paper "A goal-based plan deserves more than a standard Monte Carlo", we explain that in order to provide good quality portfolio projections, the current market practice of simple "Monte Carlo" simulations is not sufficient to

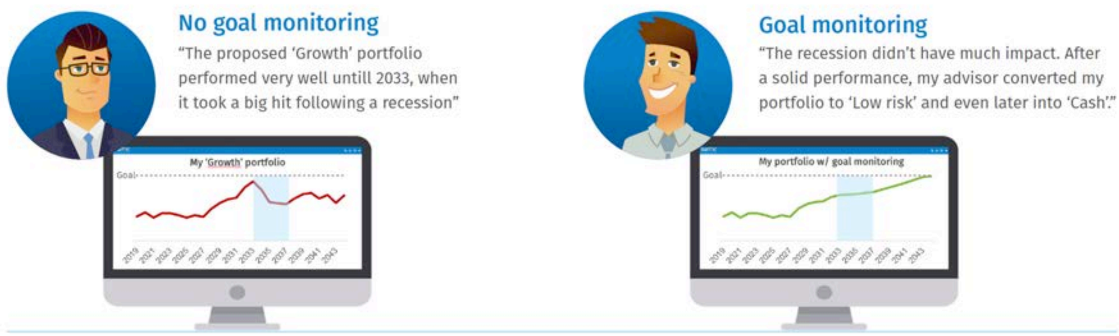
PROVING THE ADDED VALUE OF GOAL MONITORING

Theoretically, the idea of proactively reducing the amount of risk in the portfolio after better-than-expected results and/or a shorter investment horizon sounds appealing. The question is whether this idea also holds in practice.

THE TECHNOLOGY IS AVAILABLE TO EMPOWER YOUR ADVISORS TO DELIVER DEMONSTRABLE ADDED VALUE AND TO IMPROVE THE INVESTMENT DECISION-MAKING OF 100% OF YOUR CLIENT BASE – AND ALL WHILE REAPING THE REWARDS OF IMMACULATE COMPLIANCE AND GREATER OPERATIONAL EFFICIENCY TOO.

For us, this is a resounding "yes". We have back-tested this methodology based on our back-dated economic outlook until the year 2000. Specifically, we compare a static portfolio decision with a dynamic approach, which re-evaluates the portfolio decision every year, based on the updated projection of the portfolio, given the actual realisation on the markets. The decision rule is based on the principle that the advisor adjusts the risk of the portfolio to the minimum amount possible, given the risk appetite and ambition of the goal. We find that for multiple

Massive improvements to clients' understanding and comfort. Dynamic portfolio adjustments underscore the value of advice as well as promoting improved outcomes.



Taken from our white paper, an illustration to show the added value of proactive goal monitoring. On the left, the portfolio decision is static, for the "Goal monitoring" strategy, each year, the portfolio may be adjusted based on the updated projections, as illustrated by the green confidence interval.

use cases, historical windows, goal ambition and initial risk levels, our *dynamic* strategy leads to better outcomes for the client. In every case, the dynamic strategy leads either to a higher value portfolio at the end of the investment horizon or achieves the goal with less exposure to market downturns. As such, we have definitively proven that a dynamic life cycle approach delivers added value over a *static* life cycle approach. Read our white paper, "Enable goal-based planning and monitoring for 100% of your clients" for more background information.

THE TECHNOLOGY IS THERE, WHY WAIT?

Recent turbulence of the financial markets and the current uncertainty around the global economy highlight the necessity for frequently updated plans and goal-based strategies. The prevailing practice of providing a static plan and generic questionnaire to help clients reach their financial objectives, based on past performance only, is outdated. During challenging times, the need for changing the way we operate becomes very clear. The technology is available to empower your advisors to deliver demonstrable added value and to improve the investment decision-making of 100% of your client base – and all while reaping the rewards of immaculate compliance and greater operational efficiency too. With goal-based advice, we have shown how easily great ideas can be translated into great practice. Why wait?

About Ortec Finance and our goal-based planning solution, OPAL

The mission of Ortec Finance is to enable people to manage the complexity of investment decisions through cutting-edge solutions for risk and return management.

OPAL enables financial institutions and advisors to translate their clients' personal goals into an optimal investment plan and monitor these goals over time. It is a software solution based on proven asset and liability management techniques from the world of institutional investments; our world-class institutional scenario engine is at its core.

Ortec Finance is headquartered in Rotterdam and has offices in Amsterdam, London, Toronto, Zurich and Melbourne. We have over 500 customers across 20+ countries representing total AuM of €3 trillion, and are proud of our 96% retention rate.

For more information visit: www.ortecfinance.com/OPAL

ORTEC FINANCE

BARRIERS TO BUILDING YOUR BUSINESS IN A POST-PANDEMIC WORLD

The stakes couldn't be higher as wealth managers retool their offerings and operations. **Jeremy Curnow**, Senior Solutions Consultant at **Contemi Solutions**, highlights the most dangerous technology traps firms might fall prey to as they formulate their digital strategies.

We are living through exceptional times. It is amazing how something so small, invisible to the human eye, has turned our world upside down, most probably never to be the same again. And many of the forced changes we have had to make have created a focus on the role of technology. Never before has the gap between being able to access the right technology or not been so explicit. This is evident from children's online learning and track and trace systems, through to companies' "business as usual" processing and business contingency plans. And the digital genie that has allowed us to continue with our lives – albeit in altered form - has grown too big to get back in the lamp, even if we wanted it to.

At Contemi, we were able to help our customers immediately with our existing digital solutions for client communication, but we have also taken some time to analyse the impact of the pandemic on them and the industry as a whole in order to ensure our product strategy is in line with the challenges of the next 12 to 18 months. Here are some of the technology traps we see wealth managers potentially falling into in the near term.

TRAP #1: DOING NOTHING

In a world that is in a state of constant flux, it would be easy to decide to do nothing, to sit tight until the future is better known. Some might see this as a sensibly risk-averse approach, but to do this is to deny that the world has changed and will not be returning to the pre-2020 norms.

The initial challenge of doing nothing is to continue providing business as usual services and processing. Many financial institutions have had to maintain large teams of employees within offices, since access to essential applications have been based on physical location: the office. This Achilles heel was also built into business continuity plans; access to these applications would be provided via a secondary physical location if the primary premises were unavailable. This emphasis on access dependent on physical location must change in favour of more flexible remote access if businesses are to future-proof their operations.

THIS EMPHASIS ON ACCESS DEPENDENT ON PHYSICAL LOCATION MUST CHANGE IN FAVOUR OF MORE FLEXIBLE REMOTE ACCESS IF BUSINESSES ARE TO FUTURE-PROOF THEIR OPERATIONS.

Additionally, the new social reality - staying at home and distancing - has created a paradigm shift in how we navigate the world, and relationships, in every area of life. Buying anything has largely been driven online and the trend towards digital in personal and commercial banking has seen a significant acceleration. These online habits created over the last 12 months are unlikely to be forgotten or reversed any time soon, if ever.

Hindsight is a wonderful thing, but now the historical view is clear it is important to at least do something to rectify the shortcomings of the past. Reducing our reliance on the physical world, especially for system access, must be a priority in the short term. But the companies who have gained the most (or lost the least) during this period have been those who had already embraced the digital world or adapted to it quickly. This trend is likely to continue and wealth management will not be immune. So, to do nothing will mean at best "slowly" falling behind the competition that embraces the new digital norm, or at worst, falling behind and into irrelevance very rapidly indeed.

TRAP #2: DOING SOMETHING, BUT NOT THE RIGHT THING

So, it has been decided to spend some money on technology - but how will it be spent? To do something is easy; doing the right thing requires far deeper thought.

It would be easy to look at yesterday's problem as today's priority. But solving yesterday's problem is largely about rectifying operational deficiencies, with a possible side-effect of reducing some costs. Getting rid of your physical platform access limitations needs to be addressed. It might future-proof business continuity planning and possibly improve margins, but it will not grow your business.

And it will come at a price. Applications with legacy access technology are likely to be core systems. These are expensive to replace, hence why they are still in place. So, if you are going to invest significant money, you are going to want it to support your business strategy. Or, since the future is digital, will you want to take the opportunity to build a true digital strategy, redesigning the whole of your business around the new abilities and benefits that only digital can bring?

RECENTLY, THE TREND HAS BEEN TOWARDS BUY, IN RECOGNITION THAT SOFTWARE HOUSES ARE PROBABLY BETTER AT DEVELOPING SOFTWARE SOLUTIONS THAN WEALTH MANAGERS, AND THAT THE COST OF DEVELOPMENT CAN BE SHARED ACROSS MANY COMPANIES.

Once you have decided your strategic approach comes the crucial question will you build or buy? The pros and cons of each option have been well debated over the years. Recently, the trend has been towards buy, in recognition that software houses are probably better at developing software solutions than wealth managers, and that the cost of development can be shared across many companies.

To a certain extent the sector's digitisation drive has reopened the debate. If digital is a strategic issue, "good" will look very different for different firms. Therefore, the technology needs to be bespoke, reducing the advantages of a buy strategy - or does it?

We would argue that wealth managers do not have to become quasi-technology firms to get precisely the set-up they need. Today, any "solution" worthy of the name today should be *highly* configurable. Choose the right application and you will be able to implement a highly bespoke, yet fully supported, digital strategy using generic, commercially available tools.

TRAP #3: FOCUSING SOLELY ON COST

The margin pressures wealth managers have been experiencing for years are unlikely to ease, especially with disruptors continuing to pile in. It would be tempting to focus on costs as a means to maintain profitability, since doing the same, just delivering it more cheaply through better technology, appears a low-risk strategy. In reality however, this is a short-term fix. It assumes that revenues only increase or decrease in line with market movements (and therefore assets under management), so that lower-cost/higher-margin makes for a healthier business.

IT WOULD BE TEMPTING TO FOCUS ON COSTS AS A MEANS TO MAINTAIN PROFITABILITY, SINCE DOING THE SAME, JUST DELIVERING IT MORE CHEAPLY THROUGH BETTER TECHNOLOGY, APPEARS A LOW-RISK STRATEGY.

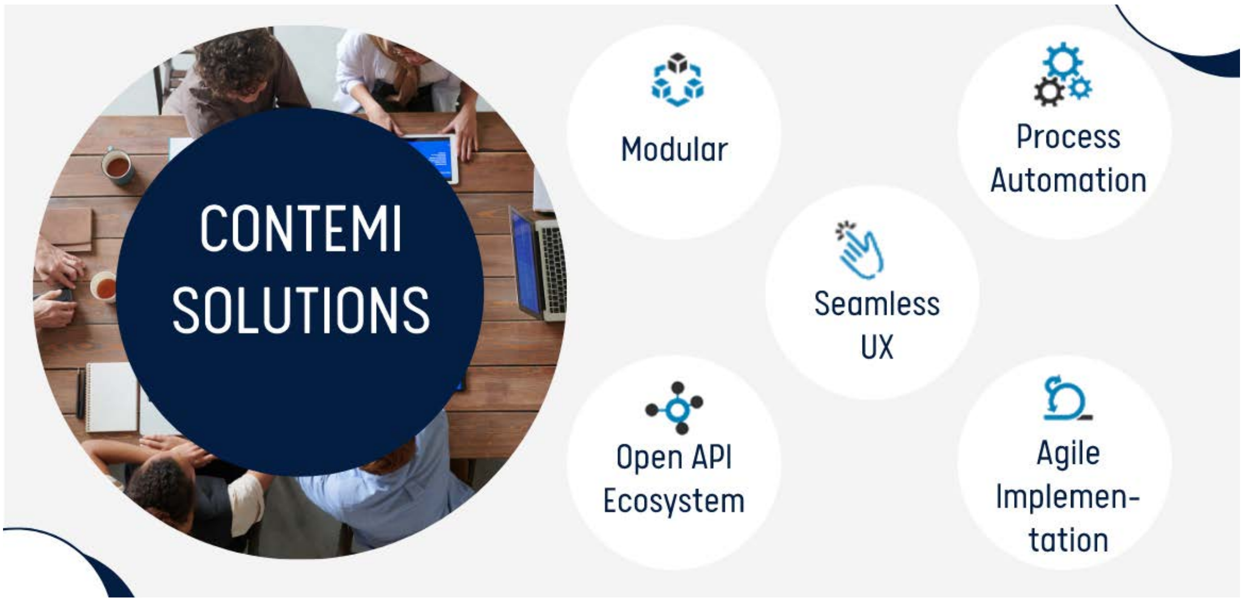
This rather short-sighted approach ignores the fact that the competitive landscape is changing, and that future revenues will be influenced more by the number of new clients and the broad value of the assets that you attract. Attracting new assets, especially of the younger variety, will invariably necessitate an online offering for front-office activities, if not a full digital strategy.

WEALTH MANAGERS' TECHNOLOGY SHOPPING LIST

TRAP #4: FAILING TO RECOGNISE THE CLIENT IS CHANGING TOO

Traditional industry thinking has been that wealth takes time to be accumulated and therefore is largely concentrated in the hands of those who have had a long time to accumulate it, meaning the older generations. It was assumed that these older generations are more interested in a physical relationship than digital delivery.

THE PILLARS OF CONTEMI SOLUTIONS' PROPOSITION



WHERE THE OBVIOUS ANSWER TO THE DEMANDS OF A YOUNGER, MORE TECH-SAVVY CLIENT BASE IS BETTER ONLINE FRONT-OFFICE OR DIGITAL PRODUCTS, REDUCED MANDATE VALUES WILL LIKELY REQUIRE THESE TO BE DELIVERED AT A LOWER COST.

That might have been true in the past but many of the generations who worked in the pre-computer world have embraced technology in their retirement. These have been joined by newer, more tech-savvy "younger older" generations, or those who have inherited the wealth from the baby boomers. The whole process has been further accelerated by the pandemic, its restrictions on physical relationships and the increased incidence of inheritance. This trend is only going to continue.

The turnover in the concentrated baby boomer wealth will bring with it some additional challenges. It is a reasonably common theory that you are most likely to lose a client through death than poor performance and the wealth is likely to be inherited by more than one individual, incrementally increasing the efforts needed to retain the AUM, whilst reducing the value of individual mandates with implications on the cost of servicing.

THE PANOPLY OF REASONS WHY WEALTH MANAGERS SIMPLY MUST DIGITISE HAVE NOT FUNDAMENTALLY CHANGED; THE IMPERATIVE HAS JUST BECOME VERY MUCH MORE URGENT.

Where the obvious answer to the demands of a younger, more tech-savvy client base is better online front-office or digital products, reduced mandate values will likely require these to be delivered at a lower cost. Helping firms square this circle – of implementing better technology, more quickly, and yet at minimal cost – is where we want to step in.

URGENT IMPERATIVES

Unarguably the world has changed, but these changes have only highlighted existing deficiencies in technology, not created new ones. The panoply of reasons why wealth managers simply must digitise have not fundamentally changed; the imperative has just become *very* much more urgent. Wealth managers have already brought forward their investments and we expect to see even more doing so in the next year – as they surely must. The new digital world is full of opportunity for those who embrace it, and probably full of misery for those who do not.

About Contemi Solutions

Contemi Solutions has been driving digitisation in the wealth management, insurance and capital markets sectors for more than 25 years.

Contemi's mission is to develop innovative solutions on the frontier where industry experience meets cutting-edge technology, in a world of constant change and evolution. We are laser-focused on ensuring our partners have all the tools necessary to run every element of the businesses effectively, so that they can maintain immaculate compliance amid significant regulatory change, constantly gain efficiencies and fulfil their growth potential. Our aim is to make "do more with less" a reality.

To learn more, visit www.contemi.com or email info@contemi.com

CONTEMI

WHY ARE FAMILY OFFICES STILL SEARCHING FOR A "SINGLE SOURCE OF TRUTH"?

Accounting and investment reporting are notorious pain points for family offices, but this needn't be the case if technology is configured specifically for their needs. **Ashley Whittaker**, President, Global Sales at **FundCount**, explains why family offices really can achieve a single source of truth if their data and systems are organised in the correct way.

Ask any single or multi-family office what their primary accounting and reporting challenges are and you are likely to hear a litany of similar issues – gathering data is time-consuming; we are too dependent on spreadsheets; managing multiple legal entities is cumbersome; timely consolidated reporting is a constant challenge.

We see this time and time again. And it's not surprising. One thing that jumps out when you look at a family office's IT ecosystem is the number of different systems needed to cope with the many and varied data sources. Even more noticeable, is that most accounting software that is deployed is designed for manufacturing and service companies, not the investment industry. It's no wonder that family offices spend so much time on spreadsheets gathering data, checking accuracy, reconciling information and compiling reports.

ONE THING THAT JUMPS OUT WHEN YOU LOOK AT A FAMILY OFFICE'S IT ECOSYSTEM IS THE NUMBER OF DIFFERENT SYSTEMS NEEDED TO COPE WITH THE MANY AND VARIED DATA SOURCES.

In searching for that single source of truth, family offices must pay close attention to how data is gathered and organised in their accounting system as that directly impacts accessibility for reporting. To avoid the common pitfalls that can undermine success, I suggest starting with the following considerations.

GET THE GENERAL LEDGER RIGHT

Family offices that rely on a general ledger that is not baked into their investor and investment accounting and reporting solution run into all sorts of issues. One of our clients, for example, had been using general ledger software that was not integrated within their portfolio management system. Reporting was incredibly difficult. There was often a three-month delay in generating reports to family members and the information changed constantly.

FAMILY OFFICES THAT RELY ON A GENERAL LEDGER THAT IS NOT BAKED INTO THEIR INVESTOR AND INVESTMENT ACCOUNTING AND REPORTING SOLUTION RUN INTO ALL SORTS OF ISSUES.

Answering basic questions from the family such as, "Where am I invested?" and, "What is my performance?" was more complicated than it needed to be. Even with a staff of 25 to manage reconciliation, accounts payable and reporting, questions *still* couldn't be answered in a timely fashion.

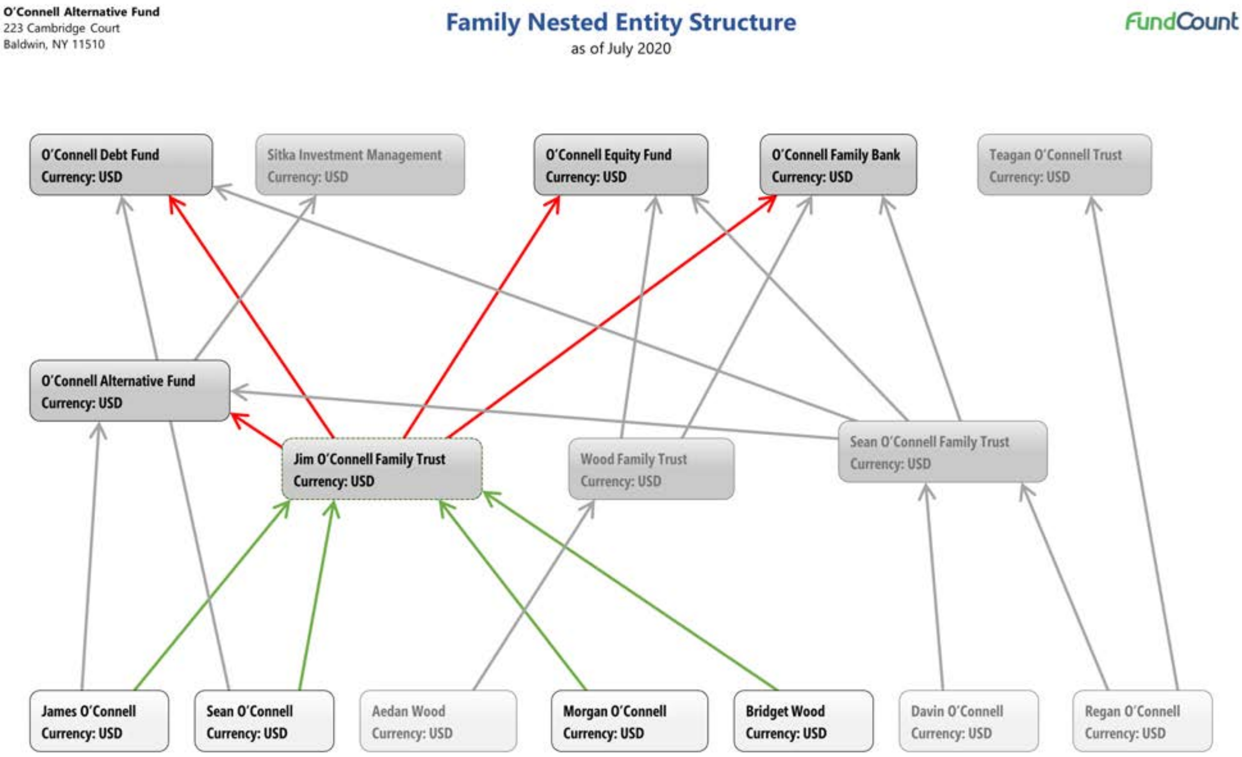
We provided them with a back-office accounting solution that unified their portfolio, partnership and general ledger activities on a single platform. Our system is based on a general ledger that is also the data warehouse. That means data isn't in separate silos, it is intrinsically linked to everything in the system and easily accessible. All activity passes through the general ledger, which updates and reconciles automatically in real time.

With one data source and data all in one place, the client could write ad hoc reports or schedule reports "out-of-the-box" and quickly respond to family member requests. Accuracy improved as well. Most impactful, however, were the enormous efficiency gains. With our solution, the client only needed five people to handle reconciliation and reporting, freeing the rest of the team to focus on other tasks.

INVEST IN FIT-FOR-PURPOSE SOLUTIONS

Another stumbling block to achieving that single source of truth is relying on spreadsheets and other general-purpose systems, particularly for general ledger accounting. A study on family office efficiency by *Family Wealth Report* and sponsored by FundCount, found that 74% of family offices rely on a general purpose system for general ledger accounting, which unfortunately shows just how prevalent this issue is.

NESTED ENTITY CONTROL CENTRE



While these systems may sound like a good idea upfront because they are often less expensive than specialised wealth management solutions, family offices pay the price in time and lack of accuracy. There are complexities – such as consolidating ledgers for multiple entities – that simply cannot be accounted for in these systems without time-consuming workarounds.

THERE ARE COMPLEXITIES – SUCH AS CONSOLIDATING LEDGERS FOR MULTIPLE ENTITIES – THAT SIMPLY CANNOT BE ACCOUNTED FOR IN THESE SYSTEMS WITHOUT TIME-CONSUMING WORKAROUNDS.

We had a single family office client with just this issue. They had a complex environment and were looking for a way to become more efficient. Their goal was to bring together partnership accounting, performance reporting, private equity, real estate, performance metrics and marketable securities on a single platform.

Our solution was a game-changer for them. Not only do they now have a consolidated financial picture for family members, but they can drill down to view ownership and run reports by individual entity, asset, investment, geography and other parameters. Reviewing the family offices' partnerships to verify underlying data on the various entities is easily accomplished by toggling between partnerships rather than logging into each entity individually. What used to take three days can now be done in a single day.

Another client, a multi-family office, gained similar efficiencies from FundCount's ability to look through nested entities and complex structures. After transitioning from spreadsheets, which could not effectively track the individuals, trusts, corporations, partnerships or other structures, the client now has all information readily available. They can look through entities and instantly view performance, holdings, net worth and other investment information either individually or by groups, knowing the numbers are accurate and current. FundCount also enables the client to run up-to-date allocation schedules, including all related details such as side pockets.

DON'T SKIMP ON RESOURCES

When speaking with clients, we find that they often not only underestimate what is needed for a project, but assume that the vendor can do everything. A vendor should have open architecture for flexibility and a rigorous process for implementation, but clients need to ramp up with resources on their end as well. That includes project management, enterprise resource planning experts, and other specialists to ensure the project runs smoothly. Penny pinching with internal or external resources and tools often delays projects and causes more disruption.

A VENDOR SHOULD HAVE OPEN ARCHITECTURE FOR FLEXIBILITY AND A RIGOROUS PROCESS FOR IMPLEMENTATION, BUT CLIENTS NEED TO RAMP UP WITH RESOURCES ON THEIR END AS WELL.

WEALTH INSIGHTS DASHBOARD

Keep in mind that multi-page RFPs and expensive consultants do not necessarily guarantee success. Be sure to work closely with your consultants, understand all options and ask questions about implementation.

STAY FOCUSED ON RESULTS

Thanks to the availability of today's powerful business intelligence and visualisation tools, creating charts and graphs is easy. But tread carefully. When assessing solutions, don't get carried away by visualisations that have a "wow" effect in presentations only to ring hollow with little substance behind the pretty graphs and charts. Dig deeper to ensure what you see provides the underlying information you need. If you understand the potential pitfalls, you can quiz vendors effectively.

WHEN ASSESSING SOLUTIONS, DON'T GET CARRIED AWAY BY VISUALISATIONS THAT HAVE A "WOW" EFFECT IN PRESENTATIONS ONLY TO RING HOLLOW WITH LITTLE SUBSTANCE BEHIND THE PRETTY GRAPHS AND CHARTS.

The most important thing for a family office, however, is to understand why they are undertaking the project in the first place. I recommend that the family office start by focusing on outcomes and what they wish to achieve. Is efficiency important? Reporting flexibility and improvements? Timely response to family member requests? Managing risk? Our checklist for qualifying vendors and technology, which starts with a self-assessment, has been a helpful tool in guiding clients embarking on a technology project.

After everything is taken into account, only a unified platform with accounting, general ledger and reporting on a single system will provide the accuracy, data accessibility and timely information needed to achieve that ever-important single source of truth.

About FundCount

Founded in 1999, FundCount provides integrated accounting and investment analysis software that improves operational efficiency and delivers immediate, actionable intelligence to single and multi-family offices, fund administrators, hedge funds and private equity firms around the world.

FundCount is a global organization headquartered in the U.S. with five offices on four continents.

For more information, visit www.fundcount.com

FundCount

A NEW PARADIGM OF PERSONALISATION – ILLUSION OR REALITY?

Many software vendors purport to offer personalised investment reporting but dig deeper and these claims are often illusory. **Craig Pearson**, CEO of **Private Wealth Systems**, explains why the problem, as well as the solution, is structural.

As financial service providers look to differentiate themselves and defend against commoditisation of advice, they are increasing their focus on providing personalised experiences to their clients. Up until two years ago buyers of financial software had to sacrifice personalisation in order to drive scale. But when serving Ultra High Net Worth individuals, one size never fits all.

UP UNTIL TWO YEARS AGO BUYERS OF FINANCIAL SOFTWARE HAD TO SACRIFICE PERSONALISATION IN ORDER TO DRIVE SCALE. BUT WHEN SERVING ULTRA HIGH NET WORTH INDIVIDUALS, ONE SIZE NEVER FITS ALL.

Many wealth advisors define personalisation as simply as customising the layout and graphics on a consolidated investment report. Private Wealth Systems has pushed the definition much further by empowering each and every individual with total control to group, structure, and classify their data any way they want, whenever they want. The company's award-winning data model, which is a first in the industry, allows wealth advisors to engage each individual client based on that individual's unique personal needs. What this means for an advisor overseeing investments for a family that has a hundred individual family members across generations or several thousand unrelated clients is that the advisor can engage each family member as an individual and personalise the advice, analysis and reporting based on that individual's perspective. In so doing Private Wealth Systems aligns the relationship between advisor and investor in a way that has never been possible before.

For UHNW individuals, Private Wealth Systems delivers one-touch access to analyse and oversee their investments and managers in an unbiased way so every wealth owner gets the information they want, the way they want across every asset class, bank, manager, strategy, theme, mandate, currency and ownership structure. This changes the dynamic of the relationship to something that is relevant, personal, and powerful for every wealth owner.

SUPPORTING INDIVIDUAL PERSPECTIVES

Let's say each family member has a partial interest in a trust and that trust invests in ExxonMobil. The first family member may not question the investment while another family member may want to minimise exposure to fracking. Another family member may feel ExxonMobil is socially responsible while another family member may feel it is not socially responsible. The advisor must be able to support each of those individual perspectives and reflect those views in the analysis, reporting, and management of each individual's wealth.

For example, classifying ExxonMobil as fracking for one family member but not others would allow that individual to see an increased allocation and exposure to fracking because of her personal views of the investment. A family member could include ExxonMobil in their allocation for socially responsible investing while another family member could exclude it. In working with a large well-known family office, one family member asked if she could call a specific investment "the devil" because of a poor track record on human rights. Although several family members laughed, the answer was yes, you absolutely can use free text to create a title called the devil and associate any investment, manager, theme, account or portfolio as such and analyse your exposure to the devil, as well as track how the devil is performing against peers and custom benchmarks. Supporting individual needs at any level, across any financial instrument and ownership structure allows for a new definition and a new purpose for personalisation in private wealth.

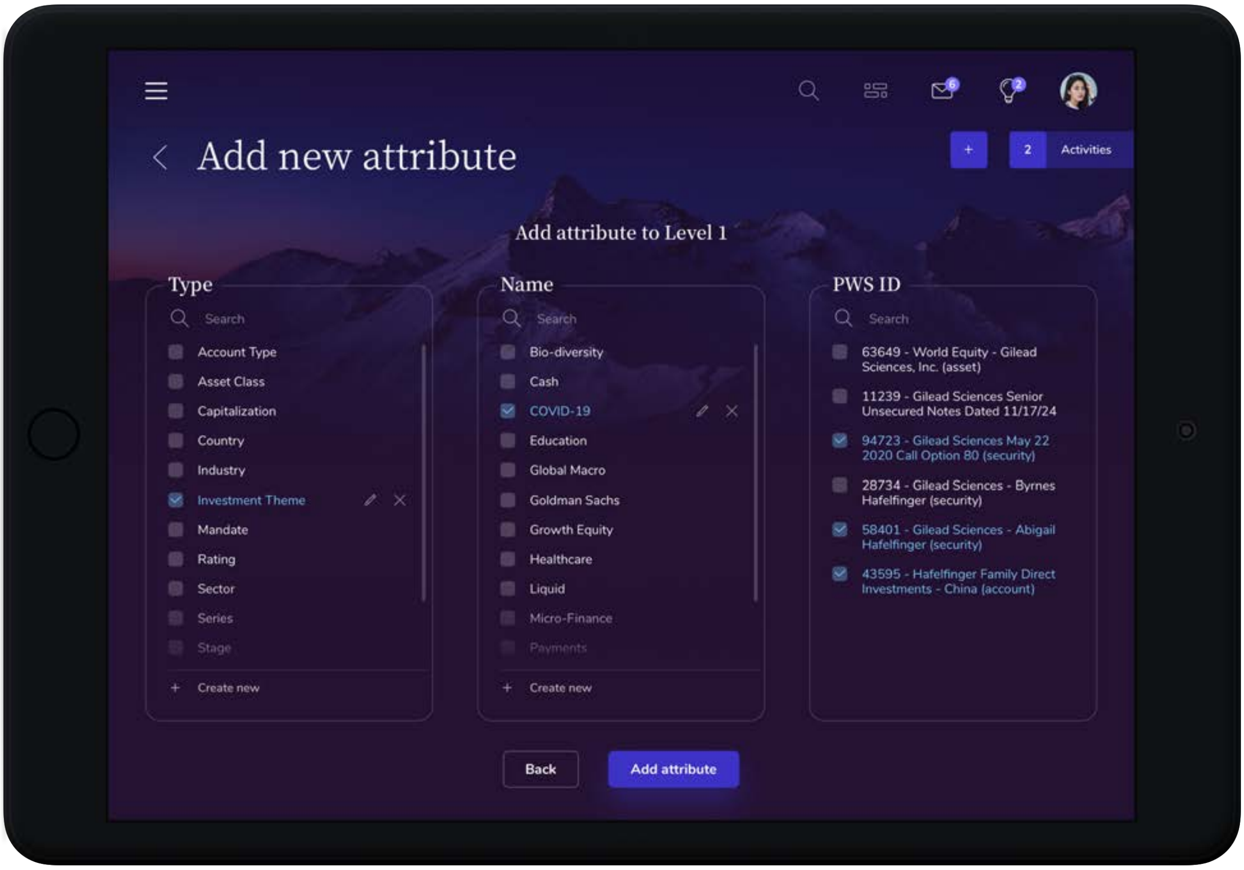
SUPPORTING INDIVIDUAL NEEDS AT ANY LEVEL, ACROSS ANY FINANCIAL INSTRUMENT AND OWNERSHIP STRUCTURE ALLOWS FOR A NEW DEFINITION AND A NEW PURPOSE FOR PERSONALISATION IN PRIVATE WEALTH.

ILLUSORY CLAIMS

When it comes to personalisation, I see a lot of illusory claims being made in the technology sector which make

DIGITAL DASHBOARD TO OVERSEE COMPLEX WEALTH

EASILY PERSONALISE CLASSIFICATIONS FOR ANY USER



ESG CRITERIA CAN BE FRONT AND CENTRE

me worried for the institutions in terms of regulatory and reputational risk, as well as wealth owners that rely on information they believe to be personalised. More alarming is how tech companies *themselves* often seem to have completely misunderstood the personalisation challenge they are trying to solve.

Most financial technology companies define personalisation in terms of visualisation, allowing users to drag and drop charts and graphs. This is because most people buy with their eyes and a visually pleasing user experience goes a long way towards driving market adoption. Visual configurability is important and that is why Private Wealth Systems has introduced its new mobile enhancement allowing users to create their own drag-n-drop digital dashboard across every permutation of allocation, performance, gain/loss, liquidity, drift, fees and expenses and other critical components. Modern, engaging and perhaps even fun though that may be, all this is just the window dressing to us. The other, very much neglected but truly most important, aspect of personalisation is the data itself. Namely, being able to have complete and effortless control over the grouping, the modelling, and the classification at the *individual* level.

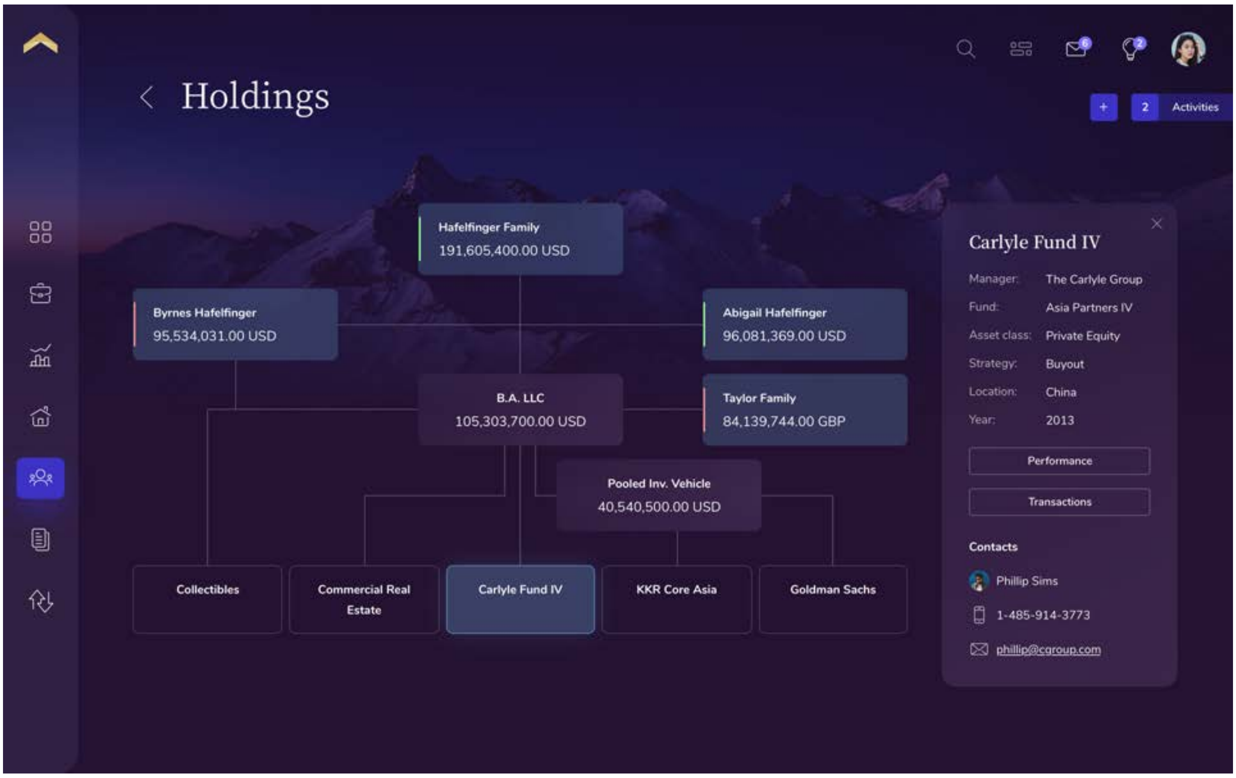
Many providers often forget that "family office" and "family wealth" are misleadingly homogenous terms for very heterogeneous groups of people. A family office is likely to have multiple advisors, structures, strategies, asset classes, mandates and more - multiple everything. The family itself will certainly represent people spanning different generations, objectives, and world views. Where other software systems fail is not supporting that multiplicity from the perspective of each individual wealth owner. What we should be asking is, what is important to each wealth owner? What legacy does he or she want to have? How is the analysis, reporting, advice and management aligned with that individual legacy?

ESCAPING THE 1980s STRUCTURAL BLUEPRINT

Really seeing things "from the other end of the telescope" is what true innovation is about, but I see precious little of that. The underlying issue is that every system built since the early 1980s was - and still is - built based on the same fixed data structure. This structural issue prevents personalisation beyond simple marketing terms. Fixed or rigid data structures require hard-coded classifications. Other systems do deliver performance by asset class for example or allocation by sector, but those are fixed. What if one person believes ExxonMobil is a large cap domestic growth company that is green tech and supports racial justice, while another family member adamantly believes that same investment is a mega-cap, ex-US, value company that is not green tech and does not do enough to support racial justice? Historically, one of the family members would be forced to go without the personalisation they require or force their advisors to provide custom reporting that creates delays in information, data errors, and an increase in costs.

So, what makes Private Wealth Systems radically different? Fundamentally, our difference is the foundation of our system. We are the first platform to have eliminated the need for fixed data structures. This empowers each individual to see exactly what they want, when they want, in the manner they want. Do you want to see performance by asset class, sector, style, strategy, vintage year, socially responsible investing categories, risk categorisations, entities, countries, managers or by any custom classification or grouping? No problem. Do you want to call an investment or group of investments the devil and track your allocation and performance for the devil? Easily done. Every individual has dynamic and complete control over their data to see their data on their terms.

FREEDOM FOR FAMILIES TO CREATE THEIR OWN STRUCTURES



PERSONALISATION WITH MASS SCALE

However, the success of a software platform is not only its ability to support personalisation but to do it with mass scale, delivering a level of speed, accuracy and operating efficiency that cannot be matched.

To illustrate this important point, imagine one million UHNW investors all owned shares in Company X, a new European battery car manufacturer, across multiple managers. To ensure the highest level of data accuracy with the fastest processing times a system must only have a single instance of that security from an accounting standpoint. Other financial systems will have a separate instance of Company X per client, per bank or per manager which is why those systems produce material data errors and prevent operating scale. When an investment pays a dividend, has an end-of-day price, spins-off a subsidiary or splits its stock the adjustment must be made once for all one million investors regardless of investor, bank, manager, or currency. One transaction, one entry, this defines true operating scale with the highest level of accuracy.

Now let's say Company X spins-off NewCo effective today. One bank may reflect that adjustment today, another bank may reflect it two days from now and a third bank may reflect it next week. To ensure data accuracy, Company X and NewCo must be adjusted on the effective date globally regardless of when each custodian makes the adjustment. Other systems that simply report what the custodian reports on any given day generate material errors in allocation, performance, gain and loss which can lead to bad decision making. You need a system that is more accurate than daily bank feeds because errors erode wealth.

However, every one of those one million investors should have the ability to group, structure and classify Company X (and NewCo) any way they want in order to analyse their wealth in ways that are most relevant to them.

ONE FROM MANY

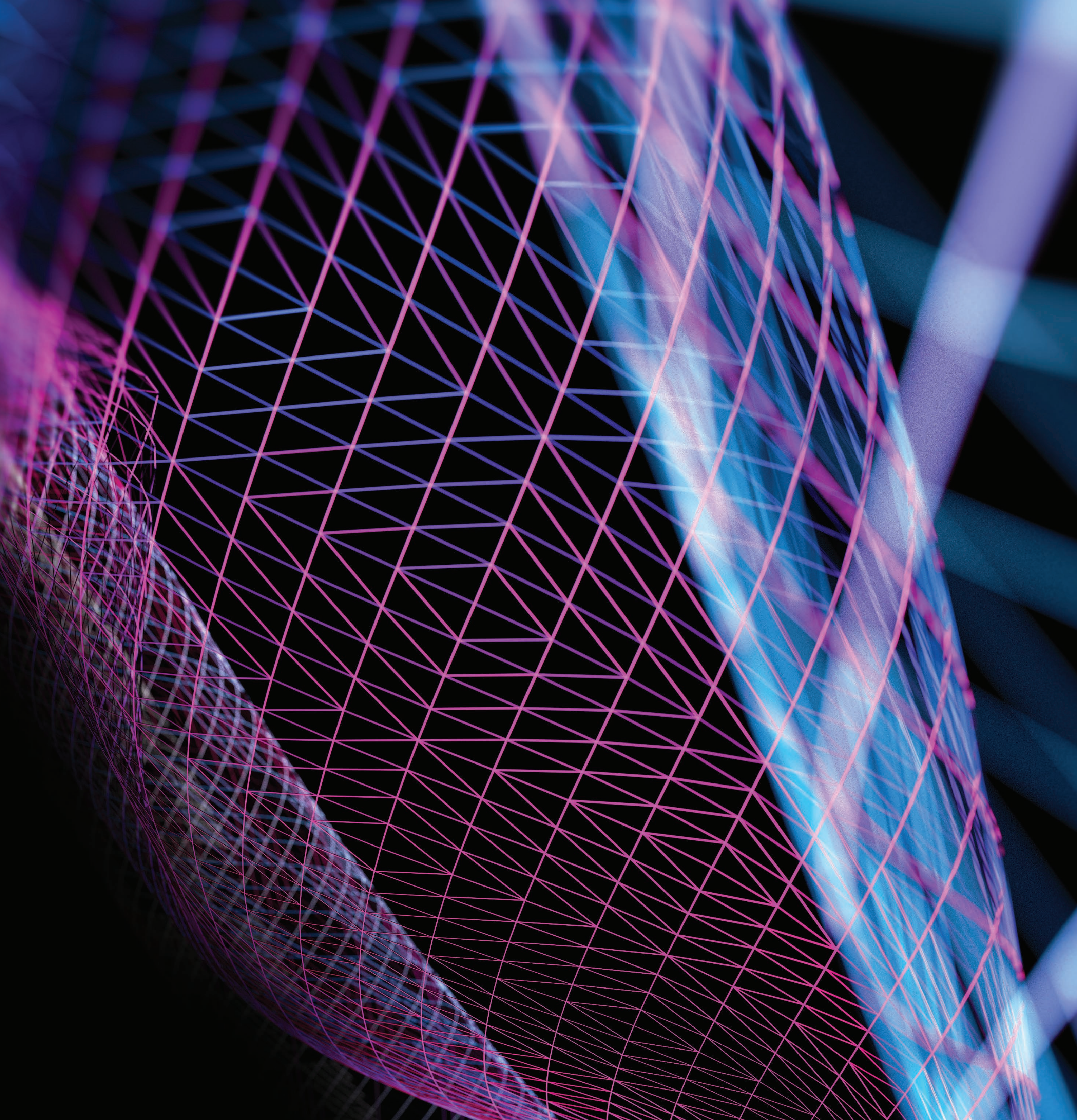
While other systems are content to focus just in the visualisation of investment data, Private Wealth Systems has built the digital *infrastructure* that has proven to solve the structural challenges of personalisation and mass-scale for the private wealth industry. If that sounds like a once in a generation transformative technology, it's meant to.

About Private Wealth Systems, Inc.

Private Wealth Systems is a global financial technology company that is revolutionising the way private wealth is analysed, reported, and managed. The company's award-winning private cloud software provides consolidated investment reporting to family offices, private banks, and institutional asset managers, delivering instant access and understanding of the drivers of risk, return, income, and expense across the most complex investment portfolios.

For more information, visit
www.privatewealthsystems.com

PRIVATE WEALTH SYSTEMS



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