Workshop Customer Care

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- Speaker: Didier Pitton, Vice President Marketing Product Management, Odyssey Financial Technologies (Temenos Group)
- Moderated by Muriel Foulonneau, Knowledge Intensive Systems and Services Henri Tudor Research Centre

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Customer Centricity in Private Wealth Management

Restoring customer confidence – how can front-office technology help?

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Vice President Marketing & Product Management

About Temenos

TEMENOS
The Banking Software Company

Odyssey Financial Technologies is now a member of the Temenos group of companies. Temenos Group AG is the market leading provider of banking software systems to retail, corporate, universal, private, Islamic and microfinance & community banks. Headquartered in Geneva with 56 offices worldwide, Temenos serves over 1,000 financial institutions in more than 125 countries across the world.

Introduction

- Customer Centricity is about **focus**, **innovation** and how to **listen** to clients and identify and address their core **needs** with **unique value propositions**.

- Customer Centricity is a **differentiation** process to develop **need-oriented value propositions** which allow to significantly **improve client service**.

Introduction

- IT Banker Forum 2009

  Pre-requisite to customer centricity is to increase the time available for CRMs to conduct their client-facing activities
  Front-office technology can help (for instance)
  - Reducing the number of applications
  - Equiping front-offices teams with more integrated tools
  - Automating compliance

- IT Banker Forum 2010

  Priority number 1 is to restore customer confidence

  Can front-office technology help?

Customer confidence hit – the facts

- Private banks have not been able to protect their clients' wealth
- Perceived conflict of interest - Clients want true advice – not product promotion
- Customers are collateral victims of the end of the banking secrecy
- High aversion to risk
- General lack of understanding of market directions
- Added value of private banks questioned

How can front-office technology help?

- Private wealth management institutions can (among others) restore confidence by
  - Better defining the value proposition & committing to it through SLAs
  - Improving and scaling the advice experience
  - Providing more appropriate guidance on risk

Technology can help – here is how:

Better define and commit to the value proposition

- Agree & commit to SLA ➔ Automate Client On-boarding
  - Types of service (discretionary, advisory, execution-only)
  - Advisory model (top-down or bottom-up, asset allocation or product-orientated,…)
  - Investment Policy Statement
  - Customer life-value
  - Pricing model (transaction fees, advisory fees, all-in,…)
  - Monitoring preferences (which events, frequency,…)
  - Contact preferences
  - Review frequency
  - Information preferences (news, new research,…)
  - Channel preferences (email, e-banking,…)
  - Etc.

CONTRACTUAL FRAME

Better define and commit to the value proposition

Client On-boarding Process (example)

PROSPECT → Data Gathering → Investment Profiling → Contracts & Forms preparation → Approval → Activation → CLIENT

Data Gathering
- Guided pageflow
- Reuse of prospect data when available
- Name check
- Legal, KYC & Marketing data
- Investment knowledge & experience
- Service model
- Pricing model
- Preferences
- SLA

Investment Profiling
- Guided pageflow
- Risk profiling questionnaire
- Asset mix
- Investment restrictions
- IPS
- Investment proposal

Contracts & Forms preparation
- Guided pageflow
- Account number attribution
- Documentation & agreement policy applied
- Automatic gen. of list of relevant contracts & forms
- Automatic fill of contractual forms
- Printing of contracts

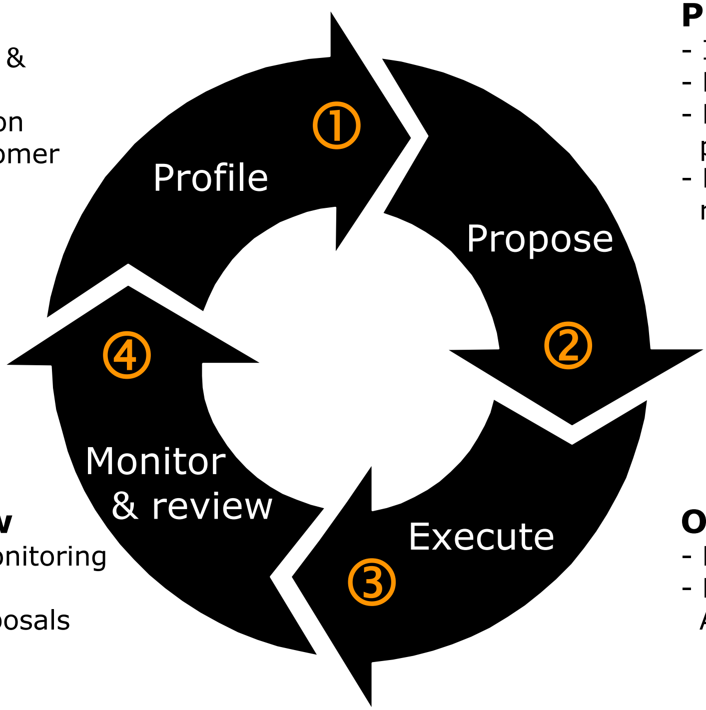
Approval
- Workflow-based verification/approval process
- AML Rating calculation
- Printing of internal docs

Activation
- Management of doc status
- Data verification
- Archiving
- Activation confirmation
- Export of data to other systems

Improve and scale the advice experience

Client Profiling
- Investment knowledge & experience (MiFID)
- Advisory model selection
- Wealth segment (Customer life-value)
- Risk profile
- Target Asset Allocation
- Restrictions

Proposal
- Investment Policy Statement
- Proposal generator
- Results in MiFID-compliant proposal
- High-quality client proposal report



Monitoring & Review
- Event-driven portfolio monitoring
- Alert notification
- Portfolio adjustment proposals

Order execution
- Execution of proposed orders
- Pre-trade suitability & Appropriateness tests (MiFID)

Improve and scale the advice experience

ODYSSEY KNOWLEDGEABLE

INVESTMENT PROPOSAL

For the Portfolio of: Marianne Ritch

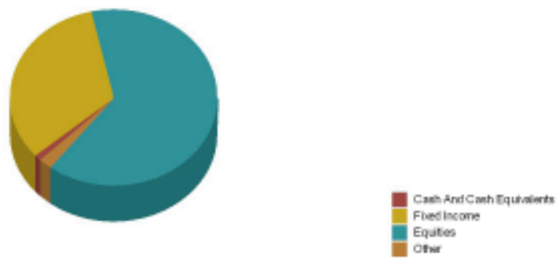
As of: 02/07/2006

INVESTMENT POLICY

The Investment Policy is an attempt to express your personal investment objectives in a document that can help guide the content of your portfolio. The Investment Policy Statement provides you with a useful framework for managing your investment portfolio and provides a useful process for making decisions, reporting on progress and reviewing your objectives in a timely and regular manner. A draft Investment Policy Statement is included below. This is an attempt to incorporate your unique investment objectives in a document that will be effective in directing the composition of your portfolio and in structuring our relationship. By necessity, the Investment Policy Statement represents our understanding of your investment objectives. Please review it closely to ensure that you are comfortable with it. If changes are necessary, it is important that they be made before proceeding with the recommendations.

ASSET ALLOCATION

Here is the recommended asset allocation for your portfolio, based on the return and risk estimated, to help you achieve your financial goal.



Asset Classification	Target%	Minimum%	Maximum%
Cash And Cash Equivalents	1.0	0.0	6.0
Fixed Income	33.0	28.0	38.0
Equities	64.0	59.0	69.0
Other	2.0	0.0	7.0

help?

Improve and scale the advice experience

SETUP: ALERTS

Available Alerts	My Alerts
Account Activity Monitors your accounts and alerts you when transactions of selected types occur.	
Account Profile Alerts you when new accounts are opened or accounts change in specified ways.	
Asset Mix To inform users when an asset mix is made active	
Cash Monitors your accounts and alerts you when projected cash balances move above or below specified levels.	
Contact Profile Alerts you when contacts change in specified ways.	
IPS Allocation Checks actual IPS allocation against target IPS allocation for clients and sends notification messages to the subscriber if actuals are outside of an acceptable threshold.	
IPS Objective Monitors clients' IPS objectives and alerts you when actuals drift off-target.	
Maturity Alerts you of upcoming maturities and expiries.	My Upcoming maturities and expiries
Model Alert Alerts you when a version of a model changes.	
New Contact Alerts you when new contacts are created or duplicate contacts are found.	
New RR Informs system administrators when new	
Next Contact Date Informs you when review dates for your cor	
Security Re-use Informs system administrators when secu	
User-Defined Alert Create your own alerts by setting up a view results.	

SETUP: NEW ALERT - IPS OBJECTIVE

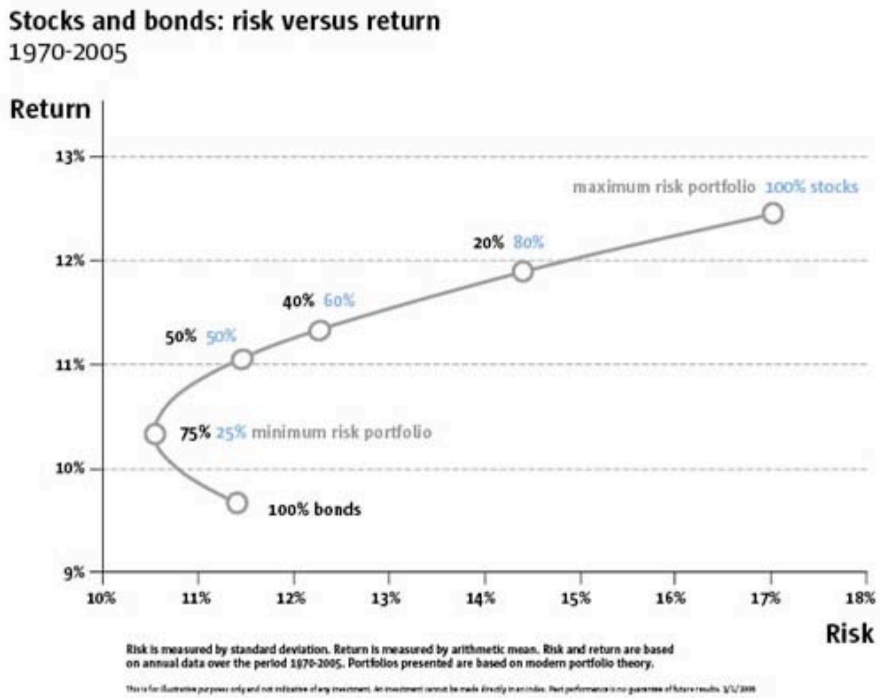
IPS Objective	Monitors clients' IPS objectives and alerts you when actuals drift off-target.
Alert Name	
Send Message to	◉ xWeb inbox ○ Default Email Address ○ Both
Category for Generated Messages	Asset Allocation
Monitor	Select Business Unit · Select Client · Select Portfolio
Notify if	◉ Below target ○ Above target ○ Either
Tolerance %	

Save · Save & New · Cancel

Provide more appropriate guidance on risk

- Regulatory – Investor protection – FSA & MiFID
- Private investors have learnt ‘on the field’ what risk really means … but they were not prepared for this
- Clients blame wealth management firms
- Private clients are asking for more practical information on how "risk" materialises in their portfolios
- The traditional approach based on ‘risk profiles’ is increasingly perceived as insufficient

Aggressive: The investor's objective is to achieve high long-term growth. They are prepared to accept higher risk and volatility of returns in exchange for greater long-term returns.

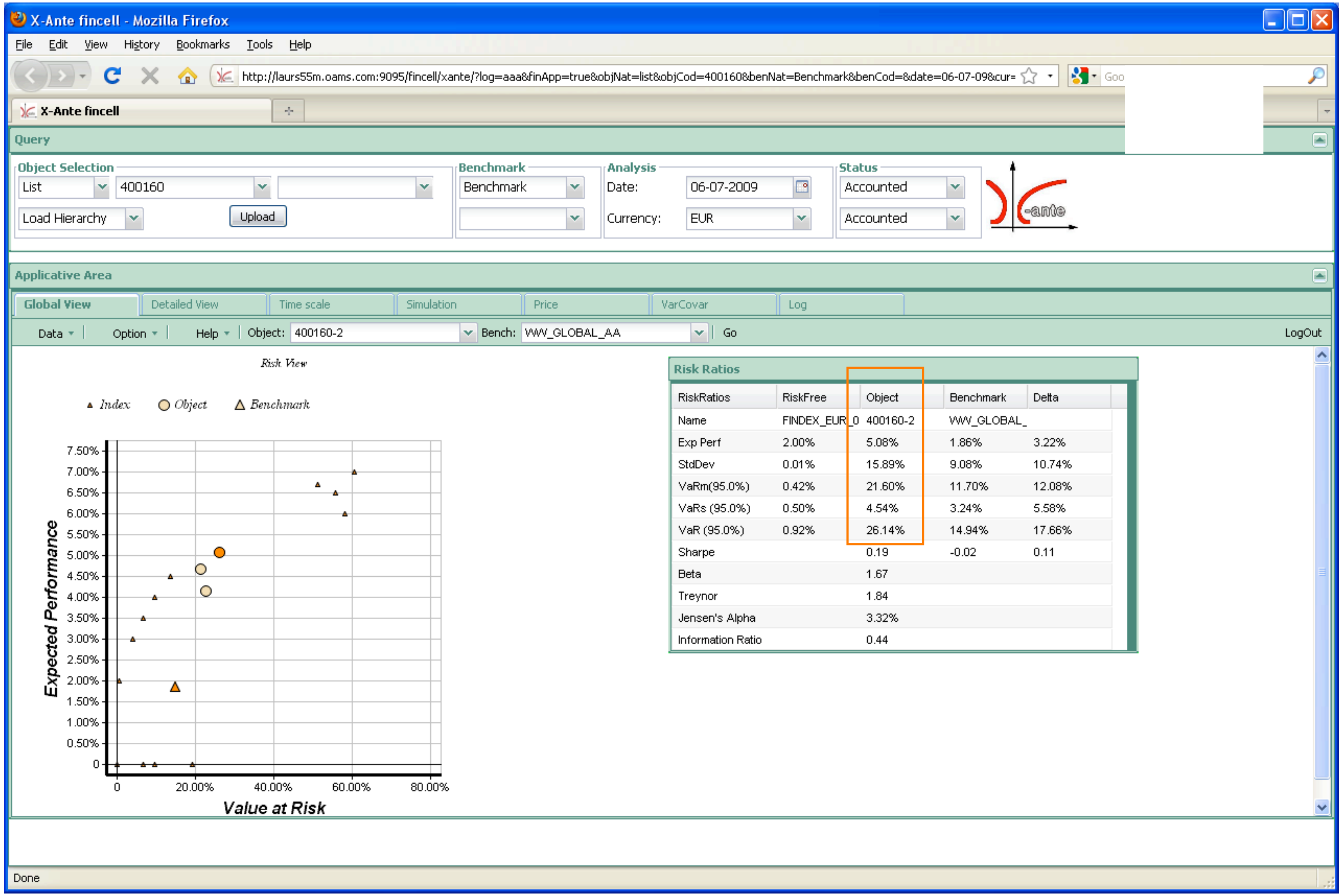


Provide more appropriate guidance on risk

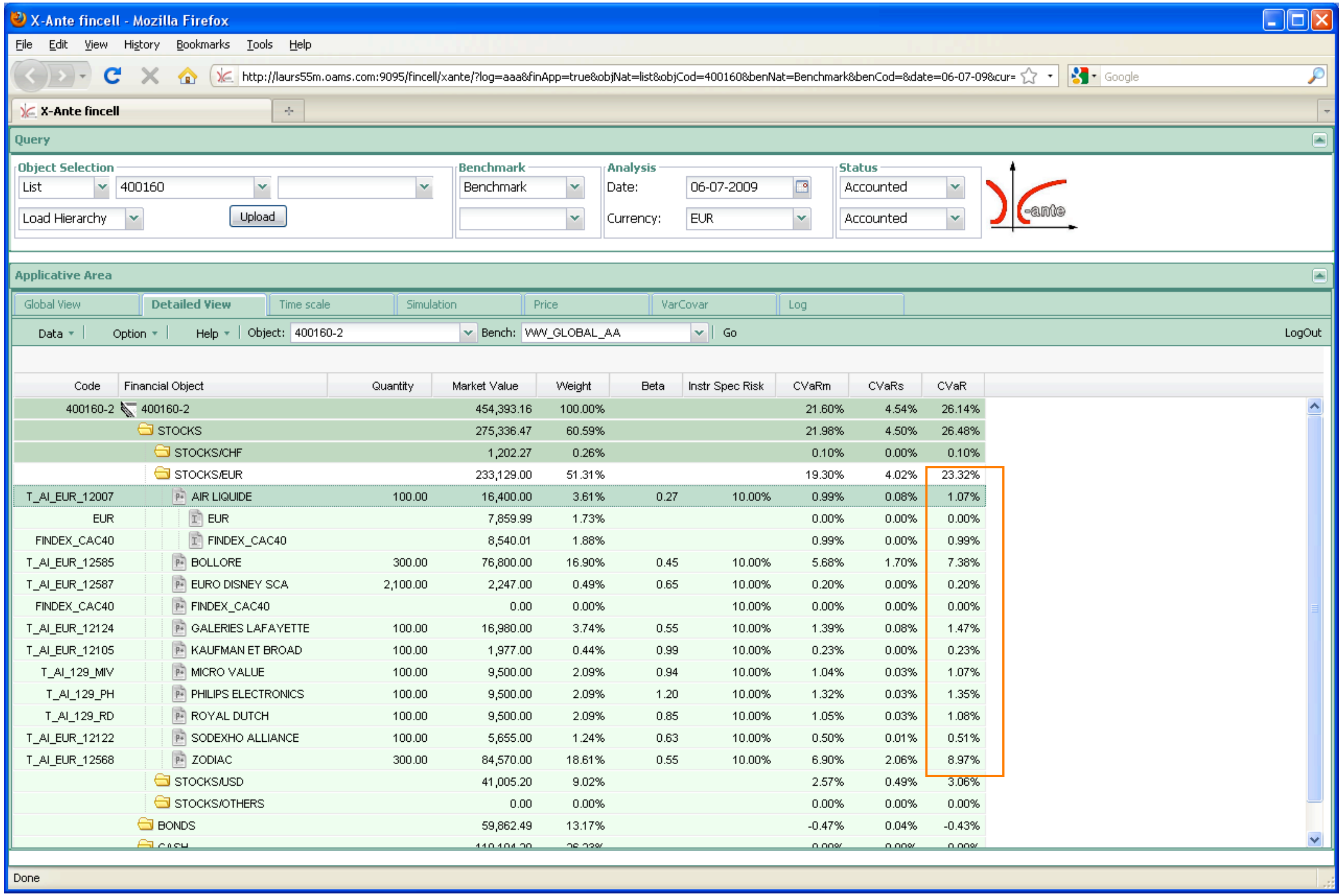
How much could I lose from my portfolio in "normal" market conditions?
Which positions are the riskiest in my portfolio?
Which positions and asset classes contribute most to the overall risk of the portfolio?
Is the portfolio well diversified?

Risk Analysis

Risk Analysis - Global



Risk Analysis - Position and Asset Class level



Code	Financial Object	Quantity	Market Value	Weight	Beta	Instr Spec Risk	CVaRm	CVaRs	CVaR
400160-2	400160-2		454,393.16	100.00%			21.60%	4.54%	26.14%
	STOCKS		275,336.47	60.59%			21.98%	4.50%	26.48%
	STOCKS/CHF		1,202.27	0.26%			0.10%	0.00%	0.10%
	STOCKS/EUR		233,129.00	51.31%			19.30%	4.02%	23.32%
T_AI_EUR_12007	AIR LIQUIDE	100.00	16,400.00	3.61%	0.27	10.00%	0.99%	0.08%	1.07%
EUR	EUR		7,859.99	1.73%			0.00%	0.00%	0.00%
FINDEX_CAC40	FINDEX_CAC40		8,540.01	1.88%			0.99%	0.00%	0.99%
T_AI_EUR_12585	BOLLORE	300.00	76,800.00	16.90%	0.45	10.00%	5.68%	1.70%	7.38%
T_AI_EUR_12587	EURO DISNEY SCA	2,100.00	2,247.00	0.49%	0.65	10.00%	0.20%	0.00%	0.20%
FINDEX_CAC40	FINDEX_CAC40		0.00	0.00%		10.00%	0.00%	0.00%	0.00%
T_AI_EUR_12124	GALERIES LAFAYETTE	100.00	16,980.00	3.74%	0.55	10.00%	1.39%	0.08%	1.47%
T_AI_EUR_12105	KAUFMAN ET BROAD	100.00	1,977.00	0.44%	0.99	10.00%	0.23%	0.00%	0.23%
T_AI_129_MIV	MICRO VALUE	100.00	9,500.00	2.09%	0.94	10.00%	1.04%	0.03%	1.07%
T_AI_129_PH	PHILIPS ELECTRONICS	100.00	9,500.00	2.09%	1.20	10.00%	1.32%	0.03%	1.35%
T_AI_129_RD	ROYAL DUTCH	100.00	9,500.00	2.09%	0.85	10.00%	1.05%	0.03%	1.08%
T_AI_EUR_12122	SODEXHO ALLIANCE	100.00	5,655.00	1.24%	0.63	10.00%	0.50%	0.01%	0.51%
T_AI_EUR_12568	ZODIAC	300.00	84,570.00	18.61%	0.55	10.00%	6.90%	2.06%	8.97%
	STOCKS/USD		41,005.20	9.02%			2.57%	0.49%	3.06%
	STOCKS/OTHERS		0.00	0.00%			0.00%	0.00%	0.00%
	BONDS		59,862.49	13.17%			-0.47%	0.04%	-0.43%
	CASH		110,104.20	26.23%			0.00%	0.00%	0.00%

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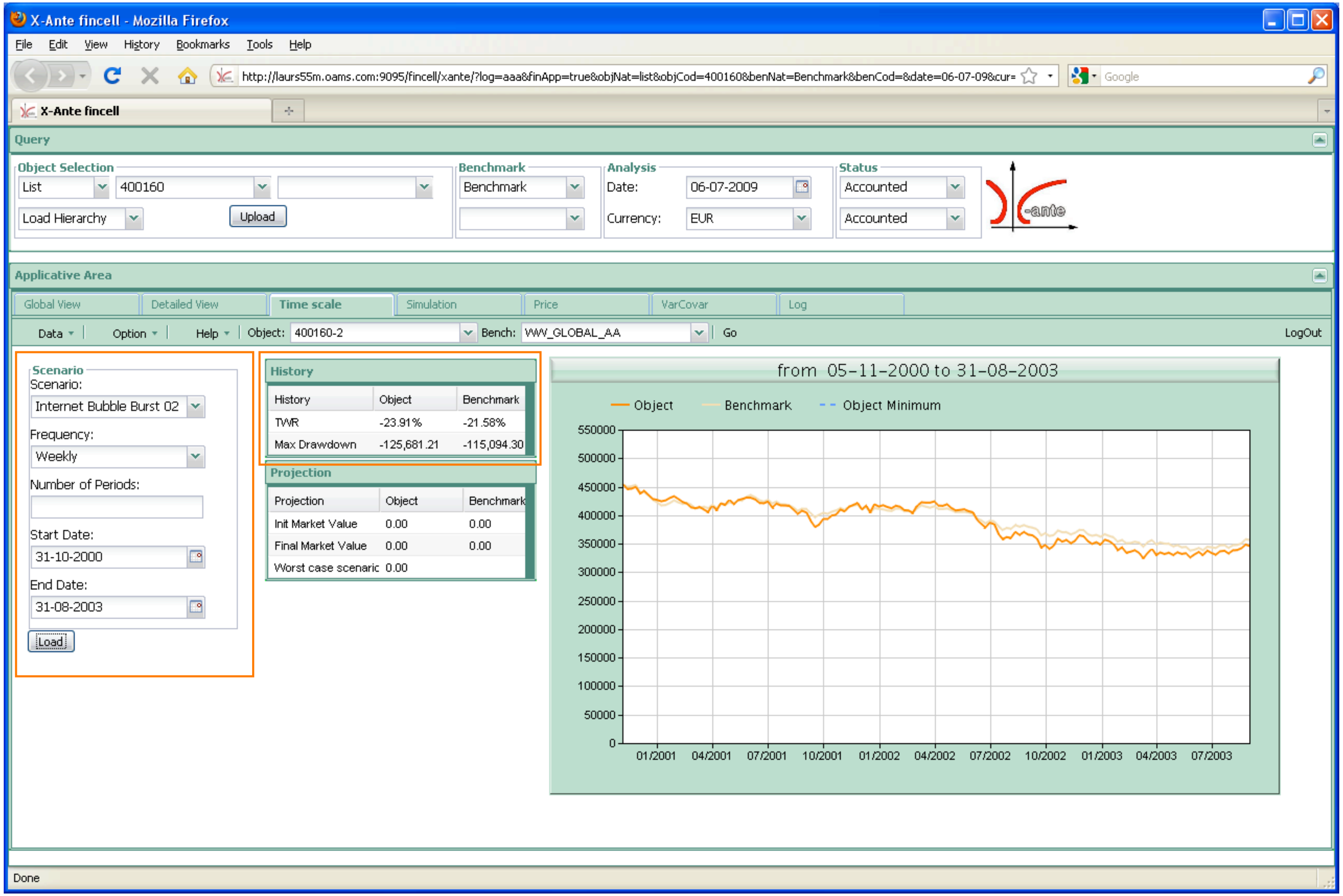
Is the portfolio well diversified?

Risk Analysis

How would my portfolio have fluctuated and performed if I had invested in it over the last 5 years?
How would my portfolio have suffered from the Internet bubble burst or the Financial Crisis (Sub-prime)?

Back-testing

Back-Testing – pre-defined scenario



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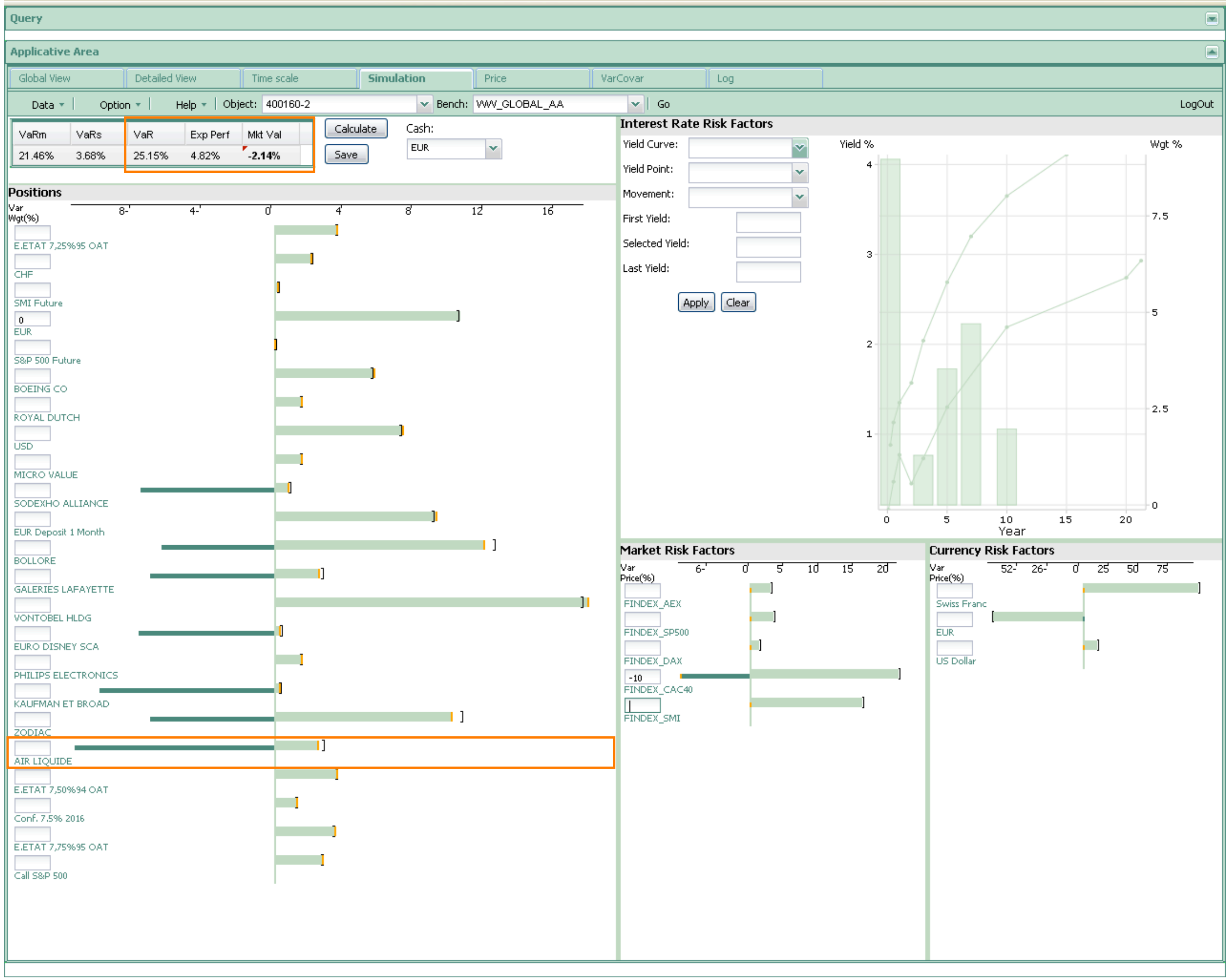
Back-testing

What would be the impact of a 20% fall of the US equity market?
What would be the impact of a 1% yield curve shift
What is the impact of a series of buy & sell orders on the global risk of my portfolio?

Simulation

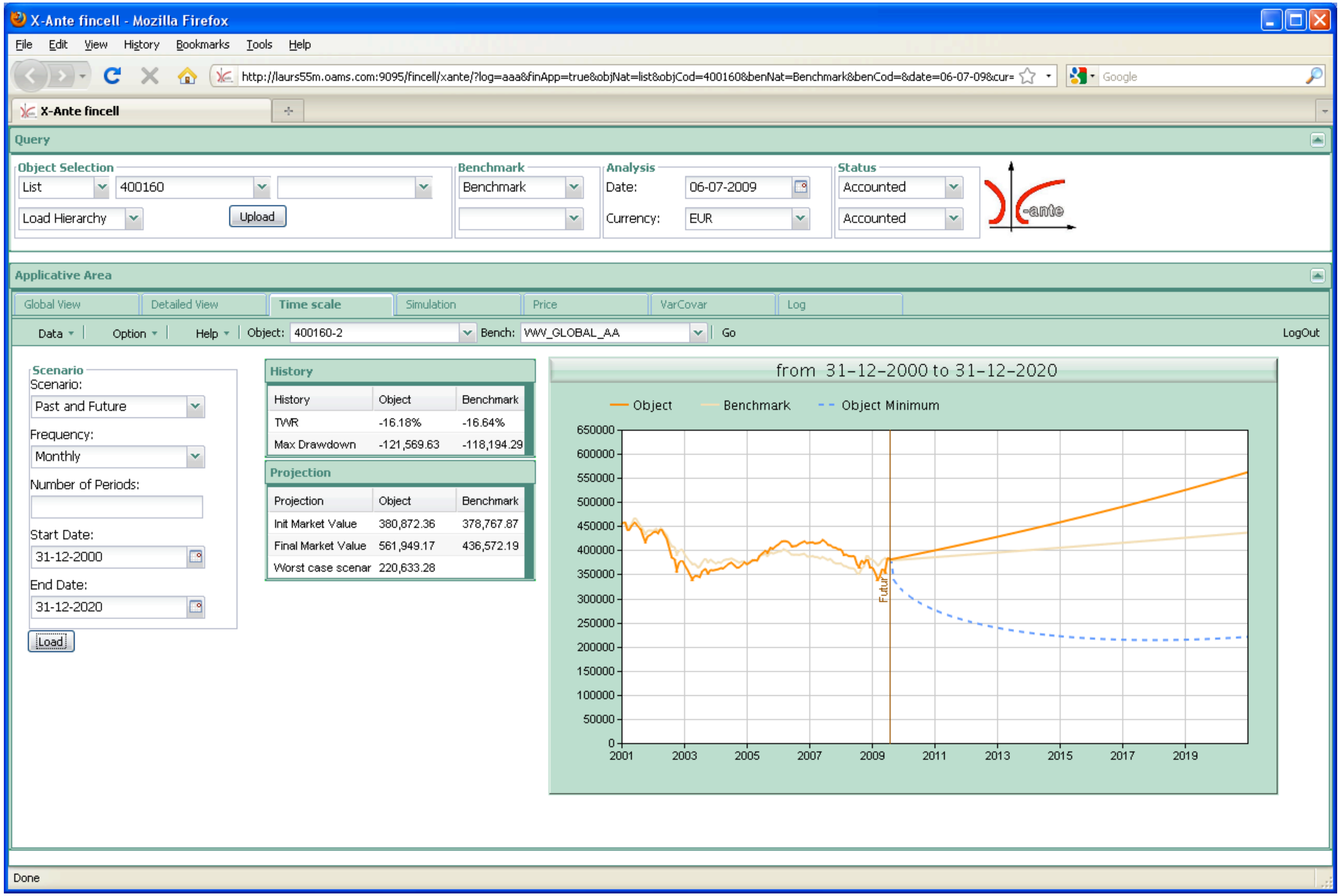
Simulation: Market Index Changes



Provide more appropriate guidance on risk

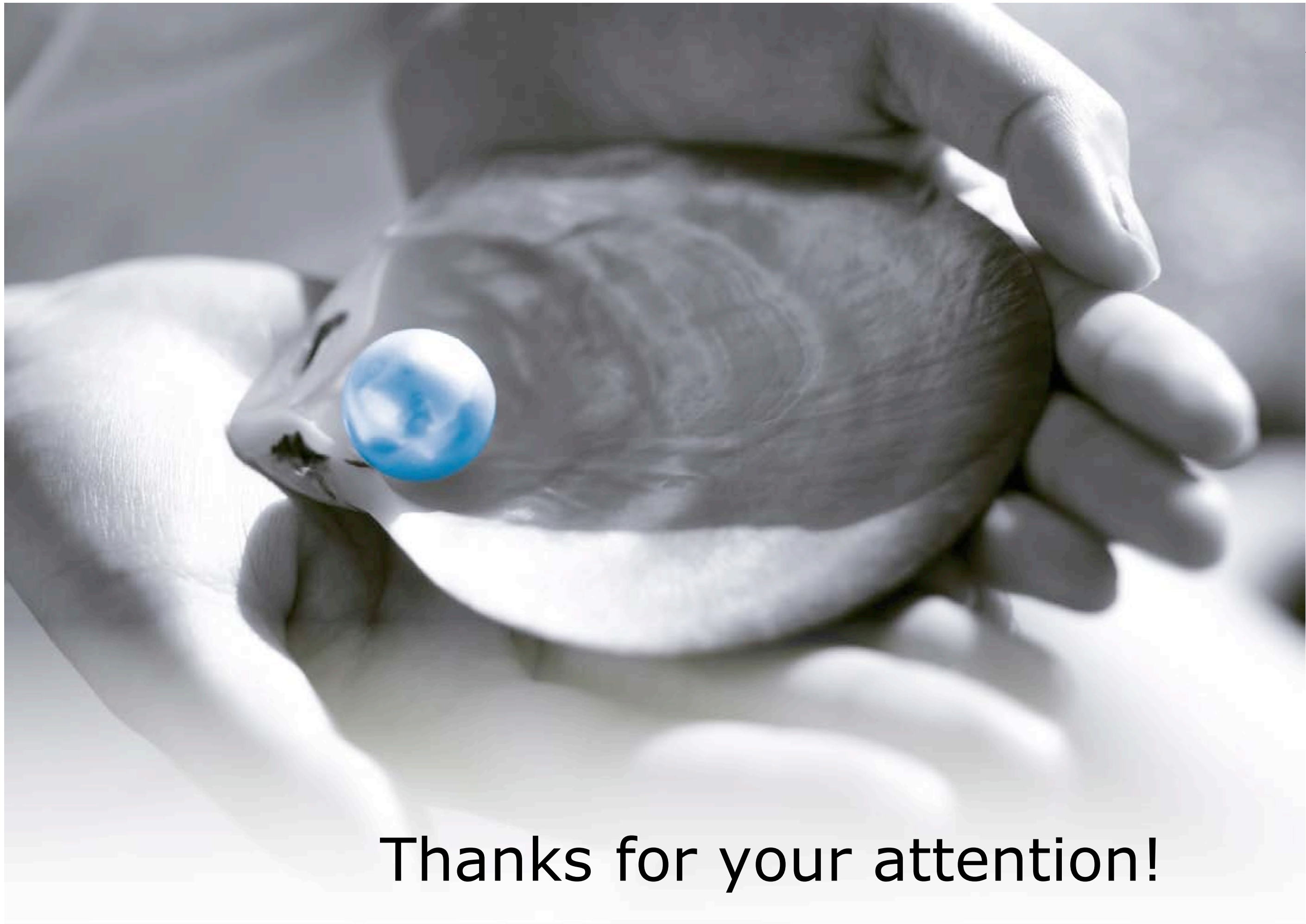
How much could I lose from my portfolio in "normal" market conditions? Which positions are the riskiest in my portfolio? Which positions and asset classes contribute most to the overall risk of the portfolio? Is the portfolio well diversified?	**Risk Analysis**
How would my portfolio have fluctuated and performed if I had invested in it over the last 5 years? How would my portfolio have suffered from the Internet bubble burst or the Financial Crisis (Sub-prime)?	**Back-testing**
What would be the impact of a 20% fall of the US equity market? What would be the impact of a 1% yield curve shift What is the impact of a series of buy & sell orders on the global risk of my portfolio?	**Simulation**
With a given level of risk, what value can I expect the portfolio to reach in 10 years – worst case, best case… With a given level of risk and expected return, can I acumulate a certain capital by…	**Wealth Projection**

Wealth projection



Conclusion

- Private wealth management institutions can restore confidence by
  - Better defining their value proposition & commit to it through clear SLAs
  - Improving and scaling the advice experience
  - Providing more appropriate guidance on risk
- Front-office applications are already available to help
- Front-office applications are definitely enablers of customer centricity


Thanks for your attention!