



Private Wealth Best Practices – Domain Knowledge Scan (DKS)

December 2013

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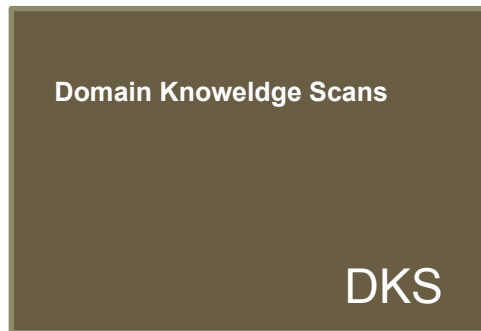
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Domain Knowledge Scans (DKS)



Key case study – new approach for Santander Private Banking client statements

Santander moved to a new monthly statement system in order to improve operational efficiency and leverage them as a marketing tool

Existing Situation	The Problem	The Solution
<p>Santander Private Banking in Jersey is part of the Santander Private Banking Division</p> <ul style="list-style-type: none">• Formerly known as Abbey International• Operates in Europe, Latin America and USA• Employs over 2,000 professionals with more than 120 branches• One of the largest private banks in the world	<p>Santander Private Banking needed to move to new monthly statements as part of a major rebranding exercise</p> <ul style="list-style-type: none">• Rebranding from Abbey to Santander• Wanted to transform the effectiveness of these transactional documents as a marketing tool• Wanted to reduce the costs by improving operational efficiency	<p>Tripartum redesigned Santander Private Banking's statements</p> <ul style="list-style-type: none">• Redesign of Santander Private Banking's statements to open up new TransPromo possibilities• Daily statements are produced on Tripartum's scalable document processing service – ensuring full production audit trail and integrity <p>Benefits delivered:</p> <ul style="list-style-type: none">• New summary sheet with dedicated variable marketing messaging box• Improved look and feel• Paper usage reduced by over 80%• Significant savings on postage

Source: client reviews, secondary research, 'Santander Private Banking' – Tripartum (June 2012)
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Domain Knowledge Scans

Domain Knowledge Scans (DKS) are an effective way to ensure your team is exposed to the very latest thinking in your industry, sub-sector or function

Assess the very latest thinking, practices and insights and share with your team in report form and/or via a 2 hour briefing session.

- A unique highly distilled synthesis of the newest thinking in your industry, sub sector or function
- Can include critical ideas, frameworks, case studies, insights
- Garnered from relevant peer markets across consulting and advisory firms as well as academia and industry
- Includes a stimulating presentation to your team and or an extended audience
- Includes references for further review and investigation
- Ensures your team's expertise is current
- DKSs are a companion resource to our monthly global periodical The Insights Review (TIR) and deeper full dives on a specific topic – our Knowledge Area Reviews (KAR).

DKSs are one of many innovative research tools for internal consultants and executives

ICG RESEARCH PRODUCT TAXONOMY

Depth

Deep

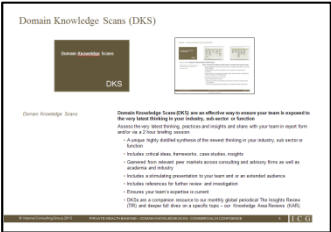
Deeper



GES – Global Expert Scan
Cost: \$10K



ERT – Expert Round Table
Cost: \$5K+



DKS - Domain Knowledge Scan
Cost: \$5K



KAR – Knowledge Area Review
Cost: \$20K



TIR – The Insight Review
Cost: \$100 / year

Upon Request

Semi-annually

Monthly

Periodicity

Private Wealth Banking Global Best Practices - Content



Section	Component	Description
1	Key Articles	<ul style="list-style-type: none">• Key published articles: High End Wealth and Private Banking in the past 12 months
2	Key Case Studies	<ul style="list-style-type: none">• Selection of Best Practices cases around the globe
3	Critical Frameworks	<ul style="list-style-type: none">• Key frameworks and important insights

Key published articles: High End Wealth and Private Banking

Key Articles		
Insight Review #	Article Title	Summary
Dec- Jan 2013	<u>“2013 Wealth & Asset Management Industry Perspective” – Booz</u>	A short and relatively sweet piece focused on two key topics. The first, technology enabled advice, through tablets, social media enable benchmarking, and technical advice is a reminder of just how much impact digitisation has already had. The second, price realisation, offers a general step by step project plan for those who have allowed discounting and stagnant pricing to get out of hand. Booz suggest that price realisation can produce the cash flow to catch-up in the digitisation arms race.
Dec- Jan 2013	<u>“Bridging the Advice Gap: Delivering Investment Products in a Post-RDR World” – Deloitte</u>	Essential reading for the post-commission world. Based on UK data and regulation (Retail Distribution Review and Adviser Charging) this powerful article is a wake up call for all sectors hit (or soon to be hit) by transparent charging regimes. The numbers are shocking – up to a third opting out and even more high value customers reducing usage. The article is well written, beautifully presented and not all doom and gloom, as it shines the spotlight (with innovative but clear supporting analysis in Figure 7 and 8) on four disaffected segments: disenfranchised wealthy; mass affluent and mass market orphans; and tech savvy savers. A deserving winner of our article of the month award.
Feb - 2013	<u>“Fortune Favours Choice, not Chance: How Wealth Management Firms can Pave the Way to Growth in New and Emerging Markets” – PWC</u>	A comprehensive ‘how to’ guide to internal consulting teams on exploring globalisation opportunities. While applied to the Private Banking/HNW segment, much of the thinking is easily translated to other segments. The insight includes global, summary level insights on relative growth rates and selected country specific insights, but it is the elaboration of the consulting process and the identification of variables for country-by-country level analysis which shines through here – a great article and worthy winner of our article of the month..
Feb - 2013	<u>“The New Challenge for Hedge Funds: Operational Excellence ” – BCG</u>	This title should be “The Institutionalisation of Hedge Funds drives the need for robust and transparent operating models”. A key highlight of this now \$2 trillion global industry includes the astonishing growth difference between small and large firms: the over 1B enjoy 12-13% CAGRs, the smaller funds only 1%. Internal consulting teams at hedge funds will benefit from the laundry lists of key success factors for both the operating model and the back office. Interestingly, this article breaks with BCG ranks and includes an uncharacteristic call to use outside help if your hedge fund is running a transformation.
Apr - 2013	<u>“How Tech-savvy Advisors Regain Gen D Investor Trust” – Accenture</u>	Only half its reported length, this US based survey of wealth customers and their advisers highlights some meaningful gaps in understanding between the parties and the role technology can play to close them. Examples include: advisers overestimating their client’s investment expertise, underestimating their risk aversion (post GFC), and overestimating the strength of the relationship. The report then highlights how new technologies such as social media and online learning can help to close these gaps.

Key published articles: High End Wealth and Private Banking

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Insight Review #	Article Title	Summary
May – June 2013	<u>“Global Wealth 2013: Maintaining Momentum in a Complex World”</u> – BCG	BCG, in their thirteenth annual report on the global wealth management industry, present a comprehensive and data-rich profile, with some thought-provoking commentary on key trends shaping the industry over the next five years. The report continues the story from the 2012 report of ‘rebound’ in the post-crisis era, draws out the industry divide between ‘old world’ and ‘new world’ economies, and presents (Exhibit 7 on page 15) an interesting benchmarking of growth, productivity and efficiency for wealth management institutions and banks across the geographic regions. The report makes much about the increasingly complex market and operating environment in the post-crisis era for wealth managers everywhere, and lists no less than ten critical steps that wealth managers must take in response. Developing new IT and big-data capabilities to support business agility, information dissemination, and interacting with clients and advisers using social media stand out as some of the more challenging actions. Wealth management CEOs and heads of private banking groups will benefit from the industry overview, but will still be left with the challenge of determining priorities across the report’s wide-ranging recommendations.
July - 2013	<u>“Evolving Investment Management Regulation: A Light at the End of the Tunnel?”</u> – KPMG	At some 80 pages, this report is a comprehensive but lengthy overview of the current state of financial services regulatory reforms impacting investment management globally. The executive summary is probably all the general reader needs to skim. It provides a broad sweep of the key drivers for regulatory change – investor protection, capital markets changes, tax reform, financial systems stability – and profiles the major regulatory initiatives (an ‘Abbreviations Guide’ on Page 75 is a helpful compendium of the new regulatory acronyms). It also calls out the major challenges in implementing the changes, including dealing with the prospect of yet further regulatory change and lack of harmonization between the various regulatory reform agendas. The executive summary (like the rest of the report) tries to ‘paint a picture’ of opportunities in dealing with the regulatory changes. However, detail is scant and little resonates as new insight in the ‘post-GFC’ industry landscape, which has been impacted by so many regulatory reforms.
Aug- Sept 13	<u>“Generation D: Beyond Trust – Delivering Superior Client Experiences”</u> – Accenture	Accenture provide a viewpoint that a superior client experience is better enabled by new digital and social technologies, and that this is ‘in tune’ with the needs and preferences of a growing, cross-generational, ‘digital savvy’ segment. Not much new in customer relationship management is presented here, and the theme of technology-enabled interaction and data-driven analytics as the (primary) way to improve the client experience is ever present – unsurprisingly, perhaps, from a global technology services company.
Aug- Sept 13	<u>“Global Asset Management 2013: Capitalizing on the Recovery”</u> – BCG	BCG presents its eleventh annual study of the industry, with a more upbeat theme of a return to (modest) growth. The study highlights the challenges to profitably managing the traditional actively-managed core asset class in the face of both market volatility and the market evolution toward newer and faster-growing asset classes (see Exhibit 6). Plenty here for Asset Management CEOs and their management teams to digest – the argument to get a long-term strategy in place to address the market changes is well put.

Key published articles: High End Wealth and Private Banking

Key Articles		
Insight Review #	Article Title	Summary
Aug- Sept 13	<u>"Second Generation Outsourcing in the Asset Management Industry"</u> – EY	A useful 'quick study' of current outsourcing market developments in the asset management industry. Points out an emerging trend to outsource middle office functions, alongside the traditional areas for outsourcing: custodians and fund accounting providers. The article's argument would benefit from some analysis to show the economics that frame the decision to retain, outsource, or switch providers.
Aug- Sept 13	<u>"The McKinsey Global Private Banking Survey 2013"</u> – McKinsey	McKinsey provide a comprehensive update on global private banking trends across the developed and emerging markets. The shift in the growth in global millionaire wealth between the developed and emerging markets is well described, including the implications for profit pools in each market (Exhibit 3). Performance remains challenging for private banks in all markets and the article makes a case for fundamental change, including better business disciplines, rethinking operating models, and addressing the needs of a new generation of clients through better segmentation. Private Banking CEOs and Global Strategy Heads will have to work through the long list of suggested initiatives and then convince others to act, with more justification than what is provided here.
Oct - 2013	<u>"The Mainstreaming of Alternative Investments"</u> – McKinsey	McKinsey provide an authoritative and well-researched analysis of the Alternative Investments industry 're-surgin' after the plunge which happened in the wake of the Global Financial Crisis. With growth far outstripping traditional asset classes, the article charts the shifts in asset manager strategies and business models needed to act on this 'next wave of growth'. The article develops the growth opportunity into a well laid out analysis of how Alternative Investments are becoming part of the investment management mainstream. Good insights here for all participants in the investment value chain.
Oct - 2013	<u>"Shifting the Curve: Insight-driven Advisor Effectiveness"</u> – Accenture	The article centers around the importance of adviser quality to firm success and recommends a simple framework to achieve it: attracting the right type of adviser; developing their skills; and keeping them. Light on content or supporting research, there is also not much in the way of 'new' answers to all-too-familiar issues. Some interesting tools and techniques are presented, however, including behavioural profiling to determine preferred adviser attributes, and adopting fee-schedules to support adviser decisions on charging. The overall context of acting in the client's best interests is not touched on and consequently, the article appears somewhat out of step with regulatory shifts and the requirement for advisers to clearly align their value proposition with client needs.
Oct - 2013	<u>"The World's 300 Largest Pension Funds – Year-end 2012"</u> – PwC	A comprehensive profiling of the world's 300 largest pension funds, which together account for almost \$14 trillion in assets under management. Useful for anyone seeking a quick overview of global trends in pensions and a breakdown of key attributes of the top 300 funds.
Oct - 2013	<u>"Asia-pacific Wealth Report 2013"</u> – Capgemini	As Capgemini and RBC Wealth Management point out early in the report, Asia Pacific is expected to become the largest High Net Wealth Individuals (HNWIs) market in 2014, eclipsing North America. The report delves into the size, structure, regional mix and growth outlook for this ascendant market segment. The reporting also provides some interesting insights into trust and confidence levels for Asia Pacific HNWIs (significantly higher than the rest of the world) and good summaries of country-level HNWI preferences. Groups targeting wealth management growth opportunities across the Asia Pacific region will find plenty here to inform their thinking.

Private Wealth Banking Global Best Practices - Content

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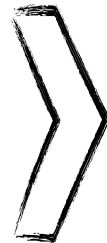
Key case study– the Wealth Division of RBS turns to a uniform core banking system

The three Wealth Divisions of RBS (Coutts & Co, Coutts International and Adam & Co) uniformed their IT platform using Avaloq

Existing Situation

Royal Bank of Scotland has three Wealth Divisions with several banking platform

- Adam & Co had a proprietary legacy system
- Coutts and Co had a fragmented application landscape
- Coutts International started using Avaloq in 2008



The Problem

Different fragmented banking platform were not optimal

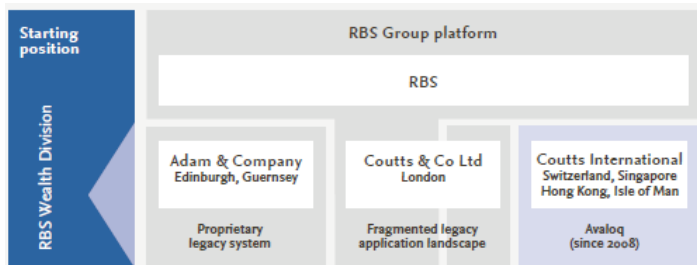
- Difficult to reach synergies
- The different platforms were ageing
- To create a common banking platform required the largest investment ever made
- The Avaloq software was the most promising, but it is a Swiss based platform and suffered a lot of skepticism between the executives of the British bank



The Solution

Implementation of the new Avaloq software

- Operate as a global organisation
- Back office in Switzerland executing transaction for every market
- Swiss branch becomes responsible for further development of functionality for the entire division
- Removed costly peripheral systems
- New consolidated reporting method



Source: expert interviews, secondary research; "A huge step for Coutts and British private banking" - Solutions

Key case study– new approach for Santander Private Banking client statements



Santander moved to a new monthly statement system in order to improve operational efficiency and leverage them as a marketing tool

Existing Situation

Santander Private Banking in Jersey is part of the Santander Private Banking Division

- Formerly known as Abbey International
- Operates in Europe, Latin America and USA
- Employs over 2,000 professionals with more than 120 branches
- One of the largest private banks in the world.



The Problem

Santander Private Banking needed to move to new monthly statements as part of a major rebranding exercise

- Rebranding from Abbey to Santander
- Wanted to transform the effectiveness of these transactional documents as a marketing tool
- Wanted to reduce its costs by improving operational efficiency



The Solution

Tripartium redesigned Santander Private Banking's statements

- Redesigned Santander Private Banking's statements to open up new TransPromo possibilities
- Daily statements are produced on TriPartum's scalable document processing service – ensuring full production audit trail and integrity.

Benefit delivered:

- New summary sheet with dedicated variable marketing messaging box
- Improved look and feel
- Paper usage reduced by over 50%
- Significant savings on postage

Source: expert interviews, secondary research; "Santander Private Banking" – Tripartium March 2012

Key case study– AMP employed a targeted market entry approach to capture underserved parts of HNW market

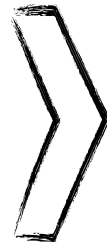


AMP identified the Australian HNW market as an attractive growth segment given its size and growth rate. More over, it is fragmented with the majority of HNWs underserved by current providers

Existing Situation

AMP was not accessing the large and growing Australian HNW market

- The Australian HNW market is fragmented with the top 10 players having less than 25% market share
- Many HNW do not use services offered by existing providers



The Problem

The AMP Brand did not resonate well with HNWs, this group of people are not homogenous and it is difficult to acquire HNWs

- Needed to identify specific parts of the HNW market where AMPs brand resonated with the target
- Segmenting HNWs on source and size of wealth had limited success
- Needed to find a way to connect and engage with HNWs quickly and get them to become an AMP client



The Solution

Designed and implemented an approach to acquire specific HNW within well understood cohorts

- Captured psychographic, demographic and behavioral data on HNW and created a self-organising market map.
- Employed a dynamic segmentation approach to identify/target two specific HNW cohorts that resonated well with brand and were large and growing.
- Matched the HNW cohort groups with specific adviser/banker types (age, background and experience) that they would quickly engage to.
- Used specific language and marketing materials that resonated with HNW prospects to describe business services.

Source: expert interviews, secondary research , "<http://blogs.terrapinn.com/total-asset/2011/11/08/free-download-presentation-amp-private-wealth-management/>"

Key case study– Sentinel Bank & Trust turns to IPBS - International Private Banking System

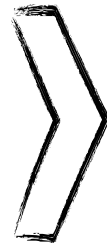


A Private Bank with an ageing software system turns to a private wealth management solutions provider instead of re-developing its own back-end, with clear economic and operational advantages

Existing Situation

Sentinel supplies a range of services to high net worth individuals, directly and through their managers and agents

- Sentinel bank & Trust is part of the Colina Group – largest life and group insurer in the Bahamas
- Provides services for administration and corporate secretarial administration services, client accounting and international private banking.



The Problem

A new management team at Sentinel Bank & Trust inherited a set of legacy technologies that were hampering its ability to deliver value-added services to its clients

- Sentinel had no client-facing internet capability, because the platform was unable to support it
- With competition growing in this arena, and switching options much cheaper for clients, it was a strategic gap that needed to be filled quickly and effectively
- Sentinel's existing database was ageing and increasingly difficult to work with



The Solution

The IPBS solution created a fully integrated back office system

The specific efficiency benefits comprise:

- Reduction of re-keying of data
- Reduced risk of error associated with multiple data entry points
- Seamless integration through the banks operations
- Full operational control
- Support is now 24/7

In summary the benefit provided by an off the shelf solution are:

- Seamless integration of back office
- End to re-keyed data and associated risks
- Full internet capability
- Full compliance with AML and KYC
- Database duplication avoided, legacy system removed

Note: AML (Anti Money Laundering); KYC (Know Your Customer) initiatives

Source: expert interviews, secondary research

Key case study– increasing efficiency at Bank Sarasin

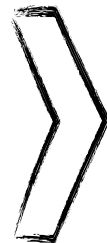


After discovering that the existing terminal systems were too cumbersome and expensive for its private banking and asset management needs, Bank Sarasin replaced them

Existing Situation

Swiss Bank Sarasin launched a comprehensive program to increase company efficiency

- Founded in 1841
- One of Switzerland’s leading private banking institutions
- Sustainable development of asset management, its core business
- Headquartered in Basel, Switzerland



The Problem

Existing terminal systems too cumbersome and expensive

- Not fitting Sarasin private banking and asset management needs
- Analysts and investment strategists were sending their recommendations to financial advisors and asset managers by fax, letter or e-mail
- Difficult to store the information with an increasing amount of data



The Solution

Replace the terminals

- Provided by Interactive Data
- Realized significant annual cost savings

Benefit delivered with the new terminal system:

- User-friendliness and easy handling without training effort
- Control of individual access rights via sophisticated permission system
- DDE interfaces - for the direct export of financial data into spread sheets
- Drag & drop functionality
- Broadcasting functionality

Source: expert interviews, secondary research; “Case Study: Prime Terminal for Private Banking” – 2010 Interactive Data

Best practice case studies in High End Wealth and Private Banking

Company	Capability	Example
	Strategic segmentation	<p>Strategic segmentation is used for broad, enterprise-wide purposes — operating model design, branded customer experience, and overall value proposition development. It often becomes the basis for the design of the organization. Charles Schwab’s approach to segmenting investors by assets and desired relationship support level is one example. Many retail banks group their customers into income or asset classes such as affluent, mass affluent, and mass market, and others combine these classifications with insights relating to behaviors and channel usage.</p> <p>Read the full article</p>
	Integrating behavioural finance into investment management	<p>Barclays Wealth integrates the science of behavioral finance into the investment management process in designing and implementing portfolio wealth management solutions for clients. Barclays apply a proprietary tool, a ‘financial personality assessment’, to assess an individual’s risk tolerance and ‘composure’, so as to identify how an individual’s personality can affect investment decisions.</p> <p>Barclays also provide other tools and research to provide clients with behavioural finance insights</p>



Source: ICG Analysis

Best practice case studies in High End Wealth and Private Banking

Company	Capability	Example
	Restricted offers	<p>As wealthy clients behave more like institutions, it also becomes easier for big investment banks to win their business. Goldman Sachs have been particularly active in this field, offering sophisticated investment-banking products. For instance, they led a \$1.5 billion private placement of shares in Facebook in January 2011 which it offered to its private clients outside the United States.</p> <p>Read the full article</p>

Source: ICG Analysis

Best practice case studies in High End Wealth and Private Banking

Company	Capability	Example
	Retail customer based demographics	<p>Coutts offers services specifically for landowners (mainly farmers), executives and sports stars. At Coutts, teams that specialize in agriculture and know how that industry works advise landowner clients. Professional athletes receive investment help and advice from former sports pros or team managers who understand their needs.</p> <p>Read the full article</p>
	Standardised segmentation pan-bank	<p>Barclays has rebranded its private banking, investment and corporate businesses, which will from now on all operate under the title 'Barclays'. Barclays Wealth, Barclays Capital (BarCap) and Barclays Corporate have all dropped their distinctive second words to present a unified branding identity. A bank spokesman said: "We believe that we better serve our clients by bringing them the best of Barclays, from across the entire organisation. We can do that more easily, and more efficiently, by bringing our divisions together under one brand."</p> <p>Read the full article</p>

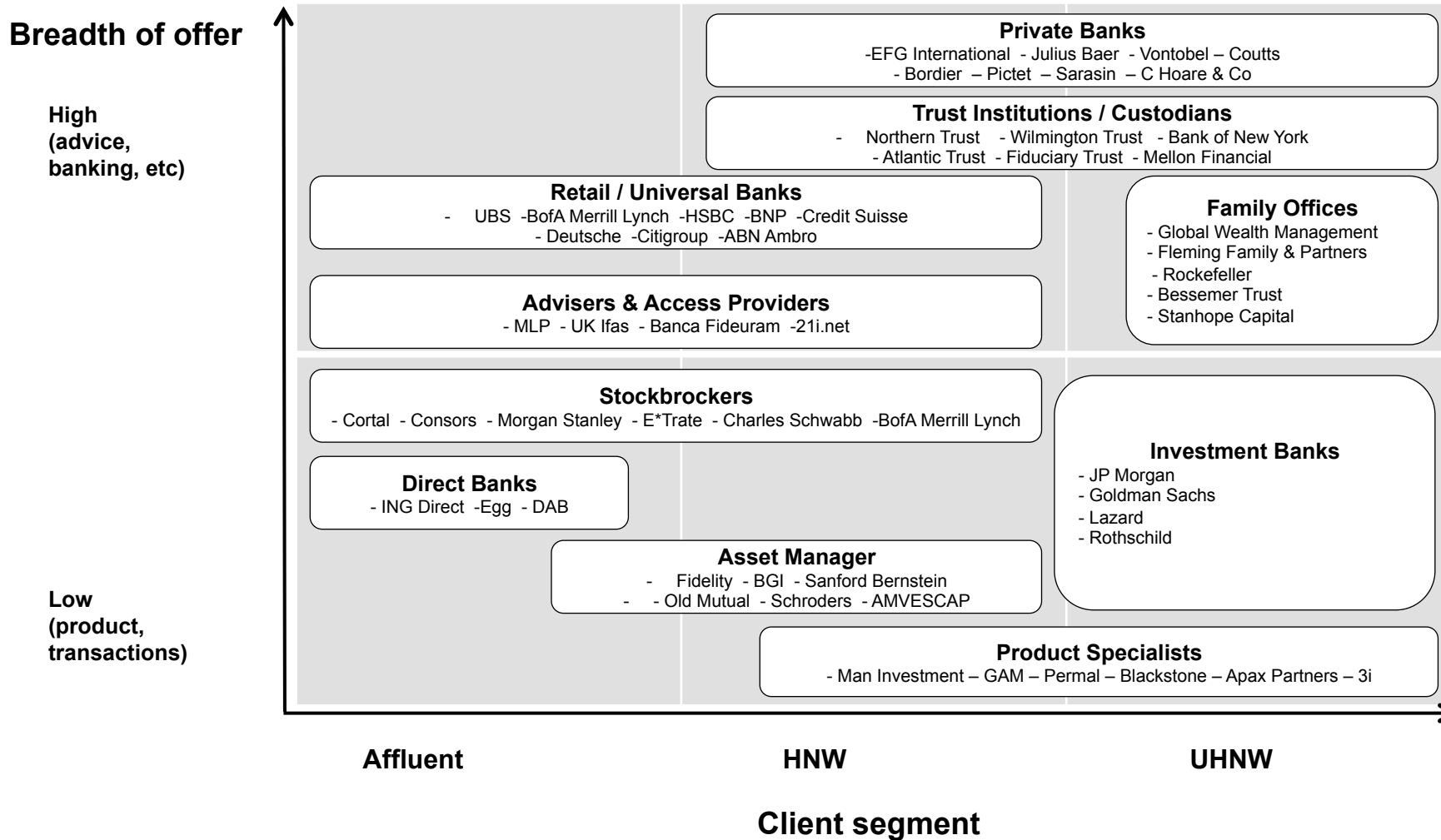
Source: ICG Analysis

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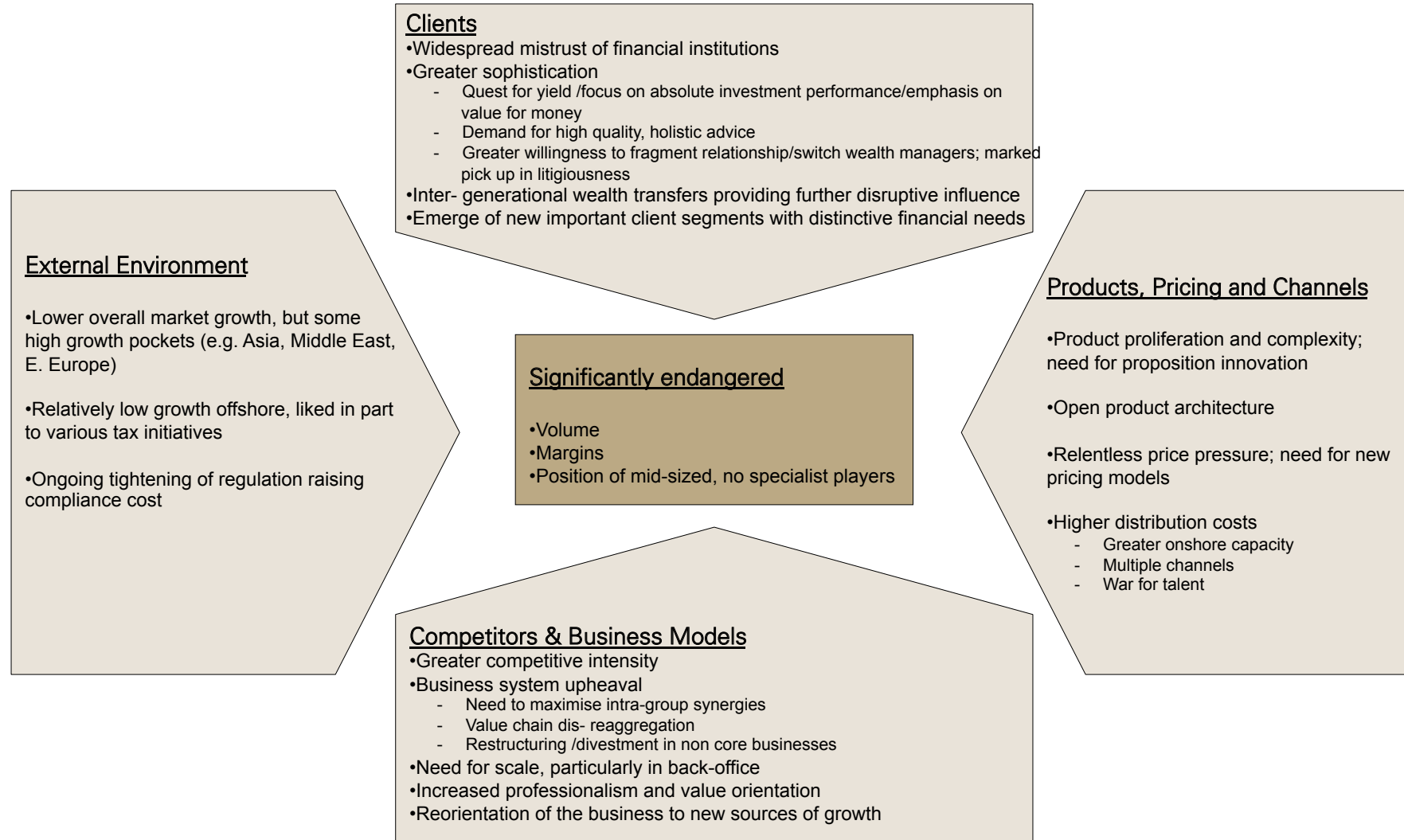


Critical Framework: wealth management competitor landscape



Source: "Global Private Banking and Wealth Management" – David Maude

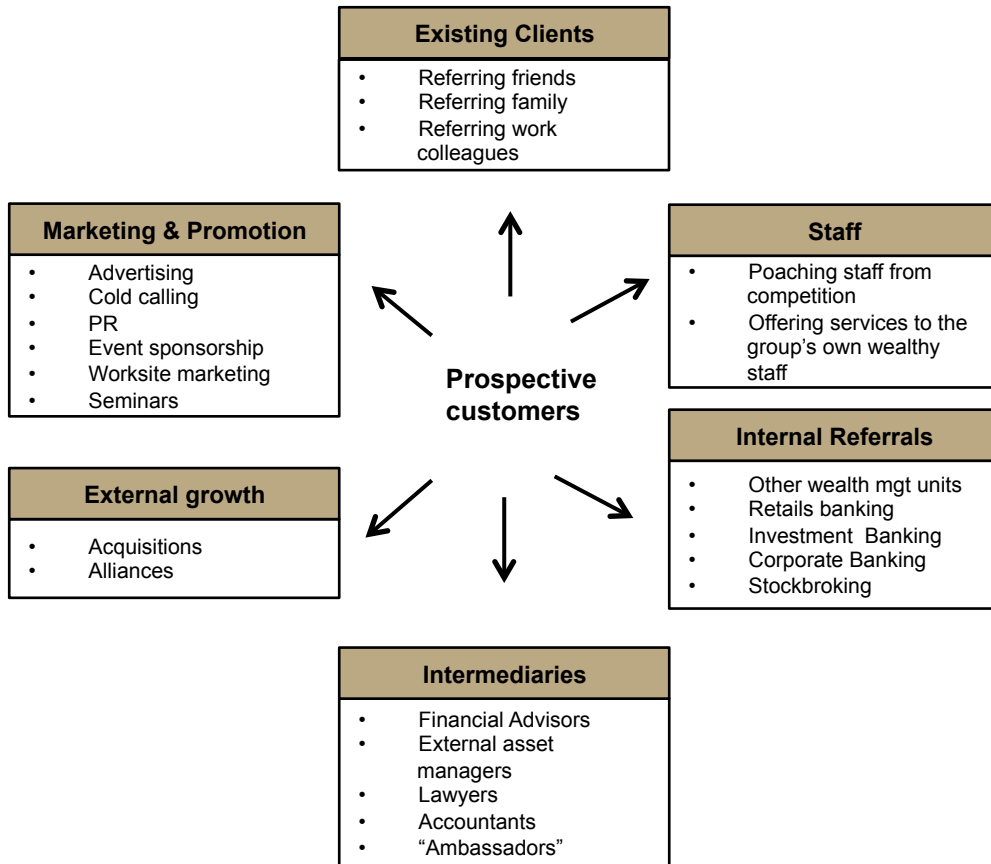
Critical Framework: key wealth management industry challenges



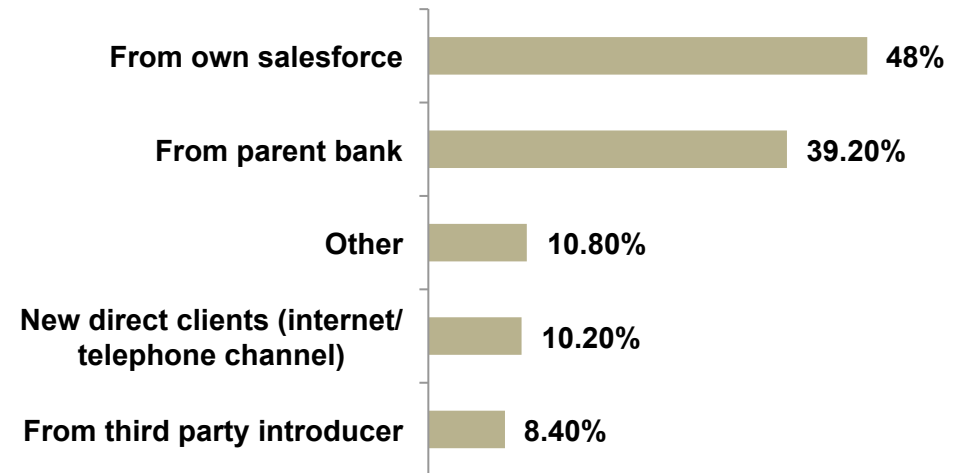
Source: "Global Private Banking and Wealth Management" – David Maude

Critical Framework: sources of prospective and new clients

SOURCE OF PROSPECTIVE CLIENTS

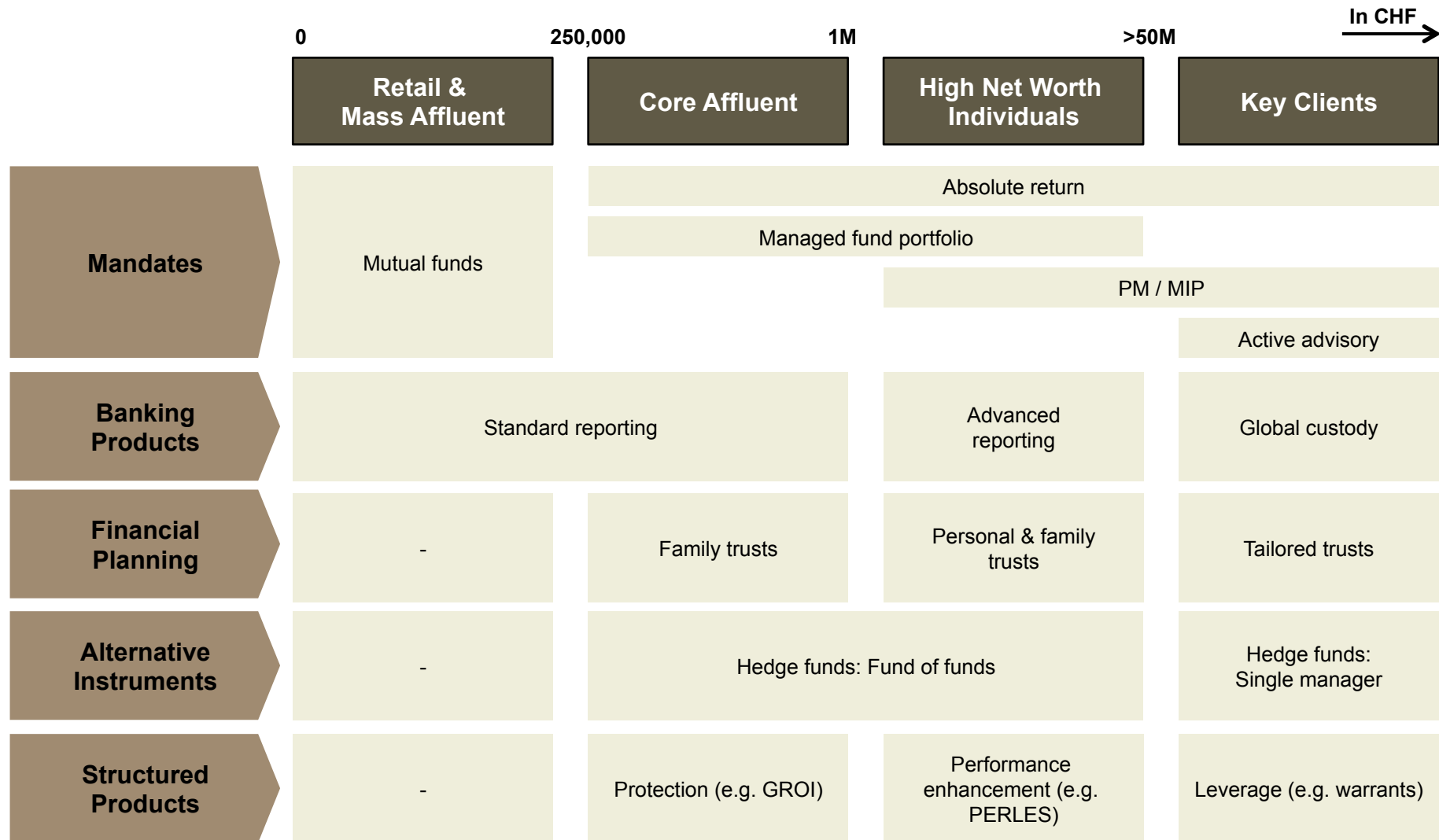


SOURCE OF NEW CLIENTS



Source: "Client acquisition in Wealth Management survey" – Datamonitor; Oliver Wyman

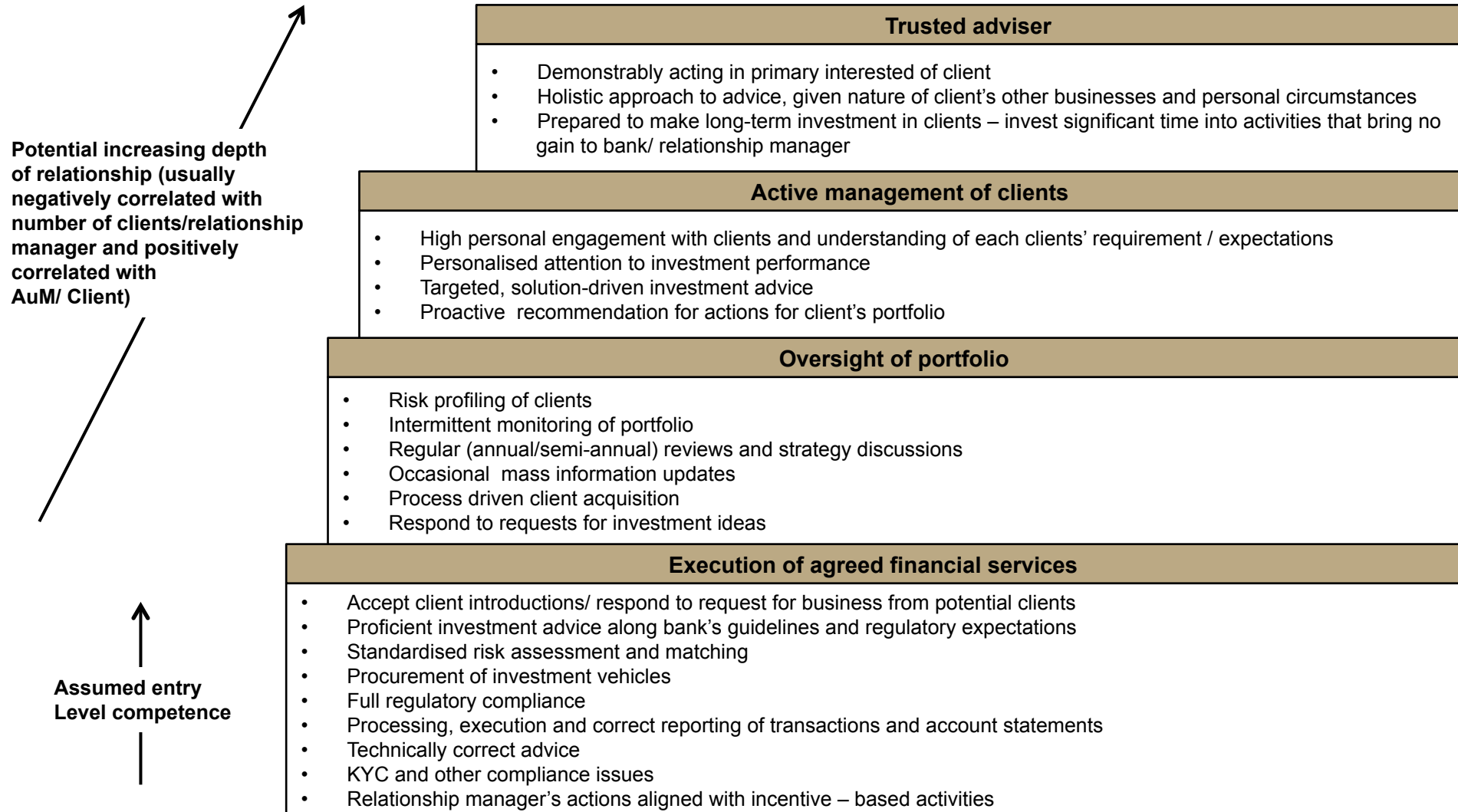
Critical Framework: modular investment platform



Note: PM (portfolio management); MIP (managed investment portfolio); GROI (guaranteed return of investment); PERLES (performance linked to equity securities)

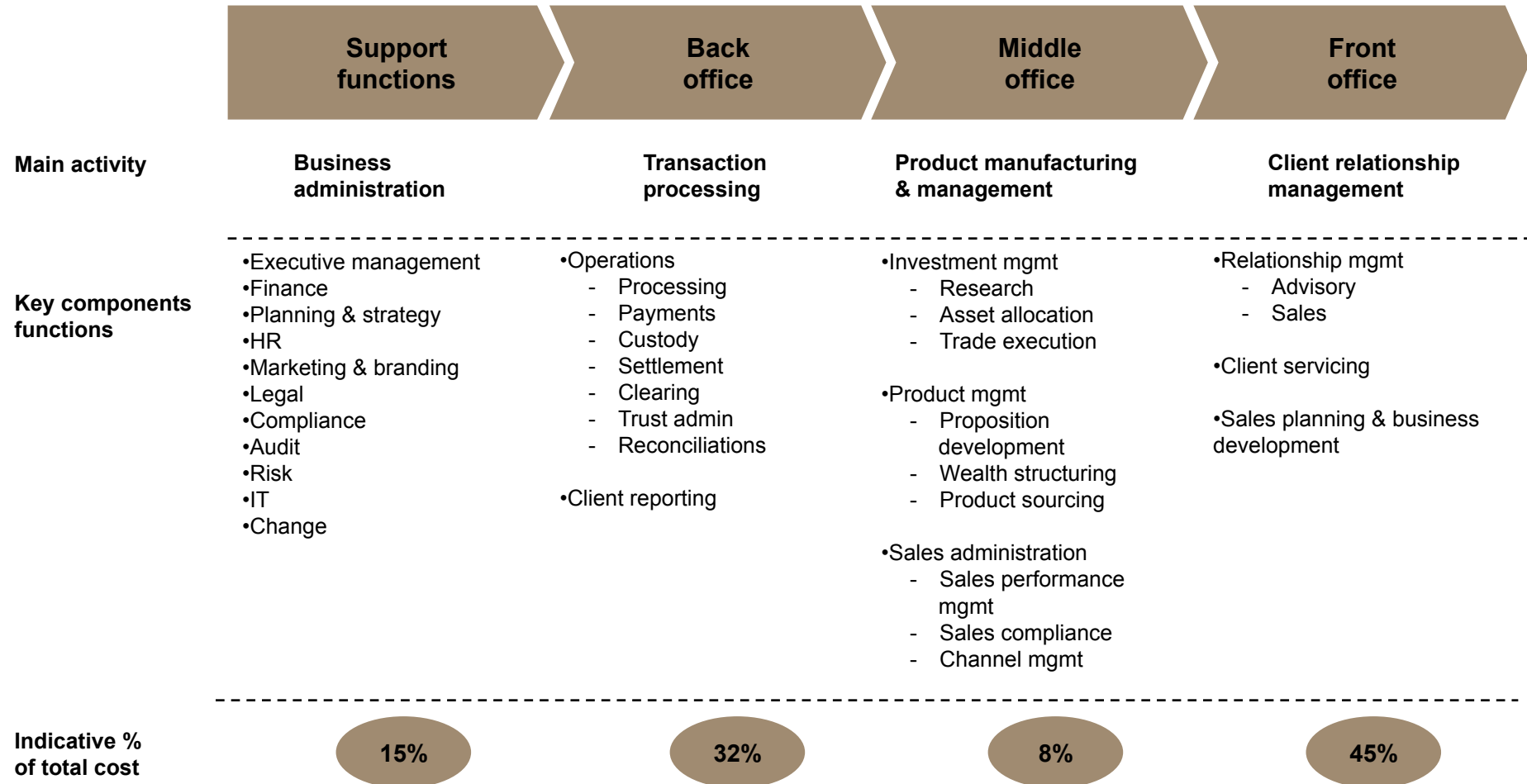
Source: UBS

Critical Framework: steps to excellence in client relationship management



Source: Booz Allen Hamilton

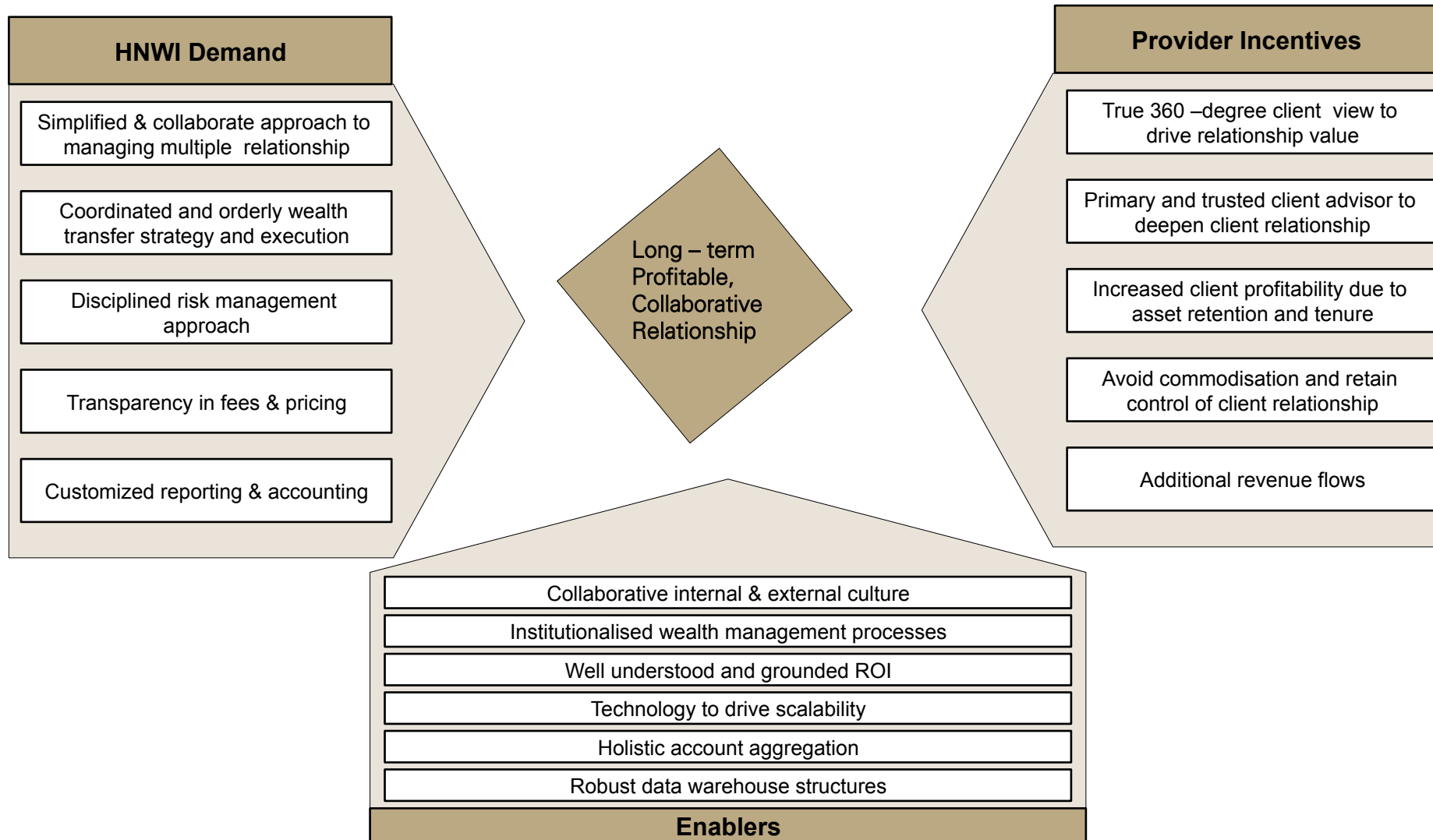
Critical Framework: the wealth management value chain



Note: there is a substantial variation across business models and individual players

Source: "Global Private Banking and Wealth Management" – David Maude

Critical Framework: key success factors in the High End Wealth firm evolution



Source: "World Wealth Report" - Capgemini – Merrill Lynch



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visit our website at www.internalconsulting.com.

This document was prepared by ICG's Financial Services Practice