TECHNOLOGY AND OPERATIONS TRENDS IN THE WEALTH MANAGEMENT INDUSTRY

2014

EVOLUTIONS IN IT, OUTSOURCING AND DIGITAL MEDIA

WealthBriefing WEATHERILL ADVENT

CONTENTS

FOREWORD

The 2014 *Technology and Operations Trends Report*, produced by *WealthBriefing*/Weatherill Consulting in association with Advent, builds on the success of last year's project. It explores further the themes identified in 2013, but also draws out a whole new set of priorities wealth managers are now pondering. Again, the primary research comprised a series of surveys carried out with technology and operations executives internationally. As readers will note, however, this year's report is far more qualitative in tone. This change reflects the many subtleties of the decisions wealth managers are now having to make. It is also indicative of the intense debate fomented by some current technology and operations trends.

Yet this debate is undoubtedly more open in tone than ever before. The common challenges wealth managers face have focused and *opened* the collective mind of the industry, so that strategic thinking is applied rigorously across the board. As such, firms are searching for ways to glean the maximum return from any investment, although – as will be discussed – this may manifest off balance sheet in some instances. The industry is asking how technology spend, and even the cost of compliance, can be turned to better account.

The growing importance of technology to wealth management hardly needs comment. Indeed, as Section 1 of this document will show, it is seen as institutions' best defence against the ongoing barrage of regulatory change; it is also key, if not absolutely foundational, to the aggressive cost-cutting efforts being seen across models and markets. So too are the kind of bold outsourcing decisions many institutions are making today.

Previous *WealthBriefing* research has examined the digital client experience in depth, and further projects are already underway in a number of specialist areas. With exciting developments happening across social, mobile and big data through the cloud, pooling expert commentary from both technology specialists and wealth management leaders continues to be a fascinating enterprise, as is synthesising these insights with those gathered from front-line professionals and clients themselves. The fact that progress on digital is uneven in the extreme adds even more interest to the debate.

The input of the expert contributors and survey participants revealed fascinating granular insights across various markets and styles of business - and it is much appreciated. Thanks naturally also go to Advent for its continued support for this and other thought-leadership projects and events.

Feedback is most welcome, and should be directed to
wendy.spires@wealthbriefing.com

Wendy Spires - *Editorial Consultant*

RESEARCH ORIGINATORS

MARTIN ENGDAL

DIRECTOR OF PRODUCT MARKETING & BUSINESS DEVELOPMENT, EMEA - ADVENT SOFTWARE

Martin Engdal is director of product marketing and business development for EMEA at Advent Software. He has been with Advent for eight years and has worked in several senior sales and business development roles supporting the extensive business growth of Advent in the EMEA region. Martin has responsibility for product marketing, business development and Advent EMEA's alliance partners within the wealth and asset management industry. Prior to joining Advent, Martin served as head of client relationships and portfolio manager at Danske Bank, Alfred Berg Asset Management and Nykredit Asset Management before going on to be director of pre-sales at SimCorp.

AUTHOR

WENDY SPIRES

EDITORIAL CONSULTANT - *WEALTHBRIEFING*

Wendy Spires is an editorial consultant for *WealthBriefing's* research arm, having previously served as its head for several years. Her most recent role is as a PR and communications consultant at Bulletin, specialising in research and thought-leadership for the wealth and asset management sector. Wendy has written an array of in-depth reports on issues affecting the industry, including client experience, branding and marketing and risk-profiling methodologies, along with technology and operations. She has also spoken at high-profile conferences both in the UK and abroad.

BRUCE WEATHERILL

CEO - WEATHERILL CONSULTING; CHAIRMAN - CLEARVIEW FINANCIAL MEDIA

Bruce Weatherill is a chartered accountant who has over 35 years of experience in global financial services. He served as a financial services partner at PwC for two decades, providing audit and consultancy services to institutions across the investment management and private banking/wealth management sectors. Bruce was global leader of PwC's private banking and wealth management practice for 10 years, and was a key driver and author of its biennial *Global Private Banking and Wealth Management Survey*. He now heads his own consultancy, along with holding several non-executive positions. Bruce is also known as the author of *The Value of Trust: The Quest by Wealth Managers for Trusted Advisor Status*.

EDITORIAL PANEL

CHRIS HAMBLIN
EDITOR - "COMPLIANCE MATTERS"

Chris Hamblin has edited numerous financial publications over the years, primarily in compliance. He ran *Compliance Monitor, Fraud Intelligence* and *Money Laundering Bulletin* between 1997 and 1999 and then covered for the editors of all Complinet's online publications as the one expert who had experience of every sector. In 2001 he set up *Complinet Money Laundering* and ran it until its dissolution in 2009, chairing many compliance conferences, including one for Chatham House, along the way. He is now the editor of *Compliance Matters* and *Offshore Red,* and the compliance editor of *WealthBriefing*.

KEITH MacDonald
PARTNER - GLOBAL FINANCIAL SERVICES, EY

Keith MacDonald is a partner in EY's global financial services practice, leading the wealth management and private banking business. He has led a range of strategy, M&A, re-platforming/outsourcing and restructuring engagements in the UK and internationally, and is responsible for EY's thought-leadership and service development for the sector. He is member of EY's global wealth and asset management partner team. Prior to EY, Keith was a partner at Capco and vice president at Cap Gemini Ernst & Young.

NICK McCALL
CHIEF EXECUTIVE - FALCON PRIVATE WEALTH

Nick McCall is now CEO of Falcon Private Wealth, having previously served as chief operating/chief financial officer at Clariden Leu (Europe). He transferred to Clariden Leu from Credit Suisse, where he held the position of director, head of country management and governance, regional management – a role which carried governance responsibility for Credit Suisse's activities across EMEA. Nick joined Credit Suisse First Boston in 2000 when the firm merged with Donaldson, Lufkin & Jenrette International (where he had been treasurer). Before this he held senior treasury and banking roles at Merrill Lynch, Banco Bilbao Vizcaya and Lloyds Bank International.

DARYL ROXBURGH
GLOBAL HEAD - BITA RISK

Daryl Roxburgh, global head of BITA Risk, spent the first 20 years of his career at leading private client and institutional investment managers. Starting as a private client fund manager at Buckmaster & Moore, he progressed to general manager, private clients and ultimately IT director for what had become Credit Suisse Asset Management. Daryl next moved to M&G as a senior consultant before joining Prudential Portfolio Managers as global head of IT. After a period with City Consultants, Daryl joined BITA Risk in 2004, where he has led the design of its range of private client and institutional applications.

EDITORIAL PANEL

APRIL RUDIN
FOUNDER AND PRESIDENT - THE RUDIN GROUP

April Rudin is a financial services marketing strategist who is known as an expert on digital media in wealth management. An international authority on social media and next gen issues, April has partnered with forward-looking financial institutions all around the world to devise multi-channel communications strategies with differentiation at their core. April is increasingly prominent as a thought-leader in Asia and Europe, as well as in her native US, and has spoken at high-profile conferences in most major wealth management centres internationally. She is also a regular contributor to several prestigious publications, in addition to serving as HNW chair for the Hedge Fund Association.

ALESSANDRO TONCHIA
CO-FOUNDER - FINANTIX

Alessandro Tonchia is one of Finantix's founders, and as strategy director he focuses on the company's growth and overall direction. He is responsible for communications with major clients, business partners and analysts worldwide. Since 1992, Alessandro has represented Finantix in various capacities related to product development and global account management, and has been responsible for the implementation of wealth management platforms. Before establishing Finantix, Alessandro was a consultant specialising in the areas of process management and CRM.

STEPHEN WALL
SENIOR ANALYST, WEALTH MANAGEMENT - AITE GROUP

Stephen Wall is a senior analyst with Aite Group, specialising in the international private banking and wealth management sector. His main areas of focus are the sector's business and competitive landscape across onshore and offshore jurisdictions, and its evolving demands and influences - such as new markets, competition, client demands, regulation and technology. Stephen has more than 13 years of research experience and has particular expertise in market analysis, sizing and gap analysis; competitive intelligence and benchmarking; market entry strategy; client and advisor insight; proposition and segmentation development; partnership strategy and strategic due diligence. He worked as both an independent analyst and for Scorpio Partnership before joining Aite.

IAN WOODHOUSE
DIRECTOR, PRIVATE BANKING AND WEALTH MANAGEMENT - PWC

Ian Woodhouse is a key member of PwC's EMEA private banking and wealth management practice leadership team and the firm's customer operations competency area. He has over 20 years of experience helping private banks and wealth managers achieve success through transformation initiatives. Ian and his team support institutions in their efforts to increase productivity and grow revenues sustainably against an ever-changing regulatory backdrop. A highly-regarded thought-leader internationally, Ian is lead author of *PwC's Global Private Banking and Wealth Management Survey*, which enables participants to benchmark their relative position across key business areas.

EXECUTIVE SUMMARY: TEN KEY TECHNOLOGY AND OPERATIONS TRENDS

1.) REGULATORY CHANGE EXPECTED TO RATCHET UP FURTHER; MiFID II AND SUITABILITY ARE HAVING THE BIGGEST IMPACT

Two-thirds of those surveyed expect the pace and impact of regulatory change to increase over the next three years. Enhanced MiFID and suitability are having the biggest impact on operations and systems currently, with FATCA, EMIR and UCITS VI rounding out the top five regulatory headaches.

2.) TECHNOLOGY IS SEEN AS A SAVIOUR, BUT WEALTH MANAGERS WANT IT TO HELP EVEN MORE

The participants overwhelmingly see technology as playing a crucial role in helping their firm meet its regulatory requirements. But wealth managers want it to do even more: almost nine out of ten believe technology could play a greater role.

3.) MANY FIRMS' SYSTEMS AND PROCESSES ARE UNDER SEVERE PRESSURE

A quarter of participants believe their firm's systems and processes will have to change significantly over the next two years if the business is to meet its objectives. Meanwhile, a fifth report that their firm's systems are under pressure and will require bolt-ons, and 14% are looking at significant upgrades.

4.) INDUSTRY SPLIT ON ONE VERSUS MULTIPLE TECHNOLOGY PROVIDERS

A quarter of wealth managers said their firm needs multiple technology providers, while 16% believe its needs are mostly met by its main provider (the remainder were spread along a continuum as to single vendor/best-of-breed preferences). Multiple factors are influencing wealth managers' stance on this and integration issues are top of the agenda.

5.) TECHNOLOGY OUTSOURCING AND HOSTED SOLUTIONS SET TO SOAR

Two-thirds of those surveyed said they were willing/highly willing to consider outsourced technology solutions and hosting by third parties. Correspondingly, a similar proportion expect their firm's spend in these areas to increase in the next three years.

6.) EFFICIENCIES, FOCUS AND COST CONTROL PRIMARY DRIVERS OF OUTSOURCING, BUT IT'S ALSO ABOUT IMPROVING SERVICE

Technology outsourcing is being driven by wealth managers' desire to improve their efficiency, focus on core business activities and reduce costs, but improving service quality is also a big motivator. Outsourcing is increasingly seen as a proposition enhancement play.

7.) NERVINESS OVER CLIENT DATA REMAINS

A strong reluctance to lose sight of client data still prevails, with wealth managers far more willing to outsource transactional processes. Hosted asset management platforms were a popular choice among close to half of participants, continuing last year's trend of firms reviewing their platforms and looking for alternatives

8.) WEALTH MANAGERS *ARE* GETTING MORE COMFORTABLE WITH CLOUD TECHNOLOGY

Nearly half of firms will up their usage of cloud technology in the next three years, and a further 14% will increase it *significantly*. While the majority are still using their own servers for data storage and management, a significant proportion are taking a blended approach with at least some cloud deployment.

9.) SECURITY CONCERNS, LEGACY ISSUES ARE THE BIGGEST BARRIERS TO CLOUD TAKE-UP

Predictably, worries over data security are the biggest barrier to wealth managers adopting cloud computing more extensively. However, legacy issues are also a big issue, with over half of participants citing these kinds of difficulties as a very significant factor. Fears of regulatory censure are also running high - as might be expected when the picture remains somewhat unclear.

10.) INNOVATION GATHERING PACE; TECHNOLOGY WEAKNESSES TARGETED

Wealth managers are still catching up on the digital client experience, with less than half of UK firms currently using tablets in client meetings. Client reporting remains an area of weakness at many firms, which represents a big opportunity to differentiate when clients are more transparency and value-focused than ever before.

1 REGULATORY WOES: NO END IN SIGHT; TECHNOLOGY SEEN AS A SAVIOUR

Wealth managers have to work under the dictum that "if it's not documented then it's not done". You must have an audit trail – Bruce Weatherill

For some years now wealth managers have faced increased - and increasingly complex – regulation at a national, regional and global level. Complying with an alphabet soup of new rules is costing firms dearly, eroding profits but also diverting attention and resources away from other initiatives intended to protect and grow revenues. The complex interplay between the various regulatory regimes adds a further layer of distraction, particularly where there is the kind of uncertainty described on page 10.

The pace of regulatory change is as alarming as its volume. As one might expect, comparing 2013 with this year reveals some big changes in terms of which requirements are having the biggest impact on wealth managers' operations and systems. It is wholly unsurprising that MiFID II has shot into the top spot this year since the European Securities and Markets Authority will consult on the rules throughout 2014 ahead of their anticipated 2016 implementation (there are thought to be 100 pieces of standards and advice to be drafted). The potential clash between the EU directive and RDR could also be part of the reason why the latter has risen slightly higher in the 2014 ranking of regulatory headaches, despite it having been "live" for some 18 months now.

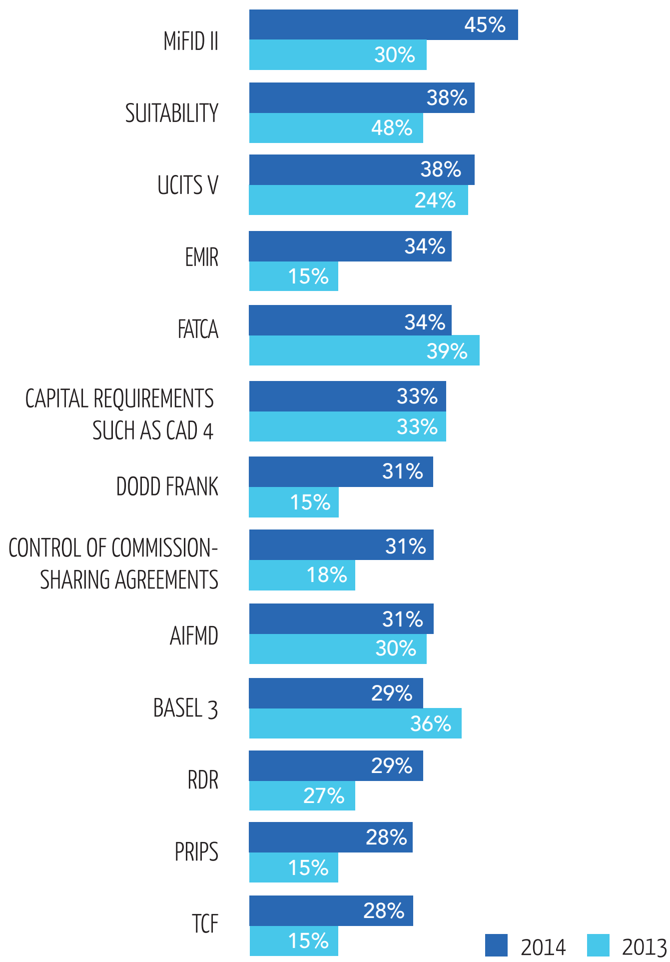
With primary research for this report having been carried out in the months just preceding FATCA coming (partially) into force on 1 July 2014, it's unsurprising that the Act was found to be having a high or very high impact on a third of wealth managers' operations and systems. The industry will be comforted by the fact that the IRS does not seem to be taking quite the draconian stance once feared, and that the deadlines for compliance have in fact been staggered (Foreign Financial Institutions won't have to apply the 30% withholding tax until 2015, for example). One would hope, however, that few firms are de-prioritising full compliance in the hope that the legislation is watered down further.

As described below/overleaf, software development around FATCA continues apace, despite the softening of the deadline. The unprecedented scope of FATCA and the massive administrative burden it entails have created boom times for specialist technology providers. But, as described on page 11, institutions are also turning to specialists to cope with the minutiae of enhanced MiFID, EMIR, UCITS and other requirements. It's not just the headline requirements which are causing serious headaches.

The 2013 Technology and Operations Trends Report revealed that increased regulation had stymied change programmes at a great number of firms, with 70% of participants reporting a high or very high negative impact. This trend continues in 2014 with increased regulatory impact

FIGURE 1

Proportion of respondents seeing a high/very high impact on their firm's operations and systems, comparing this year to last.



IN FOCUS:

What's really happening with EMIR, FATCA and UCITS V, and how are software vendors responding?

Chris Hamblin, editor of "Compliance Matters", explains the latest on three of wealth managers' top-five regulatory headaches.

EMIR

Absolutely nobody is enjoying EMIR reporting - the EU regulation designed to tackle instability in the derivatives market. Compliance and operations departments are converging and having to speak each others' language more effectively. Legal departments are coming to be involved too, with the need for new contracts. Wealth managers that do not pass on their customer relationships to exchange-facing firms are held to be "executing" and must report. There are 85 fields to fill in under EMIR, as opposed to 25 under MiFID.

FATCA

The hottest news concerning FATCA is that the IRS is now prepared to waive the dreaded 30% withholding tax on condition that the non-US institution in question has made "good faith efforts" and "reasonable efforts" to comply. These terms are undefined, but Republican politicians have been watering FATCA down for months and this could be the development that emasculates it. The software development, however, goes on frenetically.

UCITS V

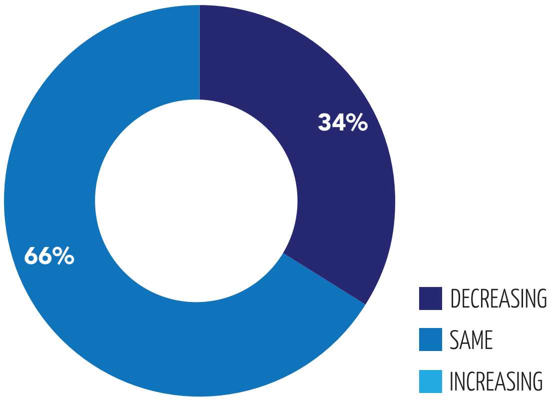
UCITS V is still being formulated and will bring the existing UCITS rules into alignment with some of the innovations of the AIFMD. Both depositaries and asset managers are developing control and monitoring software for its new regime for depositaries; custodians need "due diligence" (onboarding) software for sub-custodians and for counterparties outside the sub-custodial realm; and some asset managers and/or management companies (Mancos) are looking at remuneration software as MiFID II will call for fresh pay policies and, in some cases, remuneration committees.

Mancos whose business is international are fitting software to deal with foreign custodians under other regimes, adding a new layer of complexity to already-muddy waters. Some asset managers are undoubtedly re-evaluating their foreign relationships, with a view to cutting the more onerous ones.

Half the spreadsheets used by large companies have material defects in them, according to research by F1F9

FIGURE 2

How do you see the pace and impact of regulatory change over the next 3 years?



Two-thirds of respondents see the pace and impact of regulatory change increasing over the next three years

NO LET-UP; TECH MUST STEP UP

Two-thirds of respondents see the pace and impact of regulatory change increasing over the next three years, while the remaining third only see it remaining at the same dizzying pace. While the industry is now some time in with some big change programmes, like RDR, by mid-2017 we will have seen the implementation of regimes far greater in scope. MiFID II is the biggest overhaul in EU financial markets regulation in a decade, while FATCA has piled unprecedented complexity onto US taxpayers and the wealth managers serving them. (The "orphaning" of US clients has been well documented and 2013 saw a 221% annual increase in the number renouncing their citizenship.)

But as well as sweeping reforms, regulators have been getting noticeably more granular in their oversight of how investment firms operate. For example, the UK regulator's recent thematic reviews have examined subjects as diverse as the robustness of asset managers' outsourcing arrangements and the reliability of mobile banking and payment systems; one on execution-only is due in the second half of 2014. It's no wonder the survey participants see no let-up in regulators' demands.

Wealth managers clearly see technology as their saviour. On aggregate, 83% of respondents said that technology plays a very important or critical role in helping their firm meet its regulatory obligations. That said, firms want technology providers to do *even* more: 86% said that technology could play a greater role.

IN FOCUS:

Reincarnation for RDR?

The RDR arguably set the UK at the forefront of international moves towards more independent, client-centric advice, yet its principles seem not to have translated fully into the Markets in Financial Instruments Directive II. As a result, Cerulli Associates has chided Europe's regulatory stance as flying in the face of "worldwide transformational change".

While the RDR has abolished commissions, MiFID II makes a clearer distinction between independent and non-independent advice, allowing the latter type of provider (the prevalent model in Europe) to continue with inducements.

The potential misalignment of the two regulatory regimes once MiFID II comes into force throws up questions of precedence (although MiFID II does seem to allow national regulators to override the EU directive), not to mention the question of whether UK firms will be at a disadvantage to their European peers.

Understandably, wealth managers will also not relish the prospect of further changes to the UK regime. Several contributors said that such is the level of technology under-investment that even this long after implementation they are still seeing wealth managers struggling to provide detailed fee breakdowns, for example.

Wealth managers want a lot from technology vendors in terms of compliance. They want to be provided with the systems necessary to carry out and document the processes required, but they also want those systems to be constantly upping efficiency and reducing the costs (and risks) associated with compliance.

Thinking of suitability and portfolio risk; rather than just covering the letter of the law, you need to align with the spirit of it – Daryl Roxburgh

This is little wonder considering the immense expense involved. The participants in PwC's 2013 *Global Private Banking and Wealth Management Survey* said they expect risk and regulatory compliance to account for 7 per cent of annual revenue by 2015. ComPeer, meanwhile, has predicted that the cost of compliance for UK wealth managers alone will hit £500 million a year by that point (the true cost being estimated as twice the direct expense because of the opportunity costs involved).

ComPeer has also highlighted another important facet to the compliance costs issue, with its finding that two-thirds of UK clients believe that the costs associated with new regulations will be passed onto them. Firms which can show they are taking steps to minimise cost escalation could feasibly turn this into a powerful marketing message.

83% of respondents said technology played a very/critically important role in helping their firm meet its regulatory obligations – but 86% said that technology could play an even greater role

IN FOCUS:

The spotlight on suitability – at a proposition, rather than product level

Amid an international crackdown on unsuitable advice, forward-thinking wealth managers are thinking proactively about how they can leverage the data gathered in the process of evidencing suitability. They realise the more they know about clients the more precisely they can tailor their offering to them and predict their needs. They also see the efficiency gains to be had by systematising (and automating where possible) the process of assessing clients and matching them to appropriate investments, and then monitoring and reviewing that match over time. An institutional-style investment process is rapidly becoming the gold standard for suitability in the private client world, aided by the proliferation of increasingly sophisticated software designed for this purpose. They have to cope, for example, with the fact that suitability questionnaires vary according to regulatory regime (although they are broadly similar in terms of the discovery process they entail).

There is an increasing focus on client outcomes, where the quality of advice is judged by how far it helps the individual achieve their financial objectives rather than whether it was suitable according to the outcome of a cursory tick-box process. Another interesting topic highlighted by Roxburgh was how well suitability will work when the market has another massive correction and whether wealth managers are sufficiently prepared to *keep* their clients' portfolios suitable through risk management. "What will their portfolio protection strategy be? In many cases they can't just go liquid. Will it be defensive equities, or cash, or something else, and how will they execute that? Whether it's a relative or absolute return mandate that they are trying to fulfil and does the client understand that are big questions," he said.

IN FOCUS:

Annex IV reporting welcomed (by some)

From July 2014, all firms which manage or market alternative investment funds in the European Economic Area will be bound by the EU's Alternative Investment Fund Managers Directive. The rules range from principles around proper business conduct up to more controversial leverage and remuneration restrictions.

Alternative investment fund managers will also face far more onerous reporting requirements as asset classes like commodities and FX become reportable. They will have to submit detailed Annex IV reports, either quarterly or bi-annually (dependent on AuM), in addition to the SEC Form PF reporting which came into force in 2012 (the deadline is expected around December 2015).

Compliance consultancies and software manufacturers are racing to rescue fund managers struggling with the more onerous reporting requirements. Numerous tools have been launched to help automate the process, creating yet another sub-sector in the global compliance "industry". Hopefully, the fact that compliant alternative investment fund managers will be able to passport their funds throughout the EU will help offset the additional costs they face.

FUTURE-PROOFING WITHOUT A CRYSTAL BALL

Regulators internationally are clearly pursuing certain shared agendas in their efforts to create a more stable financial system and better protect investors. But regulation is fast moving and often ambiguous, and we should never under-estimate the propensity of regulators (and governments) to surprise. It is impossible to predict *exactly* which new rules or amendments will be coming down the line as regimes continue to evolve over the coming decades. Therefore, there is an argument for wealth managers gathering and storing as much data as they possibly can on each client's profile, objectives and behaviour. This may seem like overkill, but could prove invaluable against future complaints (and it should be remembered that regulatory fines continue to come thick and fast).

It's easy to see how typically-overlooked data could come into its own. Keith MacDonald pointed out that firms can now store "clickstream" data on how customers use websites for years, which could prove useful if a mis-selling or other complaint came up. Martin Engdal, meanwhile, noted that in fact many wealth managers are putting the ability to be able to store as much data as possible on their systems at the heart of a future-proof compliance strategy. "It's about having the right data and being able to store it, manipulate it and ultimately report on it either internally or externally, or in combination. As long as you have that then you will be able to cope," he said. It should be noted, however, that gathering this data needs to be a well structured process to increase the data's usability down the line. "To get the right data you need the right workflow and capture," Engdal continued. Garbage in, garbage out, as the saying goes.

Roxburgh, meanwhile, advises that firms take a holistic approach. "Rather than just covering the letter of the law you need to align with the spirit of it," he said. "Then it's about what constitutes good business practice: you need to be able to understand what you're doing and where any pitfalls might be in terms of risk to your business. Think of it as strategic business process enhancement, not just ticking the box."

Several contributors pointed to a clear divergence between two camps of wealth managers. The first are trying to turn regulatory pressures to their competitive advantage – the need to get their house in order being taken as a chance to become more efficient and institutionalise a more robust processes. The second are trying to "do" compliance as cheaply and painlessly as possible.

> *Fortunately, the attitude of "we have known our clients for many years and that is sufficient" is dying. You need to demonstrate that you know the client; you need to show you have a process behind that too. It's about being consistent and efficient and then the insight you can get from your management information – Daryl Roxburgh*

STICKING PLASTERS COMING UNSTUCK

Stephen Wall believes that most firms fall into the latter category because wealth managers have been swamped by the pure scale of regulatory upheaval and the ever-present problem of legacy systems. He noted that if firms were building from scratch they could be doing better all round, but instead have been working with what they have. "They're often working in silos, with poor data (in silos) and with out-of-date, complex, fragmented, poorly-connected, legacy systems," said Wall. "The processes and technology are clearly there to do better, but the problem is how that integrates with or replaces what is there."

Wall also pointed out that while international players face overlapping regulatory regimes they do then get the advantage of applying lessons from one jurisdiction to others as regulation is standardising broadly across the world's major financial centres (such as with suitability). Single platform systems which can accommodate jurisdictional differences while also facilitating standardisation are likely to find increasing favour.

For Ian Woodhouse, regulation is strategically driving changes to wealth managers' business models and use of technology for the first time. He therefore sees enhanced front-office tools and workflows for advisors as just one of the areas of development wealth managers should be looking at. Such tools will help firms better evidence suitability, while simultaneously upping efficiency and creating a better client (and advisor) experience. This is the kind of triple "win" wealth managers of all stripes need to be chasing, yet may not have the right mindset for at present, according to Woodhouse. "Wealth and asset managers need to develop new skills such as the ability to align and combine business, regulatory and technology solutions to meet client needs *and* regulator demands," he said.

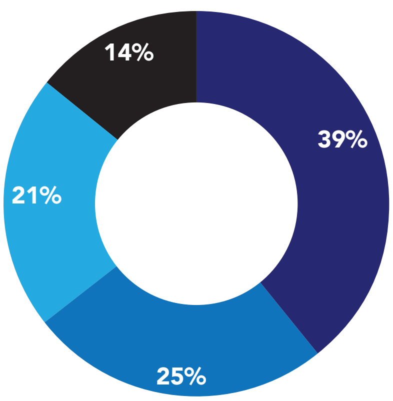
2 SYSTEMS AND PROCESSES CREAKING; INDUSTRY SPLIT ON MULTIPLE PROVIDERS

With modern technologies, systems integration has become an easier task, allowing for highly-efficient, automated best-of-breed solutions with specialist providers – Martin Engdal

As Figure 3 shows, only 39% of survey participants believe their firm's systems and processes are largely satisfactory on a two-year view. A quarter are looking at wholesale change so that their organisation can meet its objectives, while a fifth said their systems and processes are under pressure and will require fairly significant bolt-on developments. The remaining 14% reported "severe strain" and a need for significant upgrading and development.

FIGURE 3

Over the next two years, which of the following best describes your operational strategy?



The wealth management industry is clearly still trying to make up for its historical under-investment in technology, with changing regulatory and client demands acting as a double spur to action. The amounts being invested are significant: almost a half of participants in 2013's study said their firm would spend £1-20 million on technology in 2014. Meanwhile, Ovum predicts US wealth managers alone will spend $3.4 billion on technology in 2014, rising to $4.2 billion by 2018. But despite the huge sums involved, it seems that many wealth managers are still struggling to find precisely what they are looking for – at least all in one place.

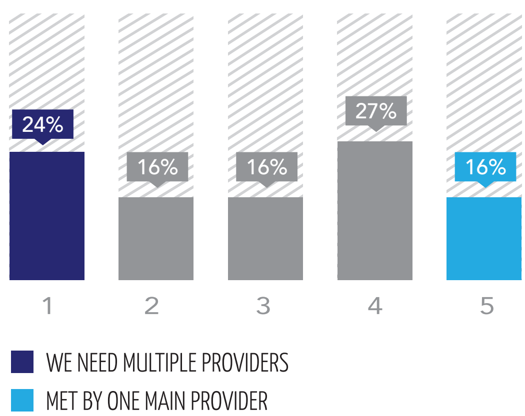
INDUSTRY SPLIT ON SINGLE VS MULTIPLE TECHNOLOGY PROVIDERS

In the main, the participants seemed fairly happy that their firm's main technology provider meets its needs. However, as Figure 4 shows, wealth managers are spread along a continuum on this issue and almost a quarter (24%) said their organisation needs multiple providers. Here we could question the extent to which this need has emerged as a result of new business requirements or legacy systems falling behind in functionality; equally, it could be the case that specialist new solutions have emerged which have *uncovered* a need.

"Large system" vendors don't live or die by one particular element of their system; specialists do – Daryl Roxburgh

FIGURE 4

To what extent does your firm rely on one provider?



Several contributors said that over the past couple of decades the wealth management industry's preference for single-vendor solutions has been eroded and many have come to prefer to cherry-pick from multiple providers. It was also suggested that sometimes their preference is a philosophical one, which may hinge on the attitude of one senior executive. Martin Engdal said it's often a case of whether an institution sees things in terms of best-of-breed or not, and that the larger ones can sometimes have the mentality that single integrated systems can do everything. (Although, he did also point out that contrariwise some firms have policies limiting how reliant they can be on a single provider.)

Vendors must configure their solutions to provide out-of-the-box integration with other leading solutions, as this will make them more appealing to wealth managers seeking best-of-breed capabilities – Stephen Wall

The large vendors certainly have developed systems which purport to do everything, but several of the experts said that this usually entails watered-down functionality in at least one (probably important and specialised) area. "The thing is that large system vendors don't live or die by one particular element of their system; specialists do," noted Roxburgh. "If you're going to be a specialist then you'd better be extremely good at what you do."

But while a best-of-breed approach can deliver flexibility and top-notch functionality, it also brings the significant challenges of managing relationships with multiple vendors and integrating several disparate systems. According to Wall, wealth managers will therefore be looking to cut back on overly complex webs of systems which are complicated and costly to maintain and add to. Instead, he believes many will be aiming for a "core-satellite approach" where one core system is brought in to replace several legacy ones, with specialist software then added on top. He also suggested that bundled providers are likely to be working on making modules from their current platforms good enough to compete with best-of-breed point solutions.

Although he does see how a single provider could work well for firms with a low level of complexity, Roxburgh also believes that for most wealth managers the best option is probably to get a "backbone" from one provider which specialist systems can then be bolted onto. However, he cautioned that wealth managers should keep a best-of-breed approach as simple as possible and focus on integration, efficient dataflows and harmony between systems as the keys to success. According to Engdal, with modern technologies, systems integration has become an easier task (which will likely become even simpler), allowing for highly-efficient, automated best-of-breed solutions with specialist providers. "The end result for the wealth manager is that they get the best possible technology solution in place without having to compromise on the desired functionality," he said. Additionally, Roxburgh pointed out that specialist vendors increasingly operate a partnership model which guarantees their systems talk to each other (and those of the large vendors) out of the box. "This shows they're open and committed to the needs of the client, rather than being protectionist," he said.

In the 2013 report, nearly 70% of respondents said difficulties integrating different systems had had a high/very high impact on why change programmes weren't as successful as hoped

INTEGRATION A "MAKE OR BREAK"

Engdal said in fact that integration has become a much bigger feature in the technology sales cycle – and is something clients look at just as carefully as proof of functionality today. "It's about having open APIs [Application Programming Interfaces] and vendors having a proven track record of having open systems that can talk easily," he said. "It can really be a make or break."

Integration issues become even more acute when we consider the level of sophistication some wealth managers require: many clients want a multi-custodial offering with consolidated reporting across disparate systems and where data might be in different formats, for example. Developing these kinds of solutions is clearly going to take a good deal of collaboration – between vendor and client and potentially a host of third parties as well. However, as discussed elsewhere in this report, the relationship between technology vendors and wealth managers is now very much more collaborative and consultative in tone – to the benefit of both sides.

Vendors need to monitor innovative new software offerings and determine whether they need to evolve their offerings to stay relevant, and either partner with or acquire other providers to extend their functionality. We are already seeing more acquisitions and partnerships occurring in both the wealth and asset management software sectors – Ian Woodhouse

3 TECHNOLOGY OUTSOURCING AND HOSTED SOLUTIONS SET TO SOAR

Wealth managers should look across four main drivers - cost, technology, risk and strategy - and focus outsourcing on commodity areas that provide no competitive advantage – Ian Woodhouse

Whether to outsource, how much and in which areas are questions many wealth managers will be grappling with amid the continued outsourcing boom. The industry as a whole is more comfortable with the concept than ever before, yet firms are each forging their own individual outsourcing paths.

The distinction between technology and business process outsourcing is important and the latter is at a more nascent stage in wealth management for several reasons (discussed on page 16). The biggest barriers to BPO may well be cultural, but making highly customised and manual processes "outsourceable" represents a real challenge, as does getting data into a workable state. Technology outsourcing is therefore more advanced than BPO (in part) by virtue of the increasing standardisation described below.

STANDARDISATION SPREADS

Wealth managers in well-developed markets can chose from an array of large global vendors, local providers and specialists, as well as having the option to build systems in-house. In an industry as variegated as wealth management, bespoke technology will always have its attractions. However, the pressures of recent years have engendered a growing acceptance that tailor-making everything all the time isn't necessarily a sustainable approach to servicing clients (except at the UHNW end). Similarly, wealth managers are realising that standardisation with bespoke "tweaks" might be a wise approach to their technology too.

Standard platforms are being used far more widely now. If you divide the market, I'd estimate it's about 30% legacy and 70% standard today – Martin Engdal

Correspondingly, several of the contributors said that where once it was common for firms to dismiss "off-the-shelf" solutions as inadequate by definition, this attitude has virtually died away. With technology vendors and wealth managers collaborating so deeply on development (and with the flexibility new technology offers), firms are able to arrive at systems which really suit their needs more easily, cheaply and speedily than ever before. There is also the "shared R&D effect" described on page 18. All this means that wealth managers are seeing less merit in investing masses of resources into developing (and maintaining) their own systems. Some new entrants don't even see much point in on-site servers and have fully embraced the concept of outsourcing their technology platforms; for others, establishing an in-house IT team of the necessary calibre is prohibitively expensive.

OPENNESS TO TECHNOLOGY OUTSOURCING

Fully outsourcing IT is probably the preserve of new (or smaller) businesses at present, but it's easy to see how well-established, larger institutions could move to full technology outsourcing over time. If an organisation has decided to buy in a platform rather than build their own then it could make sense for the software to be run by the vendor's specialists; and if it can be run cost-effectively via the cloud with some daily operations taken care of too then so much the better, some might say.

According to PwC's *Global Private Banking and Wealth Management Survey 2013*, 54% of wealth managers globally are optimistic they will achieve predominantly common processes and automation by 2015

The boundaries of technology outsourcing are difficult to define and are complicated even further by the various permutations of hosting cloud computing allows (see Section 4). What is clear, however, is wealth managers' rapidly growing positivity towards outsourced technology and hosted solutions. Martin Engdal believes that even as recently as 2010 the vast majority of wealth managers would have been unwilling to consider them.

FIGURE 5

How willing are you to consider technology outsourcing/hosting by third parties?

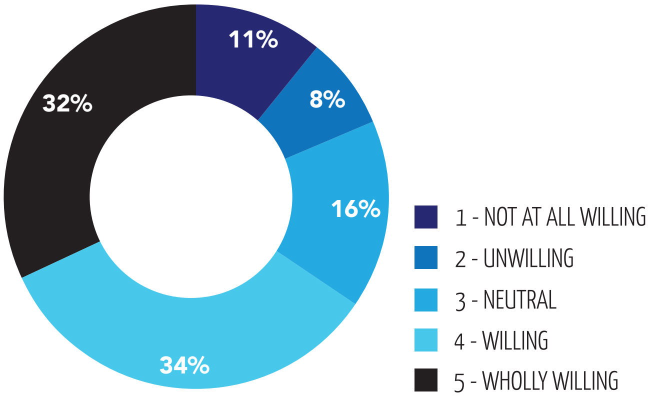
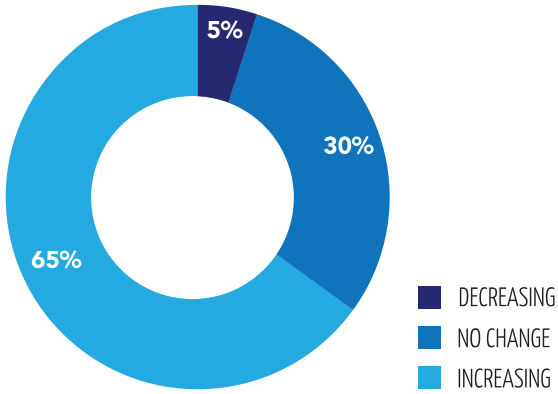


FIGURE 6

To what extent do you see your spend on outsourced technology solutions/hosting by third parties changing over the next three years?



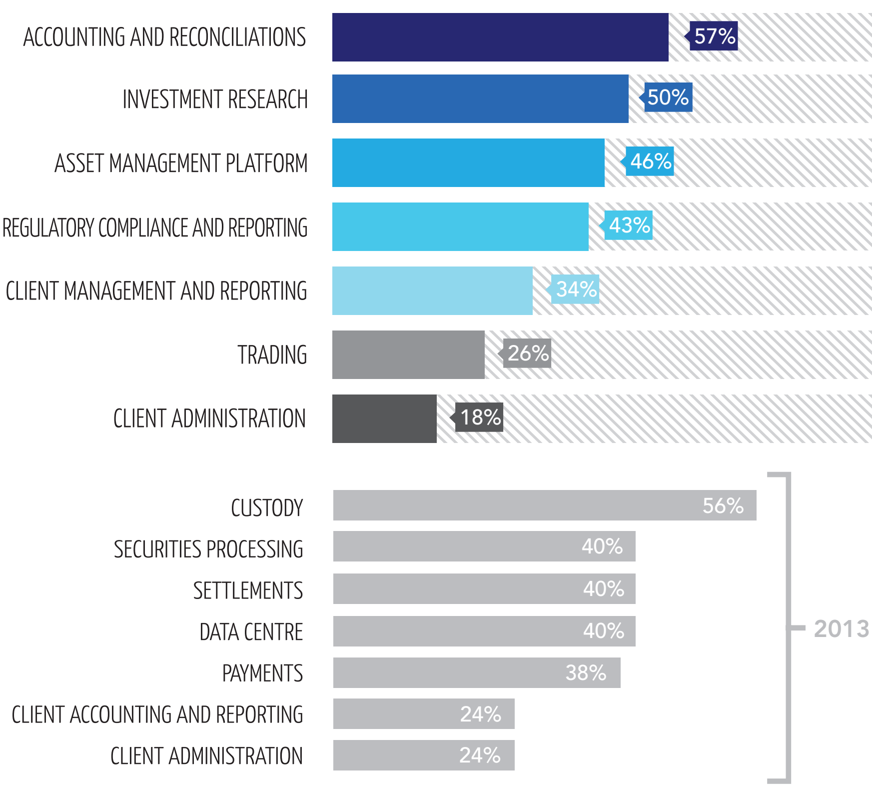
As Figure 5 shows, two-thirds of those surveyed are willing/wholly willing to consider outsourced technology solutions/hosting by third parties. Correspondingly, a similar proportion expect their firm's spend on this to increase over the next three years.

However, looking more closely at the activities wealth managers are willing to outsource we see that the reticence in some areas identified last year remains in evidence. As Figure 7 shows, a strong reluctance to lose sight of client data still prevails, with wealth managers far more willing to outsource transactional or non-sensitive processes.

Attitudes are broadly similar now compared to last year. Then, only 24% of wealth managers were outsourcing client reporting (with a further 16% intending to by 2016) – despite it being an obvious candidate for it due to its cyclical and resource-hungry nature. Today, still only a third of participants are keen to outsource client reporting. Technology vendors are going to have to keep working on convincing wealth managers of their ability to protect client data.

FIGURE 7

% of participants who said they'd be very willing to outsource:



IN FOCUS:

Technology vs business process outsourcing

Technology and business process outsourcing tend to have the same objections levelled at them - and many of the same counter-arguments apply to both too. Institutions may fear losing operational control and providers not living up to expectations. But service concerns can be countered with the observation that it is often easier to manage external providers (particularly with a solid Service Level Agreement in place). Proper due diligence will also allay worries over data security, as will the recognition that in-house isn't necessarily superior in this sense.

Yet, as several panellists pointed out, the case for BPO seems to feel weaker in some respects. The "calling in the experts" argument possibly stands, but it has clearer merit when one is talking about the developing a cutting-edge front-office platform than for workaday middle- and back-office processes. Arguably, the potential gains also don't stack up so well against the dangers. Clients are unlikely to appreciate the fact that BPO has delivered efficiencies for the organisation, but they will certainly notice when something goes wrong.

Such an instance occurred last year when one institution in an offshore centre had client data stolen from a third party printing its reports. This was the result of hacking (rather than an internal theft) and so could have equally happened to the bank itself. Many would argue, however, that it just looks worse that it happened in an outsourcing scenario (and for a process clients probably assumed was being carried out in-house).

A further sticking point around BPO is its potential to negatively impact staff morale – particularly since employees will know that outsourcing tends to spread throughout an organisation once it has been successful in one area.

GROWTH AREAS

Looking more closely at outsourcing preferences, Engdal said that while outsourcing started in the front end, with research management tools, it is now increasingly about "backbone" systems and processes. He is also seeing growing numbers of wealth managers wanting to outsource portfolio management administration and emulate the alternatives industry, where for decades now the prevalent business model has been to outsource all fund administration and run in-house systems only to shadow what is being done externally. "Institutions are seeing clear business benefits to be had from having experts host and perform managed services on portfolio management platforms. This is a really strong trend we currently see," he said.

In 2013's study, 15% of participants said that their firm was reviewing its asset management platform as a matter of priority, while 12% said looking for alternatives was top of their agenda. This year, almost half of participants expressed a high degree of willingness to use a hosted asset management platform – a finding which will cheer technology firms and which indicates perhaps their marketing messages are getting through strongly in some areas. As discussed elsewhere in this report, hosted asset management platforms have been a boon to start-ups and spin-outs needing rapid, cost-effective deployments. Their success stories are likely to have more established players thinking. PwC has spoken of the "aggressive cost-cutting reorganisations" wealth managers have been deploying as the industry moves towards an average cost-income ratio of 64% this year (down from 69% for 2012).

The next growth area for outsourcing may well be compliance on the technology side, Engdal continued, although this will depend on business model and may well not be an option for large, multi-jurisdictional players. Given how high the stakes are, it's easy to see why wealth managers might be circumspect about outsourcing compliance in any form. That said, 2013's Capgemini/RBC Wealth Management *World Wealth Report* recommended outsourcing compliance to third parties with the necessary local regulatory expertise and IT infrastructure as an effective approach, particularly when entering new markets.

IN FOCUS:

No turning back (for even more firms)

An overwhelming 95% of participants said their firm has no plans to bring currently outsourced processes back in-house. This is even better news for technology providers than last year's finding that 15% of firms were looking to in-source as a matter of priority.

The experts said that the quality of outsourcing providers has come on significantly in recent years, but they also acknowledged that they can still sometimes disappoint on service. This led the experts to suggest that the 5% of firms looking to in-source have probably had a bad experience, in all likelihood concerning a lack of responsiveness. "You will find those examples in the market place – it's not going to be a smooth ride for everyone," said Engdal.

But disappointment with outsourcing is not always the case. Bruce Weatherill pointed out, for example, that in-sourcing is often a matter of finally finding the right team, or a change in requirements or management. However, the feasibility of in-sourcing is also a function of size. "In-sourcing is always a possibility, but you need to be quite large," he said. "I think when it comes down to it most people won't go down that route."

Wealth managers should look across four main drivers - cost, technology, risk and strategy - and focus outsourcing on commodity areas that provide no competitive advantage – Ian Woodhouse

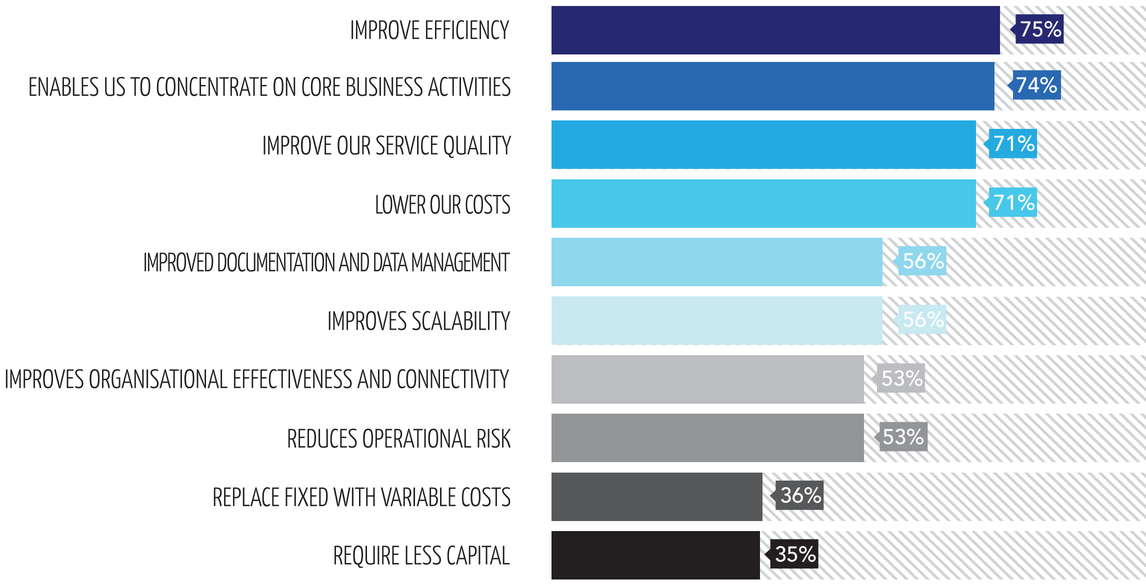
EFFICIENCIES, BUSINESS FOCUS PRIMARY DRIVERS FOR OUTSOURCING

The top four drivers for using outsourced/hosted technology solutions are improving efficiency, being able to focus on core business, cost reduction and enhancing service quality. Three of these top four drivers - efficiencies, cost-reduction and focus - arguably go hand in hand since they are about freeing up time and resources for activities which actually contribute to the bottom line (and it should never be forgotten that wealth management professionals' time is at a premium).

The efficiencies up for grabs through technology outsourcing are wide-ranging, but they are also bound up with wealth managers trying to deliver a better service all round (their joint-third highest priority), while also keeping a close eye on costs. So, while it is tempting to try to measure the return on "investment" from outsourcing in terms of savings alone, the payoff should probably be thought about in far wider terms. It's hard to quantify how impressed a client will be by a seamless on-boarding experience, but it is likely to increase their willingness to do business with the provider of it. Equally, it's difficult to say how much advisors appreciate being able to make self-service alterations to their dashboard so that it works better for them, but could have positive impact on staff retention. (Delivering a positive *advisor* experience is a growing focus and research has found that clients are often frustrated by the poor technology their advisors have to work with.)

FIGURE 8

Drivers to use outsourced/hosted technology solutions



IN FOCUS:

Core competencies a growing focus

Our broad strategy is if it can be outsourced to a specialist in that area then we would do so - which is exactly why we hope people would appoint us to manage their investments – Andy Steel, chief executive, James Hambro & Partners

A number of the wealth management executives interviewed for this and other *WealthBriefing* studies have categorically stated that because they are not IT specialists, and nor do they wish to be, it behoves them to call in the experts.

The degree to which institutions go along with this will depend largely on the kind of capabilities they have in-house. It is worth noting, however, that outsourcing advocates (see page 19) argue that this kind of arrangement levels the playing field for smaller players by giving them access to the same kind of IT capabilities larger organisations have. Indeed, given the amount of development work vendors do with all manner of firms it's arguable that their staff will almost always offer broader expertise - if not intimate knowledge of how that particular institution works.

As such, the experts pointed out that outsourcing is unlikely to completely remove the need for some kind of internal IT capability.

Managing the outsourcing provider intelligently is also crucial, and this is arguably another of the skills wealth managers are going to need to develop further.

IN FOCUS:

Outsourcing and return on investment - careful calculations required

Keith MacDonald pointed out that while most people think about outsourcing primarily in terms of cost savings it is increasingly seen as more of a quality play. "Quite often it's about proposition enhancement, which is much harder to quantify in terms of return on investment," he said. "We've seen a situation recently where outsourcing is actually cost-neutral in terms of savings, but from a strategic and a proposition perspective it's still worth doing."

Meanwhile, Woodhouse said that wealth managers are thinking much more broadly in terms of the total cost of ownership and risk in their technology in/outsourcing decisions. He explained that a traditional player with a still-serviceable legacy system may well enjoy low costs at present, but is storing up considerable expense for later down the line. In the meantime, such a firm would also have to weigh up the risks of relying on a handful of people who can maintain an ageing system. "A lot depends on the situation of individual players and their stage on the systems lifecycle," he said.

In the new regulatory environment a lot of firms are thinking about what their true competitive advantage is – and it isn't usually in the middle and back office – Keith MacDonald

Over a third of respondents are looking to reduce their capital expenditure on IT through outsourced/hosted technology solutions, and a similar proportion are looking to translate fixed costs into variable ones (cloud-based systems are typically pay-as-you-go after an initial fee). Again, as discussed opposite, this desire to convert capex into opex is bound up with a host of competitive considerations. As the industry reconfigures, wealth managers at all stages of development need to be nimble. They need to be able to scale up – and down – quickly, easily and without having wasted huge technology investment. Firms need to be able to try new things and discard them painlessly if they aren't working, especially those targeting new markets and emerging client segments.

"RIGHT-SOURCING"

Although there are common themes to outsourcing success stories, the issues at stake are of course not as black and white as new versus old or even big versus small(er). The weighting of the push and pull factors, and the tipping point at which wealth managers "should" outsource more are complex issues. And, as has often been noted, a lot of the time technology adoption can boil down to it being one senior executive's personal mission. This in turn is likely to be a function of the experiences they have had across their career.

"When it comes to outsourcing, it's about philosophy, expected economies and specialist requirements. Each of these can tip a firm in either direction, in the belief it can achieve more through the alternative than with the current solution," said Daryl Roxburgh. "This is not wrong; each firm will have a balance of requirements and history that will dictate the relevant benefits of outsourcing or insourcing. Often, 'right-sourcing' to combine the best elements (in the firm's context) can yield the best solution."

IN FOCUS:

The shared R&D effect

Obviously it helps a lot when you have many thousands of users on the software globally – Martin Engdal

The wealth management technology landscape is becoming increasingly characterised by openness, between systems but also in a wider sense. Vendors are collaborating intensely with multiple institutions and are therefore in a strong position to share best practices across their client base.

Leveraging what is in effect shared R&D seems to be becoming a real movement (unsurprisingly, given the benefits for both institutions and vendors). Engdal explained how Advent is moving to a "co-development model" whereby cloud-based solutions are being launched across Europe with a variety of client partners. Last year the firm also created a dedicated social media channel, the "Advent Client Community", which already has some 10,000 users giving feedback on products and offering future functionality ideas.

MacDonald believes that this type of collaboration with third parties is here to stay since wealth managers are finding it hard enough to stay on top of regulatory changes, let alone keep their systems up to date. "The regulatory complexity means that if you're taking on updating everything you run and possess for all different forms of regulatory change you're a brave institution," he said. "But if you've got an outsourced or predominantly packaged infrastructure then you've got a third party sharing the costs of that with the other customers."

As well as increased quality and choice of provision, the technology outsourcing boom also owes a lot to the M&A merry-go-round because of institutions' need for business continuity. "I've heard several firms mention this as a pro for outsourcing IT because it makes it easier for them to change – to cease using the service – or to bring it along to the new organisation," Engdal said. "It's about business continuity plans in the event of business restructuring stemming from M&A activity." As the case study opposite demonstrates, acquisition targets can need to divorce themselves from one technology platform and get another one up and running while the clock is ticking on a deal. Acquirers, meanwhile are likely to look more favourably on prospects which won't entail a complex (and costly) technology migration. As such, while some of the gains held out by outsourcing technology might seem like fringe benefits they can actually be business-critical.

RISK REDUCTION

It is also noteworthy that over half of those surveyed saw outsourcing as a powerful means to reduce operational risk (although, of course, regulation and limited liability on the part of vendors means that ultimate responsibility will almost always lie with the wealth manager). Yet third parties will be bringing a great deal of experience to the table and are likely to have perfected evidencing their risk controls through the trials of innumerable sales cycles. They will also be highly aware that their reputation rests on their ability to *deliver*. In last year's report, less than a third of respondents said their firm was very good at delivering technology projects on time and on budget. Management teams are likely to find outsourcing this responsibility very appealing. Indeed, several of the executives interviewed for this report said that bitter experience had taught them that even the biggest, most expensive projects often founder and that having an outside party drive through change can be really helpful.

In 2013, less than a third of respondents said their firm was very good at delivering technology projects on time and on budget

CASE STUDY:

"A hard decision easier to make" – Why a hosted solution was the obvious choice for Falcon Private Wealth

Falcon Private Wealth deployed Advent's hosted portfolio management system in 2012, as the business was being spun out. Here, CEO Nick McCall explains the drivers behind this decision – and the rewards it's delivering today.

Falcon Private Wealth stands with a growing number of wealth managers which have become converts to third-party technology outsourcing. And while the firm's hand may have been forced to a large extent, it is now seeing benefits far broader than cost savings alone. Indeed, cost-cutting was not, in fact, the main driver of Falcon Private Wealth's decision to outsource; rather, it was the need to get a whole new IT infrastructure up and running against the clock.

The circumstances Falcon Private Wealth faced will be familiar to many firms at a time when merger and acquisition activity has been and continues to be frenetic internationally. What is now known as Falcon Private Wealth is the UK asset management subsidiary of Zurich's Falcon Private Bank, which is itself ultimately owned by the International Petroleum Investment Company (IPIC), one of the world's leading sovereign wealth funds owned by the government of the emirate of Abu Dhabi. Its previous incarnation was the London office of Clariden Leu, a Swiss boutique owned by Credit Suisse which in 2012 was about to be folded into the banking giant's brand. However, the London office's management team were given the opportunity to spin the business off to maximise shareholder value, but within a very tight time-frame.

As the current chief executive of Falcon Private Wealth and chief operating officer at the time of the deal, Nick McCall is particularly well placed to explain the challenges his team faced. Right from the start, technology loomed large. "One of the challenges we had in spinning out was that our portfolio management system – which was the heart of our business – was sitting on its own in Clariden Leu Zurich, about to be integrated or essentially decommissioned," he explained. Given the difficulties this would present when seeking a buyer, finding another solution became an urgent priority.

Uncertain as to whom their future owner would be, the management team were reluctant to commit to a fixed server location, McCall continued. Nor was on-site a particularly attractive option because of space constraints. But perhaps most important of all was the firm's lack of an IT department once divested of and lack of motivation to establish one subsequently. Like many wealth management leaders today, McCall has taken the view that investment managers should focus on their core competency (running money; advising clients) and leave their increasingly complex IT to specialists. (Their argument is given extra weight when we consider that the technology of today calls for IT expertise of a calibre which makes establishing a full department in-house prohibitively expensive for all but the largest players.)

DEAL DEADLINES

These drivers led to Falcon Private Wealth outsourcing its IT infrastructure to Advent and fully embracing the cloud – a model which, in McCall's words, "would allow several things to happen at once". Priority number one was a quick implementation because of the deadlines for pushing the sale through. The result was actually "tremendously quick", he continued: it only took four months to arrive at a working version of a hosted portfolio management system for Falcon Private Wealth based on Advent's APX and Moxy software.

This short delivery time should not imply an entirely easy journey, however. As with many wealth managers, legacy systems and slight operating model quirks would play a role. As with all wealth managers today, regulatory change threw up additional challenges.

Essentially you end up with an IT department as big, and probably better, than those of competitors which have proprietary IT systems – and you also get phenomenal capacity

As McCall explained, Falcon Private Wealth had a CRM system which was tied to their existing parent, and which was devised especially in order to enable the firm to meet its EU and UK regulatory requirements. Additionally, there was a separate system for Swiss clients. (This was due to the former focusing on data related to suitability and KYC and the latter on contact reports.) Advent was therefore called upon to merge the two proprietary systems into one hosted one – a task which, as one would expect, called for some heavy duty processing power as the old records were transferred and a fair amount of data optimisation before that.

This change to one CRM system fit for all purposes of the business was very well received by relationship managers, according to McCall, who added that his firm's efforts to streamline IT through cloud-hosted outsourced solutions are far from over. "The final intent is to have all of the business, even our client-driven arm (which is custody and execution-only) on Advent," he said. "I think having everything on one system, available to the front office, would be the best operating model we could come up with – one login to see everything."

A MULTI-CUSTODIAL OFFERING

Efficiencies and cost savings aside, McCall highlighted how the move to a hosted system opened up Falcon Private Wealth's operating model so that it could offer the multi-custodian platform UHNW clients now tend to prefer for diversification purposes. McCall also hopes one day to be able to offer clients consolidated reporting across custodians. This remains a priority for wealth managers large and small, raising as it does the need to generate and reconcile complex data feeds at the same time as having the systems and processing power in place to then manipulate that data. However, being able to offer clients an overview of their entire wealth at one point in time and in the base currency of their choice remains, in the words of McCall, the "holy grail" of reporting. Just how far cloud adoption will accelerate the industry's progress towards this will be very interesting to see.

Falcon Private Wealth clearly has an eye on future development with Advent, but for McCall the focus was always on getting the new system fit for purpose and live; he notes from experience this doesn't necessarily always happen and expensive IT projects "often die a slow death". Phase one development was therefore kept quite narrow in scope, he explained, adding that things were made a lot more comfortable by the fact that the weight of responsibility lay with Advent at a fixed upfront cost. The management team were also given added reassurance by having an external risk consultant assess Advent's controls (they continue to be reviewed annually by Falcon Private Bank).

With security fears allayed, costs fixed and big efficiency gains up for grabs – while the clock was also ticking on the acquisition - it's easy to see why McCall said that circumstances "made a hard decision easier to make". Indeed, he believes that for a smaller firm "this is the way to go". "Essentially you end up with an IT department as big, and probably better, than those of competitors which have proprietary IT systems – and you also get phenomenal capacity," he said.

When asked why others might not share his views, despite the same business case applying, McCall (like many others) blames psychological barriers. "Having come from a large organisation, I suspect most detractors are heads of IT departments, who see their budgets being cut and having to lay off staff," he said. "At a large organisation you've got to break that, and even at smaller ones there's a fear of loss of control and a 'we've always done it in-house' mentality. "

As a new firm in effect, Falcon Private Wealth was perhaps freer to outsource than others have been. It was certainly more motivated to find an alternative IT solution fast. As McCall pointed out, wealth managers which aren't under this kind of pressure are likely to cling to the status quo. "If you're an existing business in London with a couple of servers sitting in your back room and no real driver to go with hosted, then there's a real barrier to overcome," he said. As with all buying decisions, it all seems to come down to how strong the push – or pull – factors are. The drivers facing Falcon Private Wealth were sufficient to make outsourcing an easy decision. In other cases that precise tipping point will be far harder to identify.

I think having everything on one system, available to the front office, would be the best operating model we could come up with – one login to see everything

4 WEALTH MANAGERS *ARE* GETTING MORE COMFORTABLE WITH CLOUD...

It's little wonder some wealth managers are reticent about moving off their current infrastructure when it's all held together with gum and string – Bruce Weatherill

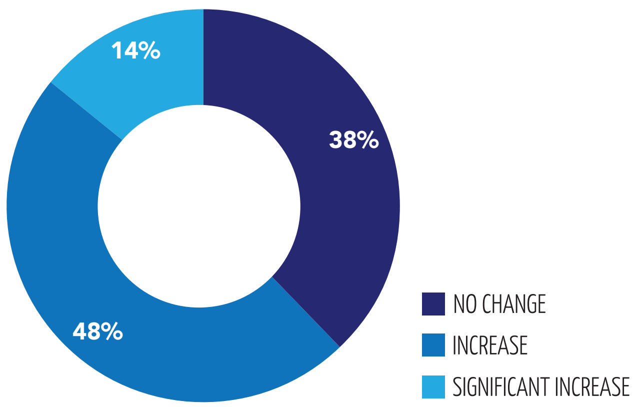
While the terms "hosted" and "cloud" are commonly used interchangeably, using the former to refer to the latter is actually selling the cloud very short indeed. Hosted technology is where services are run on physical servers hosted by an external provider, with access provided via a direct network connection which may not even run via the internet. Cloud is also about accessing off-premise computing resources (via the internet), but what is more exciting is the enhanced functionality of tools designed for the cloud – namely their connectivity with others tools and agnosticism as to device/browser. As will be discussed, cloud computing is about innovation just as much as data storage and processing power.

The survey indicated that the vast majority (83%) of wealth managers have their own servers, but they are also using varying combinations of public/private cloud (cloud use for email and CRM has been widespread for years, it should be remembered). According to the survey, a tenth use a public cloud while a fifth have a private one. Hybrid cloud models are the most popular by far, however, and are being used by 31% of firms (see page 23 for a summary of cloud models).

Cloud vendors should be gearing up for a significant spike in demand, according to the survey participants. Nearly half of respondents (48%) said their firm's use of cloud technology will increase over the next three years, and 14% foresee a *significant* increase.

FIGURE 9

How will your firm's use of cloud technology change over the next three years?



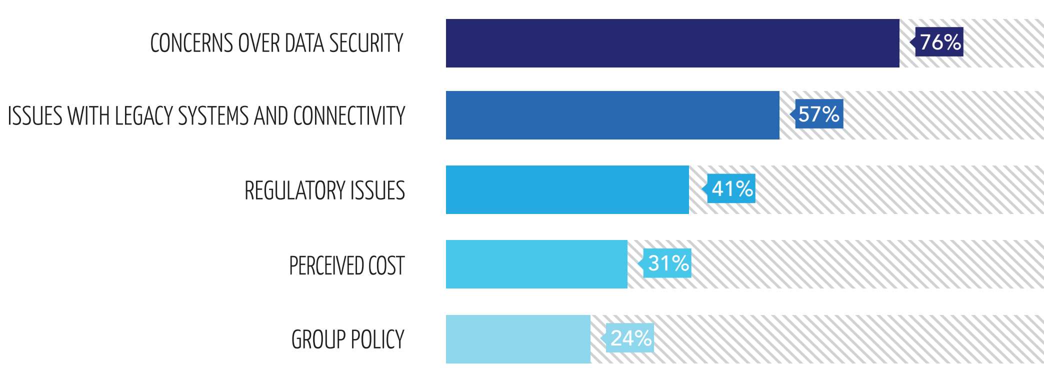
...BUT SECURITY CONCERNS AND LEGACY ISSUES ARE BIG BARRIERS

Almost two-thirds of wealth managers are going to up their cloud usage in the medium term, yet this still leaves 38% which will not. While possible, it is probably unlikely that all these firms have gone as far as they can with cloud computing. Instead, one or several of the factors below are likely to be blocking their further adoption.

ROI nowadays is often thought of in terms of avoided costs, especially for regulatory updates, and particularly now it's about avoiding legacy and bespoke – Keith MacDonald

FIGURE 10

Proportion of respondents seeing the following as a very significant barrier to their firm's adoption of cloud solutions



Predictably, worries about data security are by far the biggest barrier to further cloud adoption: over three-quarters of respondents designated security issues as very great concern. Arguably, this is as things should be since safeguarding client data foundational to the wealth management proposition. How far these security concerns are well justified is more of a vexed issue, however (see below/overleaf).

Legacy systems and connectivity issues are also significant inhibitors, as are regulatory concerns, to a lesser extent. As discussed elsewhere in this report (see page 13), problems with legacy systems continue to dog the industry, stalling innovation and creating serious business risks. They are also allowing new entrants to steal a march on established players. Here, Bruce Weatherill noted that new organisations have generally entered the market with "much better systems and processes" than incumbents. Unfortunately, however, some of the newer wealth managers have had to take on some of the legacy systems of their parent group and so have been condemned to "deal with the hangover of the last twenty years" all the same, he said.

This kind of scenario may be anathema to technology firms, but the fact remains that migration from legacy systems has been and will likely continue to be gradual (although a handful of global institutions have opted for root-and-branch overhauls of their technology systems in recent years). The stakes are incredibly high on a wholesale switchover and it's hard to blame firms for taking a piecemeal approach. The endowment effect, not to mention the significant investment which will have gone into ameliorating legacy systems over the years, may make letting go even harder. It should be remembered, however, that legacy platforms typically cost 15-20% more to maintain than modern standard platforms including cloud based solutions, according to research by Lindberg International.

PwC's latest *Global Private Banking and Wealth Management Survey* found that 74% of firms are undertaking very or fairly significant organisational transformation

The picture is further complicated by the fact that (somewhat ironically) nearly a third of respondents see costs as a real barrier to cloud adoption. In response, several of the panellists suggested that new technology is often seen as expensive simply because it is the latest thing and that here again more education is needed. Just as last year's report found that wealth management executives had little idea of the unique selling points of the leading technology providers, so this year's again suggests that vendors could be marketing their cloud services to better effect.

Another message which could be getting through more effectively is that while regulators are taking a cautious stance on cloud computing they seem to be approaching it as just another form of outsourcing (which, of course, in some ways it is) rather than being unilaterally against its use by wealth managers. Along with security, much of regulators' initial concerns have been around the auditability of data (being able to pinpoint its exact location at any one time and physically accessing it if necessary) and cloud vendors have made good progress in reassuring them on this front.

IN FOCUS:

How valid are security (and reliability) concerns?

Within wealth management, the subject of cloud computing still reliably prompts a sharp intake of breath. Yet attitudes are changing as it becomes better understood that cloud computing isn't about waving your precious data off into the ether, destined for locations and eyes unknown. As outlined opposite, wealth managers can calibrate their use of cloud computing to fulfil even the most stringent security requirements and so the notion that cloud represents open season on client data is due to fall away. Data encryption and obfuscation are only part of vendors' arsenal of technical security measures. Meanwhile, it is no exaggeration to speak of the fortress-like security of physical data centres (even their precise location will be a closely-guarded secret).

While Martin Engdal still sees a great need for further education, he has already witnessed a remarkable evolution in attitudes which is continuing "year to year, but almost quarter to quarter". "People are realising that there are security issues if they run everything in-house," he said. "On the flipside, if they run everything on a private cloud via a secure vendor in a facility which lives up to all the relevant ISO standards then there shouldn't be anything to fear."

The concerns that wealth managers have about cloud computing are of course by no means trivial - even if the reality is that a cloud solution may well be more secure than keeping things in-house, because of the gold-standard controls third parties must have to stay in business. Business leaders need to feel confident that cloud computing will not undermine compliance with their fiduciary and regulatory responsibilities. It therefore needs to be remembered that wealth managers aren't just shielding data from thieves. Studies repeatedly show that across industries a big proportion of IT managers fear government and legal interference as a consequence of using the cloud. This is naturally a huge consideration in the private client business.

Test legal cases are currently being fought which will determine how far governments can force cloud vendors to open up their data centres (and cloud vendors are hopeful things will go their way). For the time being, however, it may surprise wealth managers to know that with some providers they can veto data centre locations (likely to be the US) they aren't happy with. Interestingly, one influence on the location of datacentres is the proximity of renewable energy sources for cooling the hardware; the green credentials of cloud computing may well be something clients will appreciate.

Wealth managers will be further comforted by the fact that reliability seems to be something of a non-issue too, particularly when regulators like the FCA are scrutinising outsourcing arrangements much more closely today. Disaster recovery between datacentres is standard (triple replication across geographies in almost real time, even). Some vendors can therefore contractually guarantee 99.9% uptime.

The fact remains, however, that wealth managers are subject to data privacy oversight from various financial and non-financial bodies in their use of the cloud. Checking and evidencing that the necessary controls are in place will therefore represent a very important task in itself, particularly when (under US law) firms can actually face criminal charges in cases of identity theft. It is for these reasons that several of the panellists suggested that cloud solutions might be far more palatable for pre-engagement activities because of the difference between holding data on a prospect versus an active client. More clarity on the legal, technical and practical implications of the cloud is clearly sorely needed.

That a quarter of wealth managers are eschewing cloud as a matter of policy suggests there is a real need for boards to better understand their technology options. While there are certainly legitimate reasons why an organisation might make this choice consciously, the panellists did also note that often the most strident resistance to change comes from IT personnel who fear (probably rightly) budget cuts and job losses. This kind of protectionism is most common at the big banks since they have to justify IT headcount in the thousands, said Alessandro Tonchia, adding that some are probably shunning the cloud in large part simply because they want to defend their managers of hardware and networks. "Tier two banks and asset managers are more flexible and eager to embrace a cloud approach. They just want to do their core business and nothing else," he said. "Big banks tend to think that tight internal control of IT infrastructure is key to data security and protection from reputational risk. Also, since they have bigger IT department and larger economies of scale, the benefits of a lighter and more externalised infrastructure are less obvious."

Some of these legacy systems can be extremely challenging to integrate to, whereas if you're using modern technology – and especially cloud-based platforms - it's so much easier
– Martin Engdal

IN FOCUS:

Is a blended approach the way forward?

Wealth managers naturally need to choose their cloud deployment model in line with their individual business needs and risk profile. As outlined below, each model has distinct pros and cons.

PRIVATE CLOUD

Here, a cloud infrastructure is operated for the exclusive use of a single organisation, with data remaining within the business' firewall. It may be managed internally or by a third party, and doesn't necessarily have to be on-premise.

There may be compelling legal or regulatory reasons for a private cloud and many wealth managers will probably have an innate preference for this model. However, it is a more expensive option which arguably negates many of the benefits cloud computing offers. Variable need for resources will mean that some firms will not get enough use out of a private cloud to justify buying and maintaining it, for example.

PUBLIC CLOUD

Here, a provider makes a cloud infrastructure available to a group of paying clients (or indeed the general public).

The sharing of resources and infrastructure via a public cloud model generates economies of scale impossible with private cloud. However, detractors of this model would cite a possible lack of control over how resources are allocated, along with heightened security concerns That said, each organisation's data and activities can be completely segregated.

HYBRID CLOUD

Here, two or more types of standalone clouds are combined to form a composite infrastructure whereby a private cloud is used for functions where security is paramount.

Many hold that hybrid cloud is the natural choice for wealth managers. Through "cloud-bursting" they can get pay-as-you-go access to computing resource, which is ideal for high volume, cyclical activities like client reporting (server space can be rented by the minute). However, cloud-bursting is dependent on the cloud being portable and the two cloud environments being compatible.

5 INNOVATION GATHERING PACE; TECHNOLOGY WEAKNESSES TARGETED

I don't think there is a clear digital leader, which to me represents a giant opportunity – April Rudin

Wealth managers are turning to technology to help them meet the triple demands of compliance, efficiency and cost-control. Once seen perhaps as mainly a cost centre, technology is now a key pillar of many firms' growth strategies. Massive investment has been going into front, middle and back-office technology - and it's not just about doing more with less.

Wealth managers are working to accommodate changed tastes and habits, and offer clients a digital experience which can stand up to comparisons both in and out of financial services. At a time when tech-led models are gaining ground across markets and wealth is in younger hands than ever, digital is rapidly becoming *the* differentiator. Even the staunchest traditionalists can no longer think about technology in combative terms as clients' digital expectations climb ever higher.

Wealth management may have been somewhat slow off the mark in terms of technology, but lots of exciting innovations are now being made as the sector moves to keep pace with retail banking, and then hopefully match the FMCG and luxury sectors. Given the rapid market penetration achieved by tablets and the pervasiveness of smartphones, mobile apps are a big part of the picture. However, as this section outlines, they are just one part of the digitisation of wealth management.

MOBILE APPS - FOR CLIENTS *AND* ADVISORS

Wealth managers are making mobile a priority, yet progress has been uneven internationally. Some Asian private banks are offering whole suites of lifestyle apps, in addition to account information and transactional tools, while the US seems to be ahead on advisor apps for onboarding and client meetings (see opposite).

There has been a lot of progress around mobile in recent years, and now eight in ten firms give clients mobile access to account overviews and over half allow clients to trade on the move, according to MyPrivateBanking. Yet despite progress, it's still not a given that a wealth manager will have a client app, nor that advisors will be provided with a tablet – let alone a professional app to help streamline servicing clients. Front-line wealth management professionals themselves were quick to appreciate the possibilities for client meetings and there has been a strong "bring your own device" trend – with all the security implications that brings.

Professional apps are a real growth area as firms pursue efficiencies and slicker interaction with clients. At present, it's not uncommon for advisors to spend a couple of hours preparing for each client meeting, pulling together data from disparate systems and manufacturing bespoke reports. The ability to produce ad hoc reports "live" could cut this very significantly, not to mention deliver a much richer experience. Along with scenario modelling, many firms now like to illustrate risk graphically to clients on tablets too.

Just 5% of advisors are provided with a professional app by their firm – despite the fact that 95% are using a mobile device for work, according to MyPrivateBanking Research

Leveraging such tools requires the right infrastructure, however, and here again legacy systems are hindering progress. As previously mentioned, cloud-based tools "talk" to each other by design and deliver to all devices.

IN FOCUS:

Advisor apps: an apotheosis approaches?

Developers of mobile apps for financial advisors are edging ever closer to realising their "revolutionary potential", according to MyPrivateBanking Research's 2014 benchmarking study.

Significant progress was identified in a number of areas. Firstly, tools for onboarding, ad-hoc reporting and scenario-based financial planning mean the mobile apps being offered to wealth managers are now much closer to making client meetings as "memorable, effective and convenient" as possible.

The study also found that a modular approach to advisor apps is gaining ground, with close to half of the providers assessed offering complete sets of apps for banks to choose from. This approach, the study said, caters for the need for a wide range of functions but also has the flexibility to deal with different types of clients.

Weaknesses still remain, however. A dearth of communications tools such as video conferencing was found, along with two-thirds of apps lacking secure electronic vaults which would allow advisors to set up necessary documentation in advance.

Most importantly, however, the study found that just 5% of advisors are provided with a professional app by their firm – despite the fact that 95% are using a mobile device for work.

INSTANT MESSAGING

Around 80% of wealth managers in both the US and UK predominantly communicate with clients via email, according to the surveys carried out for this report, but they should also pay heed to the huge popularity of instant messaging platforms. There will be security concerns on both sides, but clients are likely to appreciate the responsiveness offered by such tools and it is not beyond firms to develop (and brand) their own secure platforms. So while MyPrivateBanking has found that only 10% of bank's mobile apps currently have chat functions (against 38% for call-back), this could rise quite dramatically.

According to Gartner, tablet sales grew 68% in 2013, with Android gaining 62% of the market and Apple 36%

Wealth managers should also note that in Asia instant messaging platforms have already started to capitalise on their loyal client base to encroach on financial services territory, first by offering mobile payments and, more recently, investment products.

IN FOCUS:

Three Key Drivers of Onboarding's Evolution

Alessandro Tonchia, co-founder of sales and advice solutions provider Finantix, explains how improving the onboarding process is a growing focus for wealth managers.

Tonchia is a pioneer of mobile onboarding and he believes that its evolution is only just beginning in wealth management. In his view, three key drivers are at play, the first of which is improving the client experience. "With onboarding you have to welcome the client and prove to them it's worth interacting with your company," said Tonchia. "We see a need to structure the interaction much better."

Wealth management is a relationship business, but at the beginning arguably little relationship actually exists. Tonchia's point is an important one in this light because professionalism and slick processes are going to have to stand as proxies for service and investment deliverables which are going to take time to manifest.

Tonchia notes that a lot of improved onboarding is about gathering data in a better way – like using a mixture of social media notes to help with client discovery "rather than just putting everything in front of them in a 30-page questionnaire."

With most people having some social media presence today, it's easy to see this could prove a rich seam of information to mine – for all kinds of purposes. Improved analysis of things like buying behaviour is arguably good for predicting client needs, but, as Tonchia points out, wealth managers in particular need to be careful. "You don't want clients to feel that you're spying on them or being creepy, although it's very easy to mine information from LinkedIn and so on," he said.

When it comes to uncovering client preferences, Tonchia believes wealth managers to "need to be extremely cautious and use discretion in how they use the data". Because of this tricky balance he suggests that AML and KYC checks might be the best use of this kind of data mining – with regulation being the second key driver of onboarding development he sees. "The new SmartKYC product uses news, social media and databases so that by the time the client comes to you, or half an hour after they leave, you've already run all the AML checks. This removes the bottleneck so you can onboard very speedily," he said.

Wealth managers will clearly welcome any tool which helps them grow quickly, while also satisfying the regulator's desire that they really know their clients and avoid tainted money in an increasingly complex world. Carrying out these kinds of checks manually is of course also a big cost and more automation is likely to appeal as part of an overall efficiency play.

The third major onboarding evolution indentified by Tonchia concerns making it a more joined-up process. "A lot of delivering a better client experience is about having a better workflow tool. This means that whoever needs to make a decision it's linked - to compliance, or to management - so that it flows, he said.

It's easy to imagine the time savings to be had from more efficient onboarding and how clients may well be impressed by pre-prepared electronic documents, for example. But Tonchia suggests that perhaps the real gain is actually on the relationship side – freeing up advisors from what are essentially admin tasks so they can get to know their client and their needs. "Wealth managers need to make the whole process of understanding the client, pitching to the client and profiling the client more elegant from a human interaction point of view," he said. At a time when tech-driven new entrants are proliferating, this might be how a traditional "people business" can fight back – ironically, through digital innovation.

Technology used to be a religion. Now it's secular. People who treat their technology choices as religious choices will be left behind. That's why we've built an open architecture with Advent Direct that allows us to collaborate with others. We're vendor agnostic – Martin Engdal

CLIENT REPORTING

In last year's poll, almost half of respondents said improving client reporting was a very important priority for their firm. Only a tenth laid claim to best-in-class capabilities at the time, but half were aiming to have them by 2016. This focus on enhancing client reporting touches on several trends. It is part of general moves towards greater transparency over how much clients are paying and what they are getting in return. Ideally, it will help wealth managers demonstrate very clearly the value of their services.

WealthBriefing research indicates that 60% of US wealth managers see their reporting as just satisfactory, while 5% believe it to be actually unacceptable

Yet implementing cutting-edge reporting might be beyond many firms' current IT infrastructure. Customisability (as to granularity and format, but also custodian, currency and benchmark) will be top of firms' shopping lists, along with access via multiple devices, integrated workflows (such as to CRM systems) and faster report generation. All this might push firms towards a cloud solution, and, as previously discussed, reporting's affinity with cloud-bursting could drive acceptance of hybrid cloud models more broadly.

SOCIAL MEDIA

On the whole, wealth managers seem to be getting over their innate suspicion of social media, although there is still some debate about how impactful social media initiatives really are. By now most wealth managers will have some kind of social media presence, and at least one US brokerage has mandated its entire advisor force to interact with clients and prospects via several popular channels.

This approach is not common as yet, however, and most wealth managers restrict themselves to pretty one-sided output rather than the kind of active dialogue which is more likely to drive new business. Others are instead favouring closed-community social media because of security and control considerations. Here again, specialist technology vendors are springing up to cater to wealth managers' highly-specialised needs. There are now a number of social media monitoring and archiving tools available, along with white-label products for creating VIP social media areas where advisors can discuss investment news and so on with clients.

As discussed in more depth on page 18, social media also presents exciting opportunities for technology vendors to collaborate with IT personnel at hundreds of institutions internationally.

IN FOCUS:

Digital: a "giant opportunity" still up for grabs

April Rudin, an expert in financial services marketing and social media, discusses the challenges and opportunities digital channels represent for wealth managers.

Several contributors said digital initiatives are prone to "dying a slow death" at larger organisations, and even successful ones are often not rolled out across a group. What do you see as the reasons for this?

Often they're more marketing-orientated ideas that aren't executed throughout the business - and today's banks are so big that many struggle to execute anything on themselves. You could have a good idea, but there are so many competing and misaligned goals it becomes difficult to do anything within your own organisation.

When it comes to not rolling out across regions, I don't believe it's a regulatory thing. It's about the person driving the business in that country and that person's passion for digital. It will shift as younger people come up though as it's just part of how they do business.

How much progress do you see in the digitisation of wealth management, and which institutions are leading?

I think that what's happened so far is nothing really compared to what could happen. And I don't think there is a clear digital leader, which to me represents a giant opportunity. There's all this data about digital coming out, but it still doesn't seem to be driving firms to action. Wealth managers might say, "Well, there's no one doing this stuff and so we don't have to" or they could see that as just the reason why they *should*.

How risky is a "wait and see" attitude when it comes to digital innovation?

We're now at the stage where I would say it's riskier to do nothing than to do something. Banks need to realise that their competitors are coming from different places now. Just look at WeChat [the instant messaging platform] moving into wealth management in Asia. You might say "that's crazy" but the truth is they have the installed base and they have the appetite. Young people don't care about big brands and would probably prefer to use a WhatsApp or an Alibaba because it's going to look cool and be multi-functional.

In your view, which players are best placed to innovate digitally?

When it comes to innovating, smaller is better and medium is probably optimal: it's about how you're organised. Medium and smaller firms tend to have a network of best-in-class partners rather than having everything in-house.

You can also see that sometimes big banks just get in their own way rather than being integrated vertically and across business lines. This creates an opportunity for smaller firms and new entrants – even from other places you might not imagine.

WEATHERILL

Weatherill Consulting was founded in 2008 and draws upon the experience of its CEO, Bruce Weatherill, and his associates.

Bruce was a Partner at PricewaterhouseCoopers for over 20 years and, until he left the firm in June 2008, was a Global Leader of PwC's Wealth Management practice, driving its biennial *Global Private Banking and Wealth Management Survey*. At PwC, he provided a range of audit and consulting services to a variety of wealth managers internationally, working with global institutions as well as smaller niche entities, listed companies and start-up operations.

Weatherill Consulting provides strategic advisory and consulting services to the boards of private banks and wealth and investment management firms around the world. Operating as a sounding board to senior executives, Weatherill Consulting brings to bear over 35 years of international experience to help wealth managers, both onshore and offshore, meet the challenges they face. A unique methodology of measuring and realising the benefits of "Trusted Advisor Status" has been developed to assist wealth managers improve their offering for HNW clients, increase profitability, enhance their brand and provide truly "value-added" services. Also, in conjunction with ClearView Financial Media, he has published reports on technology and operations trends in the wealth management industry and, with ComPeer, a review of execution-only brokers in the UK.

Bruce is a Non-Executive Director of a number of financial services companies - including Fidelity UK Holdings Ltd and ComPeer – along with being chairman of ClearView Financial Media Limited and JDX Consulting Limited. He is also deputy chairman of the Chartered Institute of Securities & Investments' Wealth Management Group.

Key Services

- Challenges to business strategy, market entry and business model propositions
- Strategy consulting on client-centricity and how to achieve and measure "Trusted Advisor" status – a key part of which is assessing value to an organisation by using a unique "Value of Trust" framework and methodology
- Facilitation of board and management-level strategy sessions, retreats, and workshops
- Training for wealth managers and professional staff within the wealth management industry
- Research, design and execution of thought-leadership reports on key issues within the wealth management industry

Contact:

Bruce Weatherill
+447889 123255
bw@weatherillconsulting.com
www.weatherillconsulting.com

ADVENT

Over the last 30 years of industry change, Advent's core mission to help our clients focus on their unique strategies and deliver exceptional investor service has never wavered. With unparalleled precision and ahead-of-the-curve solutions, we've helped over 4,500 investment management firms minimise risk, work together seamlessly and discover new opportunities in a constantly evolving world.

Advent in Europe, Middle East and Africa now has in excess of 250 clients spread across the region serviced from our offices in London, Stockholm, Zurich, Oslo, Copenhagen, Amsterdam, Athens and Dubai. The main solutions used by our clients revolve around our integrated middle and front office as well as our industry-leading research management solution.

The Solution

The Advent Asset and Wealth Management Platform is simple to use, cost-effective to run and allows managers to focus on their core business giving firms the edge they need to stand out in an increasingly competitive market. It is a true end-to-end solution for wealth managers and institutional asset managers. Spanning the entire investment management process, it delivers value across the entire enterprise, from front, to middle, to back office streamlining workflows and replacing complexity with simplicity.

Either cloud-based or locally installed, the Advent solution integrates many critical business functions such as:

- Portfolio and client relationship management
- Trading and compliance
- Automated data collection and reconciliation
- Performance measurement
- Decision support and business intelligence reporting
- Revenue forecasting and management reporting
- Web based client statement generation
- Easy third party integration

For more information:

Advent Software
127-133 Charing Cross Road
London
WC2H 0EW

Web: www.advent.com
Email: emea@advent.com
Tel: 020 7631 9240

ClearView
Financial Media

WealthBriefing

WealthBriefing and its regional sister sites are the leading subscription-based business intelligence services for the wealth management community, with the latest news, analysis and in-depth features from around the globe. Delivered straight to subscribers' inboxes every day these services provide need-to-know business intelligence in a convenient and easy-to-read format.

www.wealthbriefing.com

WealthBriefing asia

WealthBriefingAsia was launched in 2009 is the only wealth management news site focusing exclusively on the Asia-Pacific region.

www.wealthbriefingasia.com

FAMILY WEALTHREPORT
EXCLUSIVE INTELLIGENCE FOR THE FAMILY OFFICE COMMUNITY

Family Wealth Report - the content as with our other sites comes from both our own dedicated editorial team as well as leading industry professionals, helping subscribers stay on top of all the important developments relating to wealth management, family offices, and the HNW/UHNW sectors in North America.

www.fwreport.com

compliancematters

Compliance Matters is the key source of international news and analysis on the latest regulatory initiatives within the private banking and wealth management industry. *Compliance Matters* provides readers with exclusive access to expert analysis and advice on how best to operate a business within the legal bounds.

www.compliance-matters.com

OffshoreRed

Offshore Red - is the key monthly source of news and analysis relating to international tax, trust and regulatory developments. With unique access to a highly-qualified group of experts specialising in tax planning, legal and financial services.

www.os-red.com

WEALTH MANAGEMENT AND PRIVATE CLIENT EVENTS AND AWARDS SERIES

An unrivalled thought-leadership platform, *WealthBriefing's* events foster intellectual debate on the challenges and opportunities facing the industry and are designed to be an optimal use of wealth managers' precious time; they represent an excellent networking opportunity and attendees also accrue valuable CPD hours. *WealthBriefing* has added to its offering for the global private banking and wealth management communities by running six annual awards programmes for the private investment and private client communities. The awards programmes are focussed around three main category groupings: experts (individuals and teams); products and services for wealth managers and clients, and institutions of all sizes and types.

BESPOKE RESEARCH SERVICES

WealthBriefing has unrivalled access to the most senior wealth management professionals across the globe, meaning that our research reports represent guides to future best practice as much as being barometers of current industry trends.

CONCLUSION AND THANKS

Technology's growing importance to wealth managers was highlighted by 2013's finding that a third of boards had IT on their agenda on a monthly basis. Although the contributors to this year's report did lament an ongoing lack of IT representation on boards, technology is nonetheless one of the most important elements of the industry's evolution because it overarches so many others. It is difficult to think about dealing with regulatory change without technology investment springing to mind, for example.

But while investing in new technology is a coping mechanism to a large extent, firms are also trying to satisfy an increasingly discerning client base where most are digitally naturalised if not "digitally native". With its adoption of new technologies and growing openness to outsourced solutions, the wealth management industry is entering its next phase.

However, as the comments contained in this report illustrate, how far wealth managers go in increasing their reliance on new technologies will depend on a range of practical and more philosophical considerations. Each organisation has its own style and firms must preserve what clients value about their current offering, while also looking to ahead to what future wealth-holders will expect. Furthermore, although the industry may be ploughing a lot of investment into technology, the onus is firmly on projects which deliver a real return on investment in relatively short order. As several of the experts pointed out, development timeframes are very much shorter now and organisations generally seem to be much happier with an iterative approach to technology.

A lot of the contributions to this report focused on the need for flexibility, so that wealth managers can think about technology more in terms of zero-ing in on the best solutions for their current and future needs. In fact, several of the experts advised firms to remember that most of the benefits they'll see from new systems will probably come from quite a limited proportion of functionality. Therefore, keeping things simple – at least at first – is probably the most pragmatic plan, and the way most likely to win over employees faced with changes they might find unsettling. The acceptance, and then adoption, of new technologies like cloud computing is also likely to progress gradually. Confidence will grow as misconceptions are addressed and more organisations find success with new solutions.

There is a clear need for more high-level debate on all the technology and operations issues touched on in this report. *WealthBriefing* remains committed to regularly bringing together industry luminaries to share their insights through the research and thought-leadership events Advent and other partners support.

As ever, the survey participants' time is most appreciated. Special thanks are also owed to the expert panel and other contributors listed right for sharing their expertise so generously.

In addition to the editorial panel, special thanks go to the following individuals and their media teams:

Richard Charnock - *CEO, Standard Life Wealth*

Sean Kiernan - *Business Manager, Falcon Private Wealth*

Steve D'Souza - *Managing Director, Sales Kinetics*

Andy Steel - *CEO, James Hambro & Partners*

For more information:

WealthBriefing

Wendy Spires
wendy.spires@wealthbriefing.com

Heathman's House
19 Heathman's Road
London
SW6 4TJ

Tel: 020 7148 0188
www.wealthbriefing.com

Weatherill Consulting

Bruce Weatherill
bw@weatherillconsulting.com

+44 7889123255
www.weatherillconsulting.com

Advent

Martin Engdal
martin.engdal@advent.com

127-133 Charing Cross Road
London
WC2H 0EW

Tel: 020 7631 9240
www.advent.com

EXCLUSIVE GLOBAL INTELLIGENCE FOR WEALTH MANAGERS

WealthBriefing is the premier news, features and information source for the global wealth management sector. Our premium service for subscribers provides daily news analysis emailed to you before 8.00 GMT every working day. As well as through your PC or laptop, this can also be accessed via your mobile phone. This service also allows full access to this site's subscriber area, which includes a database of articles and news going back to 2001.

Our Expert View section also gives subscribers extensive insights from industry insiders on issues including compliance and tax. Although aimed principally at front-office decision makers, *WealthBriefing* is useful for everyone within wealth management organisations, including middle- and back-office staff. Our distinguished Editorial Board ensures that nothing is missed and that the needs of subscribers are fulfilled at all times.

www.wealthbriefing.com

WealthBriefing