

SLA, BPM...

Enhance Your Client Service With Business Processes

Wealth Management is facing serious challenges. Due to market incertitude, front offices have been overwhelmed with work for the past few months. Relationship managers have to handle the growing dissatisfaction or sudden disaffection of some of their clients who in many cases have seen the value of their investments drop between 20% and 50% in a year. Even discretionary private clients, who usually have less contact with their bank, have been calling on their relationship managers a lot these last months. They are demanding more detailed up-to-date information on the value of their assets and, especially, on the underlying risk, in particular, debt and counterparty risk.

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Many of them have radically changed their investment strategies and risk profiles by shifting a huge chunk of their assets to less risky instruments such as government bonds and cash instruments. More worrying is the fact that some clients even end up questioning the added value of the service received since their capital was not protected and nobody was able to anticipate the chaotic evolution of the markets.

Lesson to learn

To meet their clients' expectations, most banks have learned a lesson from this difficult period and are considering how to:

- re-establish confidence
- increase contact with clients
- be more transparent regarding products
- explain the risks to clients better
- structure advice better
- comply with investor protection rules

One way to apply these lessons in practice would be to close a so-called "Service Level Agreement" with the client. For a long time now, private banks have been providing a discretionary mandate service with a well-defined contractual framework. On the other hand, advisory or execution-only

services are very rarely subject to a detailed contract that defines the exact nature of the service provided by the bank. Against the background of the financial crisis and tighter regulations, such as article 19 of the MiFID regulations, financial institutions are increasingly realizing that these services are not sufficiently defined.

Service Level Agreements to deliver client satisfaction

Service Level Agreements have still not taken hold but could satisfy these expectations. This type of contract stipulates the bank's commitments regarding the service provided to a client.

These contracts state, for example:

- level of detail and frequency of client reporting
- products and instruments that are suitable for clients, taking their market knowledge into account
- risk profile and investment strategy agreed with the client
- frequency and nature of contacts initiated by the bank
- alert conditions and monitoring of client assets
- individual follow-up of some events such as, for example, a sudden increase in risk of one of the client's products

Financial institutions have realized that they must not only extend their services but also improve control procedures and directives related to sales, advisory, risk



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management and client reporting. They will need to put IT processes in place that a) strictly apply the business rules behind the directives and procedures, b) prove that the rules have been respected and c) enable better collaboration throughout the organisation.

In this way, IT systems can be used to implement Service Level Agreements in a dynamically constructive way, contributing to the adoption of more efficient, client-centric business processes.

Business Process Management tools for enhanced service

A "Business Process Management System" (BPMS) is a system that designs and deploys key business processes such as client on-boarding, including account opening, and investment proposals, for example. This system automates the application of the business rules, which are usually described in the bank's procedures and directives documentation. It assigns tasks (activities) to the different participants and guides them step by step through the process so they accomplish the task simply and intuitively. Since each bank has its own particular structure and internal rules, the system must be able to easily adapt and integrate all the bank's specificities. In particular, for a system to be operational, it must also be flexible and adaptable to organisational and regulatory changes. For example, MiFID compliance rules can be implemented by a simple system set-up, meaning that future amendments to the rules only require a little tweaking.

The system should also deploy new services under a "Service Level Agreement" and allow the rapid launch of new products. In an environment in which client service becomes a key differentiator, the rapid implementation of new services and associated processes brings real competitive advantage. The set of tools supplied to the front office should allow new services to be set up. Alerts must be escalated to the front office and the processes triggered automatically in line with the conditions set out in individualised service contracts. It is essential that the BPMS is completely integrated with the bank's other IT systems. This is the necessary condition that enables the real automation of processes, avoids duplicated data entry (a source of error and a waste of time) and puts the client at the centre of the process.

Clients at the centre of business processes

A large number of processes have to be implemented in order to manage client relationships efficiently. An interesting example is client on-boarding. This is a complex collaborative process which involves collecting a lot of data and applying a multitude of rules. The BPMS defines and evaluates complex internal rules that determine, for example, if a person should be treated as a "US Person" as defined by the American Internal Revenue Service, consequently requiring the completion of a W9 form. Other rules are applied to determine which contract documents are required exactly in accordance with numerous parameters (account type, product type, power of attorney type, etc.). The system can then automatically generate pre-filled documents and forms and validate them through a collaborative workflow involving the front and back offices and the compliance department.

Another example of a business process centred on the client is the preparation of an investment proposal. In this case the BPMS must be perfectly integrated with the portfolio management data and functions as well as the client data. It drives the different activities to be carried out (data entry, risk questionnaire, investment strategy selection, portfolio construction, simulations, order proposals, approvals, e-mails, etc.) and assigns them to the appropriate actors in line with clearly defined rules. Clients can fully participate in the business processes via a client web portal. The portal can provide them with all the information and openness they are looking for regarding the details of their investments, including valuation and past performance. If, moreover, the client web portal is integrated into a Business Process Management System, private investors can initiate orders at the bank. For example, a client could simulate

different investment strategies and pass them to a relationship manager to draw up an investment proposal from the simulations. That way, the client plays an integral role in the bank's business processes and also becomes the centre of these processes.

Workloads dramatically cut

By automating the strict application of the front-office procedures and directives and hiding their complexity with a BPMS integrated with the client and portfolio data, relationship managers can spend more time advising clients and be more proactive. Since the business rules are applied by the system and the users are guided by it, it is no longer necessary to train staff on the application of directives and procedures. Lastly, the front- and back-office workloads are dramatically cut because there is no need to re-enter data, there are fewer errors and the process is more efficient.

BPMSs provide real, efficient solutions for numerous wealth management challenges. They allow important gains in efficiency which free relationship managers from administrative tasks. What is more, banks can prepare and launch new competitive services that are adapted to client needs. With a front-office solution that integrates a BPMS, the bank has a distinguishing tool that drives change and innovation. ■

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