



## Future of wealth operations: An impetus for change

The need for wealth operations to increase enterprise value is stronger than it's ever been, requiring leaders to think differently

### The impetus for change in wealth operations

The COVID-19 pandemic has forced wealth firms to respond quickly to minimize disruption to day-to-day operations and increase collaboration—both internally and with government agencies and other institutions—in order to serve their clients swiftly. Firms were quick to put aside traditional practices in favour of clarity and agility so that they could tackle unforeseen market turmoil and disruption. As a result, they addressed their clients' needs effectively.<sup>1</sup>

Wealth firms saw their client costs increase during the crisis-response period as they scrambled to tackle sudden, novel concerns and serve clients remotely. A recent survey by Aite Group<sup>2</sup> of 31 wealth firms around the globe highlights how markedly the pandemic has affected these businesses. Over 54% of respondents reported a negative impact on business performance, while 22% noted an improvement. The decisive factors for the latter group include that these companies rapidly transitioned to remote workforces and handled more client requests, and that they already had robust digital-engagement platforms.

Although wealth firms are moving out of crisis-response mode and into a period of recovery, there's still much uncertainty about how permanent these quick pandemic-response adjustments will be. One thing is certain: in response to new expectations from clients and advisors alike, the impetus for change is even stronger than it had been before. ➤

## Wealth-operations leaders need to **think past optimizing simple cost-cutting and processes, and instead create value** for their firms.

### **Trends and implications for wealth operations**

The wealth industry faces increasing demands around digital advice and transparency for clients, heightened regulatory expectations, and pressure to decrease fees due to increased competition—including when this competition results in similar offerings across firms. These trends have distinct implications for the industry as a whole, and specifically for the technical behind-the-scenes day-to-day requirements that define wealth operations:

- **Digital services focused on enhanced client experiences:** Powerful social and digital trends are reshaping retail- and institutional-client needs, with investors now seeking continuous, omnichannel, and less transactional relationships with their advisors. IT and other support teams need to operate seamlessly, given this new reality.

#### ***What this means for wealth operations:***

While there's been emphasis on modernizing tools for advisors (e.g., client portals) and others who deal more directly with clients, many firms are realizing they didn't capitalize on opportunities to streamline and automate work processes end to end. As a result, there's been a lack of efficiency for advisors and clients alike.

- **Innovative talent for the operations workforce of the future:** New ways of working in a digital and remote environment require adaptability on the part of IT and other support teams, including a willingness to adopt new practices and tools. Wealth firms need to focus not only on technology, but also on reimagining how work gets done—building up the technical-professional employee pool, defining the required employee skill set, and then updating talent strategies.

#### ***What this means for wealth operations:***

These staff members need to adapt to continuous improvements in order to better meet client and advisor demands. With new design and automation tools for work processes and services (e.g., use of RPA), operations workforces will combine human and virtual agents, resulting in a change in the nature of the work and in employees' required skill sets.

- **Increased need for transparency and regulatory control:** Clients are demanding more transparency in their wealth management and want to be able to access and monitor their digital investment files.

#### ***What this means for wealth operations:***

Companies need integrated service and operating models in order to streamline processes and allow for transparency (e.g., fee transparency) for a wide range of business strategies, advisor decisions, and fees.

- **Increased need for holistic client data:** Having a 360-degree view of clients—including access to balance sheets, non-financial goals such as well-being, alternative / external data and other information specific to them—is essential to advisors who hope to gain insight into their investors and then act swiftly on this information. This will also help set them apart from their competitors.

#### ***What this means for wealth operations:***

How and what type of information is compiled will be crucial for lowering costs and driving profits. Wealth-operations staff will need to have increasingly digitized and automated access to relevant data and data-visualization tools, if they're to help advisors have improved client interactions. Moreover, operations will need to work with IT to ensure there is a common data ontology within the organization to ensure advisors have a full understanding of their client's relationship within the organization. Advisors will then have more time and opportunity to focus on more profitable elements of client portfolios, versus simply trying to beat benchmarks. Offering advice that takes into account clients' financial and personal goals will also allow advisors to increase client engagement and ultimately grow firm revenue.<sup>3</sup>

Wealth-management firms who fail to transform their wealth operations will fall behind in an increasingly digital world—in the end, this may irretrievably erode trust in their client-advisor relationships. Therefore, the onus is on wealth-operations leaders to think past maximizing cost-cutting and process-creation, and instead focus on creating value for their firms in order to help ensure its growth, survival, and prosperity.



## Moments that matter: Key experiences that drive behaviour as customers are expertly guided in pursuit of their financial goals.

### Strategic opportunities for transformation in wealth operations

Wealth-operations teams are vital in helping to create and strengthen the moments that matter throughout the client-advisor journey. They must be more than processing arms of the business, and instead work as critical and strategic collaborators. To be successful, they must first decide where and how to focus time, effort, and resources in order to maximize value for the company. Each of three types of assessments that can add value to businesses depend on specific investment scales, time periods to

achieve investment goals, and impact on the companies, but all are important to help wealth-operations teams achieve their goals. Here's what to evaluate—and how to do so:

- 1. Common tasks:** Be aggressive in finding the lowest costs needed to complete these tasks, all the while trying to automate or eliminate them altogether.
- 2. Wealth-specific tasks that don't contribute to moments that matter:** Find smart ways to fulfill these obligations faster, cheaper, and better without using too many resources.

- 3. Tasks that add to specific and core values and are critical to moments that matter:** Align team strategies with those of the business so that the company can offer the best services among similar options available from competitors. In this category, teams can invest significant resources with the expectation that these will lead to future dividends. Here, you can truly commit to transformation by reinvesting the savings gained from the previous two cost-cutting efforts.

## Wealth operations need to determine which tasks on the value chain fall into which value buckets in order to make strategic choices on what opportunities to pursue and how

### Wealth operations value chain

Management Information/Dashboard		Alerts/Checklists/Notifications		Search/Knowledge base		Regulatory & Compliance		Collaboration/Workflow	
Pre-trade	Trade processing	Financing	Data Management	Post-trade processing	Asset servicing	Risk & Control	Regulatory reporting		
AML/KYC	Order Management	Margins & Credits	Client-Account Master	Matching/Correction	Safekeeping/Custody	Margin & Risk Management	FOCUS, Net Capital		
Account opening	Allocation	Collateral	Securities Master	Recording & Delivery	Corporate actions	Books & records	EBS, OATS, LOPR		
Account transfers	Confirmation	Securities lending & SLB	Pricing	Reconciliation	Stock record Management	Reconciliation & reporting	Short positions		
Entitlements	Position Management	Position Management	Products setup	Fails Management	Tax withholding & reporting	Data Control Services	Other financial reporting		

#### Legend

<p><b>1. Common tasks not specific to wealth management</b></p> <p><i>Strategic questions to consider?</i></p> <ul style="list-style-type: none"> <li>• Can I leverage broader enterprise capabilities e.g. Insurance or Retail to drive scale? (Shared capabilities)</li> <li>• Is there a proven utilities or outsourcing partner I can bring in?</li> </ul>	<p><b>2. Tasks specific to wealth management but don't deliver moments that matter</b></p> <p><i>Strategic questions to consider?</i></p> <ul style="list-style-type: none"> <li>• Is there a continuous improvement method I can leverage?</li> <li>• Do I regularly go back and check whether one of these becomes best in class or best in cost?</li> </ul>	<p><b>3. Tasks specific to wealth management and do deliver moments that matter</b></p> <p><i>Strategic questions to consider?</i></p> <ul style="list-style-type: none"> <li>• Am I doing this in conjunction with the client experience I am delivering?</li> <li>• Is this spend directly contributing to making these processes better?</li> <li>• How do you look for opportunities to standardize and centralize to better serve clients during moments that matter?</li> </ul>
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#### Acronym legend

**AML/KYC:** Anti-money-laundering/ know-your-customer compliance  
**EBS:** Electronic blue sheets  
**FOCUS:** Financial and operational combined uniform single report  
**LOPR:** Large option position reporting  
**OATS:** Order audit trail system  
**SLB:** Stock lending and borrowing



Once you determine the type of task that best suits your needs, you can focus on defining your operations-teams' goals, designing your new systems for best impact, developing processes, and driving change. There are six core opportunities for transformation, each with strategic questions to consider:

**Firms with reactive or passive—versus proactive—approaches will struggle** in the increasingly competitive new normal of the wealth-management industry.

### 1. Shift focus to the client, and then transform and simplify end-to-end processes

- How might you redesign the work, so rather than automating manual processes, you cut out daily upkeep tasks?
- What processes would render service centres obsolete?
- How can you spur innovation to complete activities better or more efficiently?

### 2. Reduce or remove tasks to help transform costs

- What can you stop doing altogether to lower costs?
- What's the best mix of strategies to target specific cost-cutting goals?
- How can you maximize cost-efficiency to fund changes that benefit clients?

### 3. Make assessing and using relevant client data a critical priority

- How can you create a case for change at the highest levels of the organization?
- What customer data and data-mining processes must you have so that advisors, operations employees, and risk-management staff can maximize their opportunities to gain meaningful insights?
- How might you use artificial intelligence—including intelligent automation—to prioritize gaining and using critical customer data, all of which would then help reduce the cost-to-serve?

### 4. Rethink future work, workforce, and talent-acquisition models

- How do you build key skills for tomorrow's workforce using today's workflow tools?
- How do you create a company-wide culture of inclusion, transparency, and trust—irrespective of roles and titles?
- How does your future talent balance sheet look different (i.e., what can be done by a contingent workers)?

### 5. Collaborate with external teams to enhance value creation and work with regulators to simplify the complicated

- How can wealth-management organizations ensure plug and play compatibility with new functions, third-party innovations, and/or industry utilities?
- What will it take to shift from fixed to growth mindsets—that is, to accept that progress is possible—thus allowing for industry-wide innovation?

### 6. Modernize operations to anticipate business risks, monitor performance, and manage capacity demands

- In the evolution toward a digital environment, what changes do you need to help ensure proactive risk-monitoring and management?
- What do you need to change so that you can more easily balance work capacity with spikes in demand?

## Future of wealth operations: An impetus for change

### Taking bold steps toward reimagined wealth operations

What many leaders have learned from the pandemic is that their companies haven't been maximizing their abilities to serve customers. We believe that this time has led to a further widening of the gap between winning wealth-management firms—which operate proactively and with agility, and engage digitally with their clients—and those with a more reactive or passive approach—companies that may as a result struggle in the increasingly competitive new normal of the wealth-management industry.<sup>4</sup> To thrive

in a post-pandemic world, wealth-operations leaders need to change the way they work and they must inspire their firms to look at the world through a new lens.

The impetus for wealth operations to increase businesses' values is stronger than it's ever been. Leaders can help their firms in this way by evaluating and acting on some of the strategic opportunities detailed in this document. The stakes for every business in the sector are crucial: creating a unique competitive advantage driven by a new standard of operational excellence.

### Endnotes

1. "Lessons learned during COVID-19: A Canadian banking study," Deloitte, <https://www2.deloitte.com/ca/en/pages/financial-services/articles/lessons-learned-during-covid-19.html>.
2. "COVID-19: A global perspective on the impact on wealth management," Aite Group, July 15, 2020, <https://aitegroup.com/report/covid-19-global-perspective-impact-wealth-management>.
3. "The future of financial planning is now: An Aite Group executive forum," Aite Group, January 21, 2020, <https://aitegroup.com/report/future-financial-planning-now-aite-group-executive-forum>.
4. "Navigating towards a 'next normal' after COVID-19: Lessons from APAC wealth managers," Deloitte, <https://www2.deloitte.com/ch/en/pages/financial-services/articles/navigating-towards-a-next-normal-after-covid19-wealth-management.html>.

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