LTIMindtree

Future of Asset and Wealth Management Report, 2024 and Beyond

Future, Faster. **Together.**

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Foreword

Adapting to the New Wealth Paradigm: Navigating Global Markets, Digital Transformation, and Alternative Investments

In the fast-paced world of banking and wealth management, agility is what sets the winners apart. With readiness, businesses can become faster, more proactive, and better able to navigate uncertain times.

The paradigm of wealth concentration is also undergoing a remarkable transition, with emerging economies playing a central role in wealth creation. This redistribution calls for a recalibration of strategies and practices within the wealth management sphere as we strive to cater to a diverse clientele spanning continents and cultures.

In today's dynamic hi-tech era, integrating artificial intelligence tools and data analytics technologies is vital for understanding customer behavior and delivering personalized solutions. This tailored approach correlates with heightened satisfaction levels regarding the firm's advisory services, reinforcing our commitment to exceeding client expectations at every touchpoint.

As we embrace the digital age, the principles of seamless experiences transcend conventional frontiers. Therefore, our commitment to delivering consistent digital journeys underlines our dedication to client satisfaction and accessibility, irrespective of their location. Robust digital platforms help us build stronger connections and make engagement more meaningful, leading us into a future characterized by innovation and inclusivity at the core.

Moreover, as the investment landscape keeps changing, it's calling on us to adapt and develop new ideas. The increasing demand for alternative investment avenues highlights the imperative for agility and foresight. By diversifying our offerings to encompass cryptocurrencies, exchange-traded fund (ETFs), and venture capital, we enable clients to navigate the intricacies of a dynamic market setting with confidence and conviction.

Supporting customers proactively and delivering personalization to meet their goals is central to advancement in wealth management. By staying ahead of emerging trends and embracing innovative solutions, we pave the way for sustainable growth and client satisfaction. As we delve into the latest trends, I invite you to explore the insights presented here, empowering you to unlock new avenues of success in your journey.

Harsh Naidu
Chief Business Officer, BFS

Foreword

Streamlining Integration: Embracing Enterprise AI with Open Architecture

Technology stands as a key pillar in reshaping wealth management practices in today's fast-paced world. As we go aboard on this transformative journey, it's important to recognize the tremendous potential that Gen AI & technology integration hold for our industry.

The establishment of APIs for alternative data feeds, coupled with automated transformation processes, is essential for maintaining competitiveness in modern wealth management. Moreover, the increasing demand for skilled financial data analysts underscores the critical need for expertise and innovation.

Investment in data infrastructure and talent upskilling is imperative, with hedge funds leading the adoption of alternative data. Expectations for mainstream adoption are high, led by advancements in data solutions and the development of modern techniques for data-driven investing.

Generative AI presents an opportunity to disrupt financial markets, empower businesses with advanced capabilities to implement agile methodologies and enhance performance. While it enables enterprises to increase process efficiency and improve overall customer experience, challenges like trustworthiness, privacy, and security limit its widespread adoption in financial services. However, leveraging AI for modernization transcends these challenges.

Firms can embrace a data-driven approach by focusing on post-trade digitization, simplifying technology, and improving communication between back and middle offices using APIs and cloud technology. This strategy will yield invaluable insights into risks and productivity enhancements, steering the transformation of legacy systems into agile, future-ready platforms.

When adopting generative AI, firms must ensure the quality of data with which the models are trained and fine-tuned. Continuous monitoring and auditing of content, models, and outputs are essential to ensure compliance and mitigate risks. Looking ahead, the trajectory of smart automation will be closely intertwined with the future of artificial intelligence as customer expectations for faster results at lower costs continue to rise. By integrating Gen AI and technology, we have a unique opportunity to transform client service, driving innovation, efficiency, and growth in the global finance sector.

In harnessing the power of alternative data, post-trade digitization, and smart automation, financial institutions pave the way for a future where innovation meets excellence. By embracing these transformative trends, we not only enhance client experiences and streamline operations but also lay the foundation for sustained success in the dynamic realm of wealth management.

Ram Khizamboor
Chief Delivery Officer, BFSI

Trend - 1

The Great Wealth Transfer

Between 2023 and 2045, Millennials and Generation X are expected to inherit US $84 trillion in assets. These recipients will inherit US $84 trillion around 2043, with US $73 trillion going directly to heirs and US $12 trillion to charity as per the prediction made by 'TheStreet' [1].

This significant wealth transfer to Baby Boomers' children and grandchildren will involve distributing some assets as gifts and charity. In contrast, the rest will be transferred through wills after death. This multigenerational wealth transfer will profoundly impact the high-networth (HNW) and ultra-high-net-worth (UHNW) segments of financial advisory.

Representative Wealth Distribution

Name	Years Born
Silent Generation	1928–1945
Baby Boomers	1946–1964
Generation X	1965–1980
Millennials	1981–1996
Generation Z	1997–2012

Source: Pew Research Center [5]

For investment advisors, engaging in financial conversations with family members is crucial, although it may be an uncomfortable subject for many. The wealth transfer can become problematic if future generations lack precise financial planning. Additionally, any inherited money will be subject to national tax laws. Financial advisors must strategize transfers by allocating them among strategic gifting and trusts to maximize tax efficiency.

Millennials have experienced record levels of student loans and high housing prices, leading them to be more risk-averse and hesitant to invest directly in the stock market after witnessing their parents struggle during the 2008 financial crisis [6].

Younger generations inheriting their parents' businesses, investments, or foundations focus on current investment trends such as innovative technologies, clean energy, and environmental, social, and governance (ESG) investing.

Another consideration for financial planners is their clients' life expectancies. Although the COVID-19 crisis has decreased the average life expectancy, people today still tend to live longer than their previous generations.

All in all, the Great Wealth Transfer trend will be supported by several technological advancements:

- AI and ML-powered wealth advisors that provide personalized advice and rec-ommendations for wealth transfer, estate planning, tax optimization, and asset distribution.
- GenAI-enabled applications for drafting wills, legal contracts, and providing as sistance for HNWs (High Net Worth individuals) and UHNWIs (Ultra High Net Worth individuals).
- Blockchain-based platforms for asset tokenization to ensure the security, privacy, and immutability of sensitive data, such as creating, storing, and executing wills.

Way forward

In recent years, most billionaires have accumulated wealth through inheritance rather than entrepreneurship, a trend expected to continue. Many inheritors may replace their parents' financial advisors. The tech-savvy younger generation will prefer different communication and investment methods, bringing a fresh perspective on socially conscious investing, philanthropy, and upholding family legacies.

For C-level executives, it's crucial to recognize that strategic investment in technology not only streamlines operations but also serves as a pivotal factor in achieving competitive advantage. Embracing digital transformation can lead to improved customer experiences, operational efficiency, and innovation, thereby driving long-term success and sustainability.

Key takeaways

The wealth transfer presents an opportunity for various financial services firms to tap into this market in the coming decade.

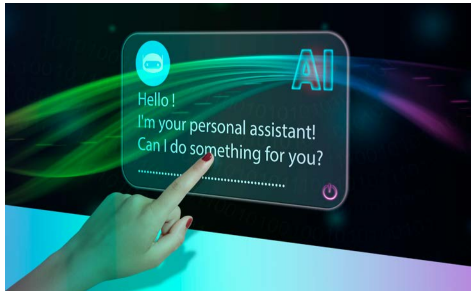
Wealth transfers will reshape family dynamics and engagement preferences among younger generations.

Financial service providers must adapt their business models, engagement methods, planning approaches, and marketing channels to cater to the desires of a younger demographic.

Trend - 2

Digital Experience in Wealth Management

The onset of wealth transfer to the newer generation of investors has made it essential for wealth firms to invest in digital tools. This enables end clients to conduct their business online seamlessly with minimal assistance from advisors. These tools offer a differentiated offering and value addition, enhancing business opportunities.

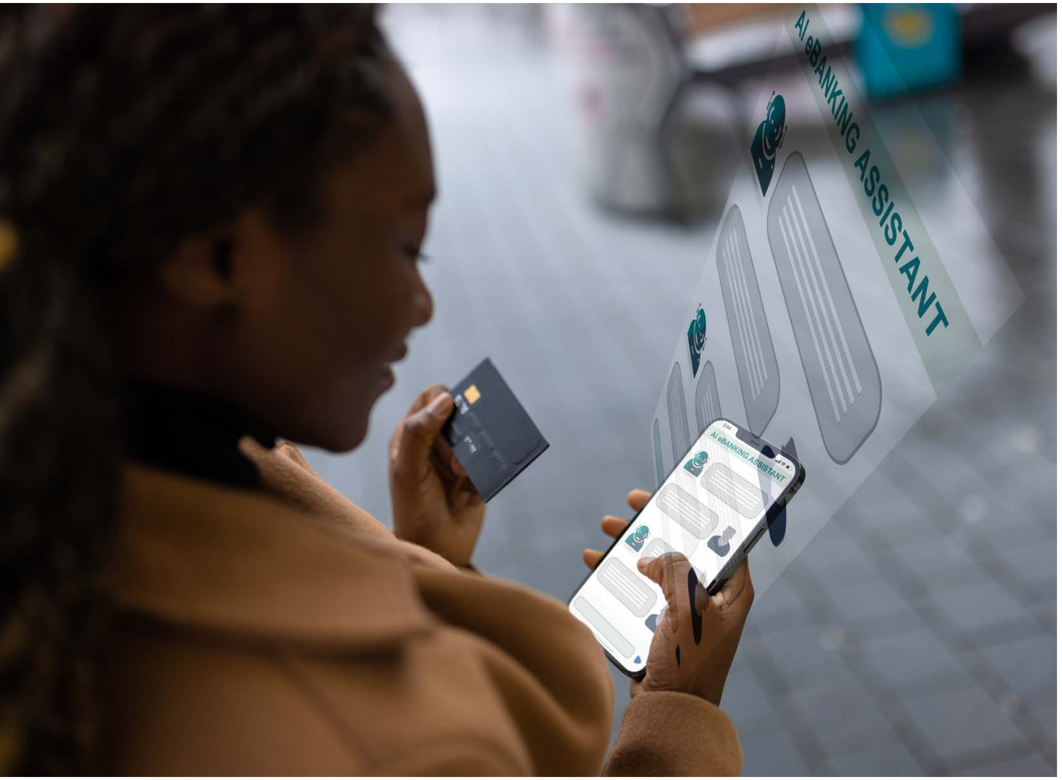


Self-service tools in advisory business:

Self-service tools in advisory business, such as robo-advisory platforms and virtual chatbots, enable clients to handle advisor-related interactions online, including financial planning, portfolio selection, and risk profiling. These tools allow advisors to focus on customers' core needs and seek avenues for business growth while incorporating digital interfaces for successful transactions. Additionally, they are essential for wealth firms to create a profitable business model by reducing unnecessary overheads amid squeezed fee structures and skewed pricing models.

360-degree view of the customer:

Wealth and asset management firms must consolidate client data across different businesses within their firm and, where applicable, across various lines of business within a bank if the customer holds multiple relationships. A holistic view of the client is essential to understand their preferences and identify transaction patterns, enabling firms to customize offerings accordingly. Currently, these data are primarily structured in silos and need integration to provide a comprehensive view of customer data. This integration can be achieved through technologies like data aggregation and data lakes, requiring minimal data conversion. Alternatively, external market data concerning the customer can be integrated through APIs.



Hyper-personalizations in asset management:

Hyper-personalization is a strategy that tailors products, services, and experiences to individual customer preferences and behaviors, enhancing their satisfaction and engagement. For customers or asset holders, this means receiving personalized recommendations, content, and solutions based on their specific needs and preferences on the right channel at the right time. A few user scenarios include customized product recommendations on an e-commerce website based on past purchases, personalized communication channels, and tailored user interfaces to streamline user interactions.

Artificial intelligence tools and data analytics technology analyze customer information and behavior to pitch for a personalized offering. On the other hand, hyper-personalization tools focus on specific customer activities or traits to infer and tailor the information per the consumer requirements. Gen AI further identifies customer behavior and suggests the best solutions and next best actions. The more personalized offerings made to customers with specific needs, the higher the satisfaction rate with the firm.

These tools are also valuable for automating client onboarding and regulatory compliance tasks, particularly for reading, analyzing and inferring regulatory policy documents.

Digital experience in wealth management will be further supported by:

- Personal finance apps and bots for clients and advisors using data from various sources and customer channels. AI, Gen AI, and machine learning algorithms will automate processes and provide efficient, accurate, and timely advice with tailored investment ideas based on customer input.
- Conversational AI to enhance customer interactions and provide contextual re-sponses using chatbots.
- Explainable AI to ensure that advice recommendations are traceable and in the best interests of customers.
- Modernization of core wealth platforms by adopting a modern tech stack with real-time data processing, analytics, and reporting, leading to better recom-mendations and advice.
- Gen AI to accelerate the transformation of legacy platforms through code conversion and reverse engineering.
- Blockchain-based asset registry platforms that allow for the secure and trans-parent recording and tracking of assets for HNIs and UHNWIs.

Way forward

The future of wealth management hinges on how firms can cater to Gen Alpha clients with innovative tools and how quickly they can integrate these tools into their client relationship world. As they embrace digital experiences, these clients will witness a revolution in hyper-personalized services powered by AI algorithms that analyze vast datasets to tailor investment strategies to individual preferences and life goals. Chatbots and virtual assistants will provide real-time financial guidance, fostering a more intuitive and accessible wealth management journey. The future landscape will see AI as a tool and a personalized financial companion, shaping a new era of intelligent and empathetic wealth management.

For C-level executives, it's critical to recognize the accelerating pace of digital transformation. Prioritizing adaptability and fostering a culture of continuous learning within your organization can significantly enhance competitive advantage, driving growth and innovation in an increasingly digital marketplace.

Key takeaways

Forward-thinking wealth management firms leverage digital solutions for client retention and attraction, reducing costs and offering unique profit models.

Maximizing client satisfaction through strategic tool implementation ensures client loyalty, complemented by essential human-advisor interaction.

Quick adaptation to changing client needs and technological advancements secures firm competitiveness, enhances client retention, and attracts new business.

Trend - 3

Alternative Investment and Private Market Access

Alternative investments correlate little with traditional markets, making them less vulnerable to market volatility. The year 2023 was marked by significant volatility, accompanied by a remarkable increase in interest rates [7]. In such uncertain times, wealth managers increasingly favor private markets for risk mitigation through diversification and pursuing higher returns.

INFRASTRUCTURE:

Infrastructure investments stand out as preferred assets due to their low correlation with other asset classes and ability to provide reliable long-term income streams. Investments in infrastructure are expected to see significant growth, particularly in the energy sector, with low-carbon energy sources projected to meet 70% of global energy needs by 2050[8]. Additionally, network technology, such as 5G telecom networks and data centers, represents another prime area for infrastructure investment. However, in the short term, investors may experience negative cash flows and face significant developmental and technological risks.

PRIVATE DEBT:

The U.S. financial sector is undergoing significant structural shifts, impacting deposit and credit markets. The private debt market is expected to reach US $3 trillion in AUM by 2028[9], driven by buyer preferences, investor diversification, public debt market shifts, and bank credit availability contraction. This asset class is also shielded against rising interest rates and inflation.

PRIVATE EQUITY:

Private equity deal levels decreased in 2023 compared to previous years due to rising interest rates, high inflation, and geopolitical instability worldwide[10]. Market volatility and high interest rates are also squeezing deal valuations. Given the uncertain future, investors prefer to hold onto existing investments rather than pursue new opportunities. However, the secondary market is experiencing increased activity due to attractive valuations and partners' liquidity needs.

REAL ESTATE:

Real estate has historically performed well in dislocated and stressful markets such as the current situation. However, transaction volumes are down due to the higher cost of capital. U.S. commercial real estate investments fell 54% year-on-year in Q3 2023 to US $82 Billion[11]. However, the aging of millennials and baby boomers is significantly driving the housing market, with increasing demand for multifamily apartments and single-family suburban houses.

OTHER ASSETS:

The worldwide arts market grew from US $441 billion in 2022 to US $579 billion in 2023, representing a compound growth rate of 31%[12]. Art valuations are also not correlated with prevailing economic conditions. Further, technological advancements have led to the emergence of cryptocurrencies as a significant asset class and a viable alternative for diversification. Launching a Bitcoin spot exchange-traded fund (ETF) this year will boost demand for digital assets among traditional investors.

The trend in alternative investment and private market access will be supported by:

- Enabling existing platforms with open architecture and APIs for integration with fintech platforms and tools to incorporate alternative investments into the existing landscape.
- Leveraging AI, machine learning, and Gen AI to support the regulatory, compliance reporting, and legal needs of alternative investments and private markets to meet evolving requirements.
- Utilizing Gen AI and predictive analytics to forecast market trends and risks, providing valuable insights to aid in decision-making for alternative investments.
- Implementing a decentralized blockchain platform with asset tokenization for the management of alternative assets. The network would offer transparency, compliance, and cost efficiency while ensuring scalability, democratizing private market access, simplifying operations, and reducing fraud.

Way forward

Platforms supporting traditional asset classes may struggle to accommodate alternative asset investing. Efficient integration of private markets by wealth managers and investors is crucial, focusing on scalability, transparency, compliance, and cost-efficiency. New-age technology companies and FinTech firms are quickly gaining traction in this space. Incumbents must act swiftly and make a profit in this evolving investment environment.

Technological advancements are essential for developing digital products, establishing robust internal processes, and facilitating access to alternative assets. Technology has the potential to transform this sector by improving user experience, enhancing efficiency, democratizing private market access, and simplifying operational processes.

For C-level executives, understanding alternative investments is crucial for diversifying portfolios and accessing private markets. These avenues can offer higher returns compared to traditional markets, albeit with higher risk and liquidity constraints. Strategic incorporation of alternative investments can optimize long-term financial performance and mitigate market volatility impacts.

Key takeaways

Private markets offer growth opportunities in volatile markets, and broader economic and investment shifts drive alternative investments.

Portfolio diversification and historical events are crucial factors influencing investor's decisions

Fundraising has become more challenging recently, leading investors to be highly selective.

Overall, dry powder across all asset classes has significantly increased, with private equity dominating at a record of US $3.9 trillion by the end of 2023 [13].

Private debt emerges as the top investment choice, while infrastructure and real estate remain attractive for the long term.

Trend - 4

Alternative Data for Investment Strategies and Business Transformation

Using alternative or 'alt data' is changing our investment strategies and business practices in capital markets. Traditionally, reliance on financial filings and market data was paramount for investment decisions.

However, big data and technological advancements have opened doors to many unconventional data sources, including social media activity, satellite imagery, and credit card transactions. This diverse range of alternative data offers insights beyond traditional reporting standards, empowering investors to make more informed decisions and gain a competitive edge in the market.

ESG data has a defined purpose in the investment and compliance cycle. However, sourcing and processing ESG data sets from data vendors, public domains, and authorized agencies plays a critical role in architecting the digital journey. The integration of ESG factors and supporting analytics into the investment process and risk analysis necessitates a greater level of system sophistication.

Moreover, alternative data encompasses information from unconventional sources, such as e-commerce portals, public records, and mobile devices. Unlike traditional data sources, alt data is often unstructured and less costly, but its analysis requires sophisticated tools such as machine learning and natural language processing. While alternative data presents opportunities for generating alpha and improving investment strategies, it also poses challenges related to authenticity, privacy, and data integration.

Alt data market–growth potential

The alternative data market is estimated to grow with a compound annual growth rate (CAGR) of about 53%[14].

According to a recent Exabel survey on alternative data, 98% of investment professionals agree or strongly agree that using alternative data will be essential in identifying new ideas[15].

The 2022 Lowenstein Sandler report shows that four of five investment managers use alternative data plans to boost their fund allocation[16]

Investment professionals widely recognize the importance of alternative data in identifying new opportunities and enhancing investment performance. To harness alternative data effectively, companies need to invest in robust automated transformation processes and skilled financial data analysts.

Alt data for business transformation

Alt data finds applications across various areas of capital markets, including risk management, market timing, and thematic investing. It enables firms to develop innovative investment strategies tailored to market niches and attract assets under management (AUM). Leading firms leverage alternative data platforms to consolidate, validate, and integrate diverse datasets, driving value across the asset and wealth value chain.

Moreover, the growth in data has given rise to new data-driven investment strategies such as risk parity, managed futures, AI investing, and model-driven and event-driven investing. Firms like FactSet, Coresignal, and Synthesis Technology offer platforms to consolidate, cleanse, aggregate, calculate, integrate, and validate data sources for informed decision-making.

Alternative data reshapes investment strategies and business practices, offering new avenues for generating alpha and managing risks. As firms adapt to the data-rich environment, the effective utilization of alternative data will be crucial for staying competitive in the ever-changing landscape of capital markets.

Some key areas where alternative data can be used in capital markets are:

- Managing risks through hedge strategy implementation, portfolio calibration, and exposure management
- Timing the market accurately, such as deciding when to short-sell stocks and predicting potential short squeezes
- Developing investment themes and strategies Incorporating ESG factors into investing, like using satellite data on construction practices or flood risk analysis to inform investment decisions

Alternative Data for Investment Strategies and Business Transformation will:

- Provide alerting and monitoring capabilities that integrate, automate, and analyze alternative data feeds using open architecture and APIs tailored for asset wealth management (AWM) firms to enhance investment strategies.
- Leverage advanced analytics & machine learning to generate actionable insights through API-driven data integration.
- Establish an alternative data marketplace ensuring quality, security, and efficiency in buying and selling alternate data, employing blockchain technology and APIs for seamless data integration.
- Develop a canonical data model and specifications for alternative data types to facilitate seamless integration into marketplaces and existing systems via APIs.
- Simulate future market conditions using alternative data sources such as social media sentiment, satellite imagery, and sensor data, employing advanced analytics and machine learning algorithms, including Gen AI, to deliver timely insights into consumer behavior, market trends, and investment opportunities.
- Gain rapid importance, reshaping how we view data sources. AI tools such as machine learning (ML) and natural language processing (NLP) will enable us to decode non-traditional data.

Way forward

Companies are poised to establish robust automated transformation processes for alternative data feeds, leveraging skilled financial data analysts to innovate and stay competitive. Investment in data infrastructure and talent upskilling remains crucial, especially with hedge funds leading in alternative data adoption. Mainstream adoption is expected to accelerate with advancements in data solutions and new techniques for data-driven investing. LTIMindtree continues to innovate with solutions like 'Alert-O-Monitor,' providing deeper insights into customer

In the rapidly evolving digital landscape, it's imperative for C-level executives to champion agility and innovation within their organizations. Staying ahead requires a proactive approach to technological adoption and a commitment to fostering a culture that is adaptable, forward-thinking, and open to change. This strategic mindset will be a critical driver of long-term success and competitive advantage.

Key takeaways

Alternative data provides real-time insights for investors to compete and generate alpha.

Regulatory challenges include privacy and insider trading concerns with alternative data usage.

Asset managers must invest in diverse data sources and infrastructure while adapting risk and regulatory frameworks.

Data vendors should focus on sourcing and providing alternative data to meet increasing demand.

Trend - 5

Post-Trade in the Digital Era

The post-trade world combines many processes and sub-processes built over time. Post-trade functions comprise allocations, confirmations, clearing, settlement, collateral management, asset servicing, custody, and reporting. All these are separate, fragmented processes and need constant human interventions.

Growth over the years

Cause
- As and how new market developments have taken palace (electronic trading, book entry of securities, growth of firm etc.)
- System upgrades are carried out
- New silo systems are created, to support new products, regions, market players.

Effect
- New processes, sub-processes introduced.
- Workarounds implemented
- Manual processes introduced
- Redundancy of functions

Mergers & Acquisitions

Cause
- Firm taking over, acquiring companies.
- Merging of the firm with another that has its own legacy systems
- The haste in announcing merger and starting to work as one firm

Effect
- Duplication of systems
- Need for manual reconciliations
- Excessive workload
- Error prone

Regulatory changes

Cause
- Regulations, reporting and compliance may effect any application/system /process of firm

Effect
- Need for better technology, for faster settlements, more
- Straight Through Processing capabilities, extensive reporting.
- Stress on existing systems to adhere to risk and compliance requirements.

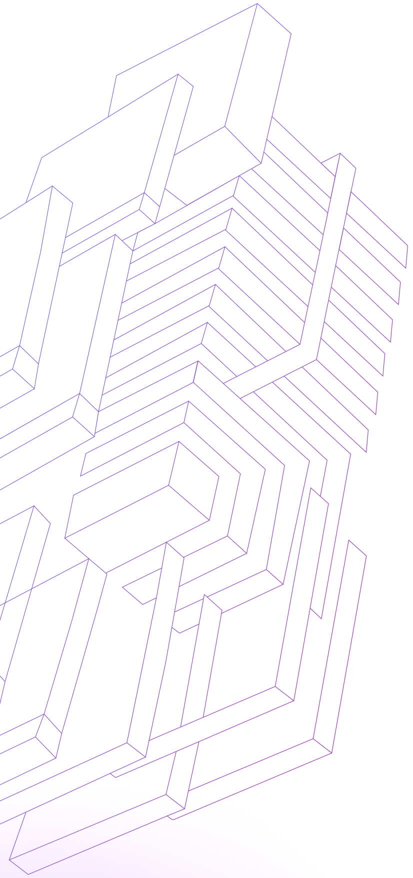
Consequence for Post-trade

For Industry
- Inter-firm data flow complex
- Systems prone to error and fraud makes industry vulnerable
- Settlement failures, and extra cost result in economic consequences
- Reconciliations needed between firms, products and systems

For Business
- For large firms, post-trade is inefficient and expensive
- Large teams manage daily processes & data, riddled with manual interventions

Many studies and reports have highlighted the enormous inefficiencies stemming from fragmented post-trade processes that were built piece by piece as markets developed[17]. This infrastructure handles upwards of US $3,360 trillion worth of transactions, with quadrillions of securities processed and settled in significant market infrastructures[18].

Although the back-office systems and post-trade ecosystem work reliably and effectively, they would be different if conceived and designed today. The World Economic Forum[19] has highlighted that legacy systems contribute to current complexity, opacity, and fragmented processes, directly affecting a firm's balance sheet capacity. Annually, they spend an estimated **US $17-24 billion** processing securities.



Despite the current state, the market is changing, with new players, asset classes, solutions, and investors continually emerging[20]. World Federation of Exchanges data shows that trading volumes continue to rise, with US $161 trillion traded electronically in 2021 across nearly 46 billion trades, marking a 17% increase in equity value traded and a 20% increase in volumes. The Futures Industry Association (FIA) indicates that the total volume of exchange-traded derivatives worldwide in 2021 recorded a fourth consecutive year of record-setting activity, jumping 34% from the previous year to 63 billion contracts[21].

Failed settlement instructions as a share of total value across the 30 European Economic Area countries hovers around double digits for equities. At the same time, a steady increase is observed for government and corporate bonds. According to a report by DTCC-Euroclear Global Collateral and PwC, an estimated US $27 billion of annual unsupported exposure is due to collateral settlement fails[22] Players are increasingly moving towards digitalizing market infrastructure to mitigate the risk posed by these developments and reduce settlement time.

The main drivers and urgency for digitalization in post-trade infrastructure are highlighted in the below-mentioned issues:

- Increasing regulatory scrutiny of post-trade processes
- Extending the existing system capabilities to support global markets
- Pressure from regulatory bodies for greater transparency and faster response
- Challenges posed by legacy platforms built on obsolete technologies
- High costs associated with maintaining disparate and fragmented systems and processes
- Inconsistent and duplicated data
- The need to provide a better customer experience through a unified platform and data insights
- Countering the rise of fintech and unicorns carving out niches for themselves

Accommodating digital assets is crucial, and wealth firms are keen to capitalize on the business growth in the APAC region, prompting numerous technological changes. The wealth management market in APAC, which generated revenues of US $248 billion in 2020, is projected to grow at a CAGR of 13% over the next decade, reaching an estimated US $812 billion by 2023[23].

An automated, centralized solution is needed to support firms venturing into the APAC region. It should support rules-based pricing, straight-through billing, cross-border settlement infrastructure, and exception management. Additionally, the solution must seamlessly integrate with the firm’s internal and external products and services.

Implementation challenges

Post-trade services have changed, particularly with the introduction of cross-border securities and the necessity of settlement processes exemplified by systems like Target2-Securities (T2S). Similarly, the dematerialization of securities has facilitated electronification, further transforming post-trade operations.

Despite these advancements, significant challenges remain. One prominent issue is the fragmentation of post-trade processing solutions among sell-side participants. On average, these participants utilize 9.1 different post-trade processing solutions, reflecting the legacy infrastructure's complexity, divided by asset classes and geography. This complexity is highlighted in the 2021 report by Firebrand Research, 'The Case for a Multi-Asset Post-Trade Approach[24]. Moreover, these systems have been developed over time, resulting in different data ontologies that exacerbate complexities and hinder transformation efforts.

Continuous regulatory changes, like the Fundamental Review of the Trading Book, further complicate the landscape. These fragmented systems pose challenges in complying with regulations and adapting to new regulatory demands.

Navigating beyond implementation challenges

A firm's solution could involve defining a desired operating model and devising a roadmap.

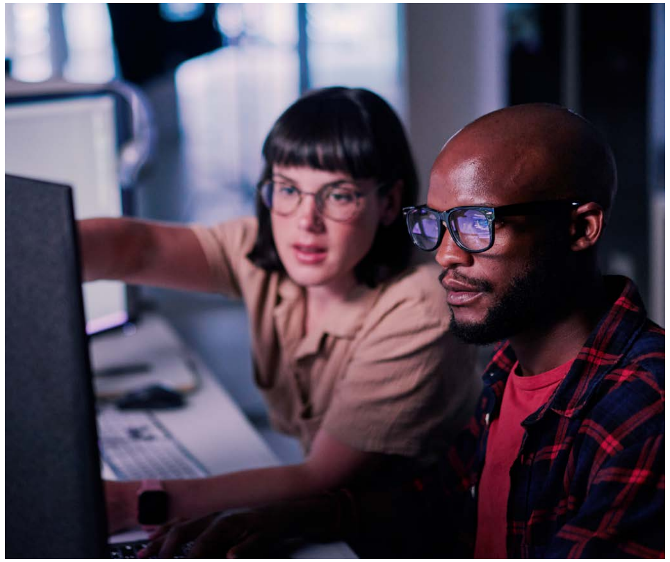
The operating model should be designed to transition components away from isolation and inconsistency toward a unified system, eliminating duplicate records. Firms require a streamlined operating model built on shared data, business logic, and processing, achieved by combining middle and back-office systems.

By sharing middle and back-office functions, firms can do away with many siloed services. For instance, implementing a position management system serving the front office (FO), middle office (MO), and back office (BO) would eliminate redundant activities, enhance efficiency, and break down silos. These models can be applied across multiple services, fostering the development of independent systems.

Further, capital market players can collaborate to share applications/systems between back and middle offices. This consolidation of services reduces costs, promotes adaptability to new technological landscapes, fosters competition, expands customer choices, and liberates firms from technological constraints.

Post-Trade in the Digital Era trend will be supported by:

- Reimagination of back-office processes with RPA and Low Code/No Code (LCNC) platforms to offer near real-time processing and a more digital and user-friendly experience.
- Remediation/migration of systems to the cloud supported by APIs for seamless integration, availability, and scalability, enabling synchronization with front-office applications.
- Implementation of a technology platform acting as a bridge between legacy systems and modern technology. This platform would gradually digitize post-trade services, reducing reliance on manual work and simplifying processes. It would also enhance communication between back and middle offices through extensive API use.
- Adoption of an Open API architecture for quick integration with fintech tools/platforms to support post-trade processing/operations.



Way forward

Due to legacy systems, a big-bang approach to modernization isn't practical. Firms must target post-trade digitization by simplifying technology, re-engineering processes, reducing manual work, and digitizing critical services. Further, extensive API use and improved communication between the back and middle offices, aided by cloud tech, enable a data-driven approach. This offers insights into risks and productivity enhancements, driving the desire for modernization.

For C-level executives, it's crucial to remember that integrating cutting-edge technology into your organizational strategy is not just about staying competitive. It's about redefining your business model to leverage digital innovations for operational efficiency, enhanced customer experiences, and sustainable growth in an increasingly digital marketplace.

Key takeaways

Firms that don't upgrade their back-end capabilities risk falling behind their competition.

Sell-side firms are grappling with complex, fragmented technology setups.

Embracing cloud solutions can revamp internal systems and market infrastructure.

Trend - 6

Intelligent automation in Wealth Management

In the rapidly evolving financial landscape, wealth management firms are embracing Intelligent Automation (IA) to stay competitive, streamline operations, increase efficiency and deliver enhanced client experiences.

IA combines artificial intelligence (AI), machine learning (ML), Natural Language Processing (NLP), no-code development and robotic process automation (RPA) to create systems that not only automate tasks but also learn and adapt over time.

Intelligent Automation refers to the application of advanced technologies that go beyond conventional automation. It's not just about replicating tasks that humans can do, but also about improving and evolving processes. In wealth management, IA can handle everything from data analysis and portfolio management to customer service and compliance.

It's not about simply automating the existing back office processes, but revisiting the objective and outcomes of what the back office does and applying modern technologies to enable that outcome.

According to the ThoughtLab[33] report 'Wealth and asset management 4.0', the firms that have adopted digital transformation have experienced rise in productivity, (13.8%), increase in assets under management (8.1%) and improvement in revenue (7.7%) attributable to their transformation initiative.

A number of wealth firms have already started their IA journeys. Leading the charge in Intelligent automation in wealth management are companies like Vanguard Personal Advisor Services, Betterment and Wealthfront. These innovative firms are leveraging technology to provide clients with sophisticated investment options and personalized financial advice. By combining human expertise with automated solutions, they offer a comprehensive approach to wealth management that caters to a diverse range of investors.

1. Striving for a top-notch client experience

- **Enhanced Onboarding:** Intelligent Automation ensures a secure, swift, and smooth onboarding process for investors.
- **Precision in Communication:** Automation guarantees the delivery of precise statements, calculations, and pertinent information to clients.
- **Personalized Service:** Tailoring investment strategies and communications to individual client needs and preferences.
- **Interactive Platforms:** Offering user-friendly digital interfaces for clients to engage with their investments and wealth managers.
- **Proactive Outreach:** Utilizing predictive analytics to anticipate client needs and reach out with solutions and advice.

2. Better regulatory compliance and risk management

- **Automated Compliance:** IA ensures up-to-date compliance, reducing manual errors.
- **Proactive Risk Detection:** Continuous IA monitoring identifies and mitigates risks efficiently.
- **Accurate Reporting:** Automated data handling increases report precision.
- **Efficiency Boost:** IA frees staff for higher-value work, enhancing productivity.

3. Provide intelligent investment decisions.

- **Data-Driven Insights:** IA processes and analyzes data from multiple sources for informed investment decisions.
- **Hybrid Strategy Support:** It enables wealth managers to blend traditional and modern investment approaches effectively.
- **Enhanced Analysis:** IA provides deep analysis for complex portfolio management.
- **Decision-Making Efficiency:** Automates routine analysis, allowing wealth managers to focus on strategic decision-making.
- **Simplified Investing:** IA simplifies the investment process, providing a competitive edge in wealth management.

Key automation use cases for wealth management:

- Automating financial advisor tools and platforms using RPA and Low Code/No Code in relationship management, client onboarding, revenue distribution, and regulatory compliance to enhance efficiency and productivity.
- Utilizing digital technologies like computer vision, text analytics, and machine learning to automate processes on both client and advisor sides, improving the digital customer experience.
- Leveraging AI, predictive analytics, and Gen AI to predict and manage potential risks, and provide clients with personalized portfolio recommendations.
- Harnessing quantum computing for advanced portfolio analysis and recommendations based on past market trends and data patterns.
- Implementing RPA for back-office process automation and reimagining front-to-back processes by systematizing tasks and introducing tool-based automation.

Way forward

Intelligent Automation is reshaping financial planning, offering greater efficiency and the opportunity to achieve your financial goals. By embracing the latest trends and leveraging industry expertise, you can take control of your financial future and ensure long-term success.

To ensure sustained business growth and competitive advantage, it's imperative for C-level executives to champion innovation and foster a culture of continuous improvement across all departments. Leveraging technology advancements can streamline operations, enhance customer experiences, and drive efficiencies, making it a critical component of strategic planning and execution.

Key takeaways

Wealth managers are increasingly adopting automation to streamline workflows and improve organizational efficiency.

Younger investors prefer digital experiences, making it essential for wealth managers to quickly integrate automation to competitive.

Firms that fail to modernize risk falling behind more agile competitors, while those that leverage automation will thrive in the changing landscape.

Future of Asset and Wealth Management

The year 2024 holds exciting prospects for those ready to embrace new trends.

With technology advancing rapidly, these trends will be marked by the ever-increasing influence of technology, the rise of sustainable investing, the adoption of AI and big data analytics, and regulatory shifts.

These trends offer both opportunities and challenges for investors and businesses. As the financial landscape evolves, market participants must stay informed, adapt to changes, and seize emerging opportunities. This approach enables them to navigate the dynamic capital markets environment and achieve growth, innovation, and financial objectives in the years ahead.

As we move forward, success in the evolving global capital market landscape hinges on adapting, innovating, and embracing responsible technological solutions.

The time for action is now! Let the journey begin.

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