



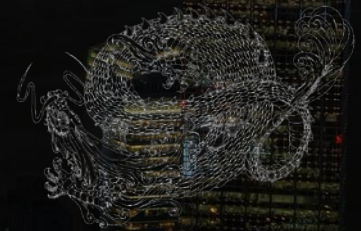
QUARTAL | Financial Solutions

Competitive Advantages through Innovative Fee Management

Asian Wealth Management Forum

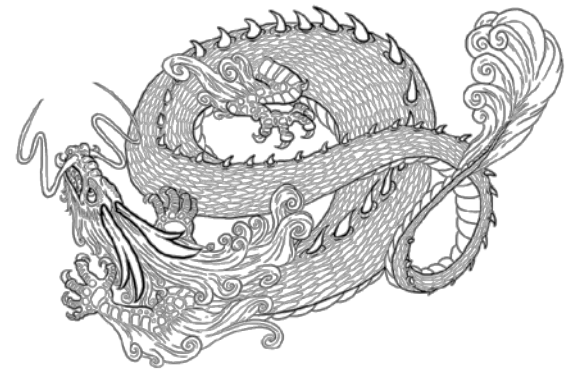
9 February 2012

Thierry Zuppinger, Chief Executive Officer at Quartal Financial Solutions



Agenda

- Introduction of Quartal Financial Solutions
- Background Figures on APAC Wealth Management
- Client Demands & Business Challenges
- Overview of Fee Management
- Competitive Advantages through Innovative Fee Management
- Case Study: End Client Fee Billing



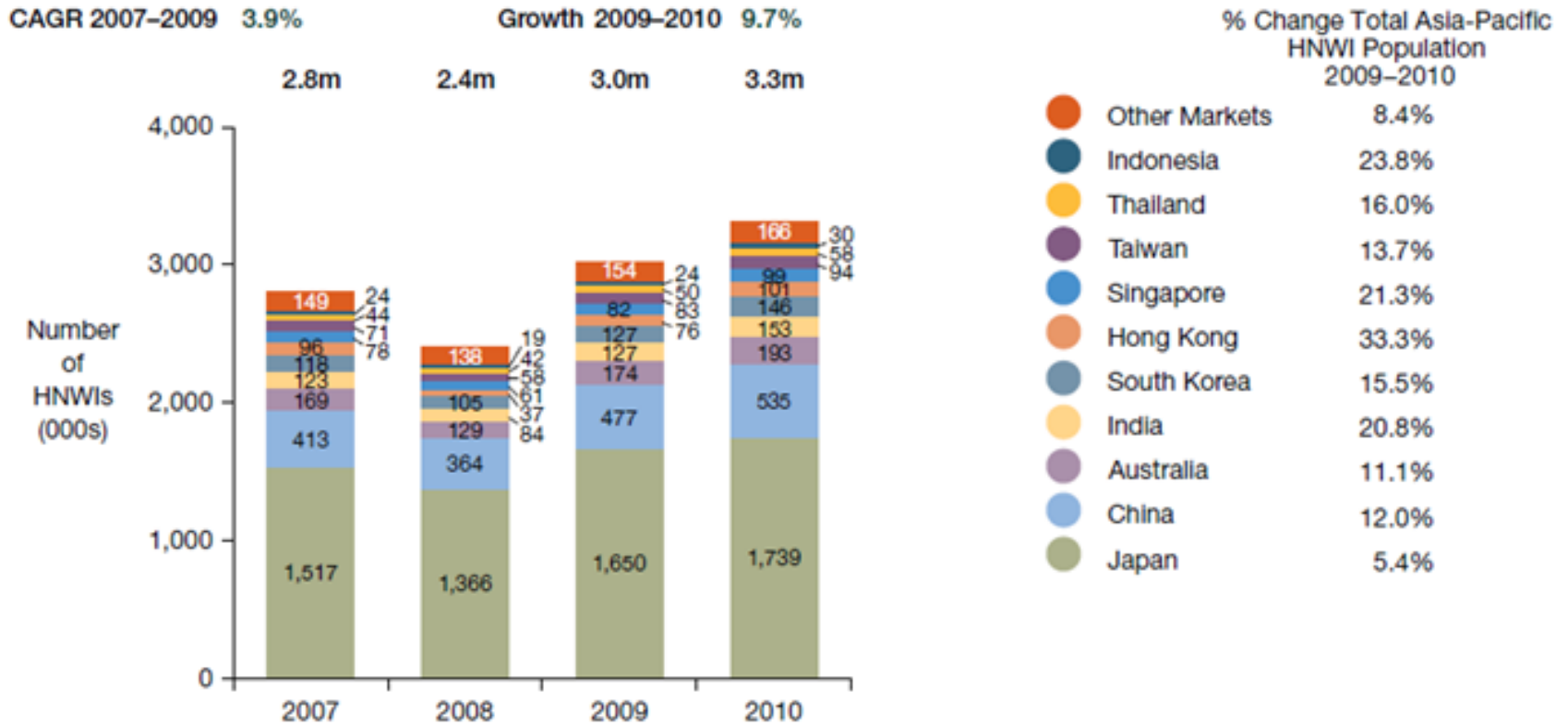
Quartal Financial Solutions

Founded:	1999 in Zurich, Switzerland
Headquarter:	Zürich
Offices:	Paris, Luxembourg, Frankfurt, London & Hong Kong (new)
Solutions:	Commission Management Revenue & Billing Management Fund- and Portfolio Reporting
Technology:	Oracle Microsoft
Installations:	50 installations worldwide
Customer Projects:	250 customer projects worldwide



Quartal provides world class solutions that cover innovative best of breed products, specialized in the maximization of efficiency in fee and commission processing for the financial services industry.

Asia-Pacific HNWI Population, 2007 – 2010 (by Market)



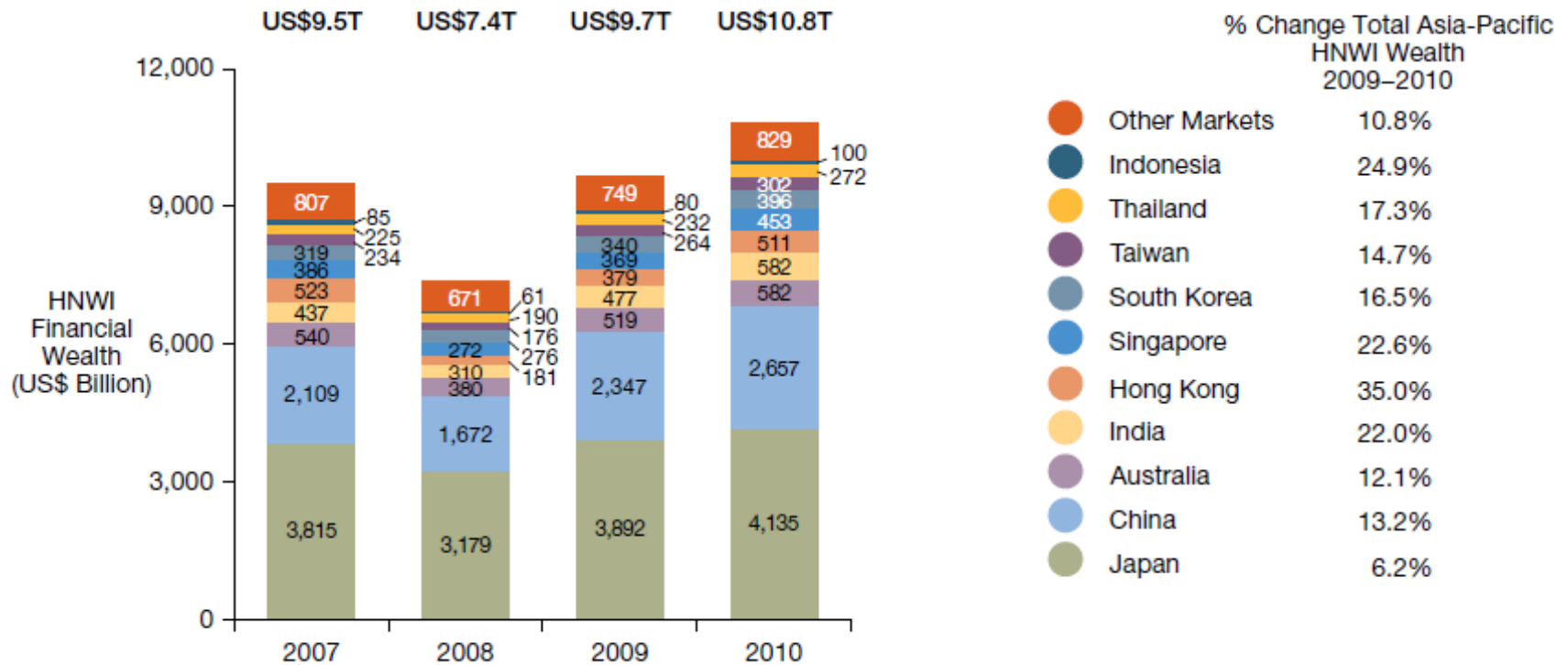
Source: Asia-Pacific Wealth Report 2011, Capgemini & Merrill Lynch Wealth Management

Asia-Pacific HNWI Financial Wealth, 2007 – 2010 (by Market)

(US\$ Billion)

CAGR 2007–2009 0.9%

Growth 2009–2010 12.1%



Source: Asia-Pacific Wealth Report 2011, Capgemini & Merrill Lynch Wealth Management

Hong Kong Figures – Present and Future

2012

- HNWI: 184,700
- Average wealth: US\$ 4.6 million per person
- Combined wealth: US\$ 845 billion

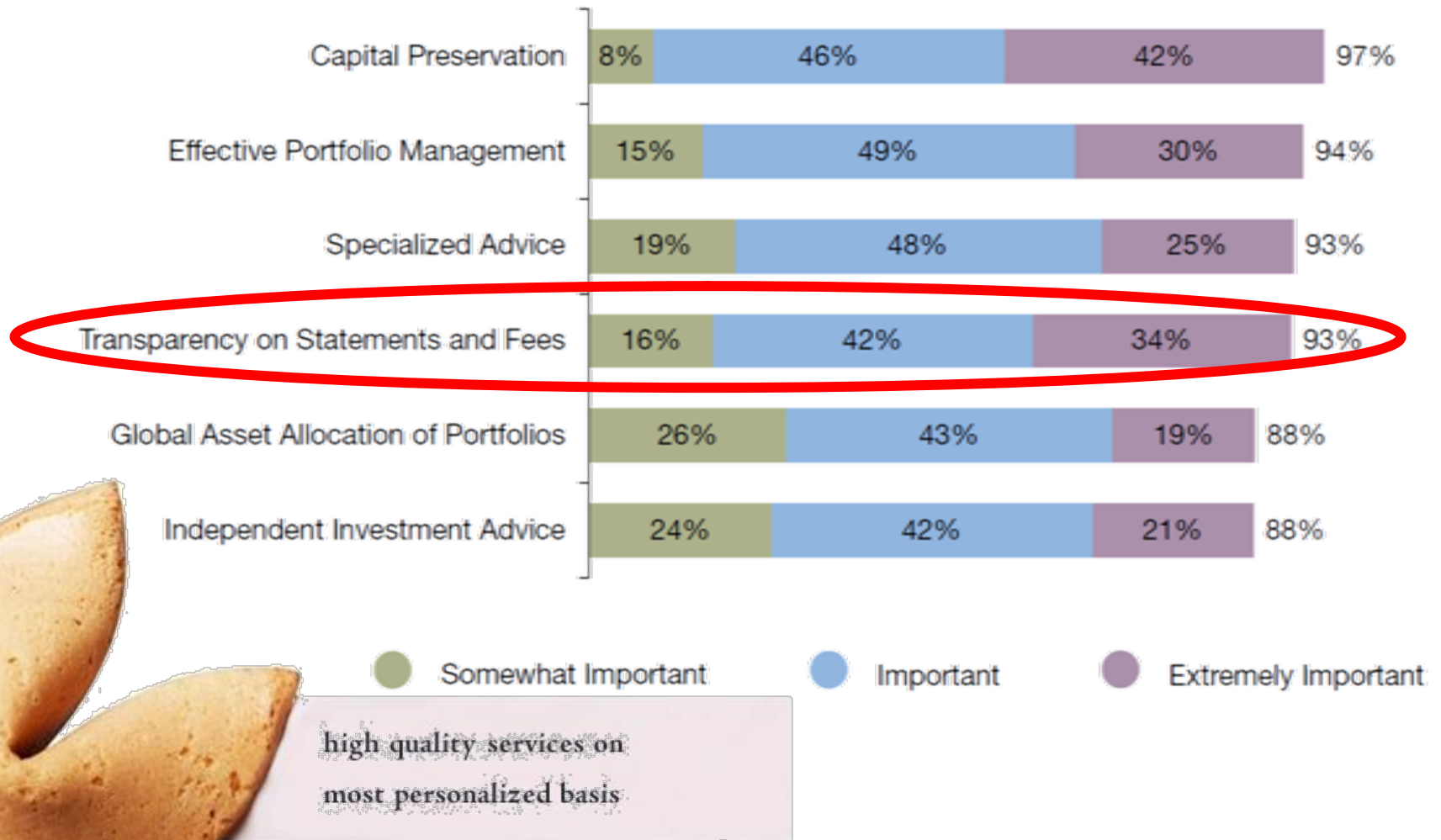
2015

- HNWI: 256,000
- Average wealth: US\$ 4.7 million per person
- Combined wealth: US\$ 1.2 trillion



Source: Hong Kong – Future of HNWI to 2015: Centre of Finance, Centre of Wealth, WealthInsight

HNWIs Demands on Wealth Management



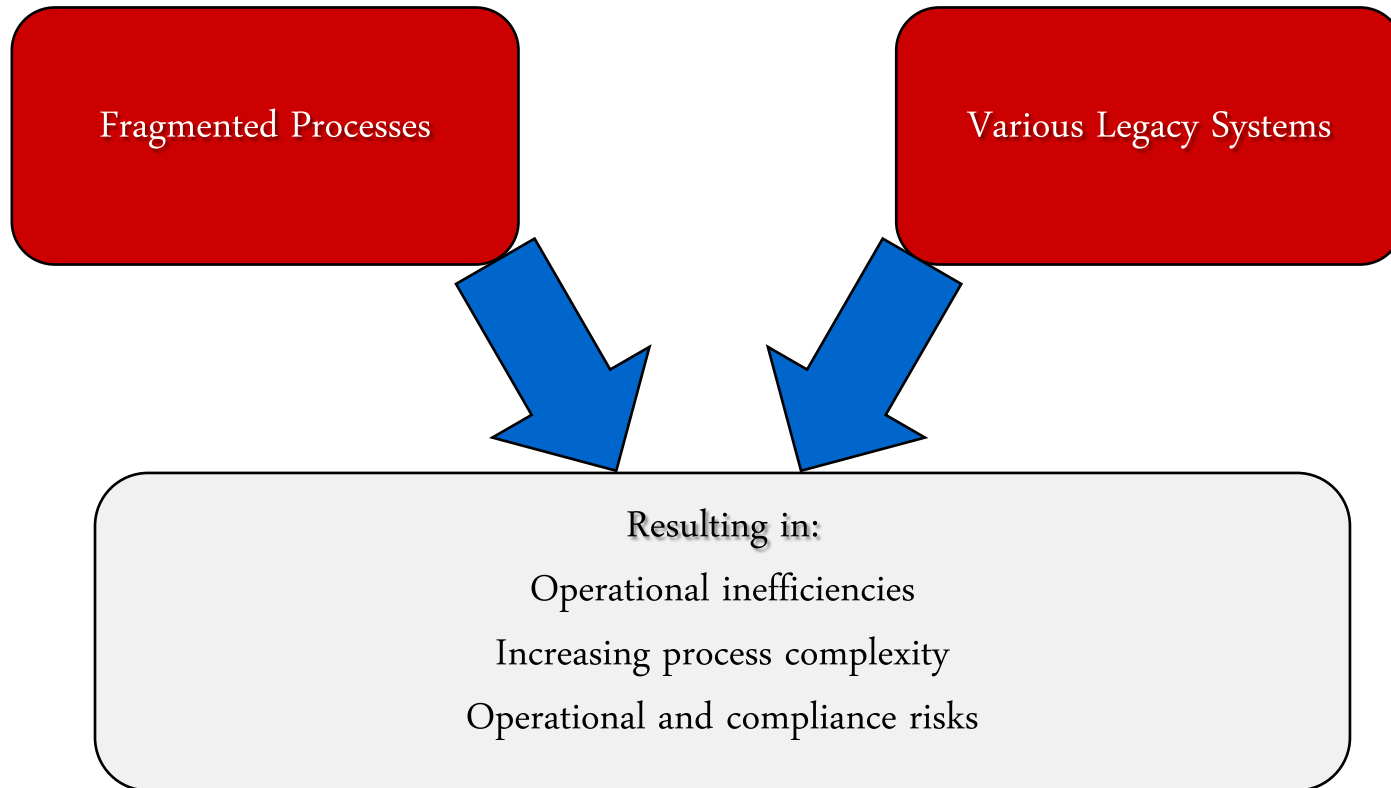
Source: Asia-Pacific Wealth Report 2011, Capgemini & Merrill Lynch Wealth Management

Business Challenges in Wealth Management

- Competitive environment
- High price sensitivity
- Regulatory burdens
- Auditory compliance costs
- Operational inefficiencies
- Process complexity
- Revenue leakage
- Client reporting



Significant Need to modernize Processes and Systems



The Technology Effect

- Increased process automation
- Reduced operational costs
- Increased revenue
- Enhanced productivity
- Streamlined information flow

Efficiency is the result of process automation

Wealth Management - Priorities for Technology Budget Allocation

Improving process automation



Adapting systems to meet compliance requirements



Achieving more automation in key client take-on processes



Source: PwC Global Private Banking and Wealth Management Survey 2011



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Innovative Fee Management



An Overview of Fee Management

- Fees vs. Commissions
- Recurring / Ad-Hoc / One-Off Fees & Commissions
- End Client Fees vs. Institutional Fees (B2B vs. B2C)
- Service vs. Incentive Fees
- Transaction / Asset / Volume / Performance / Fix based Fees & Commissions

Quartal FEE MANAGER



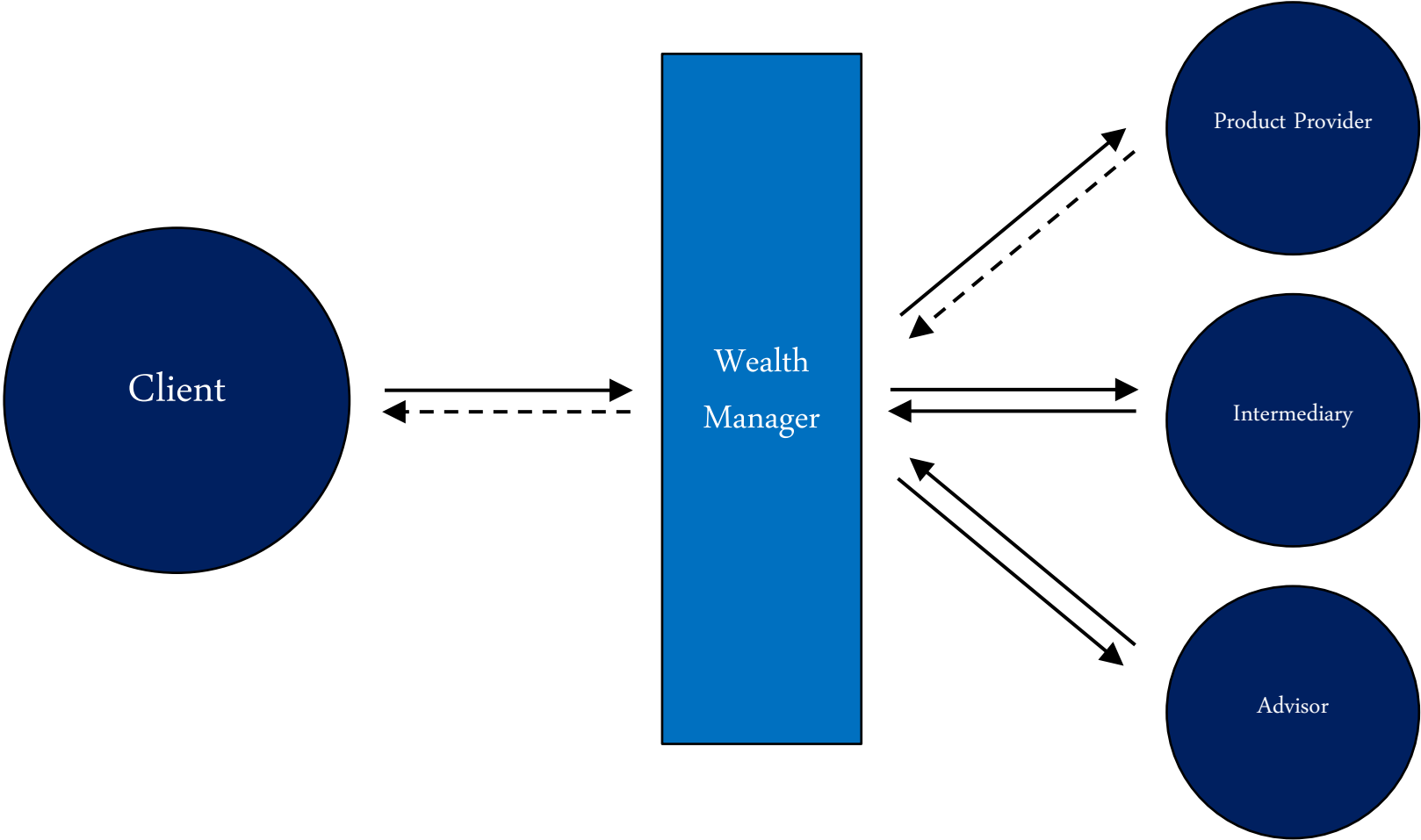
- ✓ Management Fees
- ✓ Performance Fees
- ✓ Service Fees
- ✓ Advisory Fees
- ✓ Portfolio Management Fees
- ✓ Safekeeping Fees
- ✓ Custody Fee / Trustee Fees
- ✓ Broker Fees / Ticket Fees
- ✓ ...

Quartal COMMISSION



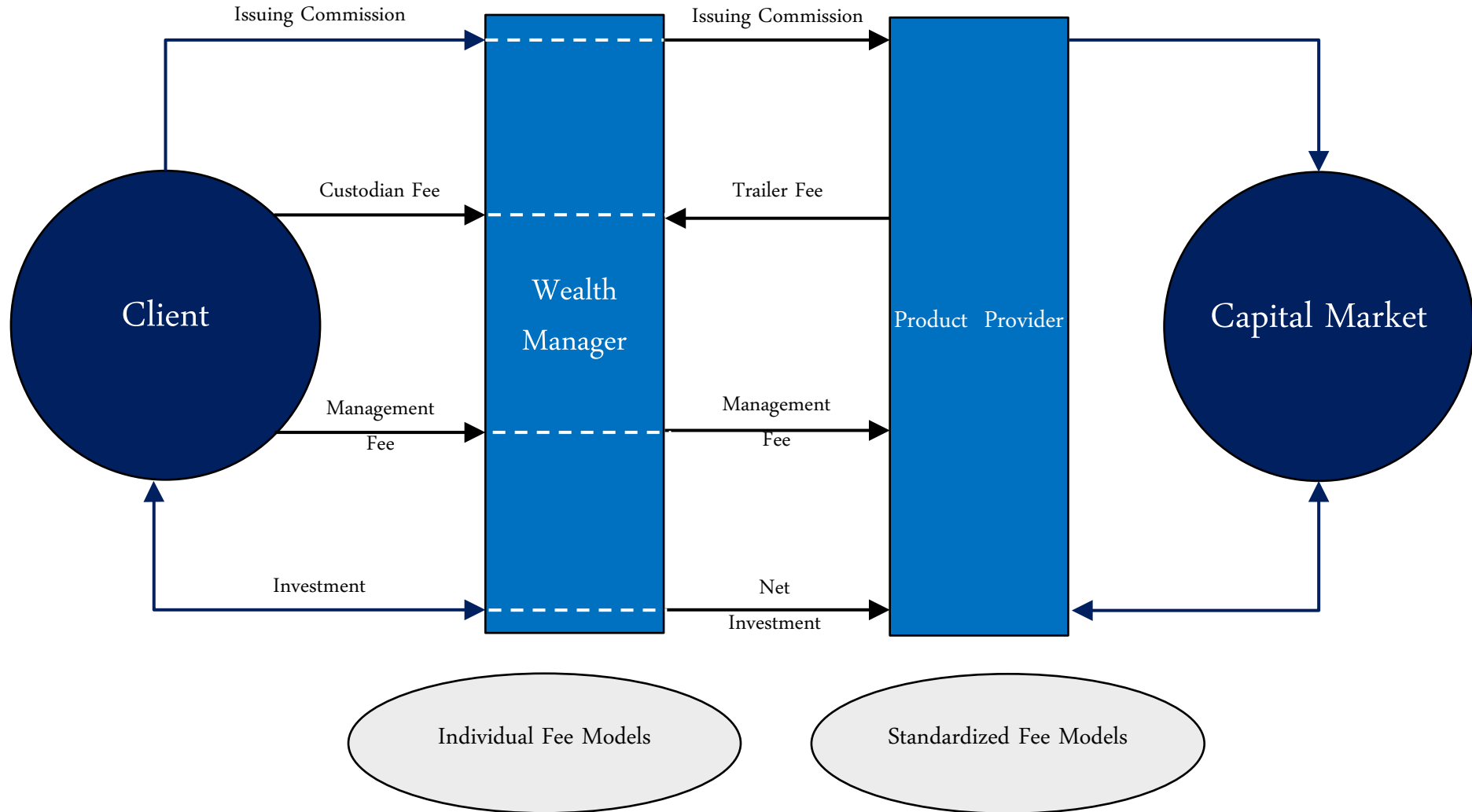
- ✓ Trailer Fees
- ✓ Retrocessions
- ✓ Subscription / Redemption Fees
- ✓ Finders Fees / Introducer Fees
- ✓ Transaction Fees
- ✓ Fiduciary Fees
- ✓ Deferred Sales Fees
- ✓ ...

Typical Business Relationships (Fees & Commissions)



Source: Quartal Financial Solutions AG

Sample Capital Flow – Fund Investment (Fees & Commissions)



Source: Quartal Financial Solutions AG

Competitive Advantages through Innovative Fee Management

Reduction of Operational costs

- Automate the management of fee models and structures
- Automate calculation and booking of fees
- Workflow based support throughout the whole fee invoicing process
- Automate payment-related communication (posting and collection)

Increased Service Efficiency

- Ability to handle and offer multiple fee and commission models
- Identification of efficient models
- High transparency for all stakeholders
- More accurate calculations and reporting
- More reliable information that is quicker available

Improved Revenue Controlling & Planning

- Detailed pricing and revenue controlling
- Benchmarking of clients, products, fee schedules, etc.
- Better decision making thanks to accurate pricing information
- Improved revenue & cash forecasting
- Transparency of all current and historical fees / payments

Legal, Regulatory & Process Compliance

- GST / Other taxes
- Enforcement of pricing and revenue policies
- Authority based workflows / approvals
- Multi-level validation
- Audit log
- Workflow-checklists (legal compliance for clients)



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Case Study:
End Client Fee Management



Case Study: End Client Fee Management

- **Client:** Global bank with large wealth management operations in APAC (running project)
- **Challenge:** The overall fee management process is:
 - Time-consuming
 - Prone to errors
 - Not transparent (in terms of reporting)
 - Inflexible (for specialized pricing)
 - Semi-automated or non-automated (e.g. ad-hoc fee collection, client refunds, etc.)
- **Consequences:**
 - Front/back-office members have to invest a lot of time into the fee collection process for each billing cycle
 - There is a significant need for client specific price discrimination whereas client advisors may lose clients due to their inability to offer customized pricing or grant discounts (if justified/appropriate)
 - Manual processes create operational overhead and introduce additional compliance risks

Case Study: End Client Fee Management

- **Solution:**
 - Implementation of **Quartal FEE MANAGER** as a central fee management engine for recurring and non-recurring client fees
- **Integration** of system into existing IT environment via automated data interfaces and APIs for:
 - Portfolio management system (client & portfolio static data)
 - CRM system (client and portfolio financial data)
 - Data warehouse (instrument and position data, assets, pricing, etc.)
 - General ledger system (accruals and fees)
 - Current account system (cash postings)
 - Reporting platform (client advice and statement data)

Case Study: End Client Fee Management

■ Processes / Functions:

Calculation:

- Monthly accruals and periodic charges
- Recurring fees
- Ad-hoc and account closure fees
- Applicable GST

Automated Processing:

- System notifications for process compliance
- Reporting for client statements
- Collection and posting of fees
- Client refunds and ad-hoc fee collection

Approval Workflows:

- Pricing models adjustments
- Review and adjustment of fees
- Standing orders / instructions
- Discount approval flow
- Hierarchical multi-level approvals based on authority matrix
- Escalation management for standing approvals

Case Study: End Client Fee Management

- **Competitive Advantage:**
 - **Reduced costs** thanks to automation of fee management and billing cycles for end clients according to best practices and structured pricing approach
 - **Increased revenues** thanks to enforcement of standard discount policies (i.e. formalization and structuring of discounting practices) and ability to manage, measure, track and report pricing behaviors
 - **More transparency and information:**
 - Provide transparency to fee collection via pricing transparency reporting and benchmarking
 - Provide information support to product management, offering, processing and controlling
 - Price and cost transparency (customer and product costing analysis)

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