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## **Squeeze on Budgets and Capacity Issues Puts Wealth Managers' Over-Stretched Operations and Technology Under the Spotlight, Shows Sapient Study**

**LONDON - 23 February 2010** - The operations and technology functions within many wealth management firms are facing enormous challenges as management expect 'more to be achieved from less,' says a new study published today by [Sapient Global Markets](#), a division of [Sapient](#) (NASDAQ: SAPE).

"In 2010, the focus for CEOs of wealth management firms is to ensure that their operations and technology functions become more effective and efficient, whilst continuing to respond to new regulations imposed by the government and regulatory authorities, as well as to support the front office to meet the more demanding needs of clients," said Jonathan Davies, vice president, Sapient Global Markets. "However, current budgets may not be adequate to meet these fundamental challenges."

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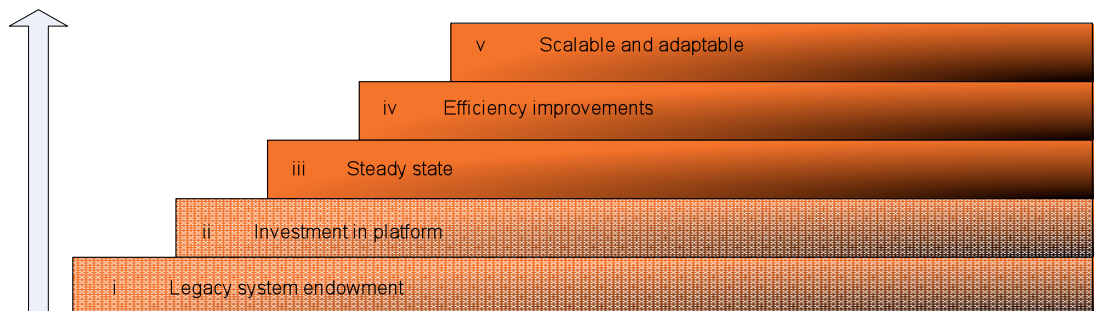
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As part of the study, Sapient conducted a survey and a series of ten in-depth interviews with wealth managers, including a number of chief executive officers and chief operating officers, to gather trends and insights into how wealth management firms are responding to the challenges they face in today's evolving markets. The aim of the study was to help participants be more effective in planning, evolving and executing their current and future operations and systems activities. The survey was undertaken with the support of two internationally recognised wealth management consultants, Bruce Weatherill and Ian Woodhouse.

Following the analysis and interpretation of the survey findings, Sapient identified five stages through which wealth management firms need to progress before they develop a world-class infrastructure platform. This platform ranged from stage one, a legacy environment with multiple systems, poorly integrated with processes that are heavily reliant on manual intervention, through to stage five. Stage five is characterised by an integrated technology platform with automated processes requiring minimal manual intervention.

### **The five stages of infrastructure evolution**



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Respondents' perception of where they believed their organisations are currently positioned in these stages was, after investigation and analysis, in most cases, higher than the reality of their position. Annual technology spend was also analysed in relation to the different stages of infrastructure evolution, and it was found that investment in technology did not necessarily correlate to either the size of firm or stage of their infrastructure development but rather to where spend was being deployed.

“Our study found that much of a firm's expenditure is incurred keeping the current systems operational, rather than being directed towards meeting the changing needs of clients, regulators or the firm's own organisation,” said Jonathan Davies, vice president, Sapient Global Markets. “Only when wealth management firms have understood where they are in their infrastructure evolution stage, can they determine their priorities and the required competencies to develop a robust implementation plan to realise their strategy.”

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The survey indicated that all participants want to reach a much higher stage of the evolution process over the next three years but with 80% of respondents' budgets static or reduced in 2010, careful prioritisation of spend is critical if they are to achieve this.

Chief operating officers' top priority for allocating the current operational budget is to meet regulatory and compliance commitments followed closely by coping with business expansion. Respondents are focusing their technology spend in 2010 on improving client reporting, valuations and increasing Straight Through Processing.

Those companies positioned at the lower stages of the evolution process will find budgetary constraints a big challenge, as the bulk of their budgets are allocated to support their currently inefficient operational processes and maintaining service levels rather than to make the necessary investment in platforms.

Lack of scalability was also highlighted as a key issue for many participants. Currently 20% of wealth management firms believe they are operating at full or over capacity and are concerned that as growth resumes they will not be able to meet demand without increased risk.

60% of participants indicated that they had undertaken a major systems upgrade in the last 12 months. However, many respondents felt that their investment in systems had resulted in only a slight improvement in efficiency or none at all.

The combined effect of these issues is leading most respondents to review their operational and technological strategies. Sapient's analysis identified three key areas that require attention:

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<b>STRATEGIC ANALYSIS</b>	<ul style="list-style-type: none"> <li>• Perform a diagnostic analysis to ascertain current position in the five stage infrastructure evolution process</li> <li>• Set up a regulatory working group which includes the COO and which has Board support</li> </ul>
<b>COST REDUCTION</b>	<ul style="list-style-type: none"> <li>• Identify processes and functions that can be moved offshore or outsourced to reduce running costs</li> <li>• Develop centres of excellence for process efficiency</li> <li>• Develop strategic partnerships with vendors to save costs</li> </ul>
<b>IMPROVE SERVICE DELIVERY</b>	<ul style="list-style-type: none"> <li>• Understand where operational errors are occurring and develop strategic technology solutions to address those errors</li> <li>• Review technology architecture to ensure asset classes share a common platform</li> <li>• Implement a single source database for client information</li> </ul>

“Pure monetary investment in IT is not enough to guarantee a business return. IT investment must be coupled with a clear and achievable strategy for operations. Alignment of the two within the overall business strategy will be critical,” continued Jonathan Davies, vice president, Sapient Global Markets. “Only those wealth management firms who are efficient, compliant and dedicated to client service will survive to meet the more onerous demands of clients and evolving market regulations.”

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#### About Sapient Global Markets

Sapient Global Markets, a division of Sapient, is a leading provider of services to today's evolving financial and commodity markets. We provide a full range of capabilities to help our clients grow and enhance their businesses, create robust and transparent infrastructure, manage operating costs, and foster innovation throughout their organisations. We maintain major practices in Advisory Services, Analytics, Technology, and Process Solutions, as well as unique methodologies in programme management, technology development, and process outsourcing. Sapient Global Markets operates in key financial and commodity centres worldwide, including Boston, Chicago, Houston, New York, Calgary, Toronto, London, Amsterdam, Düsseldorf, Geneva, Munich, Zurich, and Singapore, as well as in large technology development and operations outsourcing centres in Bangalore, Delhi, and Noida, India. For more information, visit [www.sapientglobalmarkets.com](http://www.sapientglobalmarkets.com).

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#### Notes to editor

1. A full copy of Sapient's 2010 UK wealth management study 'Delivering more business value from operations and technology' can be obtained by emailing: [jwinslade@sapient.com](mailto:jwinslade@sapient.com).
2. The 2010 UK Wealth Management study, 'Delivering more business value from operations and technology', is the first in a series of benchmarking surveys commissioned by Sapient Global Markets to better inform its clients of trends and issues affecting their industry sector. The results of the survey provide direction and recommendations that will help Sapient's clients identify, consider and resolve their current operational and technology challenges.

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