



In the first instalment of this paper we provided some background as to why there is a need to develop Business Cases for Asset Services change initiatives. This instalment focuses on the first stage in the process, covering analysis of your current process.

Current State Analysis



In order to identify where benefits can be realised and included in the business case, a clear understanding of the current and future models is essential.

As mentioned previously, it is vital to understand the big picture impact of Asset Services processing across your organisation and not focus solely on the process owned by the Asset Services team. This is good practice when defining any type of business case. In the case of an Asset Services related business case, it is even more important due to the fact many of the benefits that can be realised are unquantifiable, such as risk reduction and increased client satisfaction. Accordingly, additional effort will be required to ensure all potential benefits are captured in order to produce a viable business case.

Following the process outlined in the Defining Scope section of this paper will provide the details of all relevant parties that will need to be included in the Current State Analysis phase. This will include many areas outside of Asset Services management, processing teams and their IT support groups.

The scope of the additional areas that need to be included will vary from organisation to organisation, depending on the scope of the proposed change and the Asset Services processing model that is employed.

The below table gives examples of such areas for consideration

Input
Security Reference Data
Product Reference Data
Event Data Sources
Agent / Depository / Counterparty Data
Reconciliations
Position / Transaction Data
Client Reference Data
Client Media – Portal and SWIFT
Application Communications (ACK / NAK)

“The analysis needs to involve looking beyond the borders of the Asset Services function”

Output
Client Communications / Notifications
Agent / Depository / Counterparty Media
Application Communications (ACK / NAK)
Position Keeping Systems
Accounting and Ledger Systems
Sanction Screening
Reconciliations
Claims Management
Client Reporting systems
Inventory Management
Treasury / Funding Applications
Regulatory / Compliance / Legal
MI Reporting Tools
Tax Applications
Audit
Client Service Teams

Ibcas Current State Analysis Model

Ibcas’ extensive experience in developing Asset Services business cases has taught us that there is not a “one size fits all” methodology for this process. This Ibcas model includes a superset of methodologies covering all the categories of analysis we have had to undertake in the past, across a range of different institution types and sizes. Having this “Superset Model” allows Ibcas to successfully execute the relevant components of building an Asset Services business case, regardless of the scope or scale of the proposed change.

The subset of processes and associated documentation that are required will be determined by the nature and complexity of the proposed change and the type of information required in the business case submission process at your organisation. It is critical to agree the nature of the required information with your Stakeholders and Governance team prior to starting the current state analysis. This will reduce the likelihood of having to go back and rework your analysis and improve the likelihood of your change proposal being approved.

Whilst it is critical to ensure all relevant parties are included in the Current State Analysis phase, the best place to start is with the Asset Services Operations and Technology teams. Ibcas recommend starting at a high level and working down to lower levels of detail as you progress through the analysis phase.

Once this process is completed for the Asset Services teams, it can be repeated for the non-Asset Services teams that will be impacted by the proposed change. Including representatives from these areas in the Stakeholder Group and associated meetings should assist with access to the relevant resources to complete this process.

1. High Level Analysis

Understanding the Current Operating and Architecture Models provides the foundations for documenting the overall Current State. Below is an overview of the steps that can be taken to document these areas:

Current Operating Model

- Work with the relevant Senior Management teams (Asset Services and any other areas identified in the scoping phase) to fully understand the Current Operating Model.
- Establish and document the processing group structure and how that is broken down. This will vary from institution to institution, as there are different ways of breaking down the various processing functions (by Function, Product, Event Type, COI, Business Unit, Client Type, Position Type, etc).
- The goal is to have a detailed record of the current headcount numbers and their responsibilities, along with the associated costs, for the groups impacted by the proposed change.
- Documenting this information will provide the starting point against which any future model can be compared, easily identifying any relevant changes that need to be included in the business case.

Note: It is not always the case that there will be a reduction in headcount / headcount costs associated with the proposed change. If your change relates to an improvement in the current service offering, it will often be the case that an increase in headcount may be required to support that service offering. Furthermore, if the service offering is completely new, there may not be an existing operating model to document.

The output from the Current Operating Model analysis will be:

- Detailed breakdown of headcount allocation.
- Detailed breakdown of the costs associated with headcount.
- Identification of the relevant processing groups that will need to be interviewed in the detailed analysis phase (see below).

Current Architecture Model

- Work with the relevant Technology Senior Management teams, system owners and SME's (Asset Services and any other associated technology platforms / technology support functions identified in the scoping phase) to fully understand the Current Architecture Model.
- The first task is similar to the Current Operating Model analysis. The objective is to capture a detailed record of the current headcount numbers and their responsibilities, along with the associated costs for the technology teams impacted by the proposed change.
- The second task is to identify and non-headcount related technology costs
- Examples of associated costs can include the following for Asset Services and Non-Asset Services platforms:
 - Hardware
 - Software
 - License Fees (3rd Party Software and Data Feeds)
 - Hosting
 - Maintenance
 - Support / Headcount
- The final task is to document the flow of data between the Asset Services processing platform(s) and the upstream and downstream dependent systems. At this stage, that only needs to be done at the high level, identifying the source systems, data category and method of data transfer. More detailed analysis of the data elements, format and timing of transfer etc. will be undertaken and recorded later in the Detailed Analysis phase (see below).

The output from the Current Architecture Model analysis will be:

- Detailed breakdown of headcount allocation.
- Detailed breakdown of the costs associated with headcount.
- Detailed breakdown of the non-headcount related technology costs
- Identification of the relevant technology SMEs that will need to be included in the interview process undertaken in the Detailed Analysis phase
- High level architecture / data flow diagram
- System inventory

2. Detailed Analysis

Once the high-level analysis has been completed, the next step in the Current State Analysis process is to gather the detailed information relating to the in-scope functions.

The best way to begin gathering this information is to execute a series of workshops / interviews with the Asset Services Operations processing groups and technology SME's identified during the high level analysis phases detailed previously. Including both Operations and Technology representatives in this process results in bi-lateral education of each group's responsibilities, process and issues, as well as ensuring completeness and accuracy of the analysis being undertaken.

To assist with this process, Ibacas has developed a comprehensive questionnaire covering all aspects of the Asset Services lifecycle, from announcement receipt through to file closure.

Our proprietary questionnaire breaks the full event process down by lifecycle stages, accounting for the differences between, Income, Mandatory and Elective Events, as well as the differences between processing events for Equity, Debt and Synthetic products.

Asset Services Event Lifecycle Phases:



Each of the event lifecycle stages is then broken down into the relevant sub-functions. For example, within the Announcements section the process is broken down into:

- Source Data – Internal and external, events and securities
- Process – Event creation and validation
- Control – Workflow and alerts, risk management
- Data Management – Data storage and access, audit

Experience has taught us that following this logical timeline approach ensures that all the relevant information is captured and prevents missing information / the need to re-interview.

In addition to recording the details of the functions that are being performed, it is also important to capture additional information for each sub-function that will help to identify areas for improvement and benefit realisation.

In the Ibacas model, we also capture the following information at the sub-function level

- Is the process manual, automated or hybrid?
- What prompts are provided to execute the function?
- What source information is required?
- Where does the source information come from?
- What tools / platforms are used to execute the function?
- Are there any SLA terms in place for completing the process?
- Are there any known issues associated with the process?
- Is there any work in progress to resolve known issues?

Adopting this type of structured approach will ensure that the information captured during this process is complete, accurate and consistent.

Having a structured approach becomes even more important for institutions with complex operating models. The Asset Services function can be split up amongst many distinct processing groups. The split can be driven by processing function (centralised Announcement Validation or Claims processing utility), by Event Type (Income vs Mandatory Corporate Actions vs Elective Corporate Actions) by Country of Issue or Region, by Business Line or Client Type, etc.

It is critical to understand and record the scope of responsibilities for each processing group to understand which parts of the overall process the information captured in the workshops / interview process relates to. Without this understanding it becomes incredibly difficult to create a true picture of the Current State. More importantly, it becomes harder to identify the most efficient way to deliver maximum benefit and build a viable business case.

Once this process is completed with the Asset Services processing and technology groups, it can be repeated for the non- Asset Services groups identified in the scoping phase to ensure that the bigger picture information is captured.

3. Process Flows

The information captured during the detailed analysis phase can be used to develop process flows. The process flows are a pictorial representation of the underlying activities and data flows.

Depending on the complexity of the proposed change / underlying processing model, it can be useful to include additional information to the flows, such as headcount and cost details.

Having a pictorial representation of your process is useful when discussing the issues with those in your organisation that are not directly involved in the lower-level processing. If questions are asked about the process flows by stakeholders, you have the detailed analysis information to back them up.

4. Scoring

The information captured in the detailed analysis phase provides a detailed description of the process and function being performed. The next stage is to identify the relative strengths and weaknesses in the current process to establish where the most benefit can be realised for inclusion in the business case.

Ibacas have developed a proprietary methodology for this process where we compare the Current State model to an Ideal State model. The Ideal State model developed by Ibacas is based on adherence to the following high level core principles:

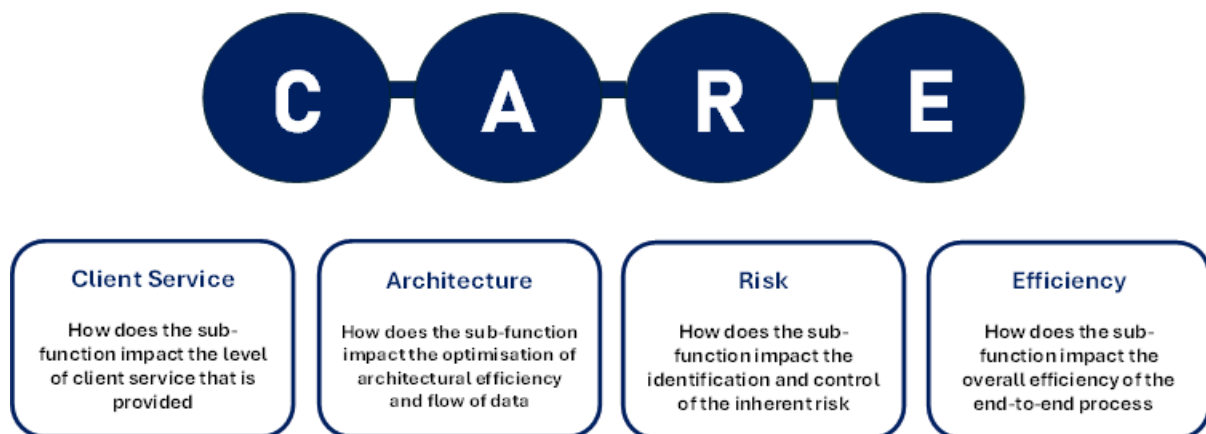
1	Compliance with local and global Standard Market Practice Group (SMPG) guidelines.
2	Adoption of ISO15022 and ISO20022 data dictionaries
3	A scalable process with high levels of automation / efficiency and real-time processing capabilities.
4	Effective risk mitigation and management with comprehensive risk prioritised workflow capabilities
5	Architectural efficiency with a focus on real time, formatted and automated data flows between upstream and downstream systems, including electronic client communications.
6	Adherence to Organisational / Business Unit goals and standards / SLA terms
7	Visibility of the overall process for management and processors, including on demand and scheduled reporting

In the Ibacas scoring model we take each sub-function captured in the detailed analysis phase and give it a score that reflects how it is executed in comparison to the same sub-function in the Ideal State model.

The scoring data is then recoded in a database and used for further analysis.

5. C.A.R.E. Weighting

Ibcas extensive experience within the Asset Services sector means we understand that not all sub-functions analysed in the detailed analysis phase will have an equal impact on the overall process and service offering. Accordingly, we have developed a unique methodology that takes into account the relative impact each sub-function has on the overall process across four different categories.



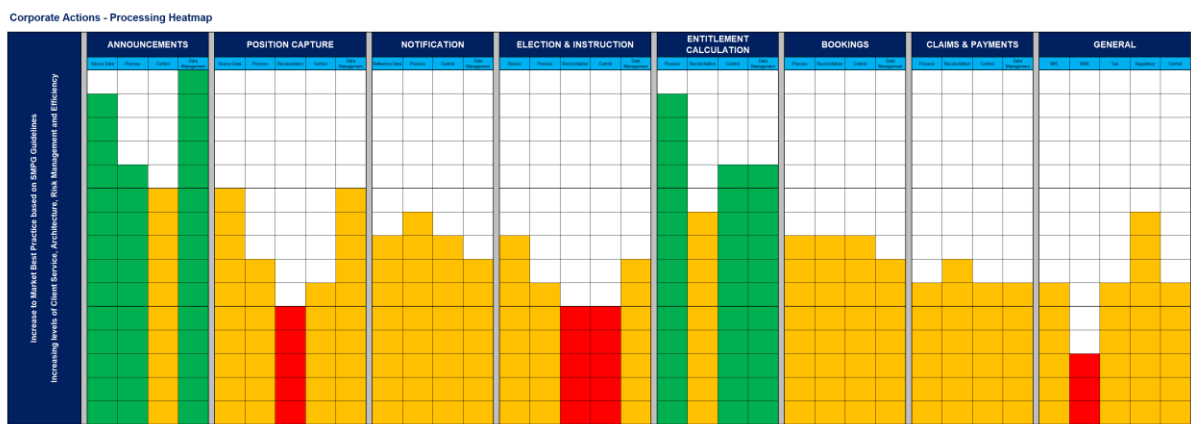
Each sub-function is given a C.A.R.E. rating based on the above factors. The C.A.R.E. rating is then used to apply the appropriate weighting to each sub-function score. The C.A.R.E. weighted scores are stored in the scoring database, along with the raw scoring data.

Application of the C.A.R.E. weightings provide a more realistic method for analysing where the real world strengths and weaknesses of the current process are based on real world impact. In turn, this allows organisations to identify the specific functions / sub-functions in the overall process where the biggest benefits to the overall process can be realised.

6. Heatmaps

Employing the Ibacas model detailed above provides the necessary data to produce a range of heatmaps that give a visual representation of the strengths and weaknesses of the current state model in comparison to the ideal future state model.

The sample heatmap shown below is produced using the C.A.R.E. weighted scoring data. The green areas show where the current process is closest to the Ideal State model, whilst the red areas show where the greatest benefits can be gained.



We have found the heatmaps are an invaluable tool when presenting the business case to Senior Management.

Different heatmaps can be produced dependent on the scope and impact of the proposed change that is being analysed.



7. Current State Summary

The Current State Analysis stage is critical to the overall process as it provides the baseline for comparison to any Future State proposals.

Key Focus Points:

- Include all relevant parties in the analysis (Operations, Technology and Business)
- Agree the high-level picture before diving into the detailed analysis
- Take a structured approach to the detailed analysis
- Document all of the feedback in a structured manner

Key Outputs

- Current State Operating Model
- Current State Architecture / Data Flow Diagrams
- Current State Cost Analysis
- Detailed Process Flows
- Completed Questionnaires and Scorecards
- Heatmaps – or another form of pictorial representation

The next instalment of this paper will focus on the process for documenting the Future State model.

