

2019 UBS
Group Chief Operating Officer (GCOO)
Case Challenge

Case study

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I. Introduction

The case is designed to simulate the business environment in a top-tier bank. You will be assessed on your analytical and critical thinking, as well as on your ability to articulate and offer practical analysis applicable to a real business problem.

A significant weighting will be given to the application of technological concepts or solutions which enable your solutions. Your technical skills and application of innovative technologies will also be assessed.

II. Background

In the case study, students will be asked to submit a business proposal to identify the gap between the current and desired state of the payment process. Based on a given budget, they will be required to provide a resolution and an outline of the implementation plan. The solution could involve, but is not limited to, collaborating with other companies, purchasing services from third-party providers, developing internal IT solutions, and optimizing processes.

III. Business scenario

As a result of the introduction of next-generation financial disruptors, an increase in market volatility, and a decline in client activity, the banking industry has come under cost pressures in its efforts to maintain sustainable profits while delivering digital transformation.

Phoebe, the Head of APAC Wealth Management (WM) at Perk Bank, is reviewing APAC WM strategies for 2019. Whilst Phoebe aims for regional expansion and sustainable growth in APAC, she also seeks to increase efficiency and reduce costs through process optimization and digitalization. Phoebe has approached Chandler, head of APAC WM Operations, and Rachel, head of APAC WM Technology, to discuss potential developments. They believe that the back-office space should be streamlined and re-engineered. They are also of the view that efficiency and the employee experience could be improved via technology (e.g. automation, artificial intelligence, robotics, and digitalization).

In light of this, Chandler has initiated a build-out of the middle-office space (MO) – a front-to-back globally-aligned operating model with high-quality delivery – in an effort to ensure sustainable and efficient growth at Perk Bank. The MO space is a centralized competency center that enhances and enriches the front and back-office interactions. Chandler aims to in-source time-consuming processes from the front-office so that the Client Advisors/Client Advisor Assistants (CAs/CAAs) can reallocate their time to client-focused services.

The key aspects of Chandler and Rachel's APAC WM MO development strategies are outlined below:

A. Optimization of the WM payment process

To reduce operating costs, effectively manage risk and regulatory compliance, enhance service quality and customer experience, and ensure a smooth migration to the more efficient target operating model, the WM payments process has been identified as an ideal candidate for improvement. Chandler and the lead of the new APAC MO space, Joey, have in-sourced the WM payments process to the MO space. Included among a small number of dedicated teams rolled out in the MO space is the PerkPay team. Looking after the WM payment process, the new PerkPay team is streamlining and optimizing its processes.

A number of issues have been identified at its pilot phase – this includes, but is not limited to, the manual and time-consuming processes, the single point of failure with our delicate Outlook servers (new platform to receive instructions from CAs/CAAs), lack of a robust reconciliation, delays in exception handling, multiple iterations between the front office and operations, and mailbox management issues.

B. Costs of solutions

Chandler's strategy of capitalizing and re-engineering operational processes require substantial initial investments. Bearing in mind increasing competition among top-tier banks, Chandler wants to minimize costs without any diminution in the quality of services, allowing Perk Bank to maintain its market position and profitability.

As such, any monetary investment must be thoroughly evaluated and justified to ensure a positive return on investment.

C. Regulatory requirements

Given that client money and data is highly regulated in most countries, compliance with local regulatory requirements is a key focus in the process optimization. It is particularly onerous for large banks such as Perk Bank, with its multinational operations, to comply with multiple regulators. To fulfill legal / regulatory restrictions and to meet client expectations concerning privacy, Perk Bank has to ensure strict restrictions on accesses to sensitive client data.

In the process of striving for digital enhancement to make its processes faster and more efficient, Perk Bank has to ensure that it is fully compliant with regulatory requirements.

D. Potential developments in the MO space

To achieve sustainable growth and increased efficiency, Chandler and Joey are considering how best to add value / potential incremental services in the MO space.

In line with Perk Bank's commitment to environmental responsibility, there is a desire to reduce waste and cut costs by replacing traditional printing on paper with a digital solution.

E. Security

Identify security threats inherent in the proposed solutions and suggest ways to make them more robust before the solution is implemented.

With the increased use of digital technologies including the cloud, big data, mobile and artificial intelligence in ever more areas of business, the number of endpoints and potential ways for cybercriminals to gain a foothold in the organization's network has proliferated. Banking regulators are designing stringent policies to ensure organizations address data protection challenges effectively.

Therefore, it is important to ensure that any new digital capabilities and platforms are sufficiently robust before being implemented. This can be achieved in several ways including the use of third-party tools or through the development of proprietary tools/methods such as 2FA.

IV. The challenge

After weeks of collaboration, Chandler and Phoebe present the MO development blueprint to the Managing Committee (MC). The MC quickly reaches a consensus that the top priority should be to address the gaps in the process by capitalizing on technology. It also believes that the current MO space can enhance its service offerings once the process has been improved.

With the MC's support, Chandler approaches your team, the Change-makers Team, for a detailed workable solution. For the best results, your team should include specialists in project management, process/data analysis, and IT specialization. You are required to prepare a complete proposal analyzing the challenges faced by the MO team and provide new solution(s) to enhance its ability to deliver its services.

A. Suggested perspectives

1. Technology

Identify innovative technologies which can solve the current problems.

Representatives of the MC have repeatedly emphasized their preference both for innovative solutions which provide strategic value and openness to external solutions. However, a workable demonstration/prototype should be used to justify the chosen solution.

After discussions with the internal group, the minimal technological requirements of the solution were agreed and are outlined below:

- Reduce processing time across all systems through the automation of high-touch manual processes which include multiple parties, to minimize the risk of human error.
- Provide an excellent end-user experience through a well-built user interface and highlight security features
- Provide a choice of strategic solutions with sound justifications which can ensure Perk Bank remains competitive in a digitized world.

Outlined above are the minimum requirements needed of the solution(s). Additional functional enhancements will also be credited. Work on the basis that automation will be central to the proposed solution(s). Your team has been assigned this project as top priority.

2. Operations

Currently, the WM payments process at Perk Bank is a manual, error-prone and paper-driven process that delays the cycle time and increases regulatory risk. Many Client Advisors and stakeholders are dissatisfied with the service. Regulators deem identity verification and dependency on email servers ineffective and prone to regulatory breach. To maximize efficiency, Perk Bank recognizes that the MO process needs to be overhauled. The transformation of WM MO should be rooted in an integrated approach that recognizes business, regulatory, and technological imperatives.

As a minimum, the basis of the solution from an operations perspective should encompass:

- The identification of inefficiencies and risks in the current WM payment process
- A proposed process for optimization and risk control (congruent with the technology solution) and an explanation of the key changes – this includes considering a reconciliation process (between the emails received and payments processed; the payments entered and payments released; the payments released and payments sent for archiving, etc.)
- An evaluation of the implementation/feasibility of the proposed solution and the risks involved
- An evaluation of the risks and regulations pertaining to client money and data
- Highlights of assumptions that have been made

3. Finance

Faced with the ongoing pressures of the changing financial sector, Perk Bank has decided to spend a sizeable portion of the budget on improving the processes and systems. An allocated 3,500,000 USD is to be used for this solution and needs to be spent over five years.

Your team has been charged with reviewing the options that could be used to develop the processes and systems within one month. The new system is required within eight months. The aim is to achieve higher client satisfaction in the shortest time frame possible without sacrificing quality. As the process deals heavily with Client Identifying Data (CID), it is preferable to keep things internal to avoid the need for onerous checks which would be required should outsourced parties or systems be involved.

You are also required to make a financial assessment to identify your chosen option:

- Compare the total cost of implementing each solution and justify the chosen one. Total cost = manpower cost + capital cost + deployment/service cost + operational cost
- Provide an annual profit and loss statement for the next five years to provide visibility into the financial implications of the chosen solution. Monthly savings to be used as revenue for the P&L statement analysis.
- Provide the timeframe required to implement and operate the chosen solution.

Please use the table appended for the different options:

	<u>Option 1 :</u> Perk Bank Internal solution	<u>Option 2 :</u> Excellence contracting agency solution	<u>Option 3 :</u> Prestigious systems and services leasing
Resource requirements	The Change Maker project team (comprising 4 members) spending 100% of their time on the project and a minimum of 7 internal IT programmers and 280 days to complete. Each programmer can only dedicate 50% of his/her time for the project	The Change Maker project team (comprising 4 members) spending 100% of their time on the project and a minimum of 4 external IT programmers and 320 days to complete. Each programmer can dedicate 100% of his/her time for the project	The Change Maker project team (comprising 4 members) spending 100% of their time on the project and a minimum of 4 internal IT programmers and 100 days for internal system integrations. Each programmer can dedicate 70% of his/her time for the project
Manpower cost (per 100% employee time)	Working days: 600 USD per employee Non-working days: 950 USD per employee	Working days: 800 USD per employee Non-working days: 1250 USD per employee	Working days: 600 USD per employee Non-working days: 950 USD per employee
Hardware (HW) requirements	3 HW instances of IT infrastructure	3 HW instances of IT infrastructure	NA
Capital expenditure	35,000 USD per HW (Depreciated over 4 years starting from date of delivery) 10,000 USD for shipping all items	35,000 USD per HW (Depreciated over 4 years starting from date of delivery) 10,000 USD for shipping all items	250,000 USD one-off licensing fee (No depreciation)
One time deployment costs	NA	NA	100,000 USD HW integration costs
Operational costs	IT support : 2 employees per working day HW Maintenance: 6,000 USD per month	IT support : 2 employees per working day HW Maintenance: 6,000 USD per month	50,000 USD per month as service and support fee
Cost savings	55,000 USD per month	85,000 USD per month	82,000 USD per month
Other considerations	Timeline constraints: <i>4 weeks: Solution selection</i> <i>4 weeks: IT resource on-boarding (can only start after solution is chosen)</i> <i>4 weeks: IT infrastructure HW finalization and procurement</i> <i>10 weeks: IT infrastructure HW delivery</i>	Timeline constraints: <i>4 weeks : Solution selection</i> <i>6 weeks : IT resource on-boarding (can only start after solution is chosen)</i> <i>4 weeks : IT infrastructure HW finalization and procurement</i> <i>10 weeks : IT infrastructure HW delivery</i>	Timeline constraints: <i>8 weeks : Compliance approvals of solution/system</i> <i>6 weeks : Contract finalization and signing</i> <i>4 weeks : IT resource on-boarding (can only start after contract finalized and signed)</i>

	<p><i>and readiness</i></p> <p>Programming work can only start after HW is delivered</p> <p>1 month = 25 working days + 5 non-working days</p> <p>1 month = 4 weeks</p> <p>If needed, more employees could be dedicated to the project. For any additional resource above 12 employees, there will be a 10,000 USD associated one-time cost</p>	<p><i>and readiness</i></p> <p>Programming work can only start after HW is delivered</p> <p>1 month = 25 working days + 5 non-working days</p> <p>1 month = 4 weeks</p> <p>If needed, more employees could be dedicated to the project. For any additional resource above 9 employees, there will be a 10,000 USD associated one-time cost</p>	<p>Big risk of using external solution</p> <p>1 month = 25 working days + 5 non-working days</p> <p>1 month = 4 weeks</p> <p>If needed, more employees could be dedicated to the project. For any additional resource above 8 employees, there will be a 10,000 USD associated one-time cost</p>
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V. Format and requirements

A. General requirements

Your analysis, reasoning, and implementation strategies should encompass:

- Transforming the current payments process using process changes and innovative technologies to address any gaps you have identified
- A demonstration of your ability to make sound and logical decisions based on the financial variables
- A report that should include:
 - An executive summary which briefly outlines the background of the proposal
 - An account of the challenges facing the teams and the proposed solutions and execution plans (with diagrams to illustrate process flow)
 - Financial analysis (you may utilize numerical data from reliable sources within reasonable means)

B. Requirements for the prototype

Deliver a prototype on top of the high-level IT solution you have proposed.

- Programming is not essential but will be a plus. There is no limitation to any programming language and no requirement on the compatibility with the real business requirement.
- The prototype could be a Paper Prototype (e.g. PowerPoint Slides) or a Working Prototype (e.g. implemented in programming language)
 - Paper Prototype: a printed or hand-drawn representation of the user interface of a software product.
 - Working Prototype: a representation of all or part of the functionalities of the final product. To eliminate risks of system environment dependencies, please adhere to the principles below when designing the working prototypes:
 - The prototype should start & run with minimal steps - i.e. should not require the installation of additional software, dependencies, etc.
 - Document a Readme, clearly but precisely, on proper steps to start & run your prototype if required.

- In case of website prototype – the preferred format is a single URL, which allows direct access to the website. You may want to host the prototype on web hosting services (GitHub Pages, Heroku, etc.).

C. Submission format

A maximum of eight pages in standard Microsoft Word document (Font size 12, Times New Roman)

An appendix may be used and is not limited to a specific format. For the written appendix, the maximum is 15 pages in standard Microsoft Word document.

VI. Assessment guidelines

<u>Item</u>		<u>Weighting</u>
Research and analysis	▶	10 %
Implementation and feasibility	▶	10 %
Logic and organization	▶	10 %
Innovation	▶	20 %
Presentation	▶	10 %
Technology components	▶	15 %
Operations components	▶	15 %
Financial analysis	▶	10 %

Case submission

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Late submissions will not be entertained.