1. Introduction

1.1 Purpose

The purpose of this document is to define the functional requirements for a wealth management advising and order booking system. The system will assist wealth managers in profiling customers, validating buy orders, and executing transactions for Mutual Funds, Bonds, and Structured Notes. The application will perform regulatory and risk checks such as RDIP (Risk Disclosure and Investment Profiling) and Concentration Checks before allowing any transactions to proceed.

1.2 Scope

This document outlines the system's functionalities, including customer profiling, order validation, document generation, authorization processes, and order execution. It also describes non-advised transaction processing when required.

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2. Requirements Overview

2.1 Business Requirements

- The system should profile customers based on their financial information and risk tolerance before allowing any order processing.
- Validation checks must be performed for any buy orders on Mutual Funds, Bonds, and Structured Notes.
- The system must ensure all compliance-related validations are satisfied before order execution.

2.2 Functional Requirements

- **Customer Profiling:** The system will gather customer data including income, assets, risk tolerance, investment horizon, and past investment behavior.
- **Validation Checks:** The system must perform RDIP checks, Concentration Checks, and compliance validations on every buy order.
- **Document Generation:** Once an order is validated, documents should be generated for customer authorization.
- **Order Execution:** Upon customer approval, the system will execute the buy order.
- **Non-Advised Transactions:** The system will support non-advised transactions, where customers choose to bypass advice after being warned about potential risks.

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3. Detailed Functional Requirements

3.1 Customer Profiling

1. **Objective:** Collect financial and risk data from customers to assess investment suitability.
2. **Data Collected:**
    - Income, assets, liabilities
    - Risk tolerance (low, medium, high)
    - Investment objectives (growth, income, preservation)
    - Investment experience (novice, intermediate, expert)
    - Time horizon (short-term, long-term)
3. **Profiling Logic:**
    - Based on inputs, the system will generate a risk profile, which will be used to validate the type of products the customer can invest in.

3.2 Buy Order Validation

The system will validate buy orders based on the following conditions:

1. **Product Type:**
    - Mutual Funds
    - Bonds
    - Structured Notes
2. **Validation Rules:**
    - **RDIP Check (Risk Disclosure and Investment Profiling):** Ensure the product's risk level aligns with the customer's risk profile.
    - **Concentration Check:** Validate that the customer's portfolio does not exceed a defined percentage concentration in a particular asset class or product.
    - **Compliance Check:** Ensure that the order complies with all regulatory requirements, such as KYC (Know Your Customer) and AML (Anti-Money Laundering) checks.

3.3 Non-Advised Transaction Processing

1. **Warning:** When a customer chooses to place an order without advice, the system will display a warning indicating the risks of bypassing wealth manager guidance.
2. **Confirmation:** The customer must explicitly confirm that they are aware of the risks.
3. **Transaction Processing:** Once confirmed, the system will process the transaction as a non-advised order.

4. Order Processing and Document Generation

4.1 Document Generation

1. **Input:** After successful validation, a document package (investment summary, risk disclosures, and transaction details) will be generated.
2. **Formats:** PDF and digital signature-ready formats.
3. **Contents:**
    - Customer profile summary
    - Details of the buy order
    - Compliance confirmations (RDIP, Concentration, etc.)

- Customer consent and authorization fields

4.2 Customer Authorization

1. **Method:** Customers will authorize the documents either via digital signature or manual signature upload.
2. **Completion:** Once authorization is completed, the system will proceed to the next step: executing the order.

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5. Order Execution

5.1 Order Submission

1. **Triggered Event:** Upon document authorization, the system will submit the buy order to the market or relevant counterparties (e.g., fund managers or bond issuers).
2. **Confirmation:** The system will provide the customer with confirmation once the order is executed, including transaction reference numbers and expected settlement dates.

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6. Error Handling and Validations

6.1 Input Validations

1. **Customer Profiling:** Missing or incorrect financial data will trigger error messages and prevent the order from proceeding.
2. **RDIP Failure:** If the selected product exceeds the customer's risk tolerance, the system will block the order and suggest more suitable alternatives.
3. **Concentration Limit Breach:** Orders breaching concentration limits will display a warning and suggest portfolio adjustments.

6.2 Non-Advised Transactions

- The system will require customers to acknowledge risks before proceeding with a non-advised transaction.

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7. Acceptance Criteria

1. **Customer Profiling:** The system should accurately categorize customers based on risk and financial details.
2. **Validation:** RDIP and Concentration Checks must be enforced before buy orders are processed.
3. **Document Generation:** The system must generate required documents for customer authorization in a clear and compliant format.

4. **Order Execution:** The system must correctly execute buy orders once authorization is received and provide customers with confirmation of execution.
5. **Error Handling:** The system must display appropriate error messages and warnings for all invalid inputs or regulatory breaches.

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8. Reporting and Analytics

8.1 Report Generation

The system should generate the following reports for internal use:

- **Customer Profile Report:** Detailed report summarizing customer profiles and risk categories.
- **Order Validation Reports:** Summary of failed validation checks and reasons (e.g., RDIP, concentration breaches).
- **Transaction Report:** Log of all executed orders, with details like date, product type, amount, and customer.

8.2 Analytics

The system should support analytical tools to assess the performance of customer portfolios, including:

- Portfolio diversification
- Risk-adjusted returns
- Comparison against market benchmarks

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9. Security and Compliance

9.1 Security

1. **Data Encryption:** All sensitive customer data and transactions must be encrypted in storage and transit.
2. **Access Control:** The system will implement role-based access control (RBAC) to ensure that only authorized personnel can access sensitive functions.

9.2 Compliance

1. **KYC/AML Checks:** Ensure all customer data and transactions adhere to KYC and AML regulations.
2. **Audit Trails:** Maintain logs for all transactions, profiling, and validations for regulatory auditing purposes.