

# Concepts...

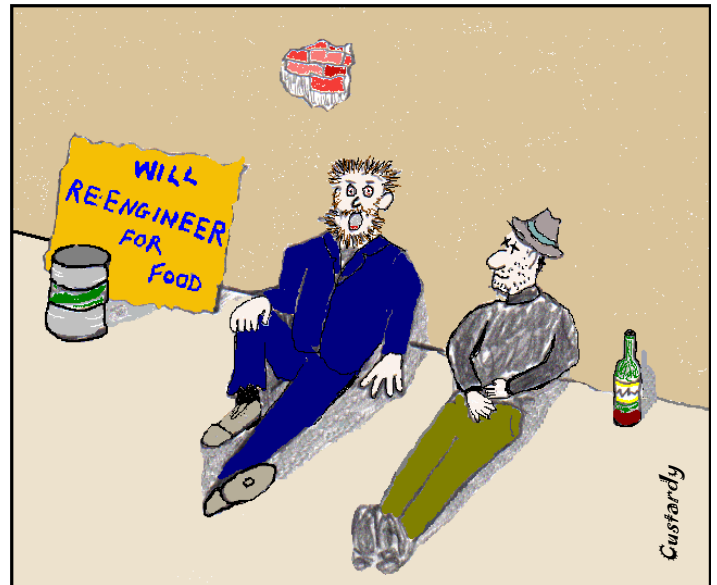


"Concepts" is published by Parvidya Design Partners to raise as many questions as it answers. It is driven by the belief that the industry, its products and its services are ever evolving. The ideas reflect the challenges faced in the continuous journey of innovation and improvement.

## Generic Financial Services Process:

As Alphonse Karr, the French philosopher commented, "The more things change, the more they are the same". When undertaking any initiative relating to products in the financial services industry, the sophistication may be in the technology utilized, the solution designed or the market opportunity pursued but the components of the business solution usually involves very similar process elements. Below are process elements which you may consider in all your product or process development initiatives:

**Investment strategy:** The driving force of the product.  
**Analysis/Research:** The justification for transactions executed or avoided.  
**Market Data:** The primary information driving the analysis.  
**Account Opening:** The window into the regulatory and administrative requirements.  
**Fulfillment:** The documented information which meets regulatory or service needs.  
**Compliance:** The review for legitimacy and guide for limitations.  
**Margin/Control:** The compliance with respect to any loans vs. collateral.  
**Risk Management:** The means to define/measure exposure for risk providers.  
**Credit:** The ultimate limit on borrowing.  
**Interest:** The means by which a client can review opportunities and obtain transaction "color".  
**Execution:** The legal commitment of the transaction with a Broker Dealer.  
**Confirmation:** The transaction control for regulatory needs or process integrity.  
**Allocation:** The division of a transaction to any sub-accounts or multiple entities.  
**Referential Data:** The securities, market, business, client and counterparty data that needs to be maintained consistently.  
**Standing Instructions:** The repetitive transaction based client data.  
**Instruction:** The process, protocols and authorizations allowing institutions to transact with or on behalf of each other.  
**Netting:** The consolidation (for efficiency and simplicity) of any similar transactions by security type, process, business entity, utility or service provider.  
**Clearing/Settlement:** The process by which transactions are financially or legally completed.  
**Custody:** The holding and recording of positions on behalf of counterparty, while providing transaction processing, services and reporting.  
**Portfolio Servicing:** The processing required for Dividends, Interest or Corporate Events.  
**Reporting/Reconciliation:** The primary information and control around underlying fundamental securities positions and services provided to clients.  
**Portfolio Accounting:** The more sophisticated valuation and reporting required for analytical/regulatory reasons.



*"We had the Chairman's Statement, the Mission Statement and the commitment to service statement... but no one looked at the Bank Statement!"*

**Performance Measurement:** The analysis of investment return over varying time periods.  
**Securities Pricing:** The acquisition of agreed prices on all security types on a real-time, end of day or calculated basis.  
**Billing:** The many and varied means by which a provider can justifiably charge for services or products under negotiated terms.  
**P&L Reporting:** The internal means by which an organization can measure its products contribution to the bottom line.  
**MIS:** The data or information required to record, monitor or manage the business' performance.  
**Documentation:** The internal procedures, specifications, meeting minutes or records required for regulatory or diligence requirements.

It is not necessary for you to include all the identified process elements in every one of your financial services process initiatives. However, if the points are not considered for inclusion, there is a risk that the process integrity or completeness will be compromised.

*Parvidya Design Partners would be pleased to discuss the realization of these concepts with you further. We thank you for your consideration.*

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