



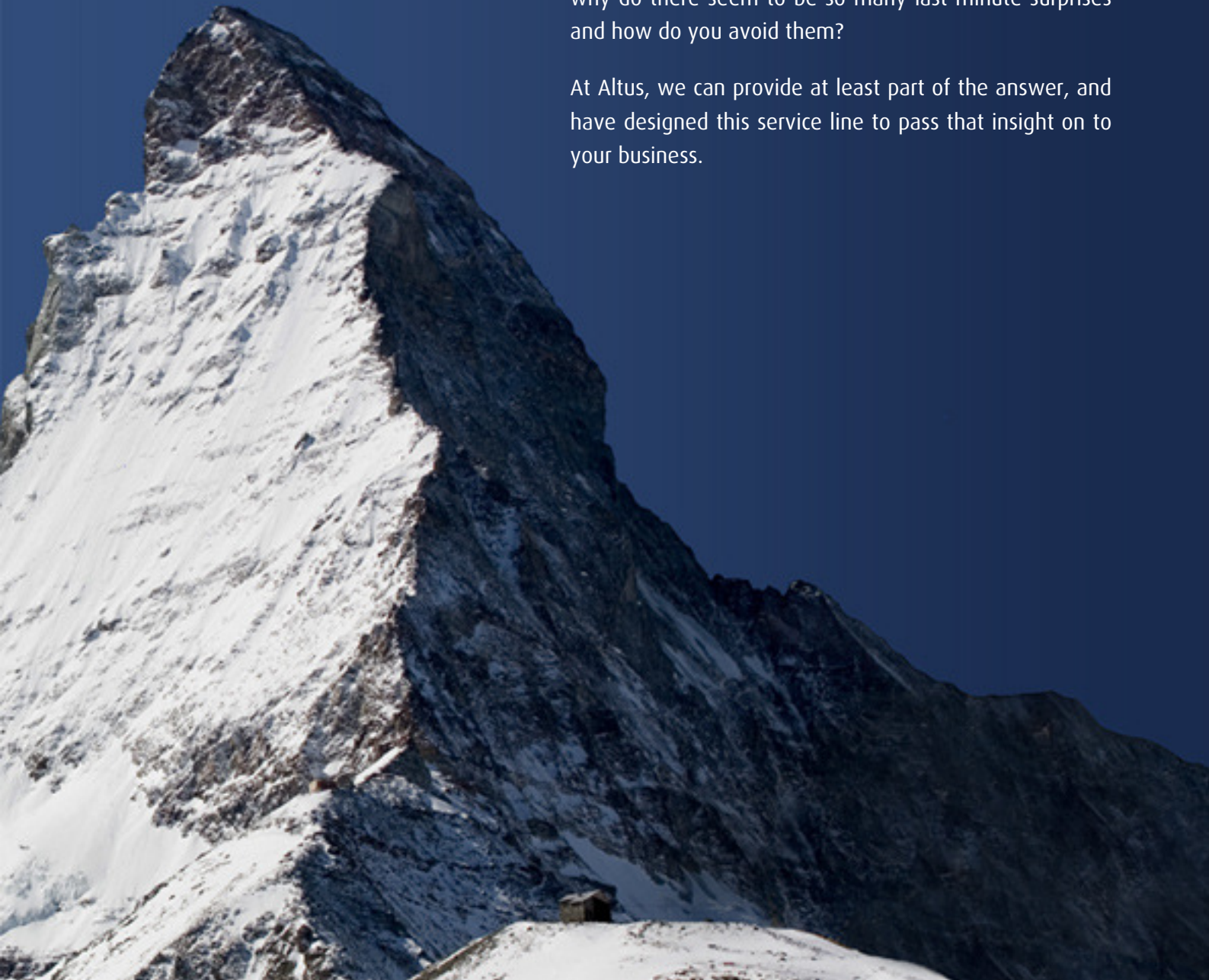
Altus

clear thinking for Financial Services

Business Constraints Framework

Despite all that the Financial Services industry has learned about risk management and governance in recent years, too many projects still founder on the rocks of regulation surprisingly late in their lifecycle. Integration programmes that fall foul of corporate governance rules, shared services that overlook VAT impacts, distribution deals that bring unwanted liability; why do there seem to be so many last-minute surprises and how do you avoid them?

At Altus, we can provide at least part of the answer, and have designed this service line to pass that insight on to your business.



The Issue

At the outset of any programme or project it is natural that people want to focus on objectives and delivery. A few will lurch straight into the detail, but the more progressive will take an architectural view of the subject area and ask early questions about what, how, why and who – exactly the approach Altus recommend.

However, the one question that few people are keen to confront at this early stage is “why not?”. The truth is that projects are there to deliver and there’s usually so much information to be gathered and assimilated to get things rolling that spending lots of time on researching potential problems just doesn’t seem appropriate.

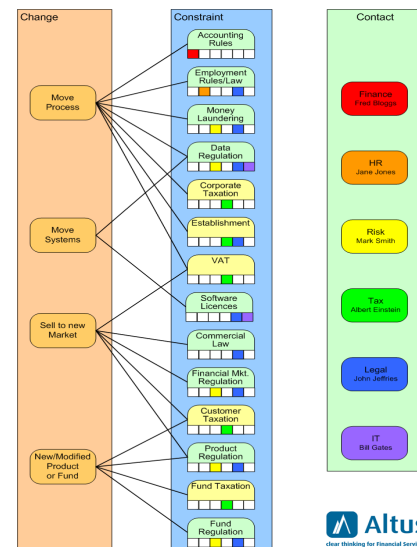
The governance cycle attempts to address this by adding a liberal dose of compliance, legal and tax sign-off to project documents; but that comes after considerable effort has already been spent and tends to make these functions either a bottleneck during periods of change or, even worse, a rubber-stamp in the early phases.

The Altus approach

So how do you apply some rigour to the gate-keeping of projects during their early stages without adding so much overhead that they grind to a premature halt?

Our answer is to establish some rules that can be applied by non-experts to determine which regulations may apply to their project and how to approach them. We call this the Business Constraints Framework. Most of the information in this framework will be familiar to various people in your organisation; our contribution is to bring a baseline

Constraints Governance Guide — an example



set of documentation, plus experience of how to gather, analyse and present the specific additions for your organisation, and how to then weave the results into your existing governance structures.

We will typically talk to representatives from Risk, Internal Audit, Legal, Tax and Human Resources to get a good overall picture of the types of constraint that relate to your business – a company growing via horizontal acquisition across Europe will be subject to different constraints than one which is chasing new lines of business in the UK.

It is impossible to give an exhaustive list, but common constraints include market regulations, employment law, corporate tax, accounting and data protection. Others depend on Lines of Business, geographic location and the distribution chain.

We also try to understand projects that have fallen foul of constraints and incorporate the lessons learnt – the Business Constraints Framework provides an ideal place to capture this learning in the future too.

The Altus Approach (cont.)

The last step involves taking everything we have learned, organising it into a simple framework and mapping the constraints to broad process areas for subsequent reference by project teams. The aim is not to turn project managers into experts in compliance, law or tax, but to give them enough information to know when to engage those functions and what questions to ask.

The Deliverables

The outputs of this exercise will typically be supplied as a spreadsheet (but can easily be captured via an EA tool if you have one) plus a brief presentation summarising its role in your governance cycle.

The framework will cover:


- Categories of constraint
- Key regulatory documents in each category
- Conditions affecting each category
- Who to consult on each category
- Constraint-Process mappings

Altus then work with your own project governance team to agree where the framework fits and how it will be applied and maintained.

A few concrete examples help illustrate this:

- If processing across legal entities, consider which entity will provide the service, where it is based, what it will charge and the consequences for VAT.
- For a new product launch, be clear on the target audience and ensure sales materials meet regulators' expectations.
- To move an accounting process across borders, check local tax regulators' data access requirements.

Constraints Framework example extract



		Tax				Regulatory				Contract Law				Data				Distribution				
		21.1	21.2	21.3	21.4	31.1	31.2	31.3	31.4	41.1	41.2	41.3	41.4	51.1	51.2	51.3	51.4	61.1	61.2	61.3	61.4	
		Compliance	Compliance	Compliance	Compliance	Bank Reg	MLA	AML	MLA	Product	Product	Product	Product	Investment	Investment	Investment	Investment	Product	Product	Product	Product	
Product Development	3.0 Sales Process Support																					
	4.1 Market Analysis																					
	4.2 Product Design																					
	4.3 Channel Product Tailoring																					
	4.4 Contract Review																					
	4.5 Value Monitoring																					
	4.6 Litigation Prep																					
	4.7 Insurance																					
	4.8 Refinancing																					
	4.9 Risk Rating																					
Process	5.1 Quotes Processing																					
	5.2 New Business																					
	5.3 Manage Schemes																					
	5.4 Manage Policy																					
	5.5 Reinsurance																					
	5.6 Renewal and renews																					
	5.7 Annual Statements																					
	5.8 Natural Terminations																					
	5.9 Surrenders																					
	5.10 Investment Withdrawal																					

- If you plan to scan correspondence and destroy originals, check the solution complies with relevant standards (e.g. COLA) on retrieval and legal admissibility.
- To sell in Italy, take care with financial projections as they can be legally binding!

The Benefits

There are no generally available statistics on how many projects get tripped up late in the day by regulatory constraints but, if you've read this far, the chances are that, like us, you have seen enough to know that it's a genuine problem.

The most obvious benefit of a Business Constraints Framework is early visibility of potential constraints and an opportunity to change direction sooner.

You will get better value from key departments such as Risk and Legal who will be engaged earlier and in the right projects.

Overall, you will get much greater confidence in project governance and a far better chance of any large change programme fitting together.




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Altus understand Financial Services - the products, the processes, the people and the systems that make the whole thing tick. With years of experience in complex change programmes, we understand that successful solutions begin with the business.

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