

# project case

## Pan European trailer fee calculation

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Guido Bachmann, Head of Trailer Fee Calculation,  
Allianz Global Investors Europe GmbH, Frankfurt



# Allianz Global Investors Europe GmbH

Allianz Global Investors (AGI) automates the payment of trailer fees to their sales partners and branch offices. The calculation and payment processes were to be harmonised anew throughout Europe. This required a rule-based sales controlling solution that unified the different compensation philosophies and calculation rules for each country.

## Our customer and the project

Allianz Global Investors (AGI) manages assets in all major asset classes and regions. The experts of the asset management unit at Allianz SE act globally and are presented through 22 branches in 18 countries across the globe, in particular in Europe, the USA and Asia. With some 500 investment specialists, the investment management team covers every major financial and growth market in the world.

([www.allianzglobalinvestors.de](http://www.allianzglobalinvestors.de))

### Challenge

AGI operates a trailer fees based remuneration model for sales partners and its branches. In addition, trailer fees are paid between business units within the AGI group. This was a complex process, as each organisational unit performed its calculations separately, with local accounting tools within legacy system

This was complicated further through the fact that countries employed a variety of compensation philosophies.

AGI was looking for a technical solution that would meet its extensive list of requirements, harmonise its processes across Europe and that could be expanded at a later stage.

### Goal

A flexible and extendable "Pan-European trailer fee settlement system" that

- automates and consolidates different compensation philosophies and calculation rules across Europe
- creates synergies and achieves efficiency by harmonising processes – taking country-specific differences into account
- creates cost savings by replacing redundant IT systems
- reduces risks through clearly defined roles- and amount-dependent release processes

### Solution

**We introduced a Pan-European trailer fee settlement system based on calculo.**

calculo is a „Business Rules Management (BRM)“ technology-based software platform that models the full range of billing and settlement conditions within a single, central system. This makes it easy for AGI to monitor and process trailer-fees on a Pan-European level.

### About the interviewee

Guido Bachmann leads the Trailer Fee Calculation Team, which was set up at the outset of the project as a purely German team and that was responsible for the remuneration of European customers outside France, Italy, the UK and Spain. Following calculo's rollout, structures were Europeanised and the team augmented by a colleague from France.

## Benefits

- Faster processing times
- Shorter bank transfer periods
- Less susceptibility to error
- Largely automated fee payment
- A rule-based and versatile system with standardised interfaces
- Results can be verified and released automatically in multiple iterations – from a broad overview to a high level of detail
- Calculations based on daily holdings can be graphed, based on performance
- User interfaces can be individually customised by the admin user
- Auditable and transparent reporting

## Project time frame

- April 2011 RFP/tender specifications and selection of solution partners
- August 2011 Preliminary study and GAP analysis workshops
- January 2012 Implementation and configuration
- February 2013 Go Live

## In Conversation

**Guido Bachmann is Head of Trailer Fee Calculation at Allianz Global Investors Europe GmbH. He steered the introduction of the new Pan-European trailer fee settlement system project as the business lead.**

### How were the individual countries compiling trailer fees up to now?

Each country calculated trailer fees within a legacy-system landscape. Primarily with AGI-proprietary interfaces with various SAP instances. AGI France, for instance, used a completely self-developed calculation tool, while AGI Germany used a ten-year-old, Oracle-based product.

There was no harmonisation at the European level.

In addition, the systems were accessible only from within local networks.

### Are there differences in the calculation bases?

There are differences – firstly, in the compensation philosophy: France uses an invoice-based approach, whereas the rest of Europe works with balance-based calculations.

Secondly, trailer fee calculations differ depending on the country and the type of contract. For example, they can be based on volume, interest, payment frequency

or portfolio data. Some sales partners require variable forms of compensation – for instance, in accordance with fee scales and levels.

### How did the organisational units settle fees with each other?

By manually exchanging client portfolios, as well as through independent calculations with different units and tools. Often, it included complicated deviation analyses. They had to account for:

- Differences in customer base
- Consistent use of compensation models
- Differences in prices or exchange rates
- Cumulation of rounding differences

**“The standards for the solution were very high. From the very outset, any compromise with regard to the required functionality was totally out of the question for AGI. And indeed, every requirement was accounted for in its entirety in calculo, and with largely harmonised processes.”**

Guido Bachmann

## AGI Facts and Figures

- Global investment expertise and comprehensive research expertise
- Some 500 investment professionals at 22 locations in 18 countries
- Assets under Management: EUR 345 billion (as of 31/12/13)
- Customers include private investors, family offices and institutional investors

### **And what is the billing process like for subcontracts, so-called reference-partners?**

Usually we only refer to each component of the portfolio once as a basis for compensation. Otherwise duplicate compensation and trailer fees could be paid out that end up being greater than the income of the investment company.

However, in special cases, such as a commission split or the application of complex rules (for example where a branch receives 50 per cent of the management fee, minus two-thirds of the customer fee) double consideration of the same stock is necessary.

### **What were some of the other requirements for the rules-based standard solution?**

- Market-proven basic functionalities
- Product and provider with a strong name in the market
- The provider had to be able to analyse and correct production problems at any time, at short notice, within a contractually-guaranteed response time

### **Does calculo account for every country-specific difference?**

Sowatec was able to cover every requirement and introduce largely harmonised processes. We only had to deviate from the standard product and make additional adaptations in a few cases. We even stuck with the graphical user interface of the

standard product 100 percent.

Sowatec’s outstanding contribution was their open approach and their ability to constructively challenge our project definition and underlying aims. This is how they kept the project on track that, due to the requirements that had to be incorporated, had mammoth dimensions – by getting to the heart of and scrutinising project status and goals.

### **Are the steps required for a calculation easy for a standard user to perform?**

Yes. The user can concentrate on the complexity of the business cases instead of on lengthy calculation processes, where calculo performs the most complex tasks. The standard process is child’s play and takes just a few clicks.

### **Can calculation processes be set up without provider intervention?**

The decisive factors are the operational processes and how cooperation is organised in transnational teams. calculo offers plenty of flexibility in that regard. Right up to changes in release limits, the configuration can be modified by an internal AGI super-user.

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*“ Thanks to calculo, external and internal compensation schemes are now automated and coordinated with each other.”*

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**How is the release process defined?**

Release control is different in the billing and credit-based models, but not for finance, audit and risk requirements:

- Any employee can check the settlement status
- We use the four-eyes principle before release
- Amount-dependent release limits for different groups of personnel, e.g. directors and managing director
- All data relevant for the calculation basis and conditions is recorded

**Are you satisfied that the project objectives have been achieved?**

We are completely satisfied with the way the project progressed and with the results. Once the software went live we submitted a few change requests to add some finishing touches and requirements.

The project experience and project management by Sowatec are exemplary, and their appreciation of the complex issues involved in the investment industry is impressive.