

project case

Pan European trailer fee calculation

“calculo provides AGI with automated, reliable and audit proof trailer fee calculations on a European level. It runs the full range of fee settlements as well as accrual calculations and harmonises processes on a single platform efficiently.”

Guido Bachmann, Head of Revenue Europe, Allianz Global Investors Europe GmbH, Frankfurt



Allianz Global Investors GmbH

Allianz Global Investors (AGI) calculates trailer fees payable to sales partners and their branches. Thanks to calculo these external and internal compensation schemes are highly automated. In addition reimbursements to Allianz branches and sales channels as well as accruals are calculated and processed.

Our customer and the project

Allianz Global Investors manages over €498 billion in assets under management for institutional and private investors worldwide. Asset Management experts at Allianz Global Investors have operations in more than 25 offices worldwide, particularly in Europe, the US and Asia. With more than 650 investment professionals, the investment management team covers all major financial and growth markets around the world.

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.

This was complicated further through the fact that local organisations used and maintained a variety of compensation philosophies.

AGI was looking for a solution that would support process harmonisation across Europe as well as meet its extensive list of requirements.

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
- Transfers risk through external software maintenance

Solution

We implemented a Pan European trailer fee settlement solution based on calculo.

calculo is a highly configurable, state-of-the-art fee management platform that calculates and processes the full range of bills, settlements and reimbursements within one single solution.

Benefits

- High degree of audit proof automation with direct connection to input and output systems
- Largely automated (monthly) accrual calculation of contingent liabilities
- Automation minimises error susceptibility
- Faster processing of trailer fees compared to processing via excel and/or independently working tools
- Continuously transparent reporting provides security towards end customer and internal/external audit
- 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

“ Manual calculations were replaced by a process driven state-of-the-art automated solution which easily streamlines the variety of processes per country and location.”

Guido Bachmann, Head of Trailer Fee Calculation, Allianz Global Investors

In Conversation

Guido Bachmann is Head of Revenue Europe and business project Lead at Allianz Global Investors Europe GmbH. He managed the implementation of the Pan European trailer fee settlement system.

About the interviewee

Guido Bachmann leads the Revenue Team Europe, 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 roll out, structures were extended and the team was augmented by colleagues from all over the continent.

“ No matter how technically complex a project can be, it is much simpler when you have an easy and clear collaboration with the implementation team. Which was the case with Sowatec! Their team is comprised of great experts both from a technical and management perspective.”

Guido Bachmann, Head of Trailer Fee Calculation

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 on a European level. In addition, the systems were only accessible from within local networks.

Are there differences in the calculation bases?

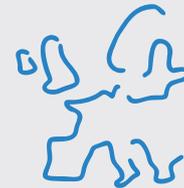
There are differences – firstly, in the compensation philosophy: France uses an invoice-based approach, whereas the rest of Europe works with balance-based calculations.

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.

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

Guido Bachmann, Head of Trailer Fee Calculation, Allianz Global Investors

The Trailer Fee solution operates in all AGI affiliated countries across Europe.



Reliable calculation of ~ 530 clients (i.a. Germany, France, Switzerland, Italy, Spain, UK) with payments monthly or quarterly.

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

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

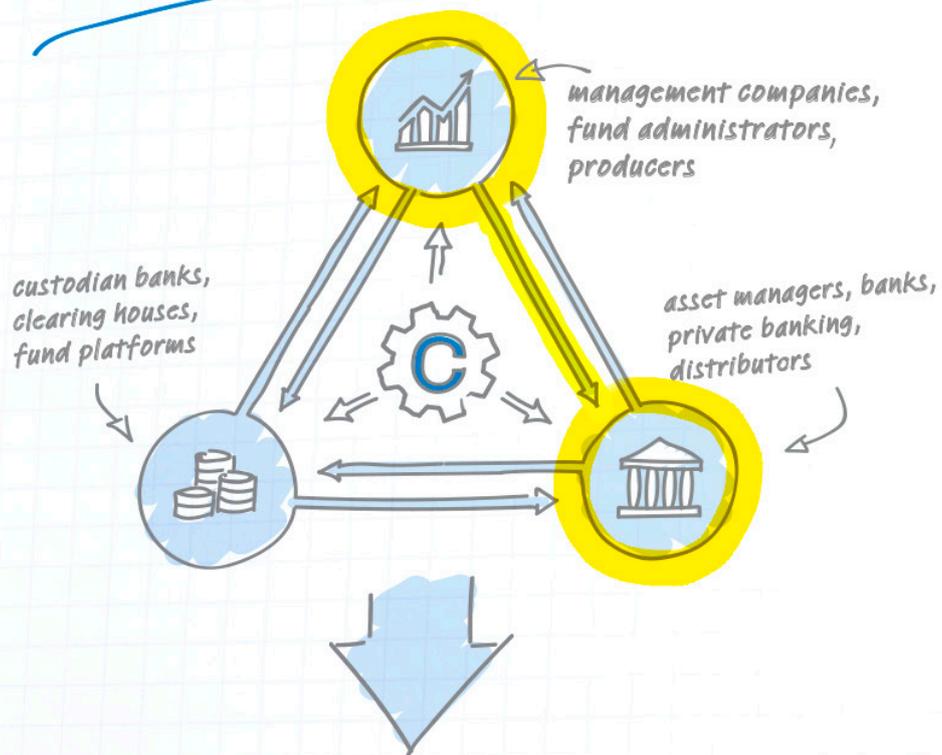
Does calculo account for every country-specific difference?

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 and constructive challenging of the project definitions and underlying aims. Our specific requirements meant the project took on mammoth dimensions, so that the status and objectives had to be constantly reviewed in order to stay on track.

calculo - versatile applicable



product-related:

- Performance-based fees
- Administration fees
- Consulting fees
- Transfer agent fees

partner-oriented:

- Billing
- Agency fees
- **Trailer fees**

“ Our specialists can focus on the complexity of business cases while calculo performs lengthy and most elaborate calculations.”

Are the required tasks for a calculation easy to perform for a standard user?

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.

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.

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