

«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.»

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

Allianz Global Investors Europe GmbH

Allianz Global Investors (AGI) automates trailer fees paid to sales partners and their branch offices. The calculation and payment processes are being harmonised anew throughout Europe. This requires a rule-based sales controlling solution which unifies the different compensation philosophies and calculation rules for each country.



The smart way to manage your fees

Benefits

The compensation work has been largely automated and harmonised.

Faster calculation cycles are less prone to error.

A rule-based and versatile system with standardised interfaces.

The verification and release of the results can be performed automatically in multiple iterations - from a broad overview down to a high level of detail.

Calculation based on daily holdings can be graphed based on performance.

The user interface can be individually customised by the admin user.

Auditable and transparent reporting.

Our client

Allianz Global Investors manages assets in all major asset classes and regions. The experts of the asset management unit at Allianz SE are globally present with 22 locations in 18 countries and a strong presence in Europe, the USA and Asia. With some 500 investment specialists, the investment management team covers every important financial and growth market in the world. AGI manages assets totalling more than EUR 345 billion (as of 31/12/13).

www.allianzglobalinvestors.de

Allianz Global Investors Europe GmbH: Pan-European settlement of trailer fees

Background

Each country calculated trailer fees and disbursements in a legacy-system landscape and primarily with AGI-proprietary interfaces and various SAP instances. There was no harmonisation on the European level. This was complicated by differing compensation philosophies in the individual countries. AGI was looking for a technical solution that harmonised its processes across Europe.

Goal

To implement a flexible and extendable standard software solution, which automates and unifies different compensation philosophies and calculation rules across individual countries.

Solution

calculo models the different locations with a single solution and easily accounts for a range of billing conditions.



Allianz
Global Investors

Allianz Global Investors
Frankfurt and Paris

Project time frame

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

Project summary

Allianz Global Investors (AGI) is a capital investment company that calculates trailer fees paid to sales partners and their branches. AGI also pays commissions between the various companies within the AGI group. Thanks to calculo, the rule-based commission and fee management solution by Sowatec, these external and internal compensation schemes are automated and coordinated with each other.

The disbursement of trailer fees is carried out by branch office and is performed by each individual organisational unit itself. There are differences in compensation philosophies and the basis of calculations. Until now, each unit has performed its calculations with local accounting tools within legacy systems. Since the introduction of calculo, Germany and France have been working on a new transnational system with uniform processes and standardised interfaces. In 2014, the system was extended to customers in Italy and Spain. This harmonisation of the system landscape was urgently needed and provides a range of benefits for the customer: faster processing time, shorter bank transfer periods and less susceptibility to error.

Project goals

The objectives of the "pan-European trailer fee settlement system" are benefits derived from synergies, higher efficiency, minimising redundant IT systems and resultant cost savings. In addition, operational and organisational processes had to be harmonised - taking country-specific differences into account.

Other aims are related to the demanding audit requirements: On one hand, risk is reduced through clearly defined roles and amount-dependent release processes, as well as continuous recording of base data and process steps; on the other hand, risk is transferred through external software maintenance.

AGI required a solution that fully addressed its needs and which was comprehensively extendable - with no room for compromise.

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 was responsible for the remuneration of European customers outside France, Italy, the UK and Spain. Following the calculo rollout, structures were more Europeanised and the team was augmented by a colleague from France.

In conversation

Guido Bachmann is Head of Trailer Fee Calculation at Allianz Global Investors Europe GmbH. He steered the project as the business lead.

How have the individual countries been compiling trailer fees up to now?

Each country calculated trailer fees within a legacy-system landscape and 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 – first, in the compensation philosophy: France uses an invoice-based version, whereas the rest of Europe works with balance-based calculations. Second, 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 and through independent calculations with two different units and tools. It involved complicated deviation analysis. They had to account for:

- Differences in customer bases.
- 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 in fact, every requirement could be accounted for in its entirety and largely harmonised processes introduced in calculo.» Guido Bachmann

And how is the billing process for subcontracts, so-called reference-partners?

Usually we draw on each component of the portfolio only once as a basis for compensation. Otherwise there would be double compensation and trailer fees paid out could possibly be greater than the income of the fund. In special cases, such as a commission split or complex rules (the branch receives, for example, 50 per cent of the management fee, minus two-thirds of the customer fee), this double consideration of the same stock is however necessary.

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

- Market-proven basic functionalities.
- A product and provider with a strong name in the market.
- The provider has to be able to analyze 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 a largely harmonised processes. We've had to deviate from the standard product in just a very few cases and make additional adaptations. In fact, with the graphical user interface we've stuck with 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.

Allianz Global Investors: 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



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 processes. Where calculo accounts for the most complex cases, 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 superuser.

How, fundamentally, is the release process defined?

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

- Any employee can check the status of the settlement.
- We use the four-eyes principle for release.
- Amount-dependent release by different groups of personnel (e.g. directors, managing director).
- Recording of all relevant data for the calculation basis and conditions.

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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