

Thematic Analysis

Digitalising Financial Reporting

Project Background

Reporting the performance and market movements of an investor's portfolio in the form of an annual or quarterly report is standard practice and required by the Markets in Financial Instruments Directive (MiFID). The digitalisation of this process is an item that a number of our clients have expressed and also presents a unique selling point for Elinvar.

Stakeholders & contributors

Henry McKenzie (Project owner/Design)
Timo Langhorst (Design)
Arthur Zhu (Design)
Johannes Rentsch (Product)
Tilo Stolzenburg (Partner relationships)

Data set

What data we collected

- We have conducted 6 **semi-structured interviews** with participants from our target group. They answered a series of questions which were recorded.
- 2 of the 6 interviewees allowed us to **observe their financial report creation process**.
- We procured and summarised the financial reporting regulatory requirements as outlined by the Markets in Financial Instruments Directive (MiFID).
- We collected a pdf of **an existing report** from one of our clients.

Tags

How we classified the information

From the collected data the following relevant tags were identified

- compliance
- customisation
- digital solution
- establish brand
- excel
- high-networth clients
- home visit
- internal tool
- investor needs
- lost report process
- low-networth clients
- low user input
- minimum requirements
- mobile device usage
- online solution
- personalised note
- report sent via post
- story telling
- user - investor interaction
- user types
- Workflow

Participants

High level overview of our interview participants



Participant 1

- Relationship manager
- 4 years experience
- Hamburg based
- Relationship manager for 50+ investors
- Clients with less than 50k € AUM



Participant 2

- Senior Relationship manager
- 10 years experience
- Würzburg based
- Relationship manager for 30 investors
- Clients generally HNWIs



Participant 3

- Senior compliance officer
- 6 years experience
- Würzburg based
- No direct clients



Participant 4

- Portfolio/Relationship manager
- 2.5 years experience
- Hamburg based
- Relationship manager for 60+ investors
- Clients less than 50k € AUM



Participant 5

- Relationship manager
- 2 years experience
- Düsseldorf based
- Relationship manager for 5 investors
- Clients between 250 and 500k € AUM



Participant 6

- Senior relationship manager
- 18+ years experience
- Würzburg based
- Relationship manager for 12 investors
- Clients generally UHNWIs

Q&A and tags

Q Have you ever used a mobile device in the creation or distribution of a financial report? If yes, what devices?

A I never do the creation of the financial report, that's another team. I might use my handy to send an email to an investor with a link to the report, bus that's it.

TAGS mobile device usage

Q How do you normally prepare a financial report? Could you walk us through the process?

A We have an excel template* that we use, we get the data from our custodian bank and use PivotTables to create the report, we set it up some years ago and rarely change it.

* see appendix

TAGS excel workflow

Q How do you usually send the report, is it sent as an attachment in an email, is it printed and sent to the client's home address, is it made available via a download link?

A I will always try to meet the client at their home or a place of their choice. I bring the report printed out on paper with me.

TAGS home visit high-networth clients
Printed report

Q You usually meet the client in their home? That's very interesting! With that in mind how important would you say the financial report is to your business?

A Its extremely important! I use it as a way to tell a story to our investors. It's how I keep them happy.

TAGS story telling home visit
high-networth clients

Q Could you walk me through the entire process of a home visit with the report?

A Sure, we usually meet and chat about family, work and general topics before we get into the portfolio. We might spend about an hour together in total, a lot of it is about building a relationship. I then get the report out and we go through it item by item, as I said, it gives me the opportunity to tell a story about the previous financial year, I can show where we performed well, what adjustments we have made and most importantly it gives me an opportunity to suggest portfolio adjustments to the investor. This is what keeps my clients happy, knowing that we are looking after them on a personal level. We want our clients to feel happy.

TAGS story telling home visit
high-networth clients

Q And do you do this process for all your clients?

A This is usually only for my big [high-networth] clients, or sometimes I will do a low networth client if their parents have a high account with us for example, maybe if they have more than 1 million euro with us.

TAGS high-networth clients low-networth clients

Q Imagine you were building a financial report 10 years from now, what technology do you think you would use? Do you think the format would be different?

A I think the solution would be much more digital focused. Probably no post [report sent by mail] in the future. I think most investors would expect a digital solution, probably one they can look at on their phone anytime they want.

TAGS mobile device usage digital solution

Q&A and tags

Q On a scale of 1 to 10, how important is the annual report to your business?

A In some ways, the annual report is an opportunity to further communicate our brand and to help remind our investors that there is in fact a relationship manager looking at portfolios. We are not just a robo-advisor, therefore I'd say a 7.

TAGS establish brand user types
user - investor interaction

Q How do you normally prepare an annual report? Could you walk us through the process?

A The report was setup before I joined and I'm not too sure how it was built. I think it was by our financial tools team. I sometimes write a short note to some of my high networth clients to explain the content of the report, but I don't have any direct input, unfortunately.

TAGS internal tool pre-generated report
personalised note

Q How does a client usually receive a report?

A The report is sent out via mail to the investor's home address. If they lose it or need it sent again they might call us or write an email, we then generate the report again and resend it.

TAGS printed report lost report process
report sent via post

Q How much time do you usually spend on annual reports in total?

A Very little, I usually just check them when they are generated to see if there are any obvious mistakes. I let the system work out the details.

TAGS Internal tool compliance low user input

Q If you were to start building an annual report completely from scratch, what do you think would be the most important information to include?

A What would I include? It's not up to me! We have a checklist of things that the report must include. It just needs to be compliant.

TAGS compliance

Q Would you like to have more input into the content and the design of the report?

A Yes! I think it might actually be fun to be a designer for a few days. I would probably send the same type of report to all my clients though, unless they are high networth clients, then maybe I would prepare something a bit more tailored.

TAGS customisation self-designed user types
high-networth clients

Q If you were to start building an annual report completely from scratch, what do you think would be the most important information to include?

A Of course, the most important information our investors want to see is their portfolio balance and performance. We also like to share the portfolio composition. Oh! Users sometimes like to see a benchmark of some sort as well.

TAGS report contents investor needs

Q On a scale of 1 to 10, how important is the annual report to your business?

A Its not so important because our clients will usually go online and look at their portfolio balance whenever they want, its actually more work and we only do it for compliance reasons.

TAGS online solution compliance

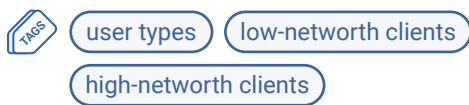
Themes

Making sense of the data

8 unique themes have been identified based on the interpretation of the tags as seen on page 2. Each of these themes should be considered in order to find to the most viable design solution.

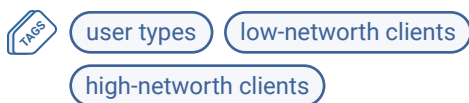
1. Different types of users

We identified two unique user types. In this document we will refer to them as High Networth Client Users (HNCU) and Low Networth Client Users (LNCU).



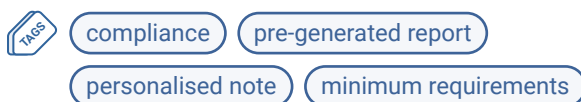
2. Opportunities and roadblocks

HNCUs generally see the financial reporting as an opportunity, whereas LNCUs generally view it as a cumbersome regulatory requirement.



3. Customisation and standardisation

HNCUs wish to have full customisation of their reports, LNCUs would generally prefer a standard format that ticks all regulatory boxes. Both will occasionally include a cover letter.



4. Story telling

HNCUs often visit investors in their home or in social settings (e.g. golf course) and use the report for 'story telling'. It is their opportunity to differentiate themselves from their competitors.



5. Basic digital tools

Most HNC and LNC users have a digital, internal tool for report generation, some simply use excel.



6. Paper reports are still relevant

All HNC and LNC users provide the financial report as a physical medium and either hand it over investors in person or send it via post, this is due to legal reasons. From time to time users will manually re-print reports to be sent. However, due to the relaxation of rules, a digital-only solution may be possible in February 2022.



7. Reporting periods

All HNC and LNC users wish to have the ability to send quarterly, annual and ad-hoc reports.



8. Establishing brand

Both HNC and LNC users want to at least be able to edit the logo and colour scheme of their financial reports. In the case of HNCUs the ability to add additional insights (e.g. portfolio deep dive, specific data visualisation) to financial reports is important.



Legal requirements

Legal and compliance surrounding financial reporting

Our legal and compliance team could quickly point us to the relevant information for this project.

(Article 25(6) of Directive 2014/65/EU)

- Investments firms which provide the service of portfolio management to clients shall provide each such client with a periodic statement in a durable medium of the portfolio management activities carried out on behalf of that client unless such a statement is provided by another person.
- The periodic statement required under paragraph 1 shall provide a fair and balanced review of the activities undertaken and of the performance of the portfolio during the reporting period and shall include, where relevant, the following information:
 - The name of the investment firm.
 - The name or other designation of the client's account.
 - A statement of the contents and the valuation of the portfolio, including details of each financial instrument held, its market value, or fair value if market value is unavailable and the cash balance at the beginning and at the end of the reporting period, and the performance of the portfolio during the reporting period.
 - The total amount of fees and charges incurred during the reporting period, itemising at least total management fees and total costs associated with execution, and including, where relevant, a statement that a more detailed breakdown will be provided on request.
 - A comparison of performance during the period covered by the statement with the investment performance benchmark (if any) agreed between the investment firm and the client.
 - The total amount of dividends, interest and other payments received during the reporting period in relation to the client's portfolio.

(Article 25(6) of Directive 2014/65/EU) (cont'd)

- Information about other corporate actions giving rights in relation to financial instruments held in the portfolio.
- For each transaction executed during the period, the information referred to in Article 59(4)(c) to (l) where relevant, unless the client elects to receive information about executed transactions on a transaction-by-transaction basis, in which case paragraph 4 of this Article shall apply.
- The periodic statement referred to in paragraph 1 shall be provided once every three months, except in the following cases:
 - Where the investment firm provides its clients with access to an online system, which qualifies as a durable medium, where up-to-date valuations of the client's portfolio can be accessed and where the client can easily access the information required by Article 63(2) and the firm has evidence that the client has accessed a valuation of their portfolio at least once during the relevant quarter.
 - In cases where paragraph 4 applies, the periodic statement must be provided at least once every 12 months.
 - Where the agreement between an investment firm and a client for a portfolio management service authorises a leveraged portfolio, the periodic statement must be provided at least once a month.



compliance

minimum requirements