

# Nordea Bank |

## Cost-effective management of wrapper products

### Background

Nordea Bank is the largest financial services group in Northern Europe with a market capitalization of approximately EUR 28 billion, total assets of EUR 709 billion and a core tier 1 capital ratio of 11.8%. Nordea operates in 9 home markets—the Nordic region including Denmark, Finland, Norway and Sweden, and the new European markets of Estonia, Latvia, Lithuania, Poland and Russia.

For many years, authorities have stimulated the general public into long-term savings and into investing money. So far, legislation in the Nordic countries has focused on insurance-related products. However, to increase competition, there is a trend towards gradually opening up for tax-driven products without insurance elements. This is reflected in a legislation enabling investments in so-called “wrapper products” that hold investments in a tax-efficient wrapper, thus reducing or exempting them from income and capital gains tax. The respective savings are made in a “wrapper account”, which is an arrangement that holds a range of investments and provides a single point of contact and management for investors and their agents.

### Project content and approach

Wrapper accounts include a wide range of single systems and therefore numerous IT systems which have to be combined to make up a competitive offer. Also, launching wrapper products commonly implies the initiation of complex or high-risk projects. Therefore, final system solutions are often characterized by isolated systems and significant manual operations.

Nordea Bank offers a variety of wrapper products. In 2012, the bank set up an “Effective Wrapper Project” with zeb/ in order to initiate a more stringent management of these products. The aim was to establish an allocation engine and a decoupled integration of the systems with product rules (product systems) and investment rules (savings/investment systems).

This venture was motivated by the fact that the investment rules follow coherent rules across various products in life and long-term savings and banking products, while the specific product rules vary essentially in terms of reporting, insurance and taxes depending on legislation and market conditions. This also means that wrapper products could benefit from the existing functionality of operating single investments and savings products and that Nordea's clients have access to the same investment universe, services and distribution channels, irrespective of whether the product is a part of a wrapper account or not.

In addition, the establishment of the completely new non-insurance-related wrapper product called "Investment Savings Account" (ISK) was defined as a "lighthouse project" in view of product rules, processes and market preparation activities.

The project also involved the delivery of a totally new system architecture and its implementation together with a business-focused operational standard for the investment processes of wrapper products. The decoupling component and allocation engine to be developed was named X-box (cp. Fig. 1).

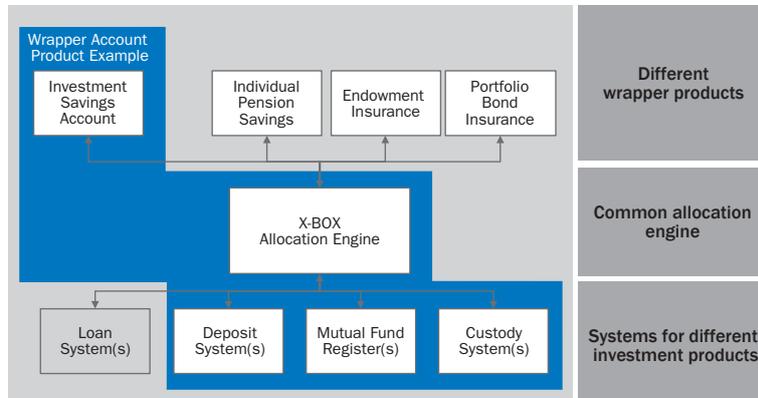


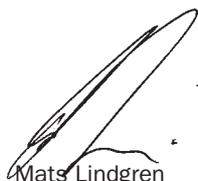
Fig. 1: Each wrapper account is a specific combination of investment products—managed and combined by the allocation engine

### Project results and outlook

By now, the project has delivered two main wrapper product groups and distributed them across all relevant channels to the preferred Nordea customer segments.

This approach enabled Nordea to reuse existing core systems, technical distribution channels, services and infrastructure. This made it possible to increase the benefits of already developed core functions and to leverage the ability to scale up existing services instead of creating new ones, and will most certainly continue to do so in the coming years. Consequently, adding new products to the platform and benefiting from already developed functionalities within the Allocation Engine X-box and various investment systems has become much simpler.

With the launch of the new platform, Nordea was the first bank to offer the new non-insurance-related wrapper product “Investment Savings Account” across all distribution channels in Sweden, thus making Nordea the market leader for this product.



Mats Lindgren

Head of Fund Distribution Services  
Nordea Bank



Anders Scherlund

Head of Private Banking Sweden  
Nordea Bank



Hans Anund

ISK Product Owner  
Nordea Bank



Dr. Stefan Trost

Partner  
zeb/



Jøran Hansen

Managing Director  
zeb/