A connected world:

The future of

platform integrations

ORIGO | Platforum

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Foreword

Foreword from Anthony Rafferty, Managing Director, Origo

Technology has opened an infinite array of possibilities for our industry. More importantly, it has helped re-engineer processes to make them more efficient and enabled new entrants to compete in areas thought to be beyond their reach. For others it has enabled greater access to their own resources to better develop products for the ever increasingly savvy consumer. Systems integrations serve our industry by reducing costs and delivering data quickly and securely.

It is no surprise therefore, that the topic of systems integration or connectivity is increasingly appearing higher up the agenda. Integration projects require more time and resource because of the sheer variety of connection types that now exist as well as the range of different approaches that businesses take in prioritising which systems and business processes to integrate.

My hope is that through the research conducted by Platforum, our White Paper will provide insight into the current issues around integrations, how businesses prioritise and make their decisions as well as the costs and contracts that go along with each integration.

Rather than just being a "nice to have", systems integrations have become the expected norm for the adviser. Faced with legacy systems, technology advancements and margins under increased pressure, now is the time for the industry to review how it approaches integrations. The focus should be on making them more efficient, sustainable, less sporadic and more wide-spread - ultimately delivering improved outcomes for the consumers.

Anthony Rafferty
Managing Director, Origo

Executive Summary

Adviser demand drives platform integrations

■ Advisers identify 'integration between systems' as the most significant challenge to the use of automation or digital solutions in the advice process.

■ Platforms most commonly integrate with back-office system suppliers to support ongoing portfolio management by feeding data through for valuations.

■ Integrations with digital tools (i.e. cash flow modellers) are increasingly common.

■ We are starting to see more platforms integrate with personal financial management tools as they focus on improving the client experience.

■ Point-to-point integrations are currently the most typical type including bespoke integrations, APIs and the use of Origo Standards.

■ Origo's Integration Hub is a new service that provides a single interface between the platform and the growing universe of back-office systems and digital tools, minimising set-up work for new integrations.

Valuation integrations are common, but few other processes are integrated

■ **Valuations**: every platform that we spoke to can cater for single valuation integrations. Some platforms currently cannot facilitate bulk valuations and are looking to upgrade.

■ **Transactions**: increasing use of digital tools for cash flow modelling is driving more platforms to put transaction integrations on the development roadmap.

■ **Client account set-up**: most platforms do not facilitate this process integration. There is scepticism about the business case, but a few are going to build it. Platforms have a similar attitude to fee and remuneration integrations.

Platforms face six main integration challenges

1 **High costs in some areas**: some back-office suppliers charge a fee for setting up new process integrations.

2 **Proving the business case**: advisers often say they want a feature yet proving their use and value of the feature may not match business case estimations.

3 **Increasing data volumes**: the ability to scale up to meet higher data flows is an area of concern.

4 **Maintaining data standards**: updating to later versions is another headache.

5 **Two-way data feeds**: are trickier than pushing out data one-way to third-parties. There are concerns about data controls, security and costs.

6 **Legal costs per integration contract**: as each integration delivers new contractual terms and risks, the contracts can be lengthy and time consuming.

The evolution of platform connectivity

■ Platforms see the Pensions Dashboard as a more important integration opportunity than Open Banking, believing that back-office suppliers may be better placed for Open Banking integration.

■ New adviser fintech entrants will emerge with different operating models meaning that platforms must be more flexible.

■ Integrating data and services with artificial intelligence is an emerging trend, requiring a richer set of data interfaces.

Introduction

This White Paper looks under the bonnet of systems integrations undertaken and planned by platforms. It reviews the processes through which integrations are developed and maintained with a view to future sustainability and cost management.

The decision-making process, the business process to be integrated, the integration approach and project management delivery for an integration is uncovered and explored. What you will find is that the integration landscape is a complex one, with many different approaches being taken and ongoing maintenance can be cumbersome and costly. It is apparent that there is a need for these current, complex processes to be simplified and made more efficient.

Research rationale

The adoption of back-office systems and digital tools by advisers and paraplanners, and the use and popularity of platforms, has meant that there is an increasing trend for greater connectivity between systems.

The benefits of automation and its offer of seamless flows of data between client fact finds, applying for new business, case and transfers tracking onto valuations and modelling tools – all of this relies on data and sound connectivity. They also require resources for implementation and maintenance.

Exploring such integration pain points, this paper begs the question: Could it be done better? By that we mean: can integrations be delivered more efficiently? Is there a way that removes or reduces the challenges and costs around maintenance overheads, legal contracts, testing and IT resource?

As many platforms are now reaching a level of maturity with regards to delivering profits for the business, focus is now moving to how they can enhance the user experience - with an eye to future requirements, technology and user expectations.

Research participants

Commissioned by Origo, Platforum reached out to a number of platforms to assess their interest in participating in the research. Seven platforms kindly accepted the invitation - and Origo would like to extend a special thank you for their effort and time.

Platform	Contributors positions	Technology partner
Standard Life	Head of Industry and Fund Group Relations	FNZ
Aegon	Marketing Director and Platform Propositions Manager	GBST
*Platform 1	Head of Retail Platform Strategy	FNZ
*Platform 2	Head of Proposition	Bravura
*Platform 3	Chief Executive Officer and Commercial Director	GBST
*Platform 4	Head of Propositions	Bravura
*Platform 5	Distribution & Marketing Director and Head of Development	Proprietary

* These platforms did not wish to be named

Research methodology

Platforum employed a combination of quantitative and qualitative research methodologies. A questionnaire was issued to the platforms which captured the number of current integrations and how these have been developed.

These questionnaires were then followed up by interviews with key personnel to dig deeper into their development lifecycle, challenges and future plans. Platforum was also able to draw upon past research findings to help set the scene from the adviser's perspective.

1   Current approaches to integration

## 1.1   Drivers of platform integration: increased productivity for advice

Advisers are looking to increase their use of tech (technology, automation or 'fintech') to become more efficient, according to Platforum research[1]. There is a need for advisers to consider how the use of technology could help them with the pressures they are currently feeling.

Advisers need to improve their productivity as fee levels and margins come under pressure and client expectations increase. They can lower their operating costs by more automated data handling, interacting with clients digitally and using added-value tools such as cash flow modelling for analysis. However, one of the greatest obstacles to advisers' use of technology is currently the lack of integration between the different tech systems, platforms and digital tools that advisers need and would like to use.

Many advisers take a hybrid approach to using technology, automating part of their advice process but still retaining a very substantial manual element. Advisers tend to use manual approaches for client-facing work but use tech to automate analysis and modelling. This hybrid approach could be the result of partial adoption of automation, compliance unease or a feeling that clients would not feel comfortable. Adviser adoption of technology is also greatly slowed by often poor or non-existent integration between platforms, back-office systems and digital tools.

Platforum's recent survey of financial advisers[2] shows that the highest percentage of advisers (17%) identify 'integration between systems' as the most significant challenge to their use of automation or digital solutions in the advice process.

Figure 1: Adviser challenges for increased use of technology
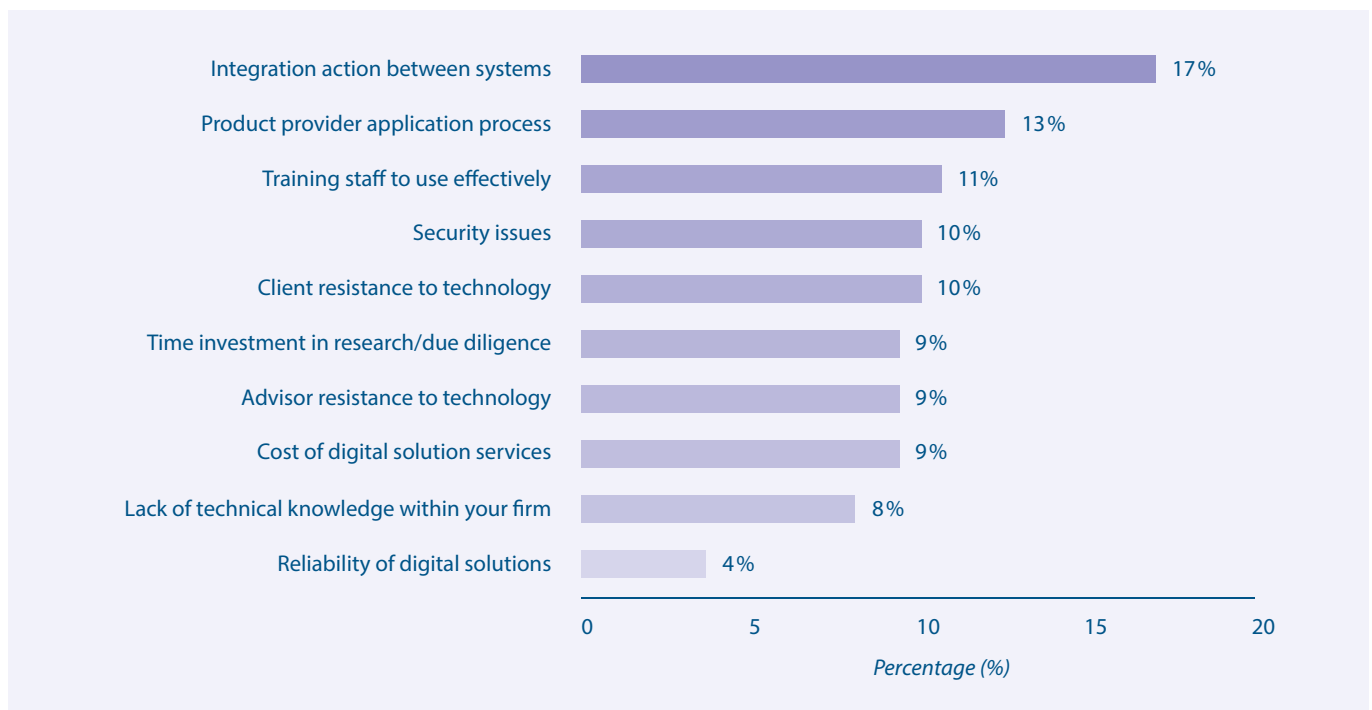
Source: Platforum, December 2017.
Please rank the main challenges your firm faces in using automated or digital solutions in your advice process in order of importance.
Base: 159 advisers.

[1] Platforum, Adviser Market Fintech and Digital report, Jan 2018 – survey of 195 financial advisers with £3.6bn of assets under advice.

[2] Platforum, Adviser Market Fintech and Digital report, Jan 2018 – Chapter 3: Future uses of tech in the advice process.

> *"There is still a lot of fragmentation. You have a back-office system; you then have a research system; you might have a panel from one of the DFMs … You have a research solution and then you have transactions at the end. So, in a lot of cases, it's very fragmented there's lots of re-entering the same data again from one place to another – room for inefficiency, room for error."*
>
> **Head of insight and consulting, tech provider**

Many platforms are responding to adviser demand for more integration with third-party technology suppliers. They are currently focused on integrating with two core groups:

1   Back-office systems (e.g. Intelliflo: Intelligent Office, Iress: Adviser Office, X Plan).

2   Digital tools suppliers:

   ☐   Risk profiling tools (e.g. Distribution Technology: Dynamic Planner, Prestwood Software: Truth).

   ☐   Cash flow planning tools (e.g. Cashcalc, Voyant).

   ☐   Fund research tools (e.g. Morningstar: Adviser Workstation, Financial Express: FE Analytics).

   ☐   Personal finance portals (e.g. moneyinfo, Moneyhub).

Platforms are assessing increasing the number of processes where they support data integrations between third-parties (see section 1.3).

Our interviews with seven platforms confirm that they are alive to the importance of better connectivity. Our sample includes platforms using proprietary technology and those running on each of the three major platform tech providers: Bravura, FNZ and GBST. All are clear that integrations are an important part of the development roadmap.

This White Paper aims to show:

■   The third-party tech suppliers with which the platforms are currently integrating.

■   How platforms are achieving integration.

■   Platforms' future integration plans and the challenges they face.

■   The future of integrations in an increasingly connected world, and how platform integrations will evolve.

> *"Our reason to exist is to facilitate intermediaries in delivering great customer outcomes and ultimately to become more profitable. We can only achieve this by deeply integrating into the other technologies they use to enable them to achieve efficiency in processes and deliver a great customer experience."*
>
> **Andy Manson, Marketing Director, Aegon**

1.2 The current state of play

The current platform integration landscape is illustrated in the market map below.

- Platforms most commonly integrate with back-office suppliers to support ongoing portfolio management by feeding data through for valuations.

- Integrations with digital tools are increasingly common.

- We are starting to see more platforms integrate with personal financial management tools as they focus on improving the client experience.

We asked platforms to tell us which third-parties they currently integrate with and which ones they plan to integrate with in the future. They all cite adviser demand as the main driver of integrations.

> *"This is driven by adviser demand and by the scale of the software firm in the context of our adviser user base. The numbers of advisers and the size and importance of them with regards to our customer base are also factors."*
>
> **Senior Executive, Platform**

But some platforms are also prepared to consider integrations where they can see the potential benefit for advisers - even if they have not identified widespread vocal demand.

> *"We have had a couple of approaches from newer incumbents in the market. Integrating with us would help them to secure new business when they are pitching to advisers. We are very happy to have those conversations and work with those firms. We will support them to get it up and running and then the work is on their side and so it is light touch for us."*
>
> **Head of Propositions, Platform**

Figure 2: Market map of platform integrations
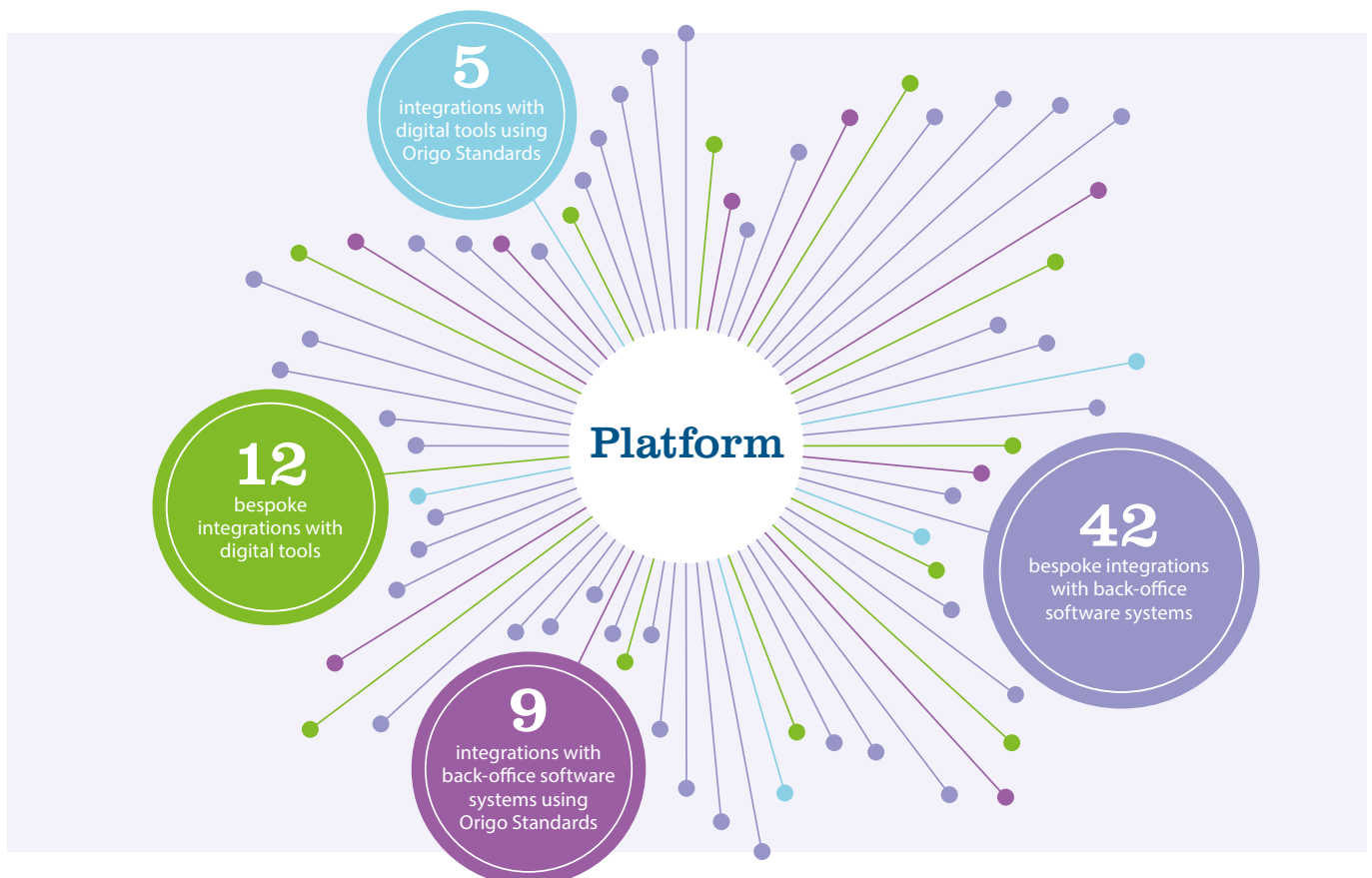
1.2.1 Back-office systems

Platforms most commonly integrate with back-office systems – where better integration is a high priority for adviser firms and therefore also for platforms. All of the platforms participating in this research identified back-office integrations as a key focus with a number seeing significant scope for improvement.

> *The way that providers integrate with back-office providers is not optimal. They are failing to realise their potential and how much time it could save."*
>
> **Marketing Director, Platform**

Platforms are divided into two camps when integrating with back-office systems:

1   Whole of market approach.

Under this approach, platforms will on-board any back-office system requested by adviser firms irrespective of who the back-office system is.

2   Preferred partner approach.

A smaller number of platforms prefer to integrate with fewer systems. They may feel that these systems offer a complementary service. However, adviser demand is still the most important consideration even if the platform takes a preferred partner approach.

1.2.2 Digital tools

Integrations with digital tools are also common to all platforms. The focus is on integrating with:

- Cash flow planning tools
- Fund research tools
- Risk profiling tools.

Most have integrations with fund research and risk profiling tools that provide these third-parties with valuations data. Integration with cash flow planning tools is seen as a growth area and will require many platforms to set up new process integrations for transactions.

> *"We will integrate with a specific firm where we have chosen to deliver a tool as part of our own integrated suite of platform tools but equally will integrate with multiple tools to support adviser firms that wish to make their own choices."*
>
> **Ross Dunlop Head of Industry and Fund Group Relations, Standard Life Wrap**

Platforms that have invested in building their own tools are naturally less focused on integration with third-party tools providers.

> *"We do work with tools providers today. It's not expensive and if we get the demand we will consider it. But we built our own cash flow modelling tool. It hasn't been hugely expensive to build our own tools."*
>
> **Commercial Director, Platform**

1.2.3 B2B2C and automated advice

Many advisers are underestimating the level of tech their clients would be prepared to engage with.[3] We see B2B2C (business-to-business-to-consumer) as a potential growth area for platform integrations.

> *"We are more geared towards integrations with back-office systems and client facing portals."*
>
> **Head of Platform Strategy, Platform**

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[3] Platforum, Adviser Market – Fintech and Digital, January 2018. Only 43% of advisers offer the most basic form of client-facing digital services. But 75% of firms that do offer ways for their clients to engage with them digitally see high levels of client take-up across all avenues made available.

Some of the recent areas of platforms' focus for B2B2C and automated advice are as follows.

Personal finance portals: one area where integration with consumer facing tools is common is personal finance portals. Many platforms that participated in this research have valuation integrations with moneyinfo and Moneyhub – two leading personal finance portals in our sector. These integrations are principally driven by adviser demand.

> *"Moneyhub is well aligned with our platform technically so it's a simple integration process."*
>
> **Head of Development, Platform**

> *"We can't compete with the specialist app providers, so it is better to integrate."*
>
> **Head of Proposition, Platform**

Automated advice: few platforms have integrations with automated advice propositions. If advisers want to use automated advice services, the large back-office and digital tools suppliers are starting to provide these services. However, adoption is in its early stages.

Lower value clients: 38% of advisers[4] tell us that they are mainly interested in using automated adviser services to access a new, less wealthy set of clients. The delivery of Open Banking and the Pensions Dashboard could lead to greater access to this new market.

Larger advice firms: Platforum's recent survey of advisers shows that larger firms are also more likely to adopt automated advice in the next two years: roughly a quarter of firms with six Regulated Individuals (RIs) or more are planning to implement automated advice in this timeframe.

Integrating with automated advice propositions may therefore be more attractive for platforms with a high proportion of clients from medium to large IFA firms.

The question for platforms remains: is it more effective to integrate with third-parties or to build their own automated advice propositions?

> *"If another organisation had an [automated advice proposition] and we could be the DFM and the platform we would look at integrating with them."*
>
> **Sales and Marketing Director, platform with an in-house automated advice proposition**

1.2.4 D2C

D2C (direct-to-consumer) is not seen as a high integration priority – although this could change if platforms choose to integrate with Open Banking or the Pensions Dashboard (see Section 4.1). Few platforms that spoke to us for this research had plans to integrate with direct platforms or D2C propositions. The exceptions are platforms like Aegon that already have a multi-channel platform.

> *"We are building an integrated multi-channel platform that supports advice, workplace and direct and we already support a number of market leading D2C providers. So implicitly we are already integrated. The question for us is do we integrate as a platform or do the practice managers (back-office systems) do it? ... We won't go direct to the consumer."*
>
> **Andy Manson, Marketing Director, Aegon**

D2C may also be more important for groups that operate workplace platforms where employees may want access to execution-only brokers. The question here is whether platforms integrate with a single third-party broker, a range of brokers or whether they build this capability themselves?

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[4] Platforum, Adviser Market – Fintech and Digital, January 2018.

1.3   Main types of integration

Platforms are increasingly looking at ways they can keep pace with third-party systems as technology evolves. They are also exploring more flexible approaches to integrating with them. There are currently three main types of integrations adopted by platforms.

Open APIs and Origo's Integration Hub are more flexible than multiple bespoke arrangements and make development work less onerous for platforms. They can also enable platforms to implement new process integrations more efficiently – such as account set-up, transfers tracking or transaction history.

Point-to-point integrations are currently the most typical type of integrations. These include Bespoke, APIs and the use of Origo Standards in their various versions.

Table 1: Main types of integration operated by platforms

	Integration type	Connectivity	Definition
Point-to-point integration (one-to-one approach)	Bespoke	■ Origo Standards ■ Custom APIs ■ Custom approach ■ Multiple/bespoke data formats.	■ The platform and third-party tech company (e.g. platform or adviser software service) collaborate to provide new point-to-point mechanisms for sharing data. ■ Integration is established and the platform can share data under the terms of the bespoke agreement.
	APIs	■ Standardised integration approach ■ Published (discoverable) APIs ■ Standardised data format ■ Origo Standards.	■ The platform can offer a standardised API for third-parties to share data – this is a variation on bespoke integration. ■ Once the integration has been set up and documented, the platform can share data immediately with a third-party.
Hub Integration (one-to-many approach)	Origo's Integration Hub	■ Standard on-boarding process ■ Anything-to-anything connectivity ■ RESTful APIs ■ Any data standard or format supported with transformation and validation ■ Origo Standards.	■ Platforms set up a single connection to the Integration Hub, which enables multiple integrations to other connected third-parties. ■ On-boarding and technical approaches ensure integration quality. ■ Transformations support multiple versions eliminating version control challenges.

Bespoke integrations

Bespoke integrations are largely one-way data feeds. Only a handful of platforms operate bespoke two-way data feeds with back-office systems.

Bespoke integrations can be costlier to initially set up and possibly to maintain. Platforms find it easy to replicate these integrations with new parties and so there has been little incentive to change approach.

> "We operate one-way data feeds. We can set up templates that are aligned to specific adviser firms. The template will dictate how the data is transmitted."
>
> **Head of Development, Platform**

> "Our integration approach works well. It's fairly simple, old technology ... and it's pretty reliable. We just have to put in place a data agreement with a third-party ... The build is a repeatable process."
>
> **Head of Proposition, Platform**

APIs

Only one platform that we spoke to used APIs for all its third-party integrations, although a handful use APIs in some cases. This platform was able to offer integrations for transactions, fees, valuations and model portfolios through APIs.

Many platforms felt that new entrants to adviser fintech prefer using an API approach. Platforms are therefore actively looking at the business case for adopting APIs.

> "APIs are more modern technology and a more modern way of transferring data. If you have a good API service, then it is flexible enough to be used by anybody. The newer kids on the block in the back-office space have been able to adapt and use the API service very quickly. Our last two integrations have been up and running within four weeks of the conversation starting."
>
> **Head of Propositions, Platform**

Origo's Integration Hub

Many platforms were not yet familiar with how Origo's Integration Hub works. But once we had briefly explained the main features, platforms were interested in how it could minimise set-up work for new integration processes. They could also see the Hub's advantages as a single interface between the platform and the growing universe of back-office systems and digital tools.

> "In the longer term, [it would be attractive] if it could take the set-up work off us. For example, we would require different data sets for charges, and then we would consider it."
>
> **Head of Development, Platform**

> "We use APIs for integrations with other software systems. We have done a bit of work on this about 18 months ago using the internal development team. The platform has always had access to out-of-the-box API services from our underlying technology provider. But we found their APIs difficult to use for pulling valuation and remuneration information; so, we decided to use our in-house development team to build our own API service. One of the main drivers was so that we could build our own apps against it. It allows us to access information from the database."
>
> **Head of Propositions, Platform**

"When using Origo Standards, an Integration Hub removes the costs of implementing and operationally supporting multiple links. It can also help smooth the small differences in implementation approach and discrepancies in interpretation of standards, which can add costs – particularly to adviser software firms. These costs increase with complexity.

For more complex integration ... an Integration Hub could then be essential to persuade parties to develop support for a standard – never mind agree to implement it.

The Integration Hub can also add considerable value for bespoke approaches to integration. The Hub could add value by mapping between data formats supported by firms. This is always likely to be a more expensive exercise but still ideally less expensive than each individual firm coping with mapping multiple bespoke formats."

Ross Dunlop, Head of Industry and Fund Group Relations, Standard Life Wrap

Standard Life Wrap has been actively involved in industry discussions with Origo about building a hub to enable efficient and cost-effective third-party integrations.

For many platforms all integration type options are on the table. They are more concerned about achieving the right outcome for advisers and the client at a reasonable cost than the methods used. They expect to use a combination of integration types and will evaluate approaches on a case-by-case basis.

"It's a mixture, we are very focussed on making sure that everything has a strong commercial aspect. If bespoke works and you get the right customer outcome, that is fine. We are agnostic. We are looking at APIs. Where the right intermediary firm has a requirement for bespoke stuff, we are open to that. But we are big, and we want to be bigger, so we will always have a preference for standardised processes where possible."

Andy Manson, Marketing Director, Aegon

"Providers and software firms need choice and so need to be able to choose to use Origo Standards to integrate peer-to-peer or to integrate via Origo's Integration Hub."

Ross Dunlop, Head of Industry and Fund Group Relations, Standard Life Wrap

1.4   Integration processes

Valuations and bulk valuations

Valuations are the most common business process integrations between platforms, back-office systems and digital tools. Over two-thirds (68%) of advice firms use tech for valuation and benchmarking. This is a core part of the advice process and one that benefits greatly from the visual graphics produced by digital tools.

Different back-office systems can require different approaches to valuation data feeds. One platform told us that it divides up back-office systems into centralised and decentralised approaches to harvesting the data.

"Once every 24 hours we will send a file per firm using SSTP sites. The data behind those files are then retrieved by the back-office systems who gather data centrally. For example, Plum gather data for multiple firms and then match it off to the right adviser. The other model is sending one set of files per firm so that the adviser firm can pick it up directly ... the method used by Intelliflo and Adviser Office. Iress has [both] a centralised model and a de-centralised model."

Head of Proposition, Platform.

Every platform that we spoke to can cater for single valuation integrations. Some platforms currently cannot facilitate bulk valuations and are looking to upgrade to be able to offer them.

"Bulk valuations are more effective. We offer both services on the Aegon platform for Cofunds and ARC users and all are extensively used. Some back-offices are running what they call bulk valuations but are in fact many lines through the night."

Mark Bradley, Platform Proposition Manager, Aegon

Upgrading to bulk valuations is not seen as requiring the same level of investment or development time as is needed for integrating a new process and we expect most platforms to implement bulk valuations. The major hurdle is negotiating the data agreement.

"Bulk valuations are more of a configuration rather than a development. The thing that takes longest is going back and forth on the data agreement. We have to answer the data security questionnaire and a 40-page questionnaire takes longer than the set up."

Head of Proposition, Platform

Transactions

Our research with advisers shows that nearly two-thirds are using technology for cash flow modelling, which is becoming more mainstream. 35% of advisers that we surveyed were either planning to increase their use of cash flow modelling technology or to start using tech for cash flow modelling. For this reason, platforms are looking at transaction integrations to input data in to cash flow modelling tools.

There are some challenges for platforms in setting up transaction integrations: platforms have their own transaction codes, while back-office systems also operate different approaches and can find transaction integrations challenging.

"We have some back-offices asking for transactional information. We haven't progressed it because the back-offices haven't done it. A couple have indicated that transactional stuff is quite difficult. But we have done a lot of work on transactions."

Head of Proposition, Platform

"Most people want to use a bulk service rather than contract enquiries. It depends on how the adviser firm wants to use the information."

Head of Proposition, Platform

Nevertheless, platforms regard this type of development as less complicated than the major tech upgrades that many platforms are going through. Platforms also generally see transaction integrations as having a more immediate business case than client account set-up.

> *"We will prioritise development work on transactions, because it applies to all adviser firms and their clients, whereas new business set-up is maybe ten a month."*
>
> **Head of Propositions, Platform**

Client account set-up

There is little consensus from the platforms taking part in this research on whether there is a sound business case for integrating client account set-up with back-office systems. Most platforms that we spoke to do not currently facilitate this process integration.

A handful of platforms see the benefits to advice firms of a more automated online application process and feel that they will be used, so these platforms will build this process integration.

> *"IFAs would benefit from a single integrated digital solution. Technology around the point of sale is important, the nirvana is to have as much data captured, as early in the process as possible and have that data re-used throughout."*
>
> **Andy Manson, Marketing Director, Aegon**

However, a common concern is that there is a real danger that if they set up an integration, the advisers will not use this process.

> *"We have built a couple of new business integrations under our white label stream. But we have switched off the link now as it wasn't used … We do need to spruce up the online application form. It needs to be more straight-through. When we do it, we will prioritise linking illustration tools from a third-party to online set up."*
>
> **Head of Proposition, Platform**

> *"For two-way account set-up integration, demand currently sits with the two or three largest adviser software firms, but I would expect that as adviser usage continues to increase and the Origo Integration Hub supports this service, this should create the case for other software firms to support this type of integration."*
>
> **Ross Dunlop, Head of Industry and Fund Group Relations, Standard Life Wrap**

> *"Applications are the difficult area. It requires a big re-write of systems. We feel no pressure [from advisers] to do it."*
>
> **Commercial Director, Platform**

Fees and remuneration

Many platforms that we spoke to did not highlight fees and remuneration integrations as a development priority. However, some do see adviser payment integrations as an integral part of their development roadmap. This is driven by adviser demand.

Back-office systems have been receiving remuneration data for many years via a variety of delivery mechanisms and this drives up overheads for ongoing maintenance across multiple third-parties.

Transfers Tracking

Research participants interviewed expressed an interest in Transfers Tracking integration. The ability for an adviser to see the status of each transfer case, its details including value and where it is in the transfer process would reduce the call on platform resources in responding to "chasing" queries. Updated on a real-time basis, this integration will give advisers an up-to-minute view of their transfer cases.

Transfers Tracking (subject to contracts) is now available to current users of Origo's Options Transfers service. It enables data to be presented directly on their platform for adviser and client use.

2 The platform integration process

The typical platform integration process is shown in Figure 3.
Each stage of the process is explored in more detail below.

Figure 3: The existing integration process
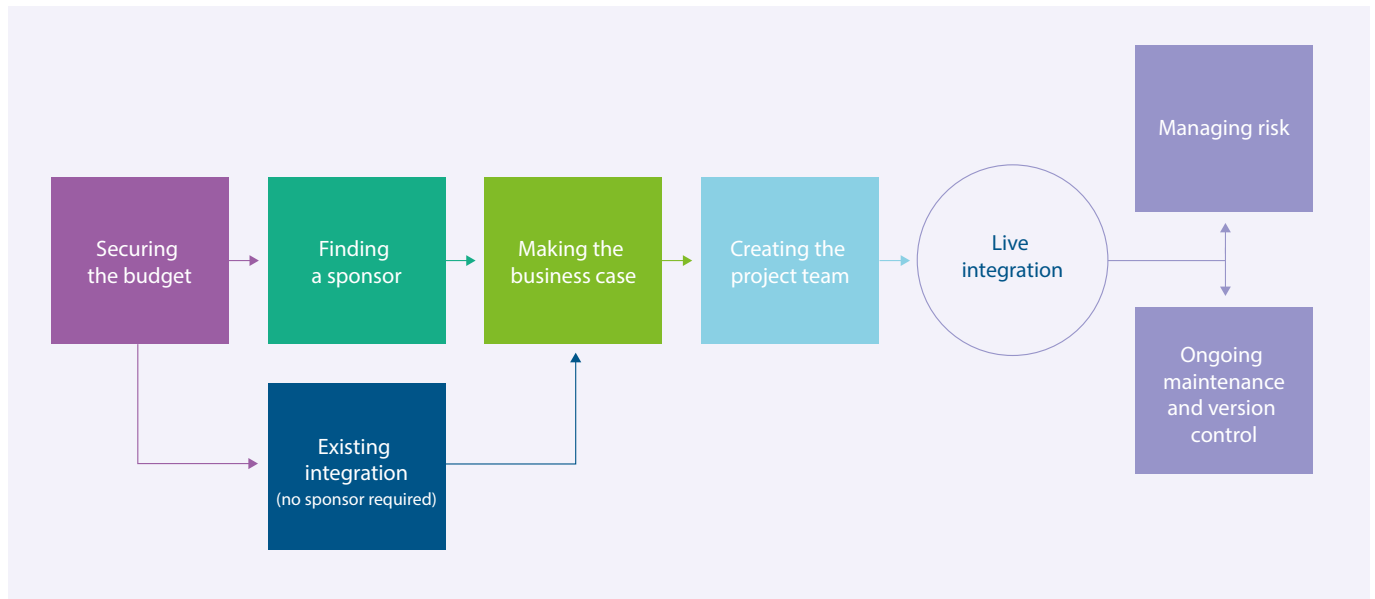
2.1 Securing the budget

The first stage of the integration process is securing the budget. Integration costs typically come out of the platform development budget. They compete with other investment priorities, such as technology upgrades and front-end development.

> *"Integrations compete for budget with other developments. It comes out of the platform development budget. It all comes into business growth and capability. Regulation work like MiFID II goes straight to the top of the list … Integrations with a new third-party requires a debate. The test we use is 'would we press-release it?'"*
>
> **Sales and Marketing Director, Platform**

Platforms are low margin businesses and are generally very cost conscious. Costs can rise significantly if the third-party charges the platform to integrate with it. Currently platforms need to see a strong business case to pay these costs.

> *"We don't set aside a huge amount of budget each year for this kind of stuff. We negotiate hard."*
>
> **Head of Proposition, Platform**

2.2   Finding a sponsor

Once budget has been secured, a new integration will require a business sponsor. Integrations are often within the remit of the platform's propositions team, so sponsors are often the Head of Proposition or equivalent. Where a new process is being set up, some require an Executive Committee sponsor because it will require some development time.

Platforms generally regard the use of an existing integration process to integrate with a new back-office systems supplier as relatively straightforward which shouldn't necessarily require a sponsor.

> *"If it's a large piece of work, it becomes part of our change and governance programme and requires sponsorship from the Executive Committee."*
>
> **Sales and Marketing Director, Platform**

2.3   Making the business case

The business case for a new integration will ultimately be built on adviser demand to ensure that there is a clear benefit for platform users, although some back-office systems and digital tools approach the platforms directly. When establishing the business case, platforms will look at:

- The costs and development time required.

- The commerciality and importance of any new integrations with other areas of investment on the proposition development roadmap.

- How adviser firms' use of technology is expected to evolve over the next two to five years.

- Ongoing maintenance and the additional resources and commitment.

> *"We evaluate the cost and the difficulty in delivering versus the benefit ... Where it is appropriate, valuable and time saving we should do the work. But we won't do it unless there is adviser demand."*
>
> **Sales and Marketing Director, Platform**

> *"When we build the business case, we think about the customer first and the adviser ... Our distribution teams have close connections with adviser firms and talk to them about their connectivity requirements."*
>
> **Andy Manson, Marketing Director, Aegon**

2.4 Creating the project team and setting timescales

Teams: most platforms pull together a project team for new process integrations and members will include:

- Business sponsor

- Business analysts

- Developers

- Project managers.

Legal and compliance will also work on data contracts, data governance and security/due diligence.

Timescales: the timescales of a new integration project vary. Platforms tell us that integrations can take anything between two and six months where a process currently does not exist and therefore requires development work.

> *"On a project you have to have development, testing, project governance. It costs £10,000s. It's not the hardest of IT projects, not like re-skinning the front end or replatforming. But often ... legal can be blockers."*
>
> **Head of Proposition, Platform**

Increasingly platforms are operating in sprints for tech development and these sprints can be as little as two weeks. This is seen as a risk management exercise so that the platform can test the integration as the project advances.

Platforms running on proprietary technology believe that they are more agile because they do not have to rely on their outsourced tech provider being able to free up resource.

> *"For deeper integrations, the business analysts scope and shape it ... We tend to do things in two-weekly sprints, and we may wait for a while in-between sprints to assess performance. It may need one, two or three sprints because of the work."*
>
> **Head of Development, Platform**

Those platforms who outsource the underlying platform technology felt that integrations are relatively self-contained projects and that much of the development can be done in-house.

> *"The integration work is mostly on our side rather than having to wait on our tech provider's releases. So, we can be self-sufficient."*
>
> **Head of Proposition, Platform**

> *"When we have developed further integrations, it's quite complex. It's a six-month process adding new Intelliflo integrations [for two-way data feeds]. It's probably half the time with one-way. Timescales are affected by other items in development which are unrelated. The timescales could be shorter than that if the sole focus is on integrations rather than other proposition development."*
>
> **Head of Platform Strategy, Platform**

2.5   Managing risk and due diligence

Once an integration has gone live, platforms actively monitor integrations from an operational and risk management perspective. Although none of the platforms that we spoke to have removed an integration, there are circumstances in which they say they would remove them:

- If the integration threatens the day-to-day operations of the platform.

- If the platform feels that the third-party is abusing the data or is infringing data security.

- If the third-party goes bust.

- In some cases, if a competitor to the platform acquires the third-party.

"We carry out due diligence on the providers every year."

Head of Proposition, Platform

"If we felt a service was abusing data or security we would remove support, as we would if we felt that a service was moving towards being a competitor."

Ross Dunlop, Head of Industry and Fund Group Relations, Standard Life Wrap

2.6   Ongoing maintenance and version control

Platforms continually review and maintain integrations. Ongoing maintenance is facilitated by systems analysts, relationship managers and developers. Employing a supported version of an Origo Standard is one example of ensuring ongoing version control.

When integrating with any third-party on a point-to-point basis, there will come a time during the lifecycle of the integration, to adopt a more up-to-date version of the Standard, change the API or update underlying procedures.

This could be as a result of a regulatory or legislative change or perhaps through general enhancement or even replatforming.

3   Integration challenges and pain points

Integrating with third-parties is not without its difficulties.
We have identified six major integration challenges:

3.1   Costs

The costs levied by the largest back-office systems for new integrations are seen by some platforms as prohibitive.

Many platforms have long-standing integrations with the major back-office systems which may have been costly to set up. In recent years, however, some back-office systems have charged platforms for new integrations. They can be charging six-figure sums, adding a significant cost to the platforms who believe that these costs should be shared more equally.

> *"We have been asked for deeper integrations, but we have been put off by the high costs of it. We would prefer to create an open API where data is chargeable."*
>
> **Head of Development, Platform**

> *"If we want new integrations with the larger back-office providers, we can't just integrate with one. We don't have the budget. Their business models are behind the times. Integrations also enhance their propositions."*
>
> **Head of Propositions, Platform**

Some platforms believe that over time the back-office system suppliers will have to bow to market pressure and stop charging for new integrations or look at more cost-effective approaches.

> *"We expect integration to be cost neutral, as both parties benefit, with both parties covering their own development and operational integration costs."*
>
> **Ross Dunlop, Head of Industry and Fund Group Relations, Standard Life Wrap**

Figure 4: Platform integration lifecycle
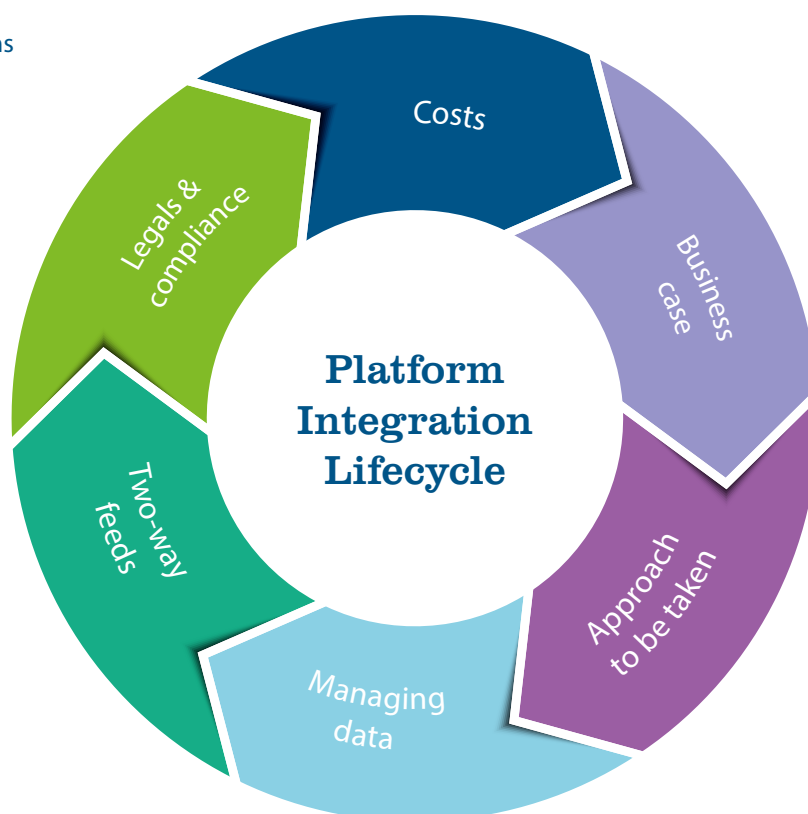
Not every platform begrudges paying the back-office suppliers for new integrations. Some see it as the cost of doing business.

> *"We all work hard to build relevant services for advisers and ultimately make money and the reality is that [the leading] back-office providers have built great businesses that advisers value. They are gatekeepers to a market ... we have no quibbles about the way they work."*
>
> **Andy Manson, Marketing Director, Aegon**

Managing multiple bespoke integrations on a point-to-point basis can also increase platform overheads.

3.2   Proving the business case

Advisers often say they want a feature, however the actual use of a new feature can be lower than expected or calculated within the business case. This makes it hard to make an accurate assessment of the business case for integrations. Advisers have told many of the platforms we spoke to that they would like platforms to integrate account set-up with back-offices to eliminate re-keying of client data. But there is widespread scepticism that advisers will use this service. For this to be of significant benefit, the point-of-sale process would require some changes. On the face of it, the demand is there, but the risk to platforms is the money would be better spent elsewhere.

"We won't always build it and they will come. Lethargy is a strong driver."

Platform Propositions Manager, Platform

"One challenge is getting firms to adopt processes ... Advisers need to realise the benefits of integrations and the time-saving elements."

Head of Platform Strategy, Platform

"IFAs are not very good at looking ahead. You have to show them something and they will tell you what they like."

Commercial Director, Platform

3.3   Managing data volumes and standards

Platforms are generally happy with data governance: any issues are typically ironed out at the contract stage. However, platforms identified increasing data volumes and the ability to scale up to meet higher data flows as an area of concern. This is especially true of point-to-point integrations where contract enquiry services have been adopted. Moving to a bulk messaging approach could help mitigate this risk.

"Some back-office systems are looking to pull data for a large network from a series of platforms. This can be a lot of data and it can put a strain on the infrastructure."

Head of Propositions, Platform

"Volume is a concern. We actively manage the data, but going forward we need to make sure we can do what we say we can do."

Mark Bradley, Platform Propositions Manager, Aegon

Platforms also acknowledge that maintaining data standards — whether these are Origo Standards or specific to the platform or back-office — can be challenging as systems and products evolve.

"We originally adopted Origo Standards. Every time an integration gets done there are nuances in standards. So, we have to work with the back-office systems to make sure processes get through."

Head of Platform Strategy, Platform

The more integrations that are being managed on a point-to-point basis, the larger the overheads for ongoing maintenance and version control will become. Platforms could find themselves in a never-ending cycle of update requests and impact assessments.

3.4   Two-way data feeds

Two-way feeds are trickier than pushing out data one-way to third-parties. Platforms have concerns about data controls, security and costs.

> *"We have never done two-way integration. It's a pretty big job. Third-parties want us to pay them to do it. But we don't think that advisers would want these costs to be passed on to their clients."*
>
> **Commercial Director, Platform**

Many platforms need to be satisfied that there are adequate data controls and security provisions before they move to implement two-way data integration.

> *"Two-way data feeds are a more active integration. Valuations are generated each day and people pick it up. The other way is more activity driven. Copying names and addresses is sufficiently easy for it not to be a problem that advice firms want to solve."*
>
> **Head of Development, Platform**

> *"There are constraints from our side. Incomplete feeds are relatively easy to manage. Here is a set of data: we will pre-fill and the adviser can complete. But for complete data feeds we can lose control of the journey. At that point, we couldn't change our offering without working with all the back-office providers."*
>
> **Head of Development, Platform**

Only two platforms that we spoke to for this research are currently building or are already operating a two-way data feed with a back-office system.

However, several acknowledge that two-way data feeds could minimise re-keying and improve automation of processes and they see two-way data feeds as the natural direction of travel. If these challenges can be overcome, we believe that more platforms will adopt this approach. And initiatives like Origo's Integration Hub will help platforms to manage two-way feeds more effectively.

> *"We are starting to get into a position where we will be developing some services that will allow DFMs to upload model portfolio information direct from their systems into our systems ... It's the first time we will be allowing instructions to come into the platform. Currently we are all about taking information out. And we are starting to look at some of the services from Intelliflo — like Wealth Connect — where they can request illustrations and set up new business."*
>
> **Head of Propositions, Platform**

3.5   Managing the lifecycle of the integration

As systems evolve and new regulations require third-parties to adapt approaches, platforms are required to manage integrations pro-actively to ensure that they remain current. Certain integrations have a shelf life. One platform used the example of its single sign-on integration with Financial Express (FE) Analytics, although this is being switched off temporarily as a result of GDPR so that the process can be re-engineered. The platform in question is having to implement a work-around during this period.

> *"We have a single sign-on button for FE Analytics, which will import data to the client's portfolio rather than advisers inputting it. Under FE's interpretation of GDPR, this single sign-on will be switched off and the import facility will be tweaked … There will be a period of hiatus and a temporary work-around until we can make the change."*
>
> **Head of Proposition, Platform**

There is also an ongoing maintenance cost for integrations that have been implemented but are lying dormant within the IT infrastructure. Regulatory and legislative changes e.g. GDPR and MiFID II, mean that a regular review must be undertaken to ensure platforms remain compliant. Platforms will also evaluate switching off integrations that advisers are not using.

> *"If it's no longer being used by advisers then we would consider removing. We should be looking at integrations that will survive the next five to ten years."*
>
> **Head of Platform Strategy, Platform**

3.6   Legal contracts

Whether point-to-point using standards or bespoke integrations, each new connection will require new legal contracts. It was noted that agreeing the terms can take considerable time and can be the lengthiest part of the overall project.

4   Evolution of platform connectivity

Platforms and advisers don't operate in a vacuum: new initiatives such as the Pensions Dashboard and Open Banking will provide future integration opportunities that could benefit advisers and their clients. New entrants will join the ranks of the adviser fintech firms and may have different ways of working. The ways in which advisers use technology will also evolve. Platforms will need to be flexible to keep pace with the next generation of integrations. But there will be greater pressure on platforms to manage costs as margins are squeezed across the value chain.

Figure 5A:
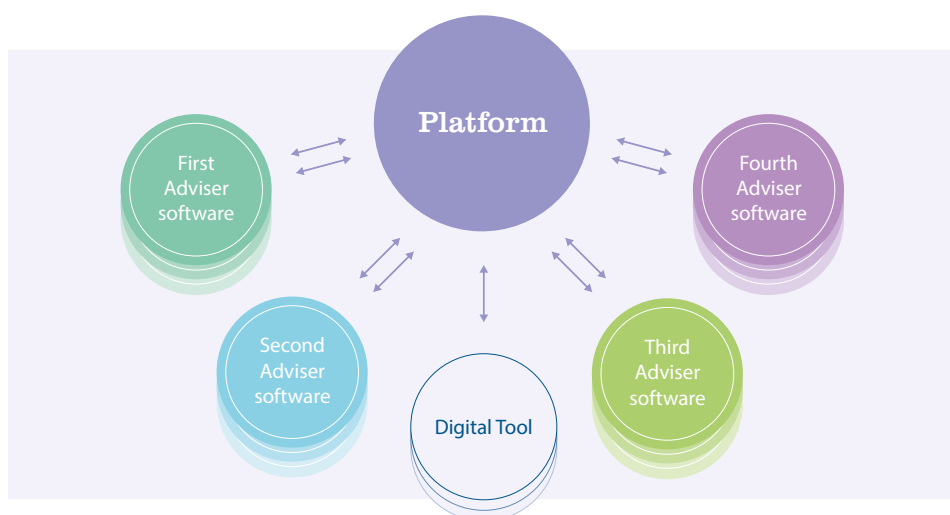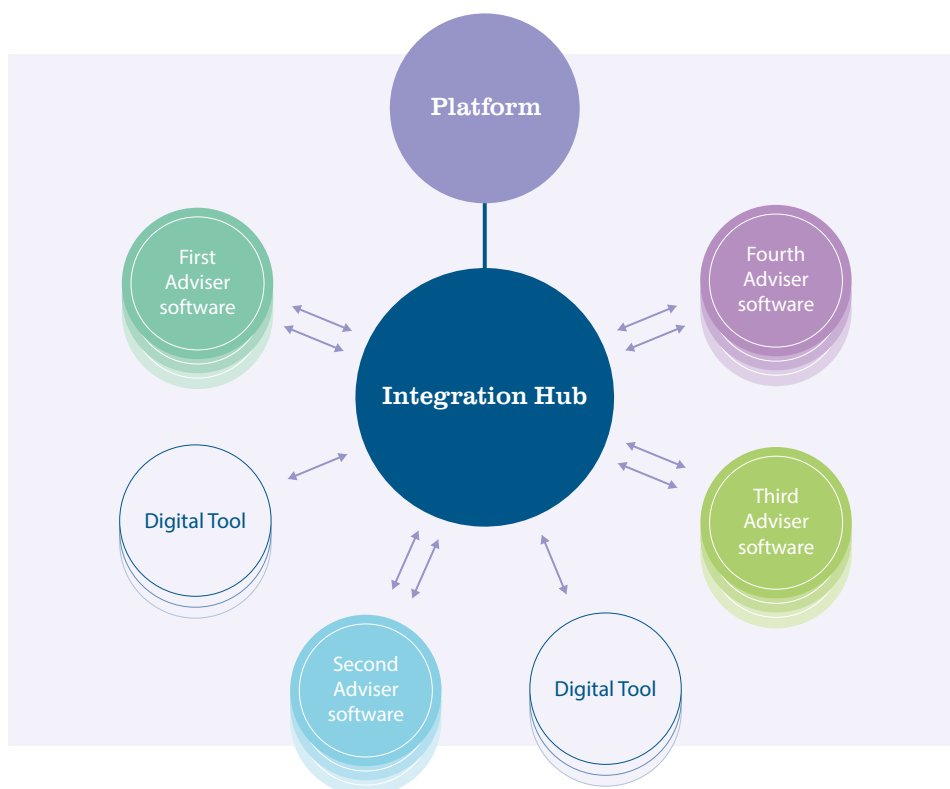**Current point-to-point integration model – multiple connections to manage**

Figure 5B:
Integration model using Origo's Integration Hub – one connection to manage

www.origo.com

4.1   Future projects: Open Banking and Pensions Dashboard integrations

Open Banking

Open Banking allows consumers to give third-parties access to information from their current account to help them to manage their money better. If clients allow advisers to access current account data through Open Banking, it should improve the accuracy of the fact-find and cash flow modelling.

But when we spoke to platforms they did not see integration with Open Banking as a high priority compared with Pensions Dashboard integration. And some felt that back-office systems were better placed to link with Open Banking.

> *"Open Banking will enable the banks to provide customer aggregation and that could be a threat to the adviser. Advisers will have to demonstrate the relevance of their proposition ... we think that it will manifest itself as a D2C tool and that back-offices are a more natural home."*
>
> **Marketing Director, Platform**

Pensions Dashboard

The Pensions Dashboard will become a key differentiator for platforms in the short to medium term and will introduce a level of connectivity and secure, permissioned access to data never seen before in our industry.

Most platforms that we spoke to said that they are likely to integrate with the Pensions Dashboard. One even felt that platforms would be compelled to do so. Platforms see clear benefits in integrating with the Dashboard for both advisers and end-consumers. A critical mass of integrations is also seen as important to the effectiveness of the Dashboard.

> *"We think integration with the Pensions Dashboard might be required. We will supply information to that initiative and we definitely want to provide information, but we are pretty relaxed about it. It falls on the easier side of things."*
>
> **Head of Proposition, Platform**

> *"We support the proposal for a Pensions Dashboard as a tool available to advisers, employers and platforms to help engage and educate the public and are a member of the ABI Pensions Dashboard working group. We would hope this would be relatively straightforward to support, due to our existing integration capability."*
>
> **Ross Dunlop, Head of Industry and Fund Relations, Standard Life Wrap**

Nevertheless, it will still be necessary to make the business case for integrating with the Dashboard.

Some platforms expect that the Pensions Dashboard will bring new challenges around managing the volume of data for valuations.

> *"It is difficult to predict but we could see a scenario where platforms have to process about 30 million valuations annually."*
>
> **Andy Manson, Marketing Director, Aegon**

4.2 New adviser fintech entrants with different operating models

A new breed of back-office systems could enter the market with different operating models. For example, the major CRM providers like Salesforce could launch back-office systems. Salesforce uses an app structure to plug third-parties into its system. Platforms need to have sufficient flexibility to adapt to these operating models.

> *"More new players will come in and there will be faster movement in tech. We will have to keep pace with more modern 21st century ideas, but the big platform players are strong enough to keep up and react."*
>
> **Head of Platform Strategy, Platform**

4.3 Origo's view: Sustainable, cost-effective integrations now and for the future

Point-to-point integrations have taken the industry so far. However, each integration has significant overheads in terms of business case justification, IT and business project resource along with separate commercial and legal negotiations. Thereafter, each trading party has multiple integrations points to maintain and upgrade to stay competitive. There must be a better way that involves less time and cost and enables organisations to react more efficiently to integration requirements.

For sustainable, efficient integrations, the priority for platforms must be ease of build and maintenance, as well as speed to market and greater market reach. A platform integration is likely to be highly successful if it:

- Enables approved third-parties to connect easily and build integrated services that add value.

- Provides integration services that fit a specific business need.

- Enables easy access to pre-built integrations that non-technical users can leverage.

Origo believes that sustainable, cost-effective integration is the key differentiator now and in the future, and offers five key integration pointers for platforms:

Top 5 integration pointers:

1 Focus on design – not technology.

  ☐ Agree the overall process, standard, message exchange patterns and solutions to ensure functional and non-functional requirements are fully met.

2 Don't reinvent the wheel – use standards (data and technical) and standardised solutions.

3 Invest in appropriate infrastructure.

  ☐ Consider the infrastructure requirements and demands for future developments e.g. Pensions Dashboard.

4 Engage with your third-party partners early on.

  ☐ Ensuring that the preferred connectivity method is aligned to the strategic direction for your business. Set realistic time-lines for delivery.

5 Keep it simple.

4.4   The future: Origo's Integration Hub

Integration has become mainstream – the new normal. It's natural therefore, that our industry now takes stock of its approaches to integration.

Investment should be focussed on delivering value through integration. The benefits of effective data sharing are enormous to platforms and third-parties. Integrations should concentrate on making different systems work together to serve the consumer, enable business workflows and co-ordinate effective user interaction with both the platforms and the other applications which they use.

Origo is the industry's fintech tasked with reducing costs and creating efficiencies. It has created an efficient solution for the set up and maintenance of integration points in collaboration with platforms, back-office systems and other industry stakeholders.

The Integration Hub enables a "one and done" approach, so that a platform, adviser back-office system or digital tool can integrate once and is then connected to all other parties. When a new party joins, the connection extends – providing a greater market reach for all systems without the need for any new business case, lengthy legal/contract discussions and development work.

Platforum has demonstrated the variety of integration methods that can provide a level of connectivity between platforms and adviser systems.

The point-to-point method requires that both systems be version and message congruent. Origo's Integration Hub provides for message and version conversion – removing the initial set-up costs and complexities as well as ongoing maintenance of version controls.

> *"We believe the Integration Hub helps with ensuring integrations are cost neutral, as it reduces costs for third-parties to integrate with multiple platforms."*
>
> **Ross Dunlop, Head of Industry and Fund Group Relations, Standard Life Wrap**

5   Conclusion

Systems integrations have demonstrated their value to businesses over the years. They free up resources by enabling improved servicing and reducing unnecessary servicing calls. The number of integrations has increased and they have matured into critical business tools, but their growth has been sporadic and some connections are still cumbersome and complex to maintain.

Regulatory and legislative changes have also meant that connections between systems can become resource-intensive and an unnecessary draw on costs.

As the platform market matures, it has embarked on a series of major technological upgrades, or replatforming exercises to keep pace with technological change. These projects have thrown systems integrations into the spotlight as advisers attempt to keep their clients' information up-to-date amidst the upheaval. There is also increased sensitivity around client data as a result of MiFID II and GDPR. Multiple bespoke integrations increase risk and complexity and there is a need for simplification.

Platforms must also look at future-proofing their businesses: a flexible approach to integrations helps to keep pace with evolving technology and adviser business practices.

For platforms it is very much an immediate priority that systems integrations should generate maximum value for adviser businesses and, ultimately, the client. In an increasingly connected world, now is a good time for platforms to review their integration strategy.

Origo's Integration Hub currently supports or is developing the following services:

- Contract enquiry/valuations
- Transfers Tracking
- Account set-up
- Bulk valuations
- Transaction History.

Origo's Integration Hub enables:

- Significantly improved integrations between organisations - removing complexity and additional maintenance.

- Simplified integration with trading partners. Removing the need to undertake a new IT build each time.

- Simplified integration process. By supporting different versions of Standards and different data formats, the Integration Hub helps reduce risk and complexity.

- Extended market reach. Regardless of company size, send and receive business to and from any organisation using the Hub.

- Re-engineer existing integration points to immediately help to reduce costs.

- Improved standard integration points and easier to manage bespoke ones which can be built where necessary.

About Origo

Origo exists to improve the financial services industry's operating efficiencies, lower costs for market participants and improve outcomes for consumers.

We help connect platforms to their partners via several mission critical services – integration is key to our business. The culmination of 30 years' experience has been the creation of an Industry Centre of Excellence for Integration and our Integration Hub – all of which is helping to simplify and improve integration across industry. Our experience and research has given us deep insight into integration technology, architectural patterns, trends and emerging themes.

If you would like to learn more about our work, please contact us:

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About Platforum

Platforum is the reference point for asset managers, platforms, banks and life companies on retail investment distribution. We provide qualitative and quantitative research including access to senior distribution staff at asset managers, platforms and distributors. Our research covers the intermediary and self-directed markets with a focus on platforms and fund selection. Our strategic consulting projects are built on our data and expertise in these markets.

We provide insights and opinion based on data and industry expertise to support strategic decision making.

If you would like to find out more about Platforum's research or bespoke consulting, please contact us:

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