



## **An Introduction to Business and Operations Consulting Services**

May 2009

# Table of Contents

---



|                                       |                |
|---------------------------------------|----------------|
| ▪ <b>Introduction</b>                 | <b>3 – 5</b>   |
| ▪ <b>Consulting Services Practice</b> | <b>6 – 11</b>  |
| ▪ <b>Sample Projects</b>              | <b>12 – 15</b> |
| ▪ <b>Key Contacts</b>                 | <b>16 – 18</b> |



## Who We Are

|  |   |
|--|---|
| <b>Experience</b>                                  | <ul style="list-style-type: none"><li>▶ Established in 1995, Madison is a management consulting firm that provides issue-based, value-added advisory services and hands-on implementation services to financial institutions.</li></ul>   |
| <b>Financial Services Specialists</b>              | <ul style="list-style-type: none"><li>▶ Our clients include international banks, brokerages, insurance carriers and asset management firms in the global top tier of their chosen markets and products, including Citigroup, Deutsche Bank, JPMorgan Chase, BNY Mellon, Societe Generale, Lazard Freres, Merrill Lynch, Oppenheimer Funds, AIG, CNA, ING, and Prudential.</li></ul> |
| <b>Services</b>                                    | <ul style="list-style-type: none"><li>▶ Madison believes that advisory and implementation are inextricably linked. We operate 3 practice areas, offering realistic recommendations that meet the client's business objectives and are deliverable and achievable based on our extensive implementation services experience.</li></ul>   |
| <b>Business and Operations Consulting</b>          | <ul style="list-style-type: none"><li>▶ Strategy execution</li><li>▶ Market and competitive strategies development</li><li>▶ Operating model and business process redesign</li><li>▶ Risk and controls</li></ul>  |
| <b>Anti-Money Laundering Compliance Consulting</b> | <ul style="list-style-type: none"><li>▶ Implementation of compliance management structures and cultures</li><li>▶ Response to regulatory actions</li><li>▶ Preparation for a regulatory examinations</li></ul>  |
| <b>Resourcing Services</b>                         | <ul style="list-style-type: none"><li>▶ Project implementation - project managers and business analysts</li><li>▶ Temporary operational resources - interim managers and operations specialists</li><li>▶ AML compliance - supervisory managers, researchers, document specialists</li></ul>  |



## Where We Practice

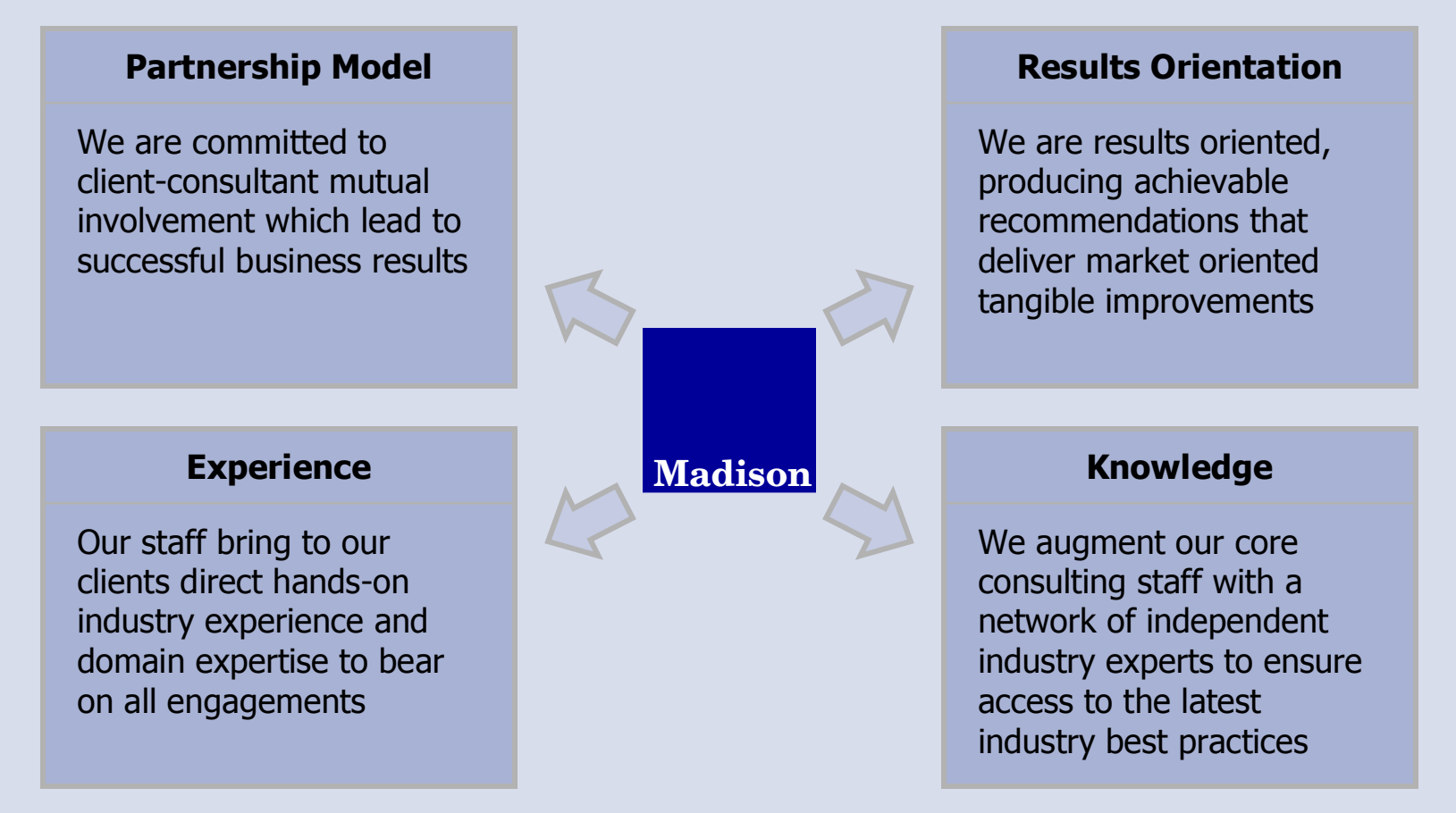
**Madison Consulting Group provides its clients with *deep functional expertise* in the following *financial industry verticals***

| <b>Asset Management</b>   | <b>Wealth Management</b>  | <b>Securities Services</b>   |
|---|---|--|
| <ul style="list-style-type: none"><li>▶ Mutual Funds</li><li>▶ Retirement Services</li><li>▶ Hedge Funds and Private Equity</li><li>▶ Investment Management</li></ul> | <ul style="list-style-type: none"><li>▶ Private Banking</li><li>▶ Managed Account Services</li><li>▶ Hedge Funds and Private Equity</li><li>▶ Wealth Services</li></ul> | <ul style="list-style-type: none"><li>▶ Corporate Trust</li><li>▶ Securities Lending</li><li>▶ Trust and Custody</li></ul> |

| <b>Banking</b>   | <b>Insurance</b>  | <b>Investment Banking &amp; Brokerage</b>  |
|--|---|--|
| <ul style="list-style-type: none"><li>▶ Trade Services</li><li>▶ Merchant Services</li><li>▶ Money Transfer</li><li>▶ Foreign Exchange</li><li>▶ Payments Processing</li></ul> | <ul style="list-style-type: none"><li>▶ Property &amp; Casualty<ul style="list-style-type: none"><li>▶ Commercial</li><li>▶ Small Business</li><li>▶ Personal Lines</li></ul></li><li>▶ Worker's Compensation</li></ul> | <ul style="list-style-type: none"><li>▶ Derivatives</li><li>▶ Retail Brokerage</li><li>▶ Sales and Trading</li></ul> |

# How We Operate

**Madison uses a collaborative approach with our clients, bringing domain knowledge and expertise to bear to issues yielding results-oriented, actionable solutions**





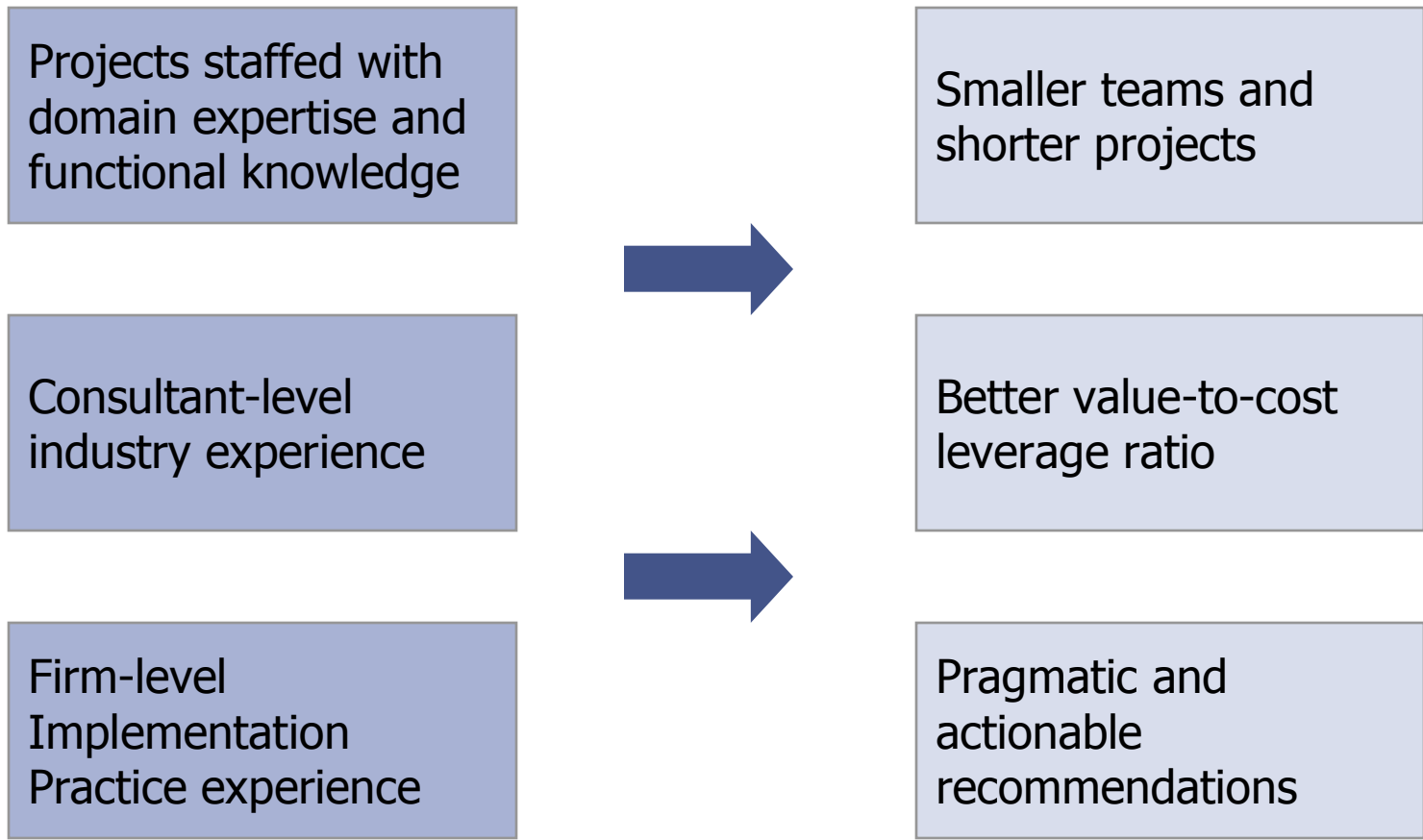
---

## **Business and Operations Consulting Services Practice**



## Consulting Services: **Differentiation**

**What differentiates Madison from other consulting firms is the resourcing model used on projects**





## Consulting Services: Practice Areas

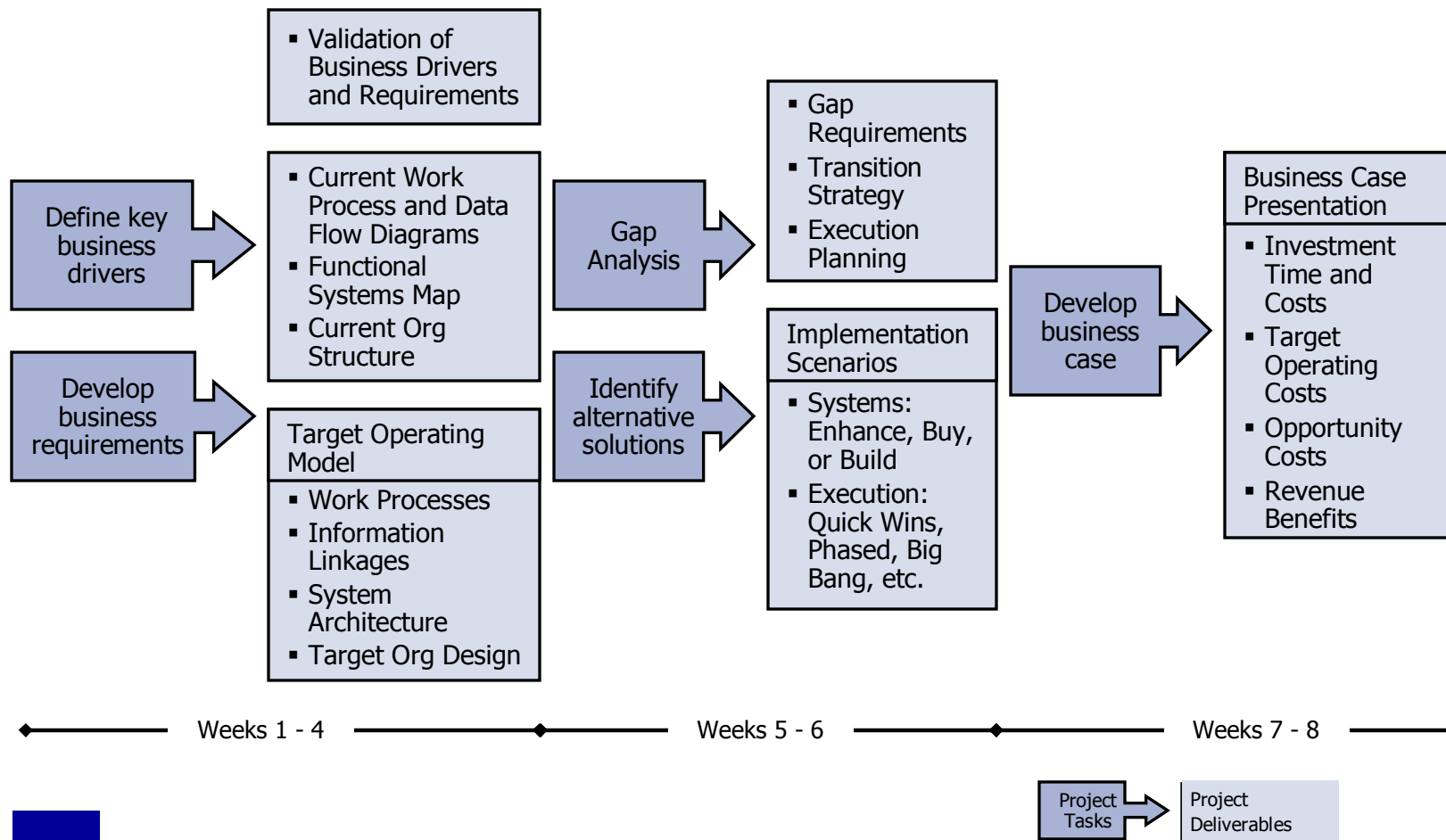
**Our practice areas allow us to service clients across most financial service industry segments, while our functional disciplines allow us to offer a broad array of services to all clients**

| CONSULTING SERVICES   |  |  |
|---|--|--|
| Strategic Services  | Operating Model Design   | Risk and Controls  |
| <ul style="list-style-type: none"><li>▶ Business Model Review and Design</li><li>▶ Market Sizing and Segmentation</li><li>▶ Competitive Analysis</li><li>▶ Customer Needs Assessment</li><li>▶ Product Positioning &amp; Management</li><li>▶ Profitability Analysis</li><li>▶ Key Performance Indicators</li></ul> | <ul style="list-style-type: none"><li>▶ Process Design and Re-engineering</li><li>▶ Organizational Alignment and Redesign</li><li>▶ Outsourcing Strategy Analysis</li><li>▶ Business Architecture Definition</li><li>▶ Vendor Evaluation and Selection</li></ul> | <ul style="list-style-type: none"><li>▶ Investment Controls<ul style="list-style-type: none"><li>▶ Process and Tools Review</li><li>▶ Guidelines Analysis and Definition</li></ul></li><li>▶ Operational Risk<ul style="list-style-type: none"><li>▶ Controls Assessment and Gap Analysis</li><li>▶ Pre-audit services</li></ul></li><li>▶ Implementation Risk<ul style="list-style-type: none"><li>▶ Business Integration Planning</li><li>▶ Systems Migration Planning</li></ul></li></ul> |



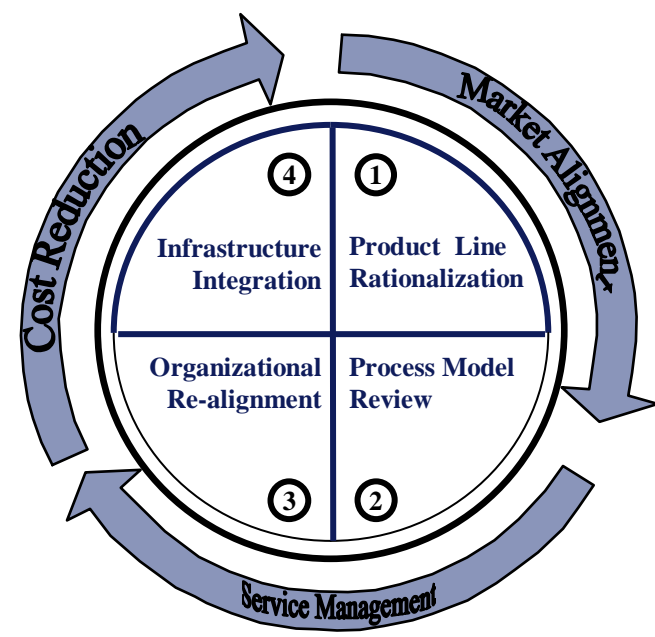
## Sample Consulting Services: **Operating Model Redesign**

**Development of a target operating model can be initiated for a variety of purposes - cost management, risk management, scalability, new product introduction, service improvement, and/or business strategy re-alignment.**





## Sample Consulting Services: **Business Integration Services**



A key success factor of integration projects is ***effective communications***, both internal and external

| Service Areas                       | Sample Project Tasks  |
|-------------------------------------|---|
| <b>Product Line Rationalization</b> | <ul style="list-style-type: none"> <li>▶ Review market and product strategies</li> <li>▶ Evaluate product line</li> <li>▶ Recommend product integrations</li> <li>▶ Review legal and regulatory implications</li> <li>▶ Define client communications strategy</li> <li>▶ Develop and execute transition plan</li> </ul> |
| <b>Process Model Review</b>         | <ul style="list-style-type: none"> <li>▶ Review current process model(s)</li> <li>▶ Develop target process model</li> <li>▶ Identify transition requirements</li> <li>▶ Develop and execute transition plan</li> </ul>  |
| <b>Organizational Re-alignment</b>  | <ul style="list-style-type: none"> <li>▶ Develop geographic strategy</li> <li>▶ Align roles to target process functions</li> <li>▶ Define staff communications strategy</li> <li>▶ Identify transition requirements</li> <li>▶ Develop and execute transition plan</li> </ul>   |
| <b>Infrastructure Integration</b>   | <ul style="list-style-type: none"> <li>▶ Review current systems architecture</li> <li>▶ Define target architecture</li> <li>▶ Recommend systems to be retained</li> <li>▶ Identify transition requirements</li> <li>▶ Develop and execute transition plan</li> </ul>  |



# Sample Consulting Services: Cost Management Project Approach

| PHASE 1   |  |   |  |
|---|--|---|--|
| Diagnostic & Opportunity Identification (6 weeks) |  |   |  |
|   | <ul style="list-style-type: none"> <li>Establish baseline</li> <li>Identify ongoing initiatives</li> <li>Identify potential new initiatives</li> <li>Develop directional savings and investment estimates</li> </ul>   | <ul style="list-style-type: none"> <li>Review opportunities with management and generate buy-in</li> <li>Identify overlaps/synergies with ongoing initiatives</li> <li>Prioritize identified initiatives</li> </ul>   | <ul style="list-style-type: none"> <li>Develop business cases (where necessary) and create implementation plans</li> <li>Refine project economics and align resources</li> <li>Initiate projects (quick hits and others) and track saving</li> </ul>   |
| Objective   | <b>Step 1: Establish O &amp; S Baseline</b>  | <b>Step 2: Identify Cost Reduction Alternatives</b>   | <b>Step 3: Prioritize New Initiatives and Assess Implications for Existing Initiatives</b>   |
|   | <ul style="list-style-type: none"> <li>Develop understanding of current footprint, activities, systems, costs and volumes for O&amp;S functions and existing initiatives across Client's organization</li> </ul>   | <ul style="list-style-type: none"> <li>Determine opportunities to reduce costs (e.g. consolidation into utility operations) and assess related savings, service level and system impact</li> </ul>  | <ul style="list-style-type: none"> <li>Identify and prioritize initiatives based upon impact and feasibility; assess implications on existing initiatives</li> </ul>   |
| Key Activities                                    | <ul style="list-style-type: none"> <li>Review readily available information (org. charts, MCRs, Cost/Process Baseline study results)</li> <li>Conduct high-level interviews to establish functional configuration map</li> <li>Develop hypotheses on performance drivers and tailor data collection templates</li> <li>Conduct site visits to obtain financial, service level, process, organization, volume and IT data</li> <li>Gather and review business plans for existing initiatives including scope, impact, and status</li> </ul> | <ul style="list-style-type: none"> <li>Analyze internal benchmark data</li> <li>Compile readily available, relevant external benchmarks</li> <li>Screen Client's O&amp;S functions to identify likely improvement areas (e.g. duplicated functionality)</li> <li>Identify alternatives to reduce costs (e.g. functional consolidation, within businesses, utility operations, outsourcing non-core functions, etc.)</li> <li>Assess cost reduction, service level, systems implications and required investment and for each alternative</li> </ul> | <ul style="list-style-type: none"> <li>Determine high-level estimates of activities</li> <li>Select preferred alternative based on Client review</li> <li>Assess impact on existing initiatives (leverage, modify, stop)</li> <li>Prioritize implementation initiatives based on expected impact and implementation risks (i.e. existing initiative impact, timing of benefits, feasibility, investments, etc.)</li> </ul> |
| Preliminary Deliverables                          | <ul style="list-style-type: none"> <li>Map of functions, activities and systems, by site</li> <li>Understanding of current performance (financial and service) by function, site and business (including drivers)</li> <li>Understanding of cost profile including direct and allocated costs</li> <li>Comprehensive documentation of current initiatives impacting Client's O&amp;S</li> </ul>  | <ul style="list-style-type: none"> <li>Identification of cost reduction alternatives</li> <li>Evaluation of different alternatives, including expected cost savings, implementation costs, service level impact and IT implications</li> <li>Comparisons to external benchmarks (where feasible)</li> </ul>   | <ul style="list-style-type: none"> <li>High-level evaluation of different alternatives</li> <li>Description of initiatives/projects required to implement preferred alternative</li> <li>Implication on existing initiatives</li> <li>Prioritization of initiatives including a high-level cost benefit analysis</li> </ul>  |
|   | <b>3 weeks</b>   | <b>2 weeks</b>  | <b>1 week</b>  |
|   |  | <b>Working Session 1</b>  | <b>Working Session 2</b>   |
|   |  |   | <b>Working Session 3</b>   |



## Sample Projects



## Sample Projects: **Strategic Services**

| Client Profile                           | Issue                          | Challenge  | Results  |
|--|--------------------------------|--|--|
| <b>Regional Bank</b>                     | ▶ Revenue Enhancement Strategy | ▶ Develop business operating model to increase assets gathered from the wealth market segment in fee earning products  | ▶ Conducted market analysis of wealth segment, developed recommended product suite & sales model & presented business case that demonstrated significant potential revenue contribution upon implementation.   |
| <b>Investment Manager</b>                | ▶ Product Strategy             | ▶ Recommend entry strategy for CBO market and assessed attractiveness, growth, and competitive situation for CBO collateral managers relative to their core strengths. | ▶ Completed market sizing & segmentation, needs & purchasing patterns, compiled competitive data outlining the strategies & tactics employed by other firms in the market, defined market structure, key parties, & interrelationships & identified risks & potential financial impact to client's entry strategy. |
| <b>Major P&amp;C Insurer</b>             | ▶ New Business Model           | ▶ Develop business plan to leverage the Internet to change the sales paradigm of the insurance industry.   | ▶ Consensus for the business model and business case resulted in creation of a separate entity funded by client to develop the business as designed, provided intellectual capital to the initial startup of the entity.   |
| <b>Diversified Financial Institution</b> | ▶ Market Strategy              | ▶ Design a market strategy and product development plan for foreign exchange services division for the small business community.                                       | ▶ Presented build vs. buy vs. JV recommendation, developed market entry strategy, designed product specifications and requirements, identified cross-marketing opportunities & key industries to target in to achieve volume & value projections.  |
| <b>Internet Brokerage Firm</b>           | ▶ Product Development          | ▶ Design product development strategy / implementation plan for client's lead Internet-based electronic brokerage service  | ▶ Completed market segmentation analysis and competitive assessment, recommended approach for customer management, pricing and service level goals, and potential approaches for differentiated service offerings to specific market segments  |



## Sample Projects: **Operating Model Design**

| Client Profile            | Issue                      | Challenge   | Results  |
|---------------------------|----------------------------|---|--|
| <b>Investment Manager</b> | ▶ STP                      | ▶ Define strategic operations and technology model to achieve STP while focusing on core competencies and holding operational costs in check. | ▶ Designed target end-to-end technology & operating model. Defined requirements and selected vendor trade order management system. Designed back office business architecture & STP capabilities.  |
| <b>Investment Firm</b>    | ▶ Outsourcing Strategy     | ▶ Determine feasibility of outsourcing operations and administrative functions  | ▶ Evaluated partner capabilities and strengths against client needs (current and future) and developed model to evaluate economic benefits and risks.  |
| <b>Global Insurer</b>     | ▶ Process Design           | ▶ Recommend changes to speed premium collections and reduce lost float income.  | ▶ Identified areas where inefficient/obsolete processing was causing delays in premium collection, developed changes in receivables processing on divisional level and client-detail basis reports to identify annual lost float income of > \$5 million.                        |
| <b>Global Bank</b>        | ▶ Operating Model Redesign | ▶ Develop target operating model for a institutional trust business   | ▶ Designed new target operating model based on a partial centralization of key functions, and replacement of existing infrastructure.<br>▶ Assisted in the selection of new vendor system, and in the functional review and gap analysis   |
| <b>Investment Bank</b>    | ▶ Resourcing strategy      | ▶ Develop resourcing strategy to enable IT to support the business during a period of rapid organizational growth                             | ▶ Developed resource evaluation methodology to distinguish areas to be outsourced from areas that must be kept in-house and areas that must be evaluated on a case by case basis. Developed staffing level and in-source/out-source recommendations for each major IS department |



## Sample Projects: Risk and Controls

| Client Profile                                     | Issue   | Challenge  | Results  |
|--|---|--|--|
| <b>Investment Manager</b>                          | <ul style="list-style-type: none"> <li>▶ Operational Risk</li> </ul>                | <ul style="list-style-type: none"> <li>▶ Assess operational risks of large managed account (wrap) operation for an investment manager</li> </ul> | <ul style="list-style-type: none"> <li>▶ Analyzed end-to-end investment and operational processes, identifying key control risk areas</li> <li>▶ Made recommendations to mitigate identified risks, including procedural changes, staffing levels and organizational design</li> </ul> |
| <b>Investment Manager</b>                          | <ul style="list-style-type: none"> <li>▶ Pre-Trade Investment Compliance</li> </ul> | <ul style="list-style-type: none"> <li>▶ Select and implement trade order management system for equities and fixed income</li> </ul>             | <ul style="list-style-type: none"> <li>▶ Managed user driven vendor selection process across all constituents – risk, compliance, PMs. Developed evaluation criteria and scoring methodology, ultimately selecting Charles River</li> </ul>  |
| <b>International Institution</b>                   | <ul style="list-style-type: none"> <li>▶ Performance Measurement Review</li> </ul>  | <ul style="list-style-type: none"> <li>▶ Perform detailed review and assessment of performance measurement process</li> </ul>                    | <ul style="list-style-type: none"> <li>▶ Recommended changes to achieve industry practices in performance measurement reporting</li> <li>▶ Improved benchmarking and risk analysis</li> </ul>  |
| <b>Investment Bank</b>                             | <ul style="list-style-type: none"> <li>▶ Operational Risk</li> </ul>                | <ul style="list-style-type: none"> <li>▶ Perform SAS 70 pre-audit</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Comprehensive review of the securities lending operation, identifying key control points, assessing control weaknesses, and offering recommended improvements to mitigate weaknesses.</li> </ul>  |
| <b>Treasury Group of International Institution</b> | <ul style="list-style-type: none"> <li>▶ Risk and Controls Review</li> </ul>        | <ul style="list-style-type: none"> <li>▶ Provide review and assessment of treasury and investment functions</li> </ul>                           | <ul style="list-style-type: none"> <li>▶ Detailed review of policies and procedures, and assessment of activities against the documentation</li> <li>▶ Identified control risks and recommended changes to mitigate those risks.</li> </ul>  |



## **Key Contacts and Client Testimonials**



## Management Team

### **Bernard Chen ([bchen@madisoncg.com](mailto:bchen@madisoncg.com))**

Mr. Chen is the managing partner of the Madison Consulting Group. He oversees the management team and provides strategic direction to the company. Under his guidance, Madison has developed a strong investment management practice, with areas of expertise in investment process design, straight through processing, outsourcing, and client servicing. He began his financial services career at Bankers Trust Company as an internal management consultant. He then joined the bank's retirement services business where he worked as a product manager, and also headed the re-engineering efforts. He later joined the bank's investment management division as business manager for fixed income and also spent time as a high yield research analyst and as a lead project manager on a major portfolio management systems implementation. Prior to joining Bankers Trust Company, he worked in manufacturing management for General Electric. Mr. Chen holds a BS and MS in mechanical engineering from MIT and an MBA from Columbia Business School.

### **Annette Corbin ([acorbin@madisoncg.com](mailto:acorbin@madisoncg.com))**

Ms. Corbin is a partner in the Madison Consulting Group. In addition to her consulting responsibilities, she acts as Madison's Chief Financial Officer. With over 18 years of operational, banking, and consulting experience, Ms. Corbin's areas of expertise include wealth management, private banking, and global cash management. She also runs the Anti-Money Laundering Compliance and Regulatory practice for firm. Much of this expertise is a result of her work as a business manager for the US Private Bank at Bankers Trust Company. She has spent her entire career in financial services. She worked in Foreign Exchange and Institutional Banking at Chase Manhattan Bank. At Banker's Trust Company, she worked in the internal consulting group with her primary focus being in the global cash management, retirement & securities services, capital markets, and credit businesses. Ms. Corbin holds a BS in economics and political science from St. Peter's College and an MBA from New York University Stern School of Business.

### **Raymond Chua ([rchua@madisoncg.com](mailto:rchua@madisoncg.com))**

Mr. Chua is a principal in the Madison Consulting Group. Mr. Chua has over 20 years experience in financial services, specializing in process and organizational transformation, technology strategy and implementation, and project management. Mr. Chua is the lead consultant working with C-level and senior officers of banks, asset management firms, and alternative investments groups. He has spent the past few years providing operations advisory and project management support to hedge funds and private equity clients. Mr. Chua started his career in banking with the internal management consulting group at Bankers Trust Company. He later joined the bank's Securities Lending Group, overseeing the cash and collateral management, revenue and billing, proof and control, and cash and securities settlement operations. He then moved to the product management and marketing group of JP Morgan Chase Global Securities Services. Prior to Bankers Trust, he was an industrial engineer at Johnson and Johnson. Mr. Chua holds a BS degree in Industrial Engineering at University of the Philippines and MBA in Northwestern University Kellogg Graduate School of Management.

*30 Montgomery Street  
Jersey City, NJ 07302  
201-434-5678  
[www.madisoncg.com](http://www.madisoncg.com)*



## Representative Client Testimonials

"Madison's fundamental understanding of the securities industry and knowledge of the investment management business are core to their value proposition. Their ability to thoroughly analyze the situation, leading to the quick definition of the key issues and identification of alternative solutions, helped us to move forward in a shortened timetable. The direct industry experience of the Madison staff helped to ensure that the recommendations offered were pragmatic and achievable.

"Madison's analysis of the fixed income business provided us with a blueprint for reducing operational risk through process automation and improved controls, and for defining investment decision tools required by the portfolio managers to better incorporate portfolio risk analysis into their investment process."

*CIO, Global Investment Management  
Global Bank*

"Madison's experience in the investment industry and their expertise in business process analysis and design, were key determinants in our decision to use them to assist on several projects to achieve greater cost efficiency and improve control risk within our business. They staffed the engagements very lean, yet were able to deliver results quickly and cost effectively.

"Their thorough analysis of the separately managed account business offered valuable insights that proved useful both strategically and operationally. Analyzing the process model in detail, and performing quantitative analyses on operational control risks, they helped to assess and make recommendations regarding the risk and controls. Reviewing the client concentrations across several different consolidation categories, helped to highlight profit sources, and areas of concern based on sales effort-to-return analyses."

*CIO, Global Asset Management  
Investment Bank*

"The versatility of Madison's consultants has been evident across the variety of projects on which we have engaged them over the years. Their ability to look at a situation both at a broad level and on a detailed drill-down basis gives them a unique ability to be wide ranging yet thorough in their analyses and recommendations. Their knowledge of the industry and understanding of the organizational constraints and realities is remarkable being outsiders to our organization.

"Each project Madison has worked on has been transformational in nature for the business. They analyzed the investment management process, from investment decision through dealing and allocation, to processing and settlement, identifying areas of inefficiency and control risks. They assisted with the integration of a major acquisition by recommending a target infrastructure based on the existing infrastructures of the two organizations. They developed a straight through processing model and a transition strategy for the organization to achieve the target model, helping with the first implementation to install a dealing system for both equities and fixed income."

*Global COO, Investment Management  
European Financial Institution*