

MIFID: NEXT BEST (INVESTMENT) OFFER

Powered by **DATA XL**

THE PROBLEM ADDRESSED BY THIS INNOVATION

Regulation must create a sale opportunity. We will build another module into the MIFID survey to measure the client's next best offer.

KEY BENEFITS





- No setup cost or IT layer.
- Fast results: After the PoC you can be fully independent with our cloud solution.
- We can work based on a success fee or as a service.
- GDPR compliance
- White label solution

REASONING

- Regardless of its size, observational data can usually only measure correlation, not causality. It can be tricky to distinguish causal effects from mere correlation. What's the solution? Experiments. These are the gold standard for measuring causality.
- Regulation must create a sale opportunity.

HOW IS DATA XL DIFFERENT?

MARKET TRENDS

	"New" players (operating in financial disintermediation)	"Old" players (suffering from tight regulation)
 PROCESS	New players use Robots to predict preferences	Old Players apply MIFID Surveys to evaluate Financial literacy
 SOLUTIONS	Robots suggest a (bad) next best offers	Surveys restrict the range of options
 PROBLEMS	But... Observational data (Big Data) can only measure correlation, not causality. So the Robot fails.	But... in the end the survey is just a "Tick and smile" process
 WAY OUT	Some "New Players" try to use behavioural finance in the Robot, but this does not work either	Some "Old" Players dismiss regulation and try to develop a good CPEX

OUR APPROACH

- **We imitate real life.** In the MIFID survey, we will present products that do not exist but that seem believable to consumers. As people choose these products and participate in this experiment, they will reveal their preference mechanisms.
- **We use economics' revealed preference theory.** This theory holds that consumers' preferences can be revealed by what they purchase under different circumstances.
- **We do not need to measure client rationality to obtain good predictions. We only need consistent behaviour (within client groups/clusters).** What's the solution to finding consistency and causality? **Experiments.** These are the gold standard for measuring causality. (Ideally, experiments would be carried out continuously so we can assess subtle environmental cues through cluster and discriminant analyses.)

SOLUTION DESCRIPTION

SYSTEMS ARCHITECTURE

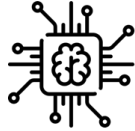
EXPERIMENTS WITH SURVEYS (our live experiments)



1. We create products that do not exist
2. but that seem credible to the consumer eyes.
3. As people chose a combine product they reveal what they really want – they reveal their consistent behaviour



PREFERENCE ENGINE



1. The objective of engine analysis is to determine what combination of a limited number of attributes is most influential on respondent choice or decision making.
2. The main difference to this approach is that we use experiments to measure part worth utilities, not a normative function, or a declared satisfaction index. Also we do not need a full rationality, just consistent behaviour



FINDING THE BEST NEXT OFFER



CURRENT PRODUCT OFFER



Data set of all live products classified with the same attributes that the client valued

DEVELOP NEW PRODUCTS



ADVISE THE NEXT BEST OFFER



- Offer a product that:
1. maximizes the client preference
 2. maximizes client's return

OTHER FLAGSHIP PRODUCTS

**PRICE OPTIMIZATION
WITH AN API**

**SUPPLIER
OVERCHARGE
DETECTION**

with an API

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