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PRIVATE CLIENT INVESTING

VIEWS FROM THOSE WHO KNOW

To many, the Stock Exchange, investments, pensions, the FTSE and most things connected are mysterious elements to life. Generally, many people are intimidated by activities in the City and only show interest when they need to, following say, an inheritance.

There is plenty of coverage in the City pages of most papers, including the red tops. The broadsheets tend to carry news which is of interest to the captains of industry, the professions and those working in the markets themselves. Other papers look for stories and scoops which might attract the attention of those with less interest. Recent examples would include the Woodford collapse and mini bond scandals/swindles.

To discuss the challenges and opportunities further, a group of senior investment executives is regularly drawn together by the consulting firm Goodacre UK supported by the Swiss Fintech company, Crealogix.

The executives put forward their thoughts on a number of relevant points and suggestions on how to deliver investment services in a way that clients want, rather than in a way that people not directly involved, think they want

Rules and regulations are obviously an important part of today's business activities. The tsunami of dictates which have emanated either from legislators and regulators has created another industry within the financial services sector: The Compliance Corporation. In addition to the increased number of compliance staff employed within regulated firms, entire departments have been established within law and audit firms to cope with demand. There are also specialist compliance companies which have been created. Regulated firms needing advice on how to cope with the next set of rules or those that are in trouble with the regulator need the support and advice of these firms. On top of that, among the more recent new rules is the Senior Managers Certification Regime which, in a nutshell, means that if something goes wrong in a firm, someone will take the blame and could be fined, suspended or face criminal charges. This Regime might be fair enough within small companies where the boss will know pretty much what goes on all the time. For firms with several hundred or even thousands of staff, any appetite for becoming a senior manager will be diluted by the threat of a stretch at Her Majesty's pleasure.

Those who know what's really going on in the City, i.e. the successful executives who run their own companies, fully observe all the rules and provide levels of exceptional customer support not seen in many other sectors, do not need lessons on how to manage their companies. They point out that the vast majority of wealth management firms have successfully responded to the needs of their clients, both in terms of immediacy of response and in acceleration of long-standing discussions about technology investment. They believe this empowers them to turn around to the regulator supported by consumer needs as the priority, instead of potentially slower moving rule-makers.

Since the outbreak of the pandemic in March, regulated investment companies have moved almost seamlessly from office based businesses to a work at home environment. This might sound simple enough but to make this major switch and remain compliant with the raft of rules and regulations which need to be observed, was no mean feat. Firms had to re-create

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dealing desks, monitor activities, record telephone calls and continue to provide all relevant reports to the various authorities. All of this during a time that the markets were in turmoil and trading volumes hit record levels.

Technology of course played a major part and the vast majority of firms were very well prepared with the Fintech arrangements they had organised in advance to ensure business continuity. This is evidenced in a recent report which reveals that digital engagement between clients and Wealth Management firms has increased tenfold since the onset of the pandemic.

None of these arrangements made headlines anywhere. People could still trade online, over the phone, withdraw cash, make payments and ask for investment advice, just as they could before lockdown.

The regulator of course showed interest by reversing some of their own rules which were found to be simply unworkable. The FCA sent a letter to CEO's of investment firms two weeks after the lockdown had started, having received hundreds of requests for adaptations to their rules.

Those in the know want more to be done to enhance the image of the UK financial investment industry and to ensure that accurate information is reaching the media and of course the public. They are also mindful that in many situations, journalists and reporters need help in understanding certain situations and are prepared to offer this support.

In respect of the industry wide shift to remote working, Clem Mactaggart, Chief Operating Officer of Killik & Co explained that some two years ago, he had organised for laptops to be allocated to all staff and successfully trialled the work at home project. This meant that the lockdown had no impact on operational or service performance for his firm. Staff had embraced the opportunity and Clem said that in respect of remote working, the "evolution had transformed" the business.

"What might have been a 2 year project a while back was completed in 2 weeks" said Sarah Soar, CEO of Hawksmoor Investment Management following the implementation of working at home arrangements for her staff. "This is now the way forward and thankfully, is a door opener for increased diversity. Women can now have more flexibility with their work and home commitments as do men who may be solely responsible for child care".

Remote working is nothing new to Vince Whitefoord, Partner and CEO of Whitefoord Wealth Management who had set up a remote office some years ago to ensure business continuity. "Zoom was the missing piece" said Vince "as this now means we can communicate personally with individual clients and family groups".

Michael Stimpson, Chief BDO from Saltus partners said that "clients love it and if the Queen can do it, anyone can". Robert Race at WH Ireland Manchester, suggested that staff would not now be prepared to go back to the office on a 5 day a week basis and that the stigma of working from home "has gone completely".

Edward Blake, CTO of Waverton and Sean Taylor, Director at Canaccord both had firm views on the future modus operandi for investment firms. Edward, an advocate for remote working, believes that digital solutions and client service should be symbiotic. "The investment business lags behind other industries, even banking. We must also recognise the value of data which is becoming an essential commodity for our current and future clients." "We now have an amazing way of communicating with clients" said Sean but counselled on

possible staff threats caused by the invasive technology now being used which is meaning that personnel can be working longer hours and at weekends.

Generally, there is a view that the arrival of omni channel services is here, in order to meet the needs of all styles and preferences of clients. Sean Taylor said that in times of stress and in particular, volatile markets, "clients need a cuddle. They want to speak to someone for assurance and guidance", a point emphasised by Clem Mactaggart who reminded us of his days at the execution only company Selftrade where, while clients enjoyed low fees and making their own decisions, they often also wanted to reach out for advice and guidance.

In addition, the prospect of 'Open Broking' was believed to be firmly on the horizon where private investors can look at investment services from several companies through one website.

It is also felt that certain companies such as audit firms which provided guidance to regulators often got it wrong. Clem Mactaggart made the point that those actually running regulated investment businesses for private investors should be setting the agenda and not the FCA, guided by the large consultancy firms who have no real relevant experience on the ground.

To understand what clients need, the group felt it should be the companies themselves that take centre stage to explain to the regulator how to engage with clients and provide the types of service they require. This in itself could of course provide a challenge after so many years of one way instructions on rules.