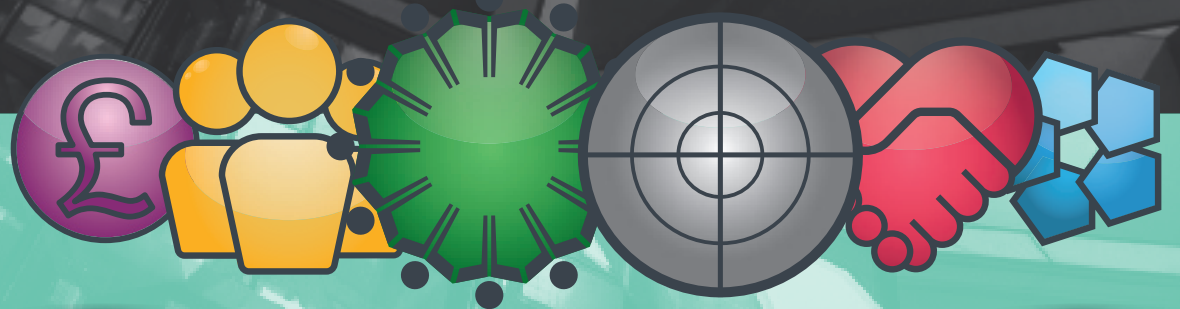


***RETAIL INVESTMENT ADVISER
(RIA) AND WEALTH MANAGEMENT
BENCHMARK REPORT 2021***



MEET MODEL OFFICE AND MO[®]

Model Office 6 Keys : Audits Retail investment Advice firms against all rules and regulations:



Your Focus: Governance, Risk and Compliance (AML, KYC, TCF, MiFID II, Suitability, IDD, SM&CR, ESG, Vulnerable clients, operational resilience) Financial, Cultural and Risk Management



Your Engagement: Client and stakeholder engagement (Marketing, documentation, digital engagement)



Your Promise: Client service, centralised and retirement proposition, research and due diligence, technology and tools (Attitude to risk -ATR, Capacity for loss-CFL, Cash flow, Reseach)



Your Systems: Practice Management, CRM, Operations (Accountancy, Workflows, Admin, Tasks, Data flow, The GDPR and Cyber-resilience. Integration with back-office technology



Your People: Human Resource Development strategy (Talent management, Roles and Responsibilities, Accountability, Competence, Senior Managers and Certification Regime- SM&CR, Training and Development)



Your Financial Resilience: Stress test your financial strengths and performance against key accounting metrics

Model Office RegTech: Success by design

Who loves compliance? Well, a firm's professional practice and good conduct are not just a regulatory requirement, they also provide you with a competitive advantage – our research shows clients are more likely to choose firms they believe will treat them fairly and they think are well managed and offer professional services. Model Office is an evolutionary #RegTech concept that is designed to benchmark and support firm's governance, risk and compliance (GRC) journey. Model Office's audit diagnostic platform provides firms with the ability to take a snapshot of current GRC and business performance and ensure firms know what to do to ensure they are, compliant, client centric and sustainable.

Model Office benchmarks against 6 keys our research has found form the foundation of compliance success. These 6 keys are detailed on the left.

Model Office now integrates with Intelliflo Office, with other back office technologies to follow, allowing you to run streamlined reports initially providing a Client Data Quality Health check to ensure your data is always high quality.

Meet MONITOR

MO[®]'s next stage of development is launching a compliance policy document audit software that will auto-audit firms compliance documents and operate a high-level automatic client file review. This will signpost any issues and missing elements and save audit time and costs. MO[®]onitor will provide RAG reports across key documents and thus provide auditors and compliance officers with valuable real time data and MI on how to improve and comply.

Meet MO Your Compliance Chatbot Assistant

Hi, Nice to meet you. My name's MO and I'm your Digital Compliance Assistant. You can chat with me online at any time and ask me all sorts of questions about the Model Office system and how to improve your scores. My mission is to make compliance more proactive, prescriptive and yes engaging, saving you compliance costs and time. I will also sign post you to compliance services if advice is required, as MO[®] is a GRC software service only.



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EXECUTIVE SUMMARY AND KEY FINDINGS

This year's benchmark report showcases a change in that the top two areas that Retail Investment Advisers (RIAs) and Wealth Management Firms (WMF) are concerned about are Compliance and Cyber-resilience. This is obviously a direct result of the Corona-virus pandemic in that the shift to remote working has brought a focus on the cyber security of home based hardware and software.

The pandemic has meant that the FCA have rightly concerned themselves with firm's financial resilience and in sending 3x questionnaires (maybe they should have consulted their Retail Mediated Activities Report – RMAR report data) and [released their findings](#) they remain concerned with the potential for customer detriment that 4,000 firms 'at risk' of failure may pose!

There is also existing and new regulations to be considered where the pandemic is concerned:

[MiFID II](#): along with clear disclosure of terms and costs, the dreaded 10% 'drop' rule was softened (and could be dropped due to repatriation of EU rules).

[FCA Operational Resilience Rules](#)

The FCA will introduce new operational resilience rules. This means firms should identify their important business services annually or any material change to their business and/or market. These are services which, if disrupted, could potentially cause intolerable harm to the consumers of the firm's services or risk to market integrity. Important business services should be clearly identifiable as a separate service and not a collection of services. For example, accessing an online mortgage account and telephone mortgage banking are 2 separate services. Firms need to identify important business services in the way they consider most appropriate and effective, but ultimately must comply with FCA rules [SYSC 15A.2.1R-2R](#)

[New FCA Consumer Duty](#)

The FCA are back focusing on Treating Customer's Fairly, something that has attracted so much attention across the industry since it was first introduced in 2006. We now have the all-new Consumer Duty which focuses on three elements:

1. Consumer principle: Sets a clear tone and standards of behaviour
2. Cross cutting rules: Focusing on firm conduct
3. Four outcomes: Engaging the new FCA outcomes focus of rules and guidance across communications, products and services, customer service and price and value

This new duty is designed to shift culture and firm behaviour to even stronger consumer protection. The consultation finishes 31st July 2021 and the new rules introduced by July 2022. You can read our [latest blog](#) for more.

[The General Data Protection Regulation \(GDPR\)](#):

Covering all firms processing and storing client data, new lawful basis, stronger consent controls, purpose limitation and data minimisation as remote working continues.

[General Insurance Distribution](#): In addition to the [Insurance Distribution Directive \(IDD\)](#) concerning the distribution of insurance-based investment products (IBIPs) The FCA are now focusing on distributors and manufacturers offering fair value to customers through the PROD, SYSC and ICOBS rules.

[The Senior Managers and Certification Regime \(SM&CR\)](#): The pandemic driven extension to March 31st for staff certification, conduct rules training and directory submissions meant firms had more leeway in preparation but just as much individual accountability to address.

[Pension Transfer Consultation](#): It is clear the FCA are taking strong action around Defined Benefit Pension Transfers and this paper points to the key outputs from their latest consultation and what you might want to think about if you are active in this area.

Top areas for concern

1. Compliance risk
2. Cyber-resilience
3. Pension transfers
4. People Development (SM&CR)
5. Time on versus time in the business
6. Operational and Financial resilience
7. Brexit

[New Investment Firm Prudential Regime \(IFPR\)](#)

Essentially aimed at investment firms, this new prudential regime will refocus on potential harm to consumers and markets and strip away much complexity in the existing prudential framework which includes;

- New liquidity rules
- Changes to initial capital to be held
- New rules on calculating capital (known as the 'K factor')
- New remuneration rules

The advantages of a longitudinal benchmark study means we can identify trends (rather than fads) that provide data on market growth and weakness plus a focus for firms to apply strategy for long term sustainable professional practice. We continue to see trends such as;

1. More use of technology across the advice and service proposition streamlined through client portals, cash flow modelling plus adoption of RegTech across AML, KYC and Governance, Risk and Compliance management
2. Increased interest in cyber-resilience strategies but not enough embedded in the business systems and controls e.g. client communications
3. Client segmentation needs more focus on appropriate products meeting suitability for advice meeting client needs (Yes, PROD in action 😊)
4. Monitoring Financial promotions (Finprom) risk particularly on real/non-real time FinProm requires attention plus dealing with non-digital savvy clients
5. ESG is a key consideration when it comes to advice suitability and signs vulnerable clients policy is front and centre of service propositions

6. Continued flexibility in adviser charging across ad valorem, retainers, task/time and performance-based charging, plus a lower preference for contingency charging
7. A move towards Discretionary Fund Management (DFM) from the traditional outsourced Centralised Investment Proposition (CIP) but still not enough client retirement propositions in force
8. Increasing confidence in the Senior Managers and Certification Regime compliance but it is still early days
9. Confidence in staff skills and talent management.

The [FCA 2020/21 Business Plan](#) key priorities also reflects a response to the pandemic:

- Rapid action to respond to the shocks to markets and consumers by the COVID-19 crises
- Protecting the most vulnerable
- Tackling scams and data security
- Innovation and access to savings, investment and safe payments
- Availability of high quality of advice and ensuring appropriate products designed around customer needs offering fair value
- Ensure consumer credit markets are working well

It against this setting that firms are still rightly fearful of a [hardened Professional Indemnity Insurance \(PII\) market](#), which surrounds pension transfer concerns plus the increase in Financial Ombudsman (FOS) award limit from £150,000 to £350,000 and increased PII means the rising compliance costs and time management shows firms now need to answer the question; **How do they know they are compliant?**

Using RegTech can drive business efficiencies

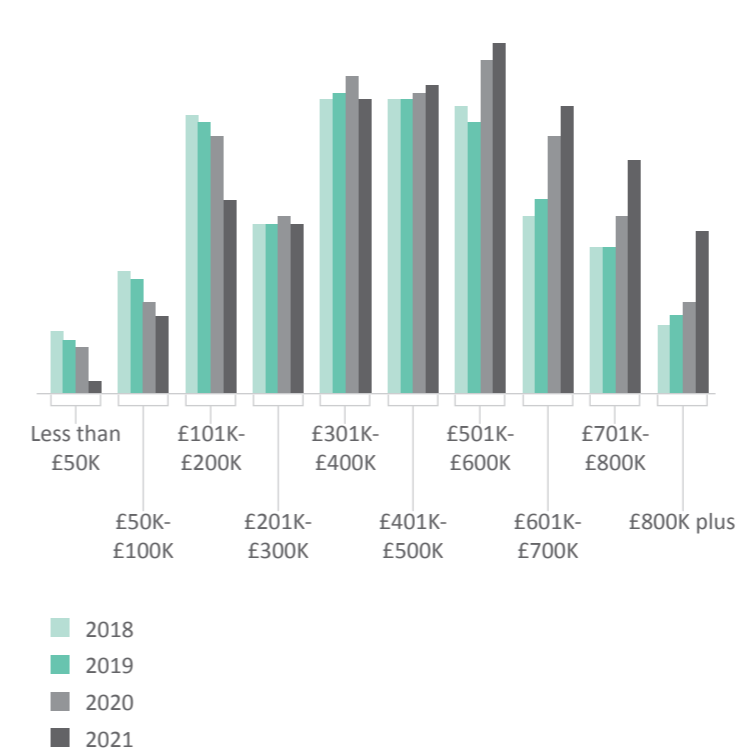
Model Office user data showcases:

- No firms are without Governance, Risk and Compliance (GRC) blind spots
- 9 out of 10 firms engage with the action tracker system and 'get GRC stuff done'
- 60% firms engage with the Chat bot and send queries on how to improve GRC scores
- 2 in 3 firms contact Model Office for more guidance and support (We refer on to their support services or compliance professionals)



Benchmark survey participant statistics

Number of Firms Surveyed 185
Gross Turnover



Assets under influence



INTRODUCTION – COMPETENCY AND CONDUCT

As we stipulated in previous reports, the two areas regulators are most concerned with are Competency (skills) and Conduct (behaviour). Yet the Financial Conduct Authority (FCA) has struggled with the concept of measuring competence and conduct (which hasn't helped). The good news is the FCA produced their follow up paper entitled '5 Risk questions'¹ focused on five key questions they see as pertinent to identifying, measuring and improving risk management:

1. What proactive steps do you take as a firm to identify the conduct risks inherent within your business?
2. How do you encourage individuals to feel confident in responsibility for managing business conduct?
3. What support does the firm put in place to enable those who work at the firm to improve their conduct of the business of their function?
4. How does the board gain oversight of the conduct of business within their organisation and consider the conduct implications of the strategic decision that they make?

5. Has the firm assessed whether there are any other activities that it undertakes that could undermine strategies put in place to improve conduct?

In fact, in our last benchmark report, we highlighted board structure as a key concern, quoting FCA papers CP 10/3 and 15² that identified five areas for immediate attention:

1. A dysfunctional board
2. A domineering CEO
3. Posts held by individuals lacking technical competence
4. Inadequate 'four eyes' oversight of risk
5. A poor understanding of aggregation of risk

This problem has been compounded by the fact that for too long compliance has been reactive and checklist driven. This benchmark report seeks to demonstrate how Model Office diagnostic driven data ensures firms gain insight into any conduct or cultural trends and blind spots so they can and develop evidence-based strategies and steers to improve professional practice and performance on a sustainable basis.

This has measurable benefits, such as potentially reducing compliance costs –currently estimated on average at 11% of RIA turnover³ – and improving time spent on the business to ensure professional practice is attained and sustained.

¹ 5 Conduct Risk Questions FCA April 2018

² Effective Corporate Governance FSA 2010

³ HM Treasury and FCA, Financial Advice Market Review: Baseline Report, 2017

KEY 1: YOUR FOCUS



Introduction

This area focuses on how well firms are leading their businesses through key compliance strategies and regulatory risks plus how they are identifying and managing key risks and financial strategies.

The below chart provides ongoing firm performance against the individual business functions in the MO® Your Focus key





1.1 The Data

Business and financial strategy

Figure 1.1: How confident are you that your business plan determines the cost of delivering your advice service

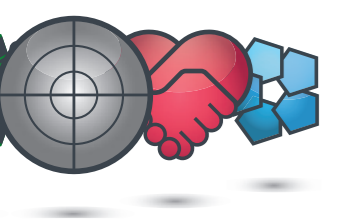
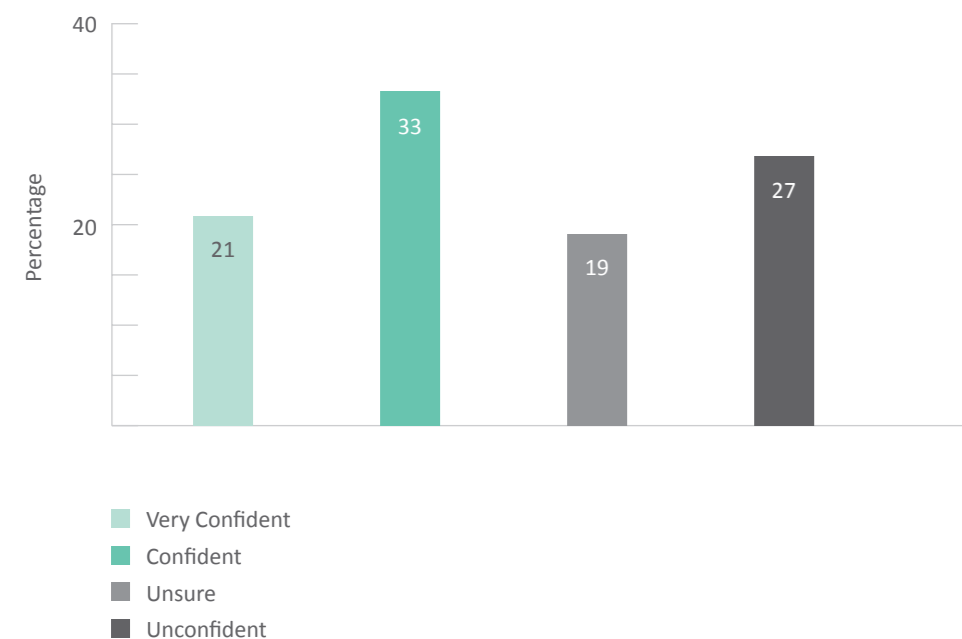


Figure 1.2: How confident are you that fee revenues cover service costs

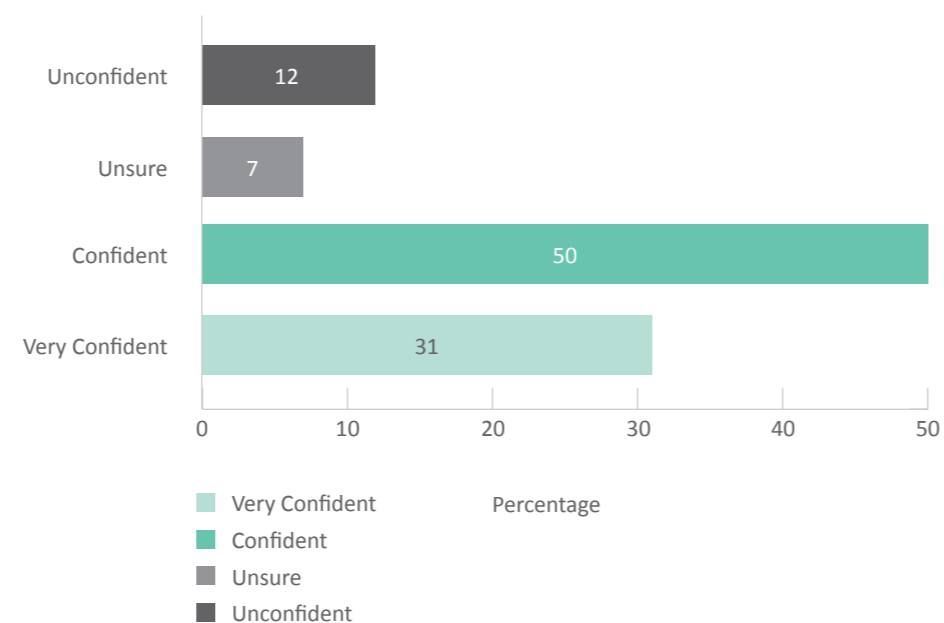


Figure 1.3: Do you have a board that meets regularly

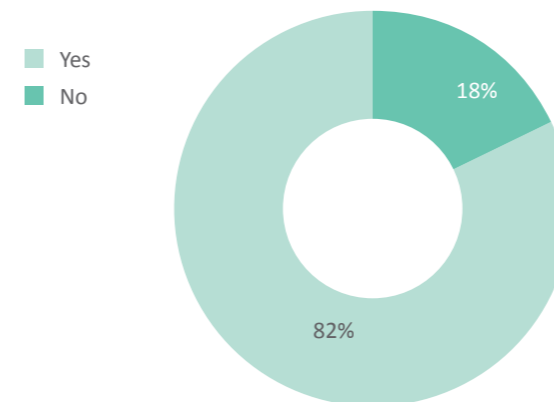


Figure 1.4: Do you have a business continuity/wind down/succession plan

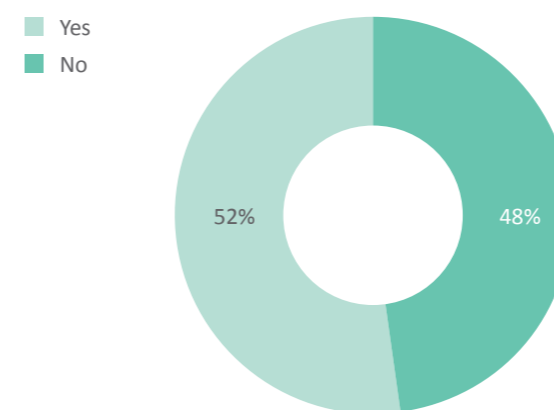


Figure 1.5: Are you restricted or independent

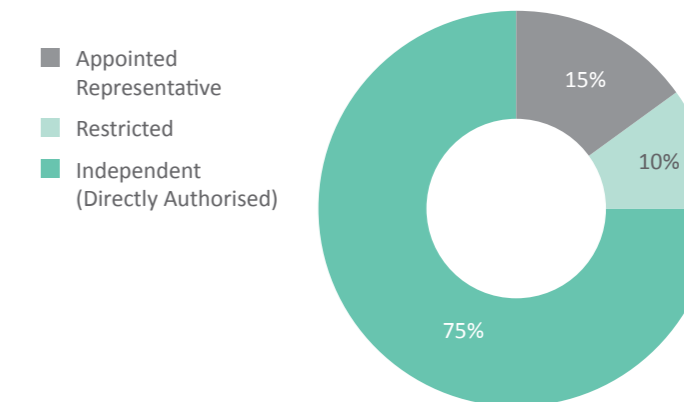
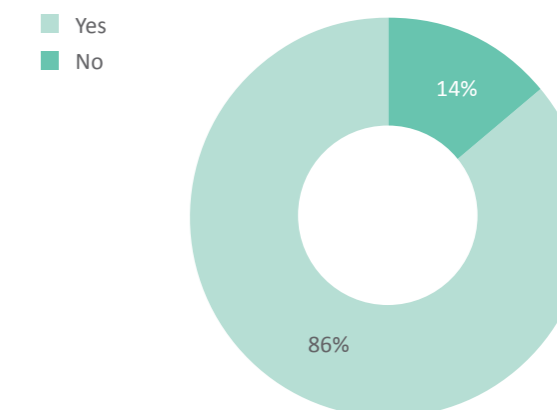


Figure 1.6: Have you implemented a bona fide strategic business plan



Governance, risk and compliance

Figure 1.7: Confidence in TCF MI systems and controls

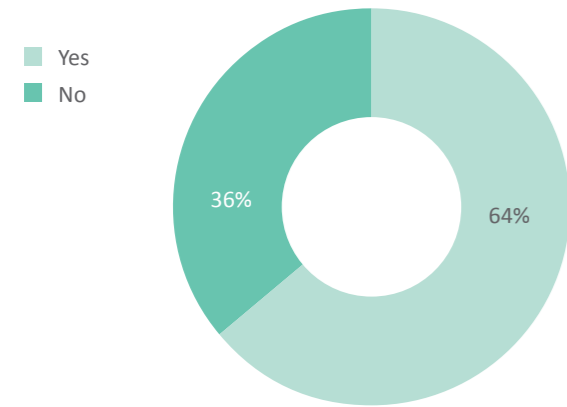


Figure 1.8: Do you have a cyber-resilience strategy in place

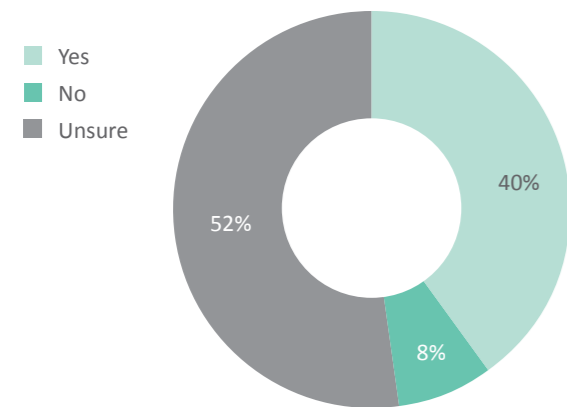


Figure 1.9: Do you have Cyber-risk insurance

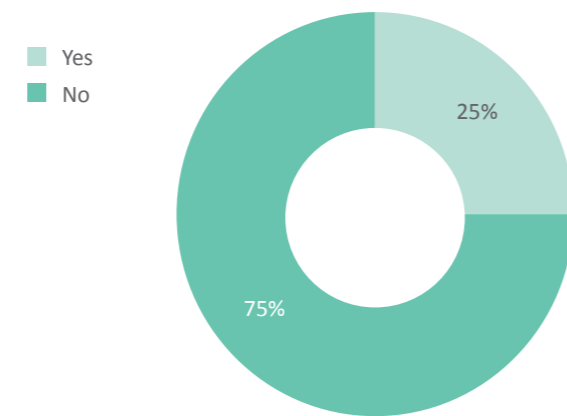


Figure 1.10: Research and due diligence for outsourced suppliers

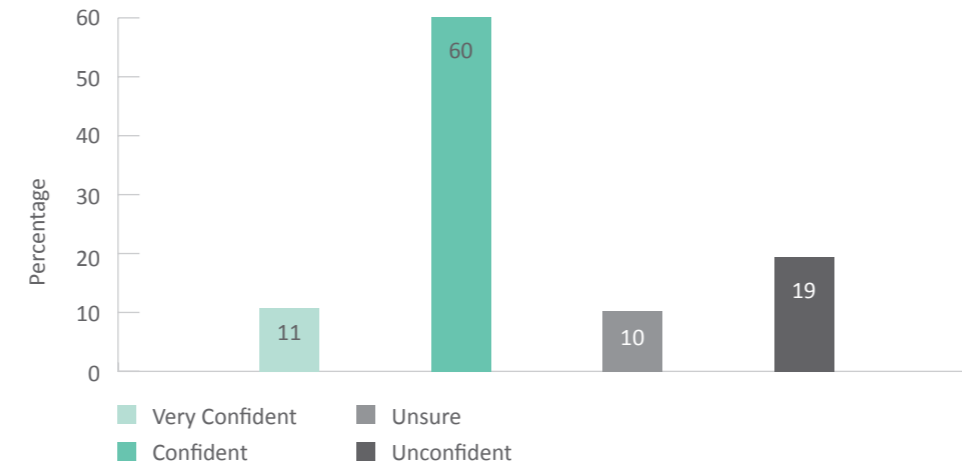


Figure 1.11: How confident are you with MiFID II regulations

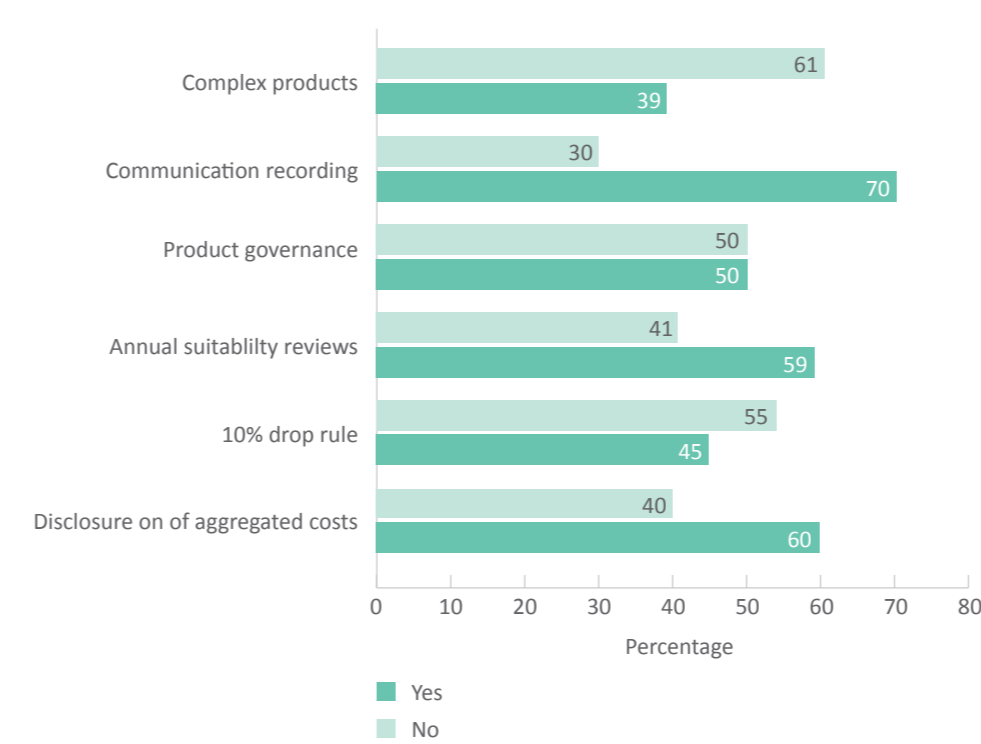


Figure 1.12: AML: system to measure aggregated financial crime data

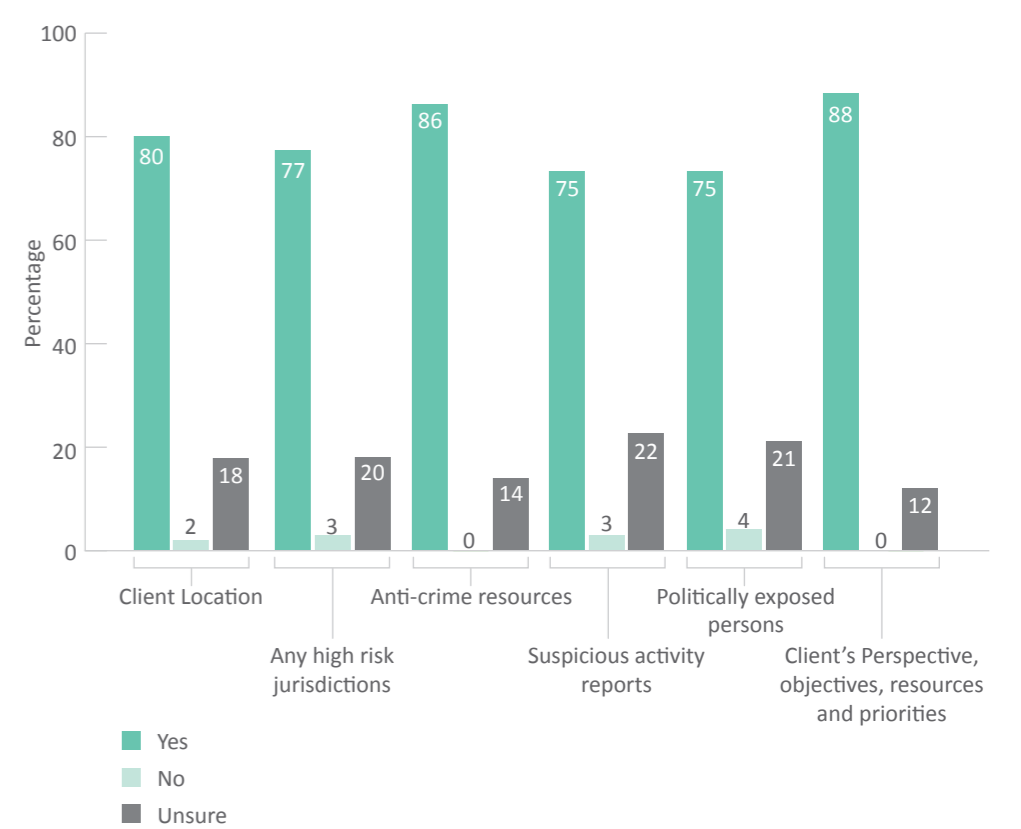


Figure 1.13: Time spent on business activities

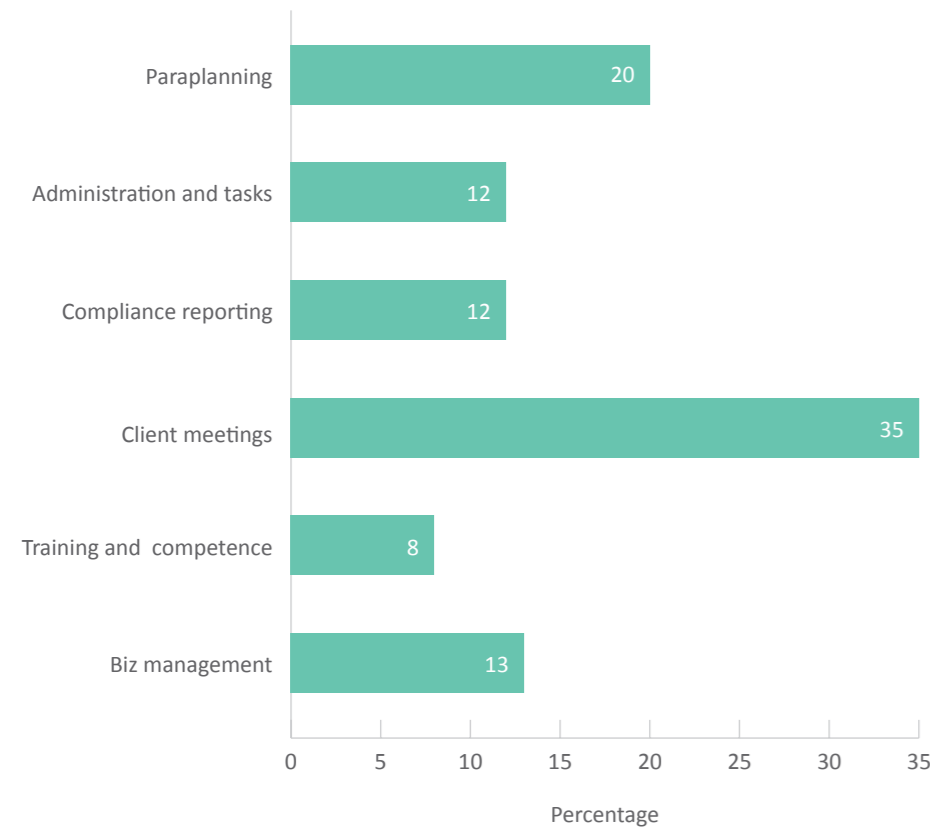


Figure 1.14: Weekly time spent on compliance activities

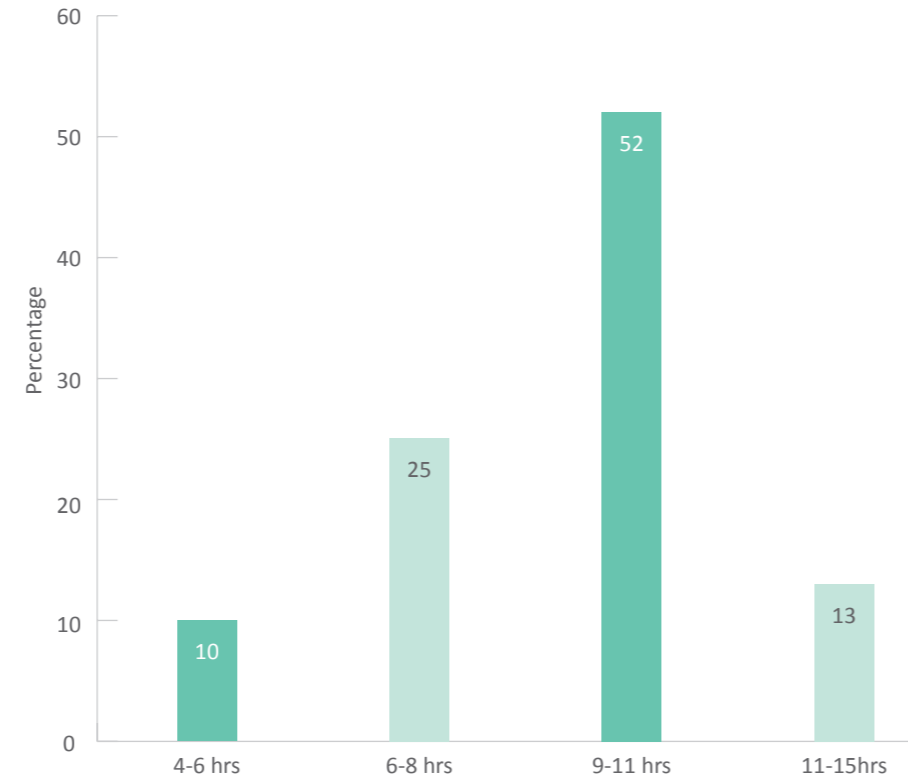


Figure 1.15: How concerned are you about the impact of BREXIT

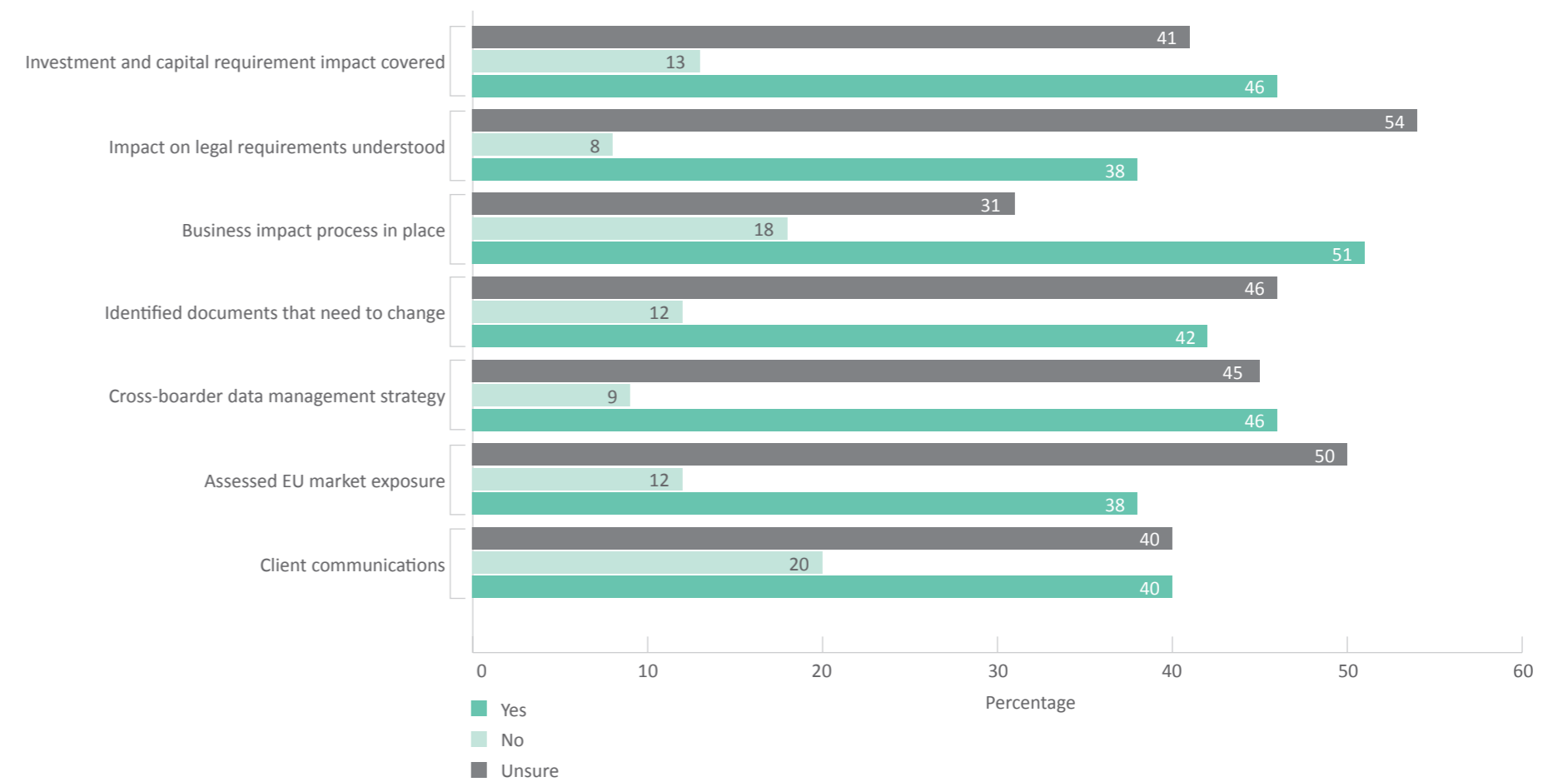




Figure 1.16: How confident are you in your ESG strategy

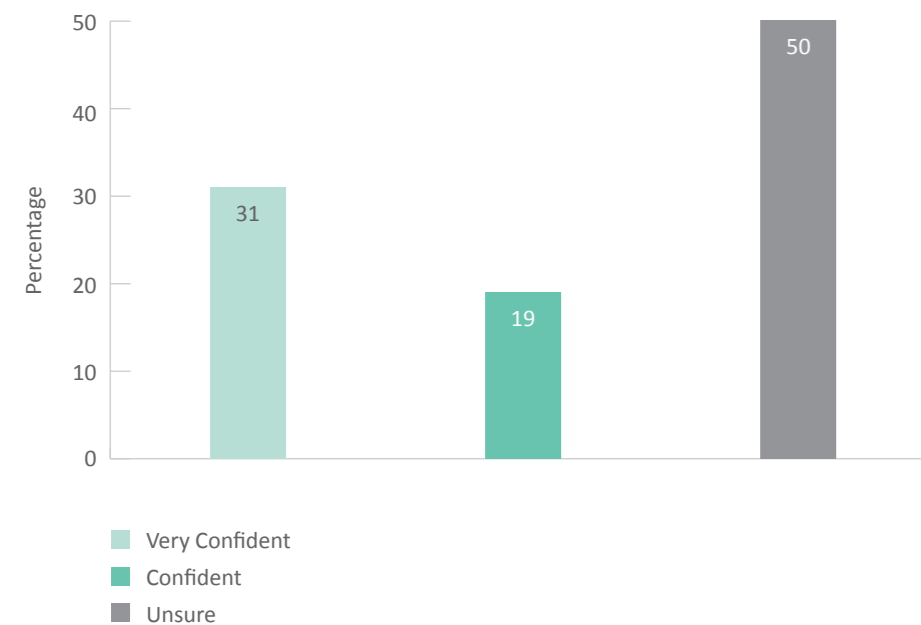


Figure 1.17: How confident are you the vulnerable clients' needs are covered

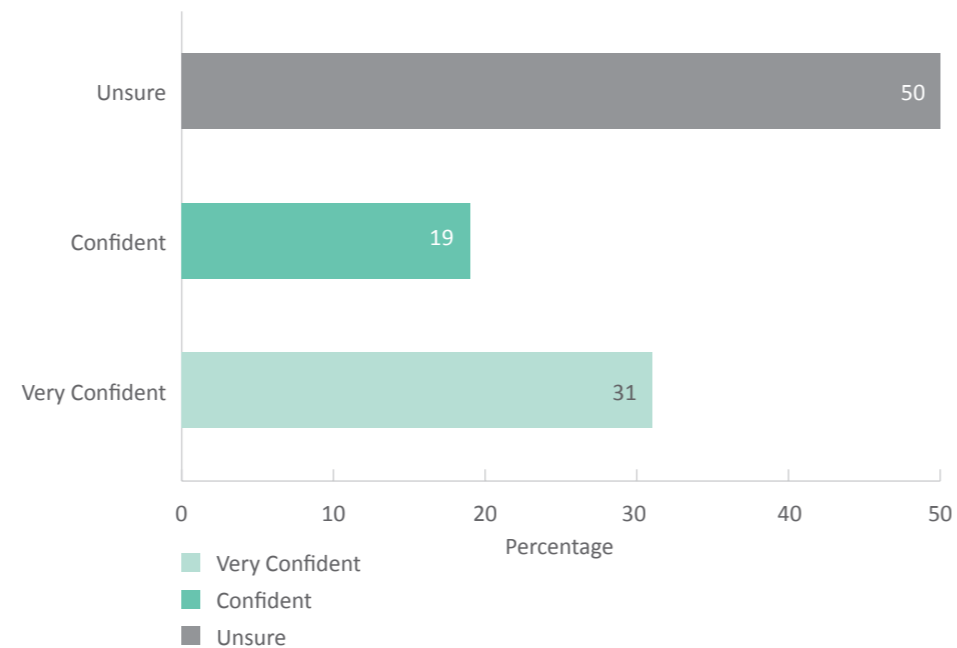
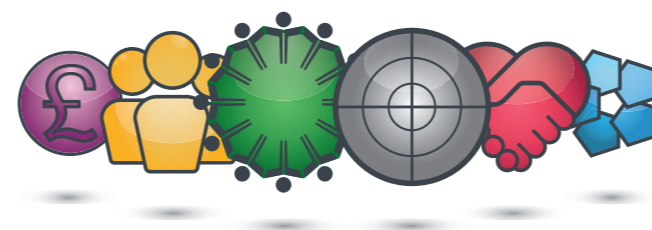
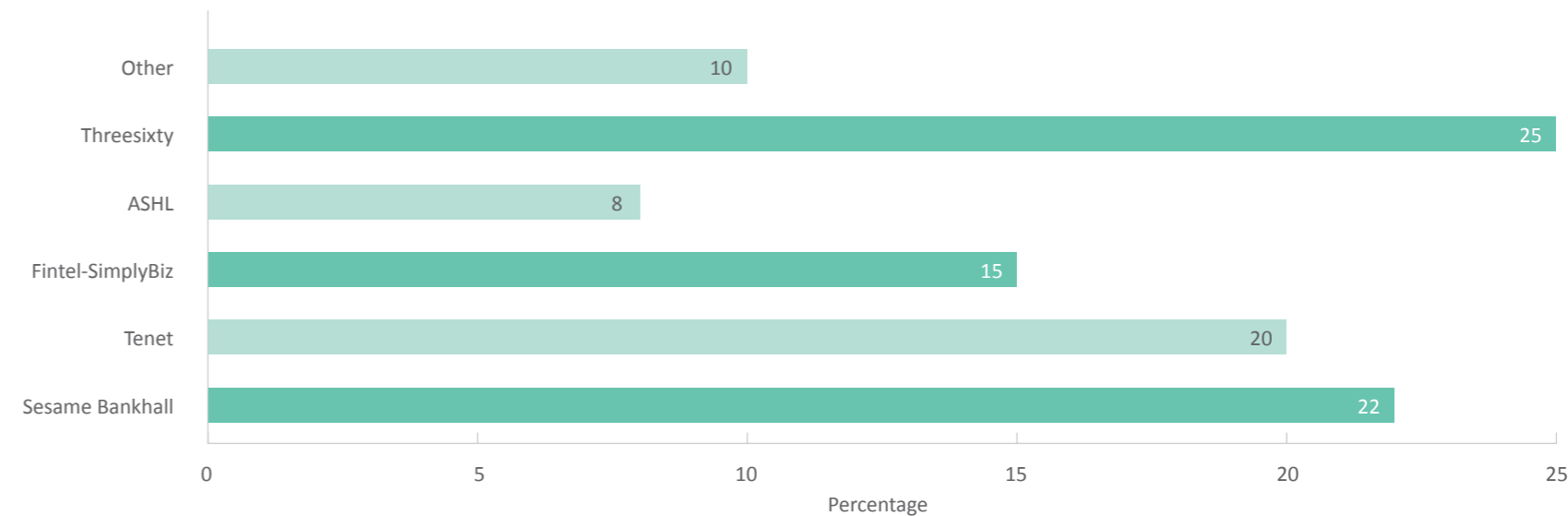


Figure 1.18: Which support service provider do you engage



1.2 MO Reports



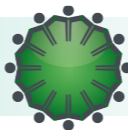
Key issue	Comment	Strategies
Advice Suitability	The FCA focus is on improving standards, targeting firms that cause harm, supporting customers expectations, aiding advisers to share the regulators learnings	Demonstrating evidence that supports advice, so soft facts are important to contextualise the client story and evidence advice suitability. Good fact finds record evidence client objectives and show what they mean. The FCA view is too few firms consider what client needs and too many focus on wants (flawed assumptions and lack understanding of risks e.g. inflation / longevity) So focus on income needs is crucial If you can demonstrate a good job this can lead to better Professional Indemnity Insurance (PII) renewals.
Vulnerable clients	Linked to client segmentation (see your engagement section)	Firms need to ensure they segment their clients by behaviours and associated needs not just demographics and assets. This will ensure vulnerable clients are identified and serviced appropriately. BUT there are such clients who cannot access online communications and thus postal and paper-based processes need to be reviewed and sent in a 'timely manner' particularly during the pandemic.
Environmental, Social and Governance (ESG) funds	An increased engagement including ESG in KYC	With new regulations brings the need to act and it is good to see firms confidence in their ESG strategy. This also links to client segmentation and PROD in ensuring the right clients receive the right products plus research and due diligence is crucial to suitable ESG products matching client needs
Research and due diligence (R&DD)	Outsourcing and managing the status quo	Aligned with board oversight, ensuring robust R&DD is crucial to professional practice. We see good confidence in this being the case.
Use of boards is still increasing	Boards can set the tone for constructive conduct and culture thus supporting SM&CR	No matter the size of the business, board oversight is crucial. It helps to ensure quality governance with challenges to 'group think' required to keep the business client centred.
MI collation	Systems and controls need to be embedded	Quality MI will provide the firm with crucial evidence and data on governance, risk and compliance performance, so RegTech is a natural fit here
Risk and resilience	Operational silos, lack of communication and low of Cyber-risk protection	With the FCA business plan focused on firm's robust operational resilience and recent questionnaires on financial resilience plus data protection, firms need to gain protection, develop risk registers and break down service silos through structure and communication channels, e.g. social enterprise technologies, and develop a balanced scorecard across business practice

1.2 MO Reports



Key issue	Comment	Strategies
Outsourcing	Controls and client relationship	Due diligence process needs to be followed and Terms and Conditions –T&Cs carefully crafted to protect client relationships and advice suitability
MiFID II	Firms need to avoid complacency in leaving key requirements to others such as Discretionary Fund Managers-DFMs, ensure uniformity of communication recording and clear disclosure structure	Good evidence of engagement with reporting, disclosure and suitability reviews. However, more focus on product governance will aid accountability and systems and controls for ensuring the firm meets PROD 3.3 requirements: products and services should be compatible with client needs (i.e. their knowledge and experience, risk appetite and loss capacity) via annual suitability reviews and segmentation of services.
Know Your Client and anti-money laundering (AML)	Keep abreast of the FCA's AML requirements	Ensure that governance, systems and controls strategies incorporate all relevant data such as: client high-risk jurisdictions, anti-crime resources, suspicious activity reports, politically exposed people, fact-finding hard and soft facts
Practice management	Learn the art of delegation and team building	With only 35% of time spent with clients, and over 50% of firms spending between 9-11 hrs p.w. on compliance activities, too many advisers/planners seem to be bogged down in time on and in the business management activities rather than spending the time required to nurture trusted partnership client relationships. This can cause risk in not playing to strengths and thus employing technology and building a diversified team with the right skills is required so time spent on client meetings increases and business operations, systems and controls are expertly managed
BREXIT	Plenty of uncertainty needs to be addressed	Firms now need to have strategy and documentation in place across key issues such as: Client communications <ul style="list-style-type: none"> • Legal contracts and mandates • EU market exposure • Impact assessment across business strategy, product distribution and investment decisions and capital requirements • Third party outsourced risks • Cross boarder data management Read our BREXIT impact research paper for more

KEY 2: YOUR ENGAGEMENT



Introduction

This area focuses on client and stakeholder engagement. How has the RIA brand's presence, marketing plan and documentation supported the client compliance journey, embraced digital design and involved key stakeholders?

The below chart provides ongoing firm performance against individual business functions in the MO® Your Engagement key

Figure 2: Model Office Your Engagement key: business functions performance



2.1 The Data

Marketing

Figure 2.1: Do you have a marketing plan

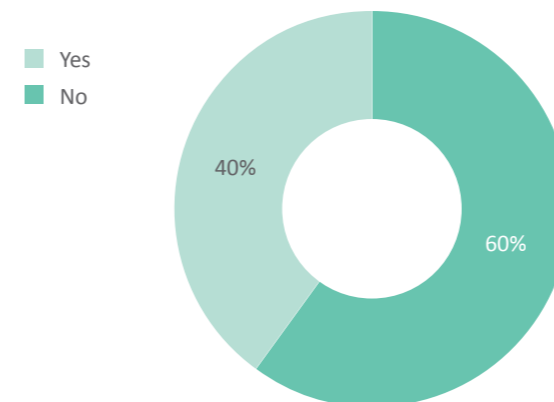


Figure 2.2: What channels do you proactively use for acquiring new clients

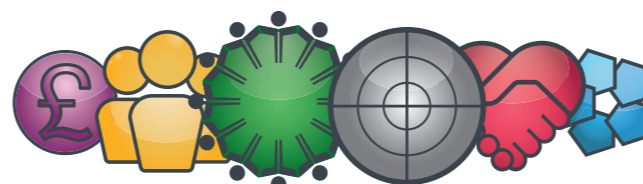
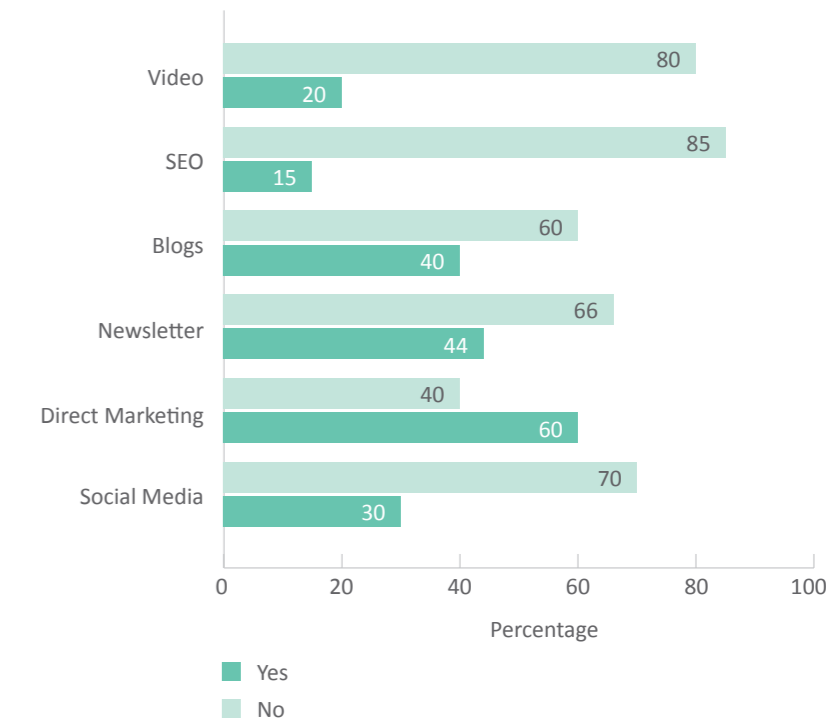


Figure 2.3: Confidence in marketing your firm's value

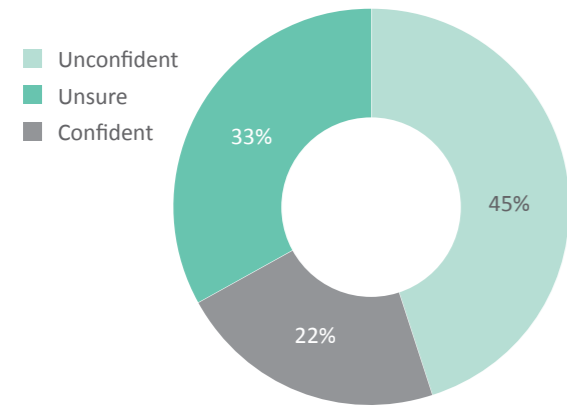


Figure 2.4: Confident FinProm rules are met

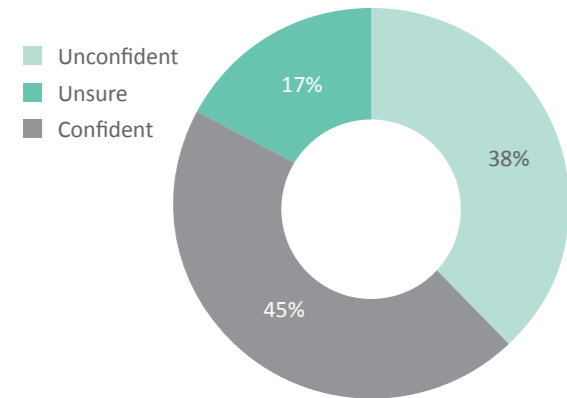
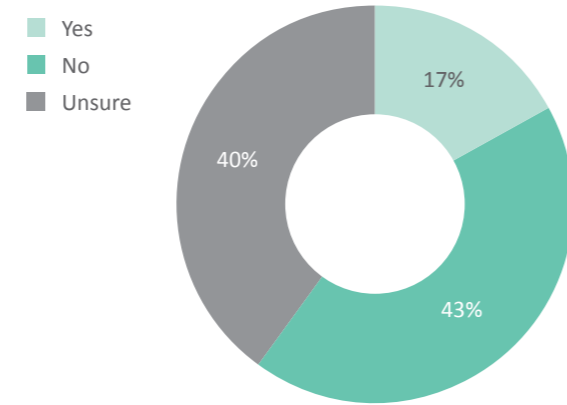


Figure 2.5: Your FinProm policy covers real time/non-real time promotions, monitoring results, social media strategy and risk register



Client behaviour

Figure 2.6: What do your clients most value



Figure 2.7: Client journey incorporates client behaviour and digital engagement

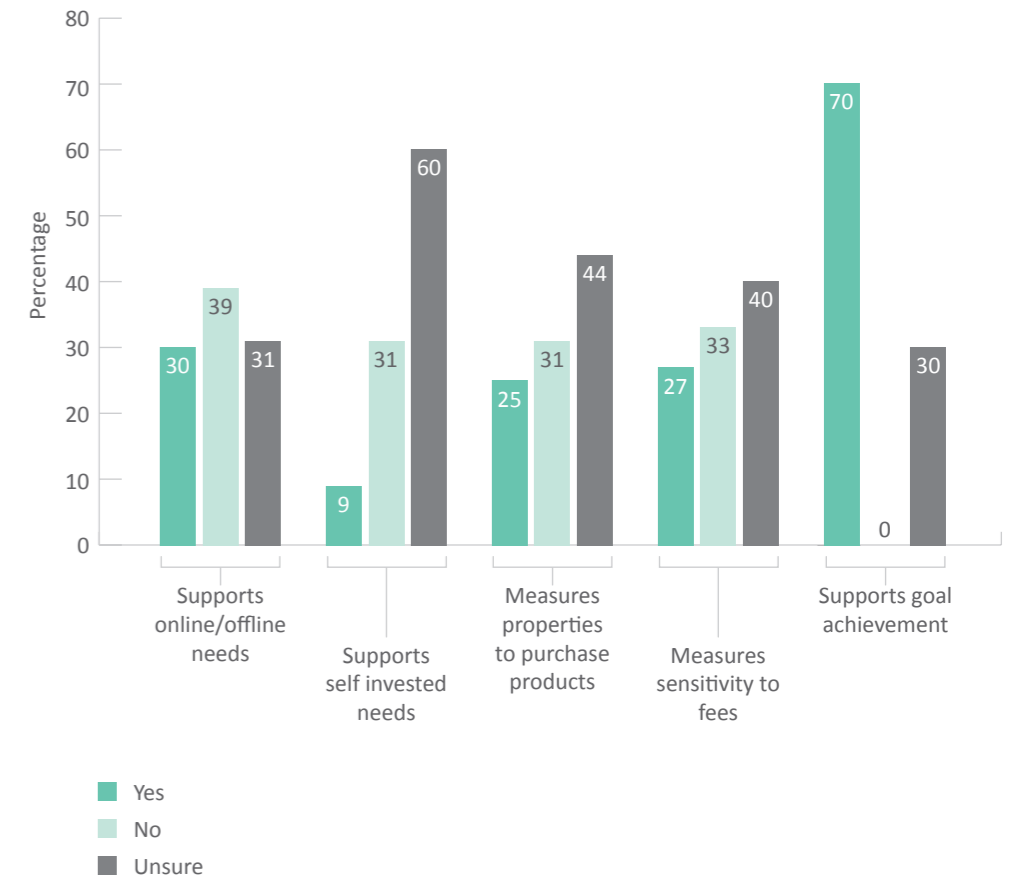
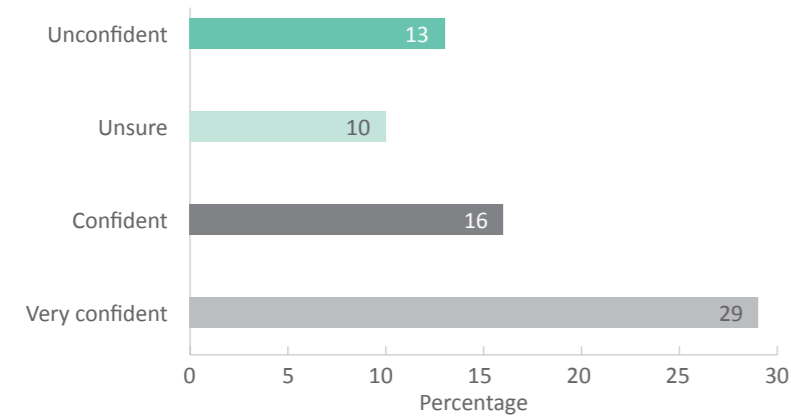




Figure 2.8: Clients understand the key issues affecting them



Document gates

Figure 2.9: Fact-finding meets understanding clients' perspective, objectives, resources and priorities and associated soft facts

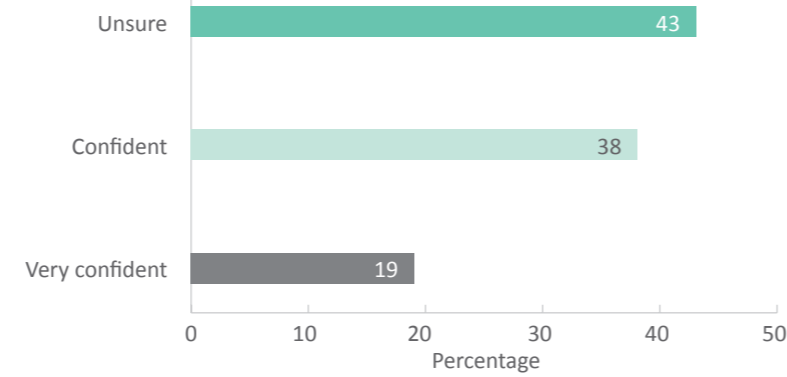


Figure 2.10: Which areas are most important to include in a suitability letter

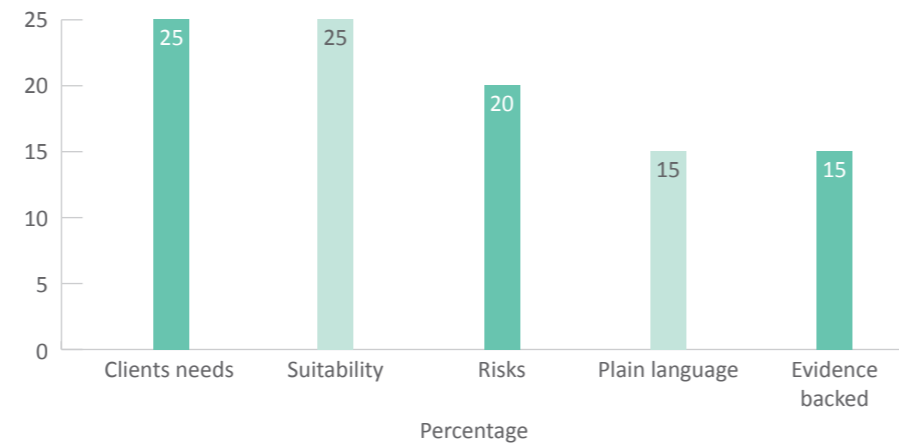


Figure 2.11: Client agreement segments services

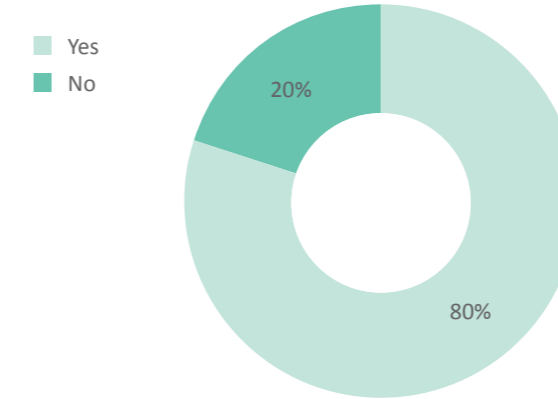


Figure 2.13: Client agreement compliance and marketing document

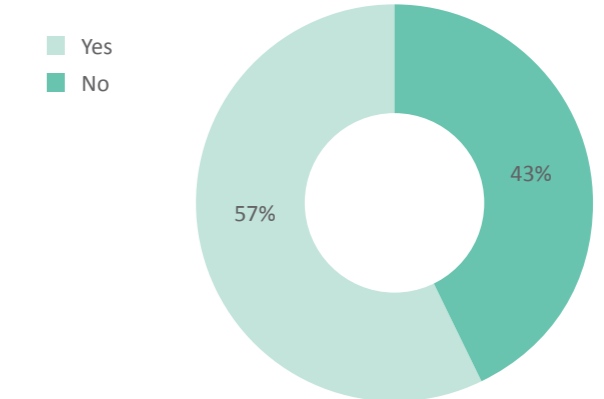
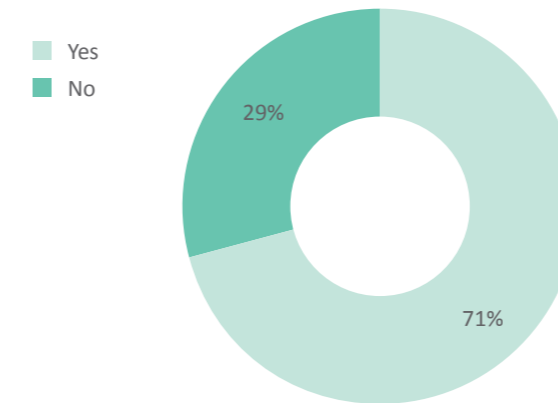
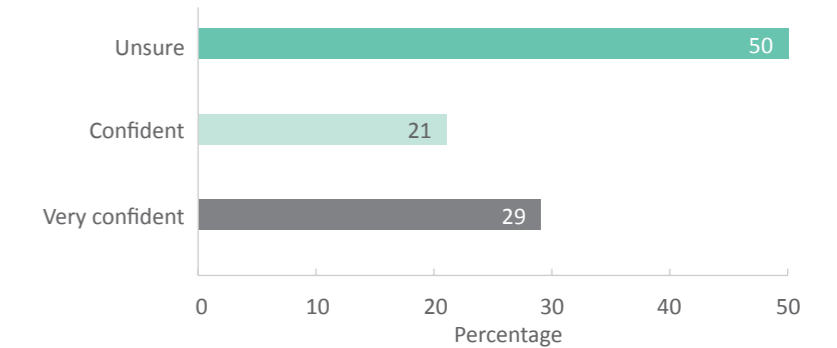


Figure 2.12: Clear on disclosing clarity aggregated costs



Client segmentation

Figure 2.14: How confident are you that client segmentation strategy meets the PROD rules





Key issue	Comment	Strategies
Marketing	Consistent lack of marketing plan can be down to the fact that these firms are mature and have a strong existing client base	This should not be discounted; firms which regularly market to and survey their clients can ensure they build even stronger trusted relationships, attract more referrals and gain more business opportunities
Financial Promotions	Fair amount of uncertainty on implementation of rules plus knowing the FCA latest on strengthening FinProm approvals and high-risk investments	There needs to be a consistent focus on FinProm implementation and on-going compliance monitoring that includes re-familiarising the firm's marketing activity with FCA COBS 4.2.1R fair, clear and not misleading rule plus Smarter Communications initiative
Client segmentation	1 in 2 firms are still unsure on their segmentation strategy and how the PROD rules apply	Applying PROD means firms need to assess client needs by behaviours as well as assets and life stage. This will support distribution of service and products to meet their needs and evidence suitability
Social media	This is showing an increasing trend as firms begin to attract next generation clients into their practice	Video streaming has been found to be one of the most attractive marketing tools along with blogging, LinkedIn and Twitter for business profiling
Client behaviour and value	RIAs tend to charge for transactional-based activities (e.g. implementation of advice)	Clients say they value planning and relationship management, so RIAs should start to charge for what clients say they value the most
Documents structure	Key documents are only used for compliance purposes and this can mean marketing opportunities are lost	Client agreements, terms of business and investment philosophy are not only compliance documents but can also showcase the value of services and long-term financial planning
Think digital, not robo	Slow uptake on direct-to-client and Robo-advice, but there is evidence of marrying offline and online client behavioural engagement	Those firms which build a digital framework around the client journey are ensuring that high engagement and next generation clients receive instant information. This can include marrying the client offline and online journey, their social media engagement and propensity to self-invest, e.g. ISAs and auto-investment.

KEY 3: YOUR PROMISE

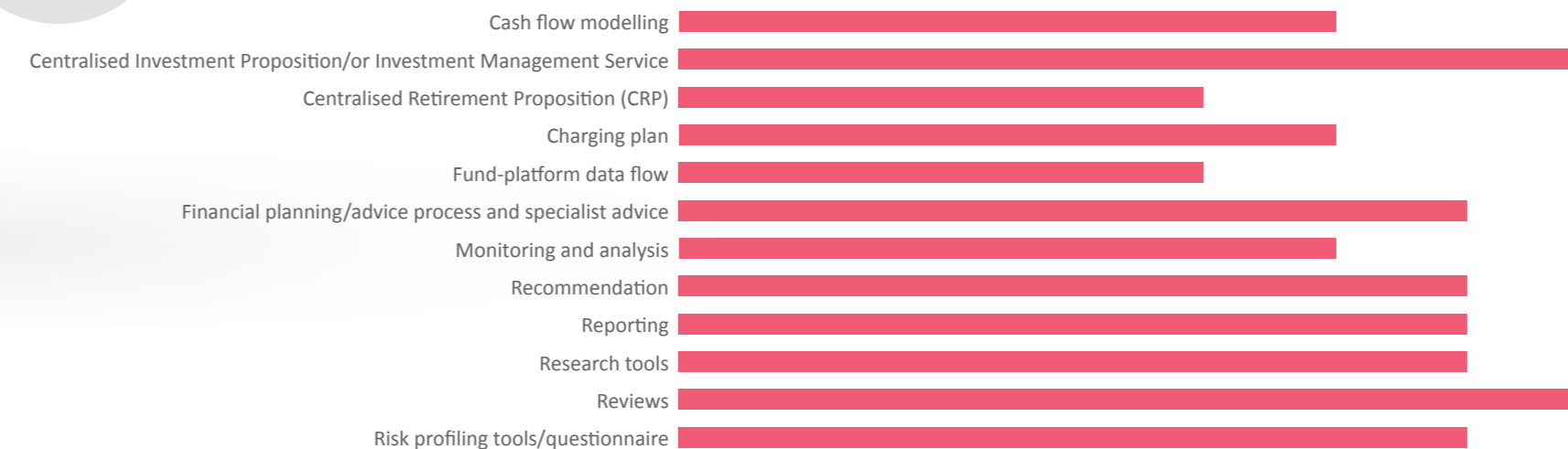


Introduction

Here we assess how robust the RIA service proposition is in relation to service and product suitability and appropriateness, also the centralised investment and retirement propositions, which are crucial in meeting all relevant regulatory requirements. The firm identifies and incorporates new technologies to meet ongoing client needs?

The below chart provides ongoing firm performance against the individual business functions in the MO® Your Promise key

Figure 3: Model Office Your Promise key: business functions performance



The Data

Figure 3.1: Rate how well your service proposition meets clients' expectations

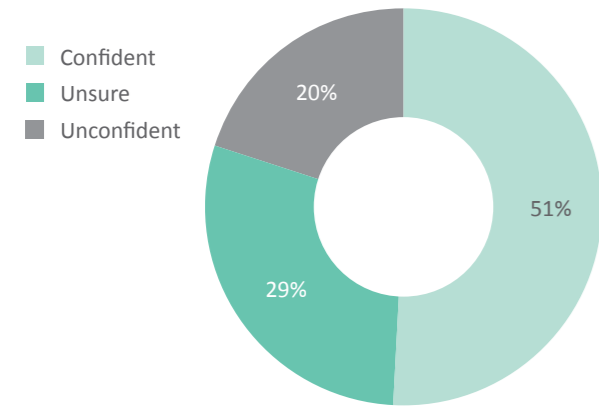


Figure 3.2: Confidence in Client Investment Proposition Research and Due Diligence

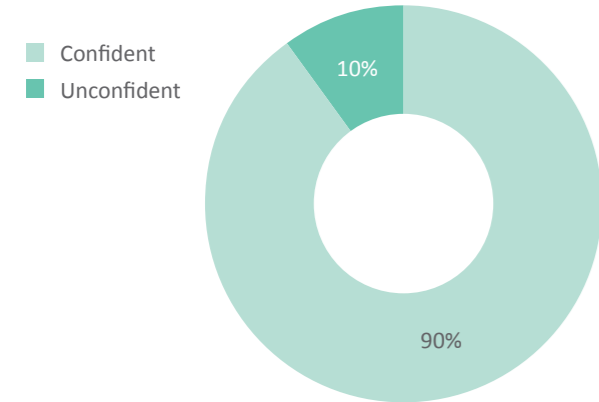


Figure 3.3: Client Retirement proposition meets suitability needs

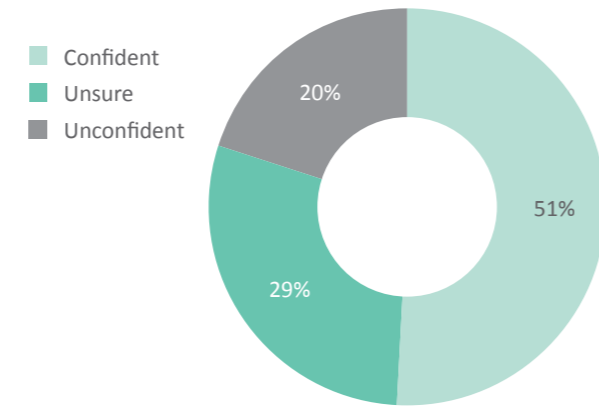


Figure 3.4: What key criteria determine platform use

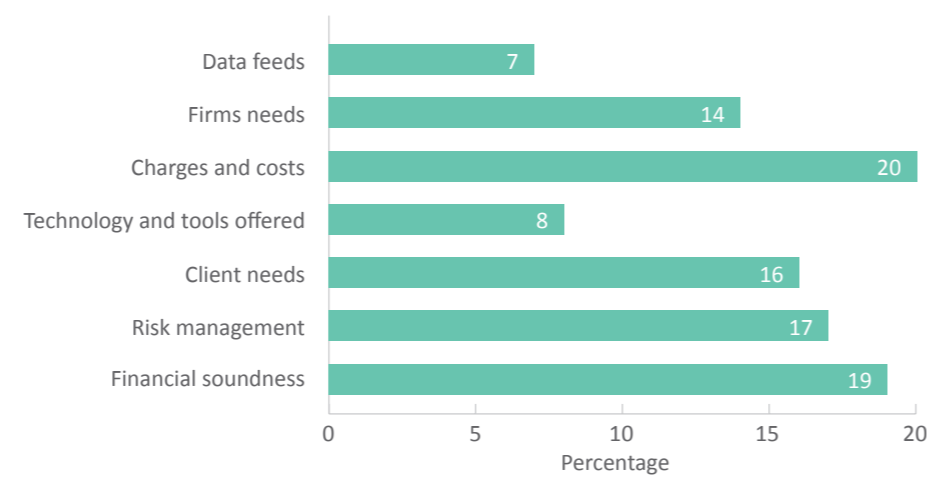


Figure 3.5: Which areas are seen as important for investment portfolio/fund selection

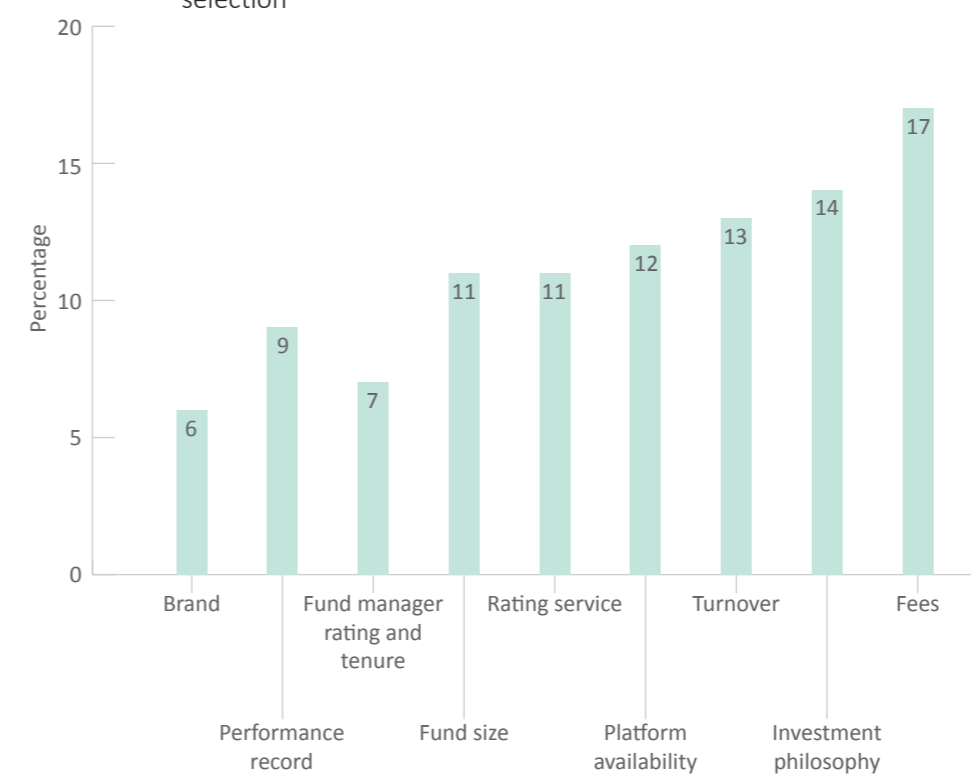


Figure 3.6: Research dictates which investment strategies

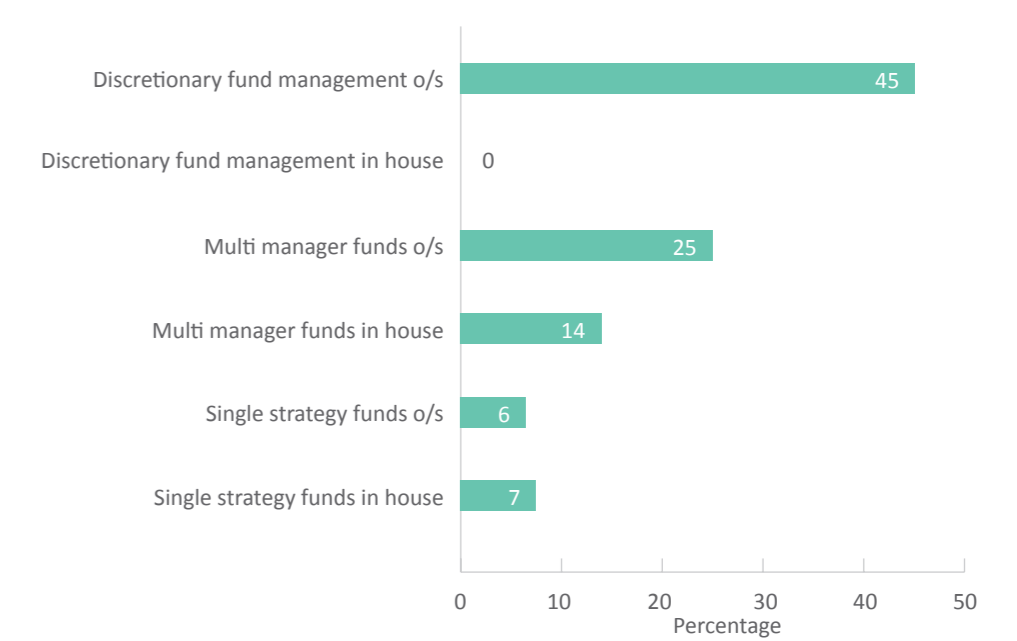
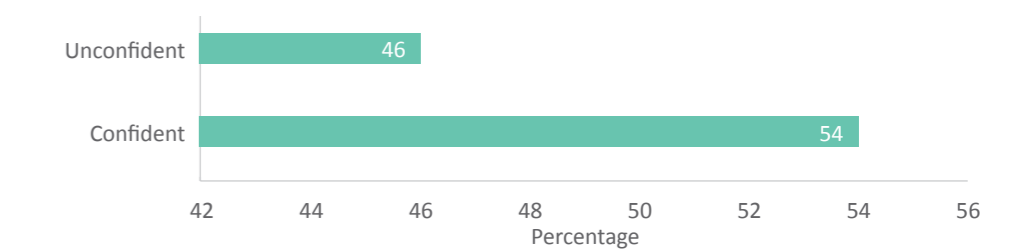


Figure 3.7: Confidence in pension transfer services



Service proposition technology

Figure 3.8: Which cash flow provider do you use

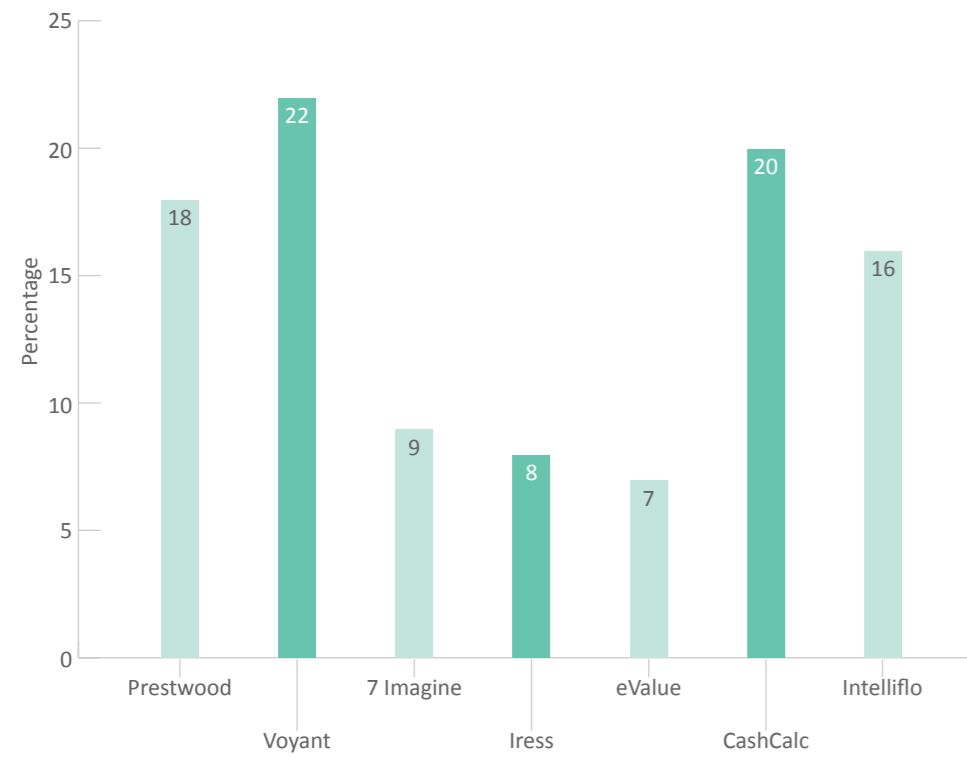


Figure 3.9: Which Attitude To Risk tools do you use

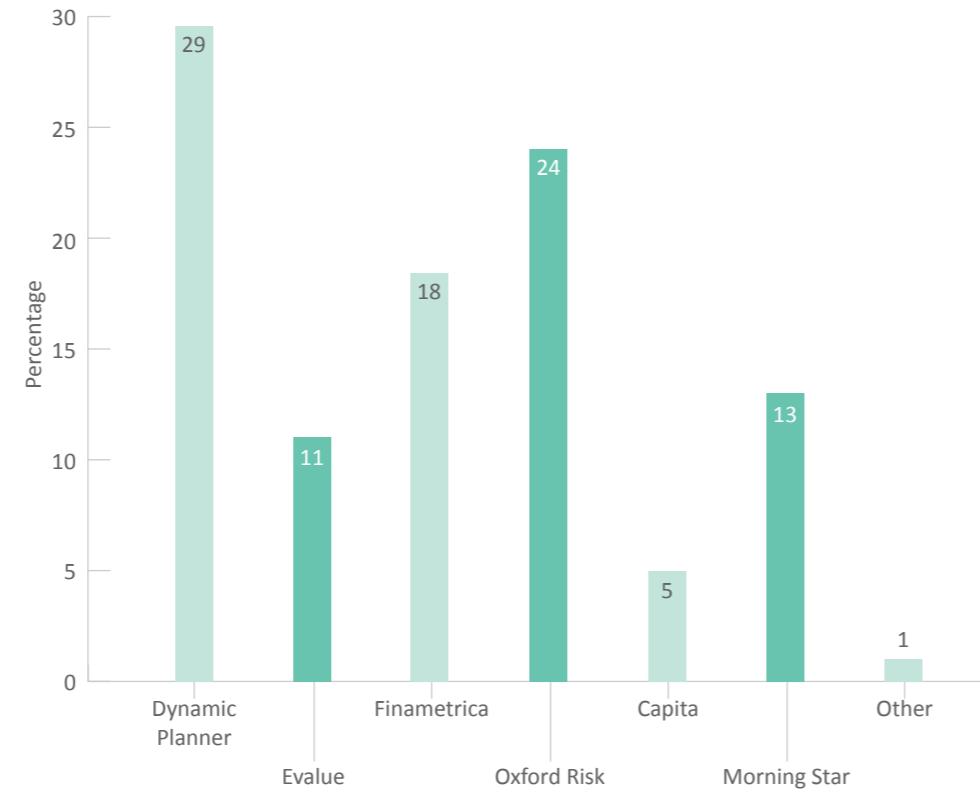


Figure 3.10: How confident are you in assessing capacity for loss

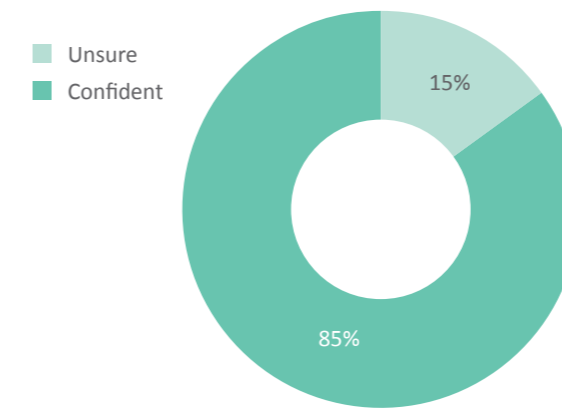
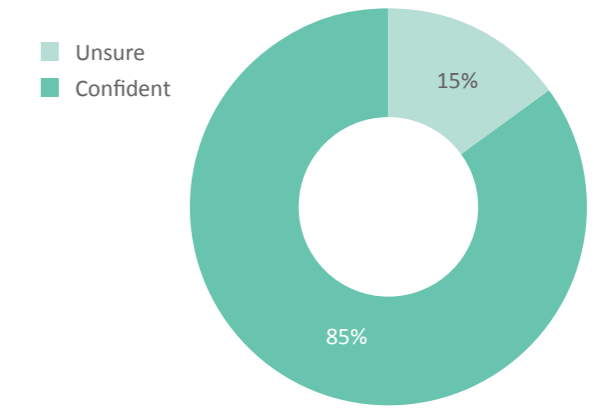


Figure 3.11: Confidence in Risk tolerance/required assessment





Fee charging

Figure 3.12: Indicate how fees are charged

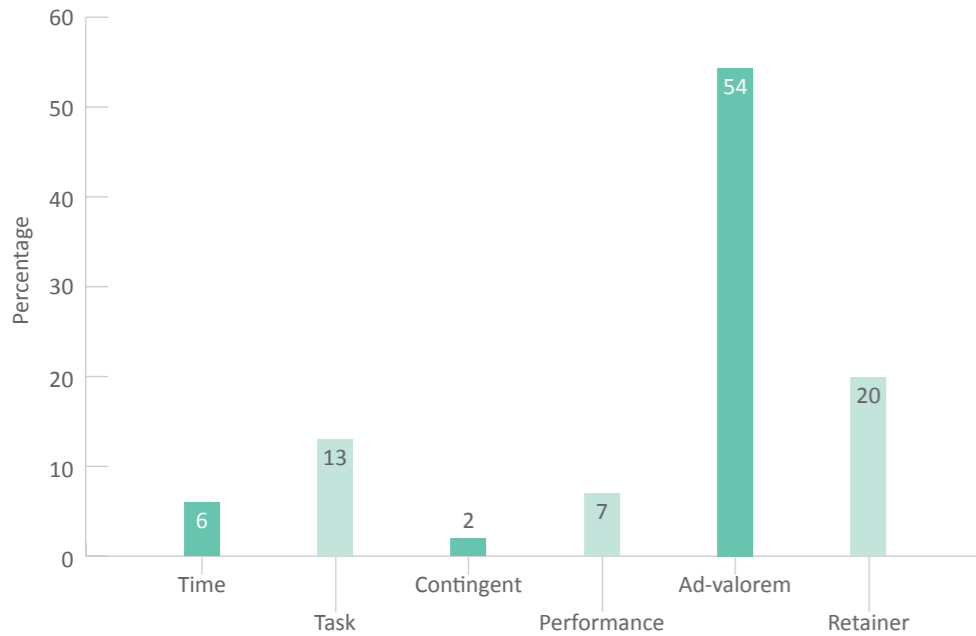
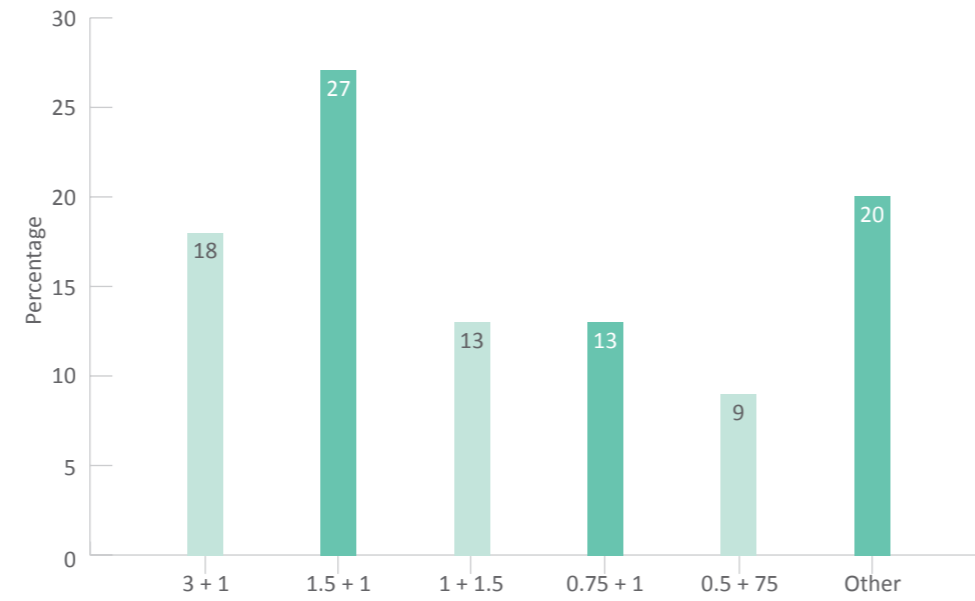


Figure 3.13: What is your preferred fee structure

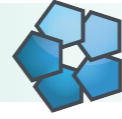


3.2 MD Reports



Key issue	Comment	Strategies
Centralised Investment Proposition	Suitability and appropriateness tests	Excellent confidence in R&DD with evidence-based practice using product data and client needs
Client Retirement proposition (CRP)	Tailoring the investment and service proposition	With 1 in 3 firms unsure that they have a CRP that is suitable and only 1 in 2 confident they have then there is more to be done in embedding a CRP that meets client needs at and beyond retirement
Pension Transfers	Confusion and fear in this market given the FCAs stance	Firms can still operate compliantly and effectively given there is a need for professional advice for suitability of pension transfers. A focus on client needs, best interests along with the 'abridged advice' option means advisers can still engage if systems and controls are in place. Our blog covers this and more.
Cashflow Modelling	There is a heavy focus from regulators on ensuring tools such as cashflow and risk profiling (see below) are fit for purpose and information is reliable	Due diligence is required on why the cashflow tool is considered fit-for-purpose and that: <ul style="list-style-type: none"> Assumptions are agreed with the client Future assumptions are evidence based supported by objective data Future projections are stress tested and provide significant warnings that such forecasts are not a reliable indicator of future performance
Risk profiling and capacity for loss	Align with MiFID II requirement for tool appropriateness for client needs	As with Cash flow, ensure risk profiling tools are fit for purpose and any limitations are identified while mitigating this through the advice process. Compliance with COBS9.2.2R is paramount here
Fee charging	Product-facilitated charging can skew bias, i.e. encourage status quo bias, plus wealth/percentage linked charging can prove expensive over time, depending on fee levels	Segmented services can help ensure that percentage fees reduce as wealth assets increase, but a move away from product-facilitated fees and fees based on percentage of investment can help bias management and fairer charging via introducing a mixture of flat annual retainer, task and/or time-based (avoid contingent charges) to ensure the business has a diversified and 'sticky' cash flow due to client-paid fees
Emotional insurance	Value and advice fees	If clients see the value in RIA soft skills and services that ensure they remain informed about all options and/or manage their emotions, they will pay for this

KEY 4: YOUR SYSTEMS

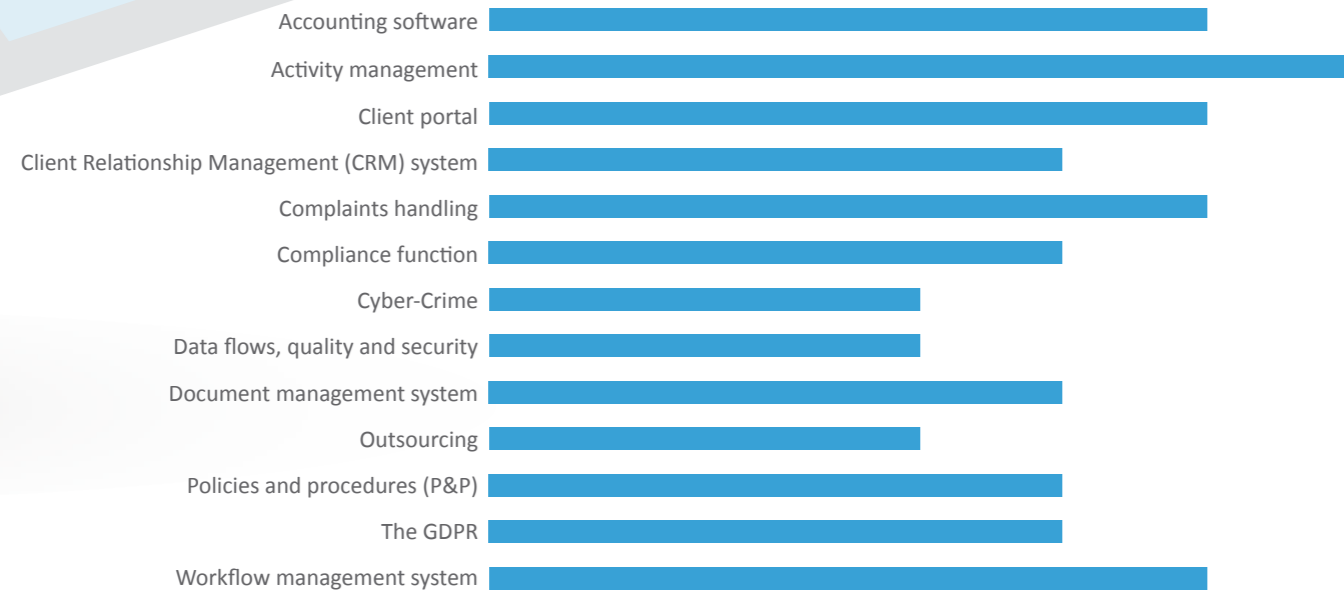


Introduction

Practice management administration, tasks and Client Relationship Management (CRM) activities are interlinked and share high quality data information

The below chart provides ongoing firm performance against the individual business functions in the MO® Your Systems key

Figure 4: Model Office Your Systems key overall business functions performance



4.1 The Data

Business administration and tasks

Figure 4.1: Does your administration system allow for a comprehensive business management function (fee/commission accounting, compliance monitoring and file checks, regulatory and management reports, training and continuing professional development records)

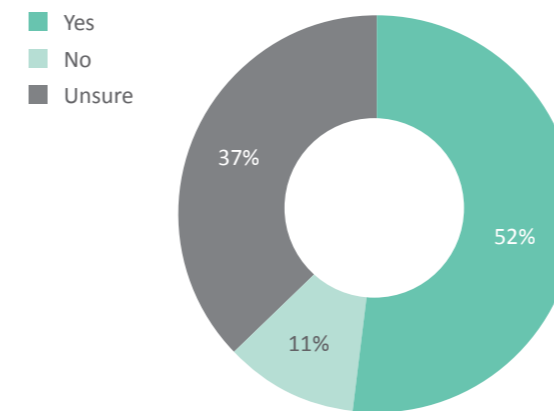
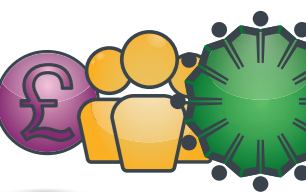
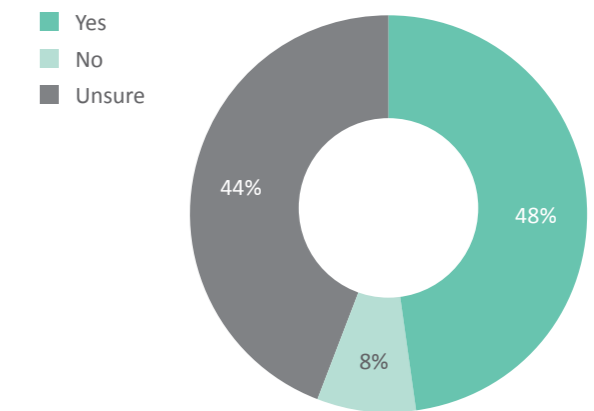


Figure 4.2: Do your administration and sales support provide uniform and comprehensive support for relevant client service and financial management (adviser charging, customer reporting, paperwork and panel management)





Data and the General Data Protection Regime

Figure 4.3: How confident are you that you have a cyber-resilient strategy and all data is secure

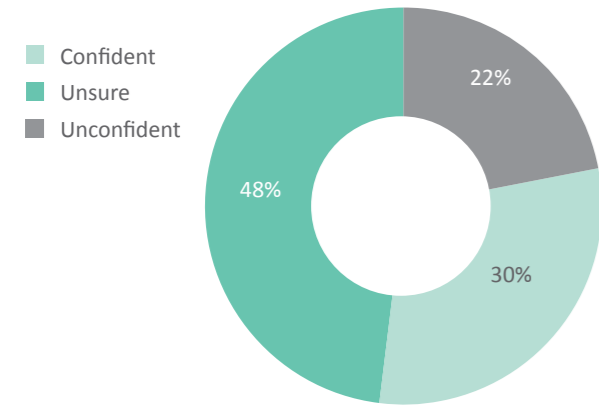


Figure 4.5: GDPR-ready

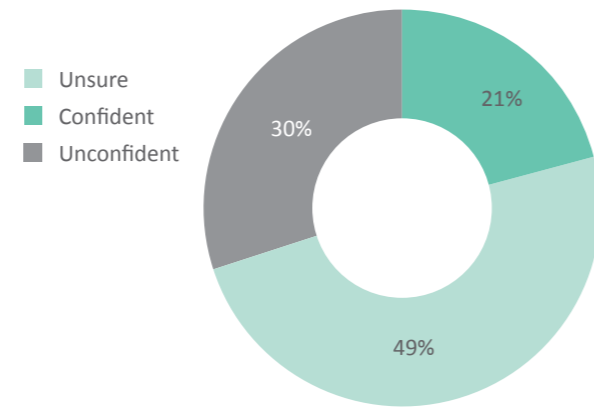


Figure 4.4: Confidence in quality and flow of data in business

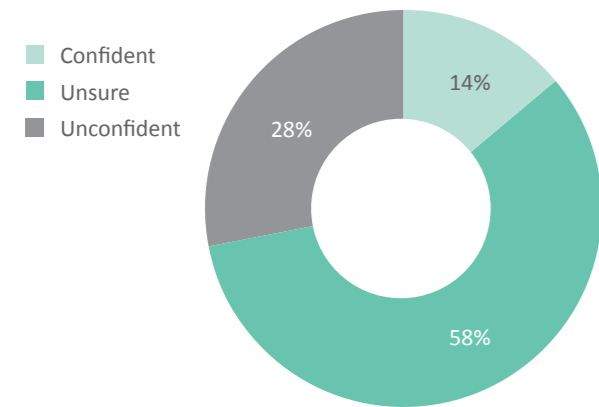


Figure 4.6: How confident are you that you have the ICO GDPR requirements in place

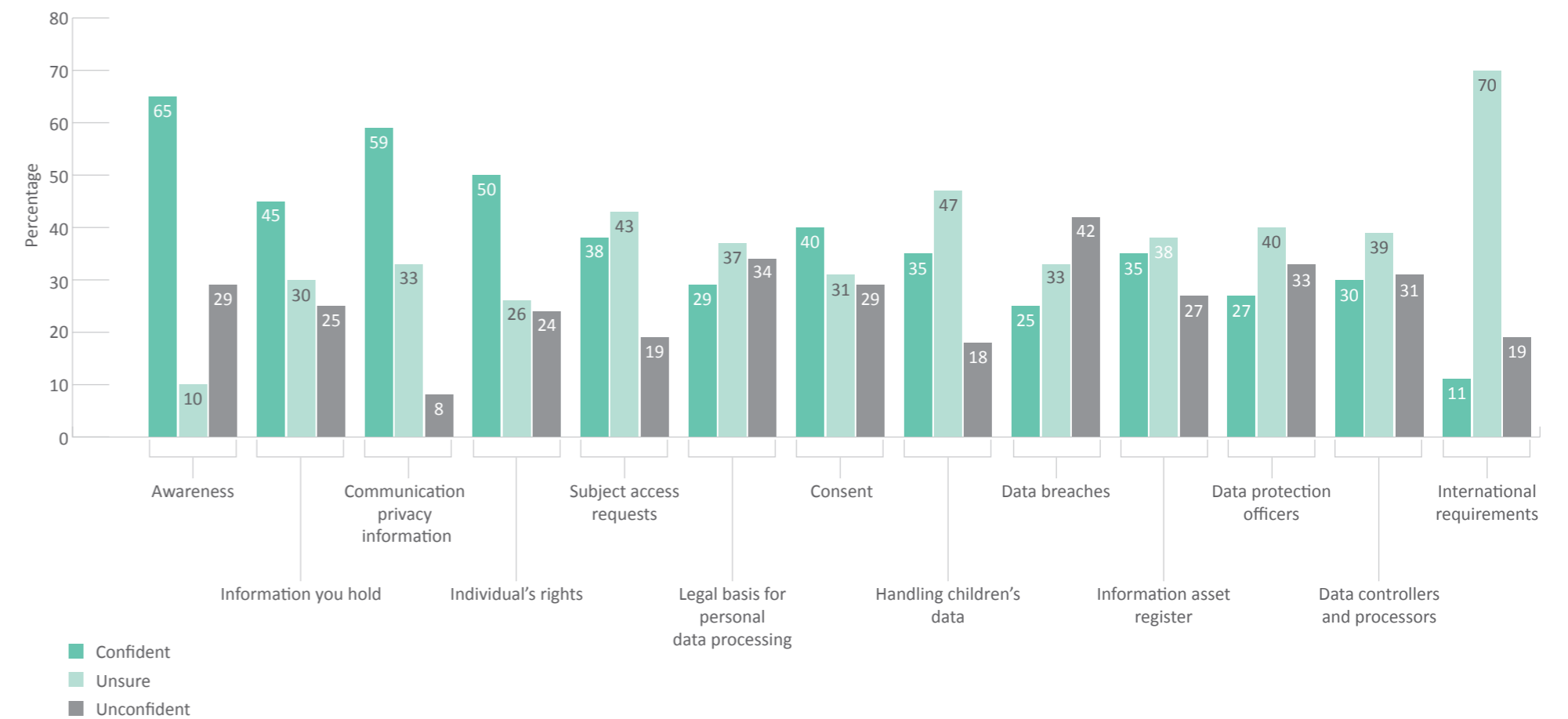


Figure 4.7: How well do clients understand how your practice management technology adds value to your service proposition

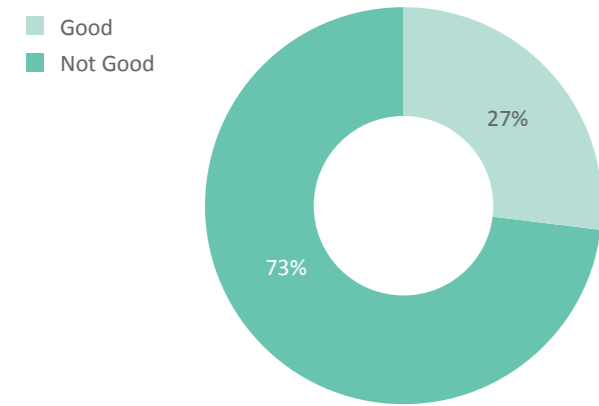
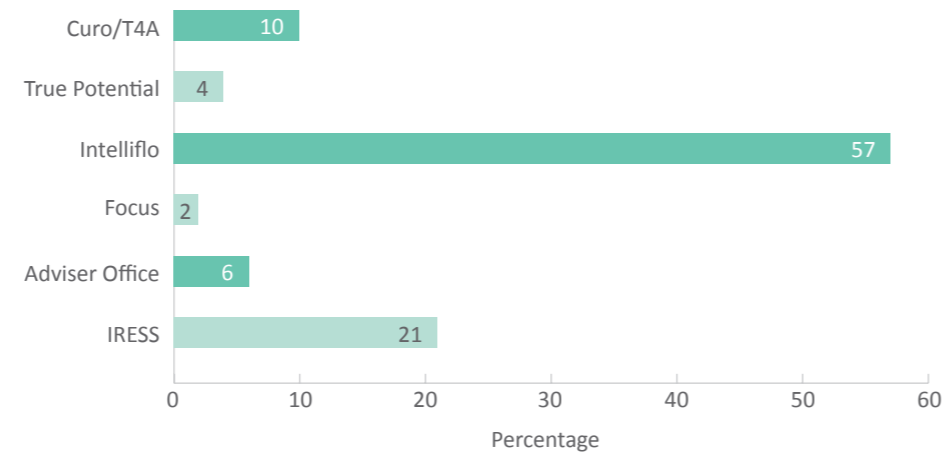


Figure 4.8: Which practice management solution do you use



Client portal and auto-advice

Figure 4.9: Do you use a client portal in your practice management technology

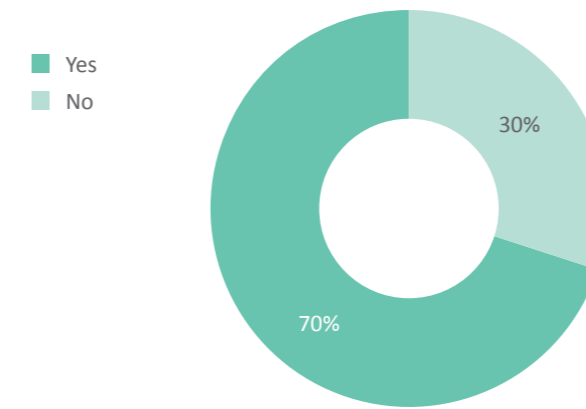


Figure 4.11: Would you consider auto-advice within the practice management system

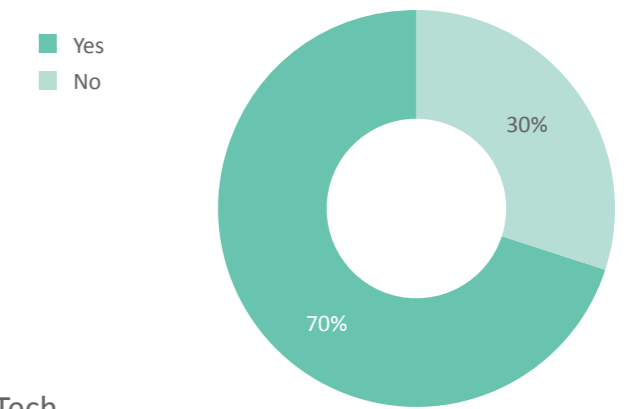
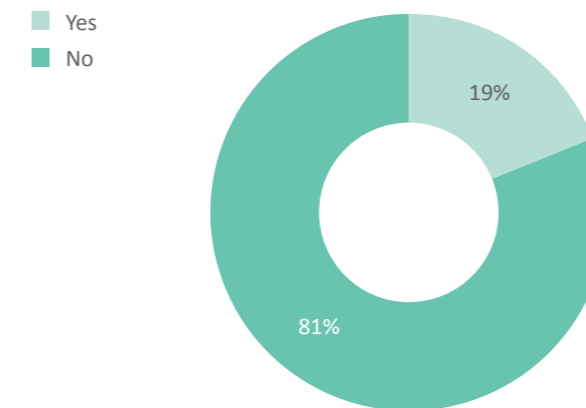
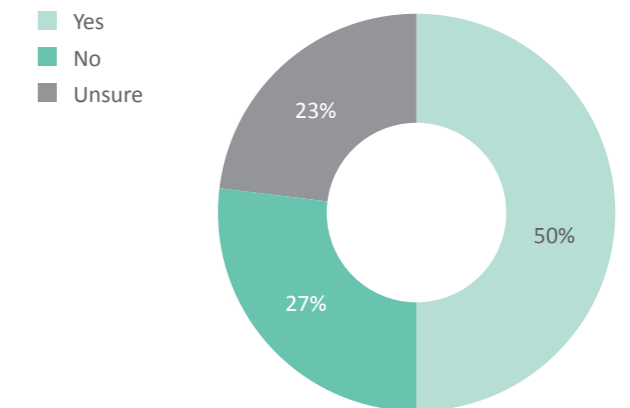


Figure 4.10: Do you use a client portal for majority of client communications in your practice management technology



RegTech

Figure 4.12: Would you apply RegTech to your business to help manage compliance





Key issue	Comment	Strategies
Client Relationship management (CRM)	Technology used only for client detail management	Aligned with client segmentation strategy, ensuring CRM captures client's needs, objectives and propensities or sensitivities will help tailored servicing and reporting. So, the CRM system also needs to focus on relationship, i.e. opportunity tracking (birthdays, anniversaries, life events)
Administration	Lack of procedural efficiency	Task duplication and lack of understanding of technology capacity mean risk – a focus on roles and responsibilities is required
Business management	Duplication of technology	Data processing, regulatory reporting, document storage and workflows all need to be streamlined under one technology provider which can align with reporting technology through application programming interfaces (APIs)
Cyber-resilience and formal data standards	Ensure clean data and on-going understanding for the GDPR plus protect the business from Cyber-crime	Technology such as client portals and tailored activities such as workflows can support clean data and compliance with GDPR. Firm's need to get a grip on the lawful basis with which they process client's personal data and embed cyber-risk technology into their systems. The FCA Cyber Coordination Groups insights are worth noting.
Retail Mediated Activities Report	The FCA RegData replacing GABRIEL	This can act as an opportunity to better understand the data and what evidence it supplies for GRC management.
Workflows	Increase business efficiency	Assigning tasks and actions to particular roles can streamline client and regulatory reporting activities while ensuring that documents and communications are kept up to date
Compliance	Ensuring that the MI and activities match the FCA requirements and that advisers can view their own cases	File checking, reporting and controls to ensure documents are easily referenced can avoid swivel chair compliance, i.e. employing disparate solutions which can confuse
Client portal	Increase client engagement	This can support secure messaging with clients and document storage, allow 24/7 access to portfolios, access to valuations and progress of goals
Auto-advice	Engages digital	This can expand the service proposition and attract next generation clients as well as offering additional services to existing clients
RegTech	Research the benefits of a Regulatory Audit Technology platform	Firms are becoming aware of the benefits for RegTech, they need to assess how this can fit into their governance, risk and compliance management, add value to existing compliance services and understand the cost benefits

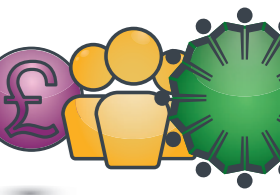
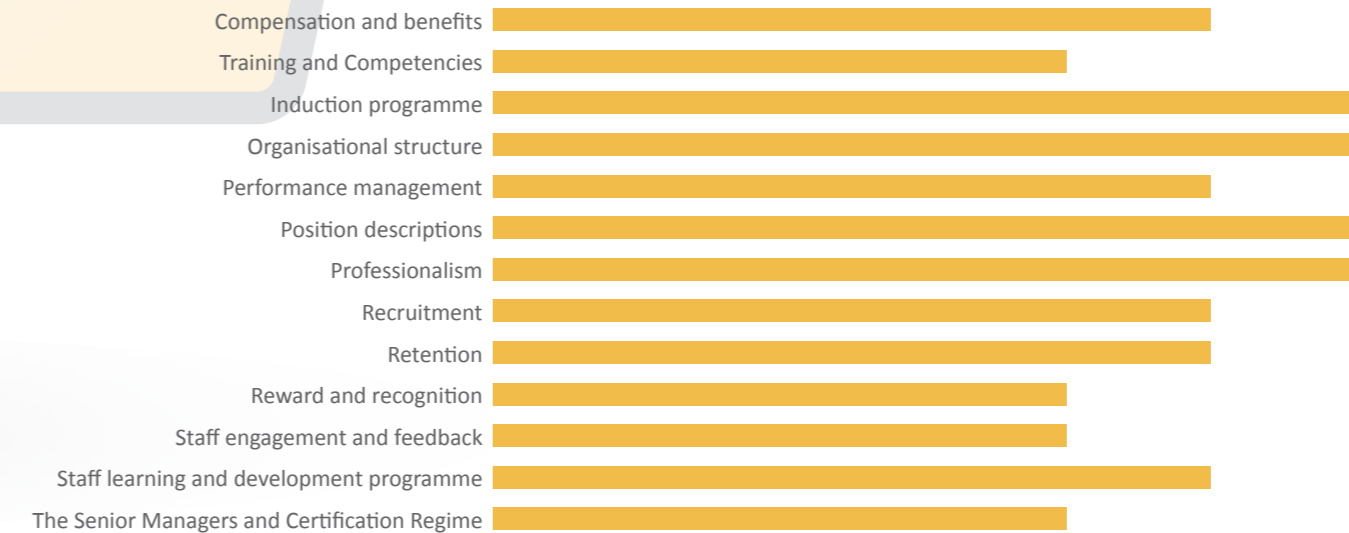
KEY 5: YOUR PEOPLE



Introduction

This Human Resource Development (HRD) area assesses, how well have you integrated the Senior Managers and Certification Regime (SM&CR), focused on the level of staff and employee engagement, and ensured you have the right people in the right place with the right skills, all of which are crucial to business success and building client loyalty and trust?

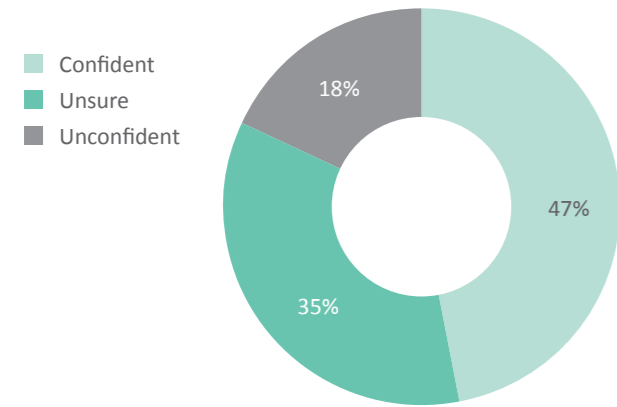
The chart below provides ongoing firm performance against the individual business functions in the MO® Your People key



5.1 The Data

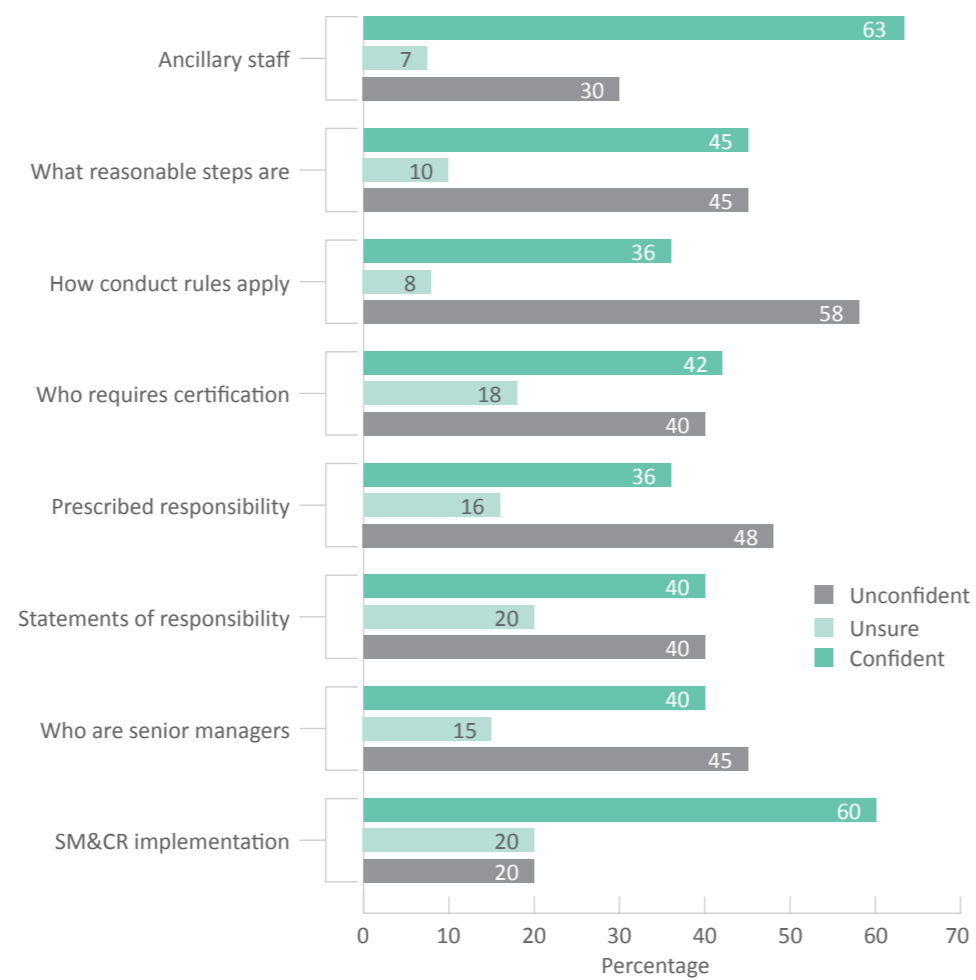
Human resource development

Figure 5.1: Confidence in human resource strategies



Senior Managers and Certification Regime

Figure 5.2: SM&CR Readiness



Training, leadership and talent management

Figure 5.3: Matches FCA's high-level requirements for professional ethics

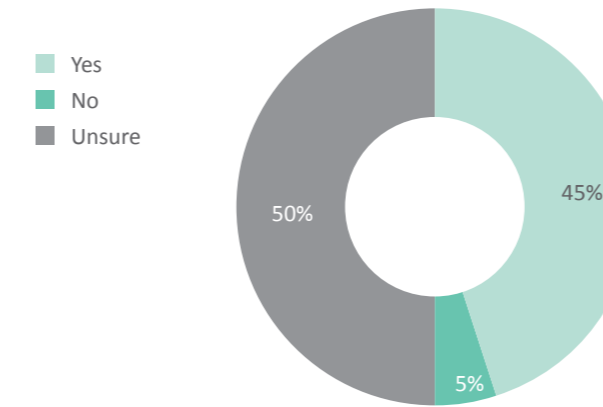


Figure 5.4: Personal Development Plans track skills, KPIs, market analysis and linked to the business plan

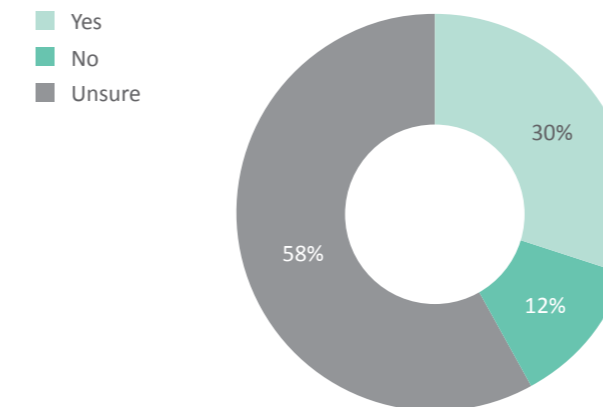


Figure 5.5: Training and Competence ensures staff have the right skills and knowledge

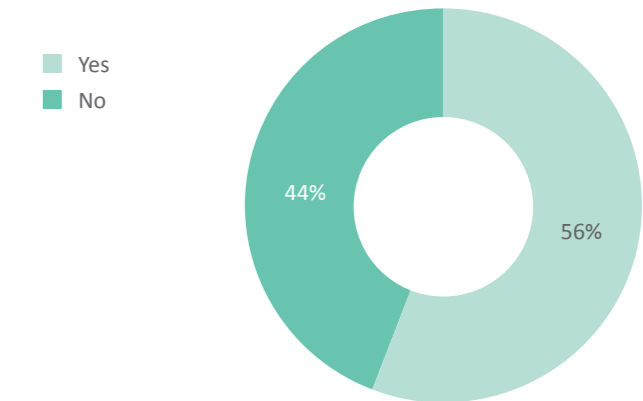




Figure 5.6: Please rate how well your MI tracks your firms and planner/adviser competency progress

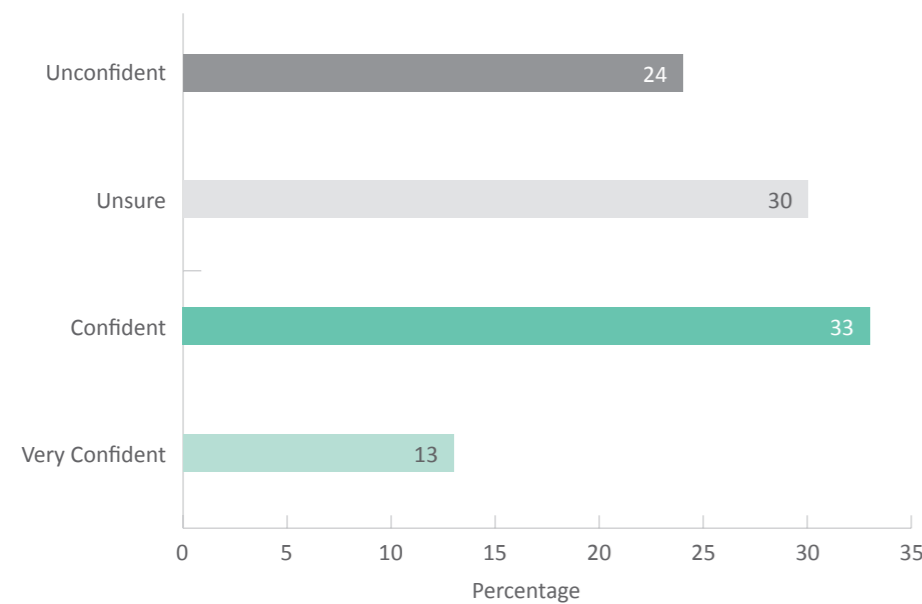
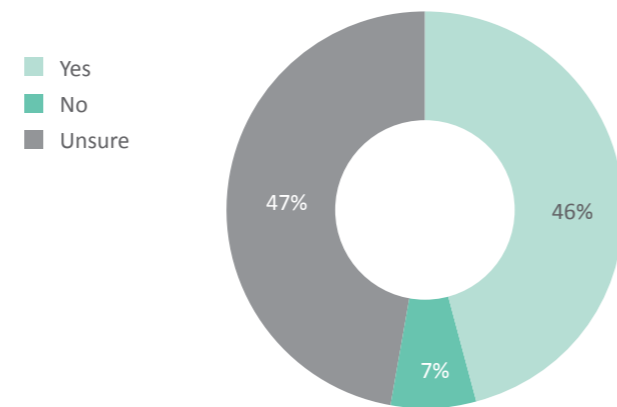


Figure 5.7: Interpersonal, coaching skills training is implemented annually



5.2 MD Reports

Key issue	Comment	Strategies
Human resource development Strategies	Focus on people development and performance management	Aligning HR practice with business strategy is crucial if the firm is to be perceived as a professional practice
Performance management	Personnel development	Personal Development Plans need to be implemented across talent management programmes and behavioural competencies should to be aligned with the business plan
Senior Management and Certification Regime	Understand how certification regime and conduct rules apply annually	Roles, responsibilities and accountabilities need to be mapped annually, Senior Manager Functions allocated, Certification process is clear and mapped annually, conduct rule training and competence needs to be watertight and include all relevant staff and Senior Managers have 'reasonable steps' process and a conduct rule breach log. Evidence based practice is king here. Read our SM&CR blog
Training and Competence	Crucial to ensure relevant staff are continually trained on the conduct rules plus collate MI in one area to assess training needs	Not quite 50/50 but more work and focus needs to go into firms' training and competence programmes ensuring relevant staff can prove then have the right knowledge and skills plus Senior Managers know reasonable steps in case of conduct breaches. More MI and data is required in one place so firms can consolidate and identify trend and areas for attention and growth
Soft/interpersonal skills	Good improvements made	Salesmanship is still very much alive and clients value emotional intelligence and soft skills that place their needs at the centre

SUMMARY

As we wrote last year, the new accountability regime the SM&CR brings means firms now need to ensure evidence-based practice is at the heart of all they do. They need to apply the 'do we know this is true' rule and ensure that appropriate documentation for all practices are kept in a clear concise manner. **Let's face it of it's not written down it didn't happen!**

There is much to celebrate, firms are showing higher sense of responsibility in managing risk and applying diagnostics and technologies to help them in this area, plus they are confident (in the main) that they have a professional practice that shows value for their clients and the regulators alike.

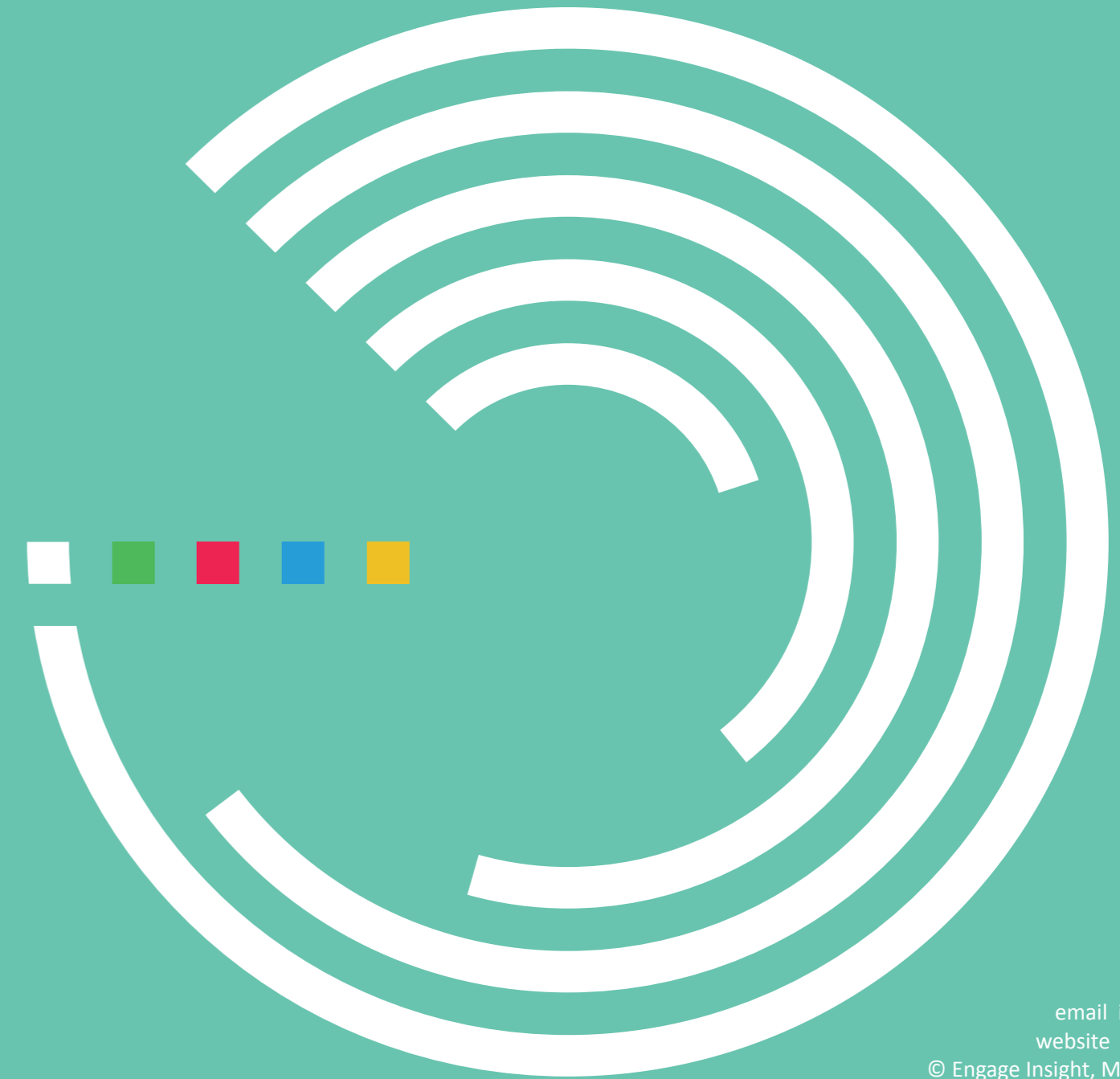
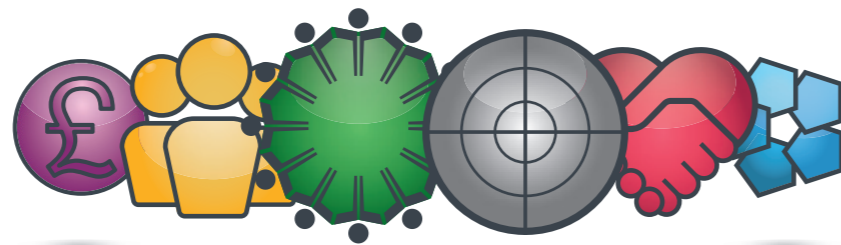
With the Covid-19 pandemic, firms resilience has been called into questions across operations, finances, cyber-security and client servicing. We have witnessed how technology can act as an enabler to ensure firms can continue to offer services and products to meet their clients on-going needs particularly where reassurance and safeguarding staff and clients are required.

The main themes for improvement focus on:

- Ensuring firms have access to technology, algorithms and diagnostics to provide evidence they are complying and have the resources to meet the on-going regulatory demands
- Client segmentation needs to be embedded into client services to fully comply with PROD rules
- Research and due diligence activities need to align with client segmentation (e.g. vulnerable clients, ESG)
- Employing cyber-resilience strategies and purchasing cyber risk insurance (N.B. client communications)
- Ensuring they have the systems and controls to comply with the regulatory requirements around compliance (e.g. operational/financial resilience, pension transfers, AML, SM&CR)

- Where the SM&CR is concerned, ensuring all relevant staff are conduct rule trained and relevant staff are certified annually plus the roles and responsibilities are mapped and assessed annually
- A process or technology to pull all information into one source and move away from checklist and 'swivel chair' compliance
- The board and/or business owners need to be challenged constructively

Overall, 2021 should see more improvements particularly with pandemic lockdown measures easing and those firms who are confident they are monitoring and managing regulatory and businesses risk.



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