



The Personal Investment Management & Financial Advice Association

CEO SENTIMENT SURVEY 2019/20

Building Personal Financial Futures

FOREWORD

This is the PIMFA CEO Sentiment Survey for 2019/20. Originally launched in 2016 after discussion with the PIMFA Board, it was agreed that it would be informative to canvass member CEOs on their views each year regarding the issues for focus or concern within the wealth management and financial advice industry.

The intention is for the survey to continue on an annual basis so that we can build upon our findings with a consultation process on the content with member firms. The findings also inform the scope of our work over the next year and ensure that our objectives are aligned with our members' focus. These results will be of interest to our members and other parties involved in the wealth management and financial advice sector.

REGULATORY LANDSCAPE

Again last years' regulations as a whole have beaten off all other topics as the predominant theme for the last year. Firms are consistently concerned about the amount of time required to manage regulation. It has been noted during conversations with firms that regulations, and the implementation and compliance with these, has been a significant topic across many departments.

It is also interesting to note that compliance is no longer just the responsibility of those who work in the compliance department. Everyone within the firm now has a role to play in ensuring that the firm remains compliant with the current regulations.

The main culprit was once again MiFID II and respondents stated that 'getting to grips' with this regulation was their main activity.

TECH LED



IT upgrading was also a mainstream focus as firms now realise its importance in an ever changing marketplace. Streamlining processes, efficiencies and incorporating new technology were all deemed significant areas during the past year.

Several firms are undertaking large scale IT projects, replacing legacy systems with modern solutions. Cyber-attacks are still a significant concern but as firms start to get to grips with the cyber threat by implementing effective cyber security policies it isn't such a 'keeps me awake at night' issue as it has been in previous years.



BUSINESS GROWTH

During the last year many CEOs also stated a focus on winning new business, corporate expansion, stability and enhancing their overall strategy. Expansion plans seemed to have gained ground for firms who were navigating their way through a difficult year for markets. There are valid concerns about the stability of asset classes as the proposed Brexit draws near, where the final outcome is still unclear.



STAFFING AT ALL LEVELS

Not surprisingly, new additions in the adviser space always seem to generate enthusiasm as they may bring a book of clients / new Assets under Management. Firms also cited the ongoing need to recruit key staff and develop these individuals to help the business move forward in the right direction.

Gary Sunderland, Head of Research and Indices

ABOUT THE SURVEY

The PIMFA CEO Sentiment Survey was conducted to provide an overview of the current and emerging issues within the wealth management and financial advice sector. It is based on:



Survey responses from 36 member CEOs.



Further feedback and analysis provided by PIMFA staff based on 1:1 conversations and committee meetings where concerns are discussed.

THE SURVEY



Respondents were asked to list the top 5 business issues that keep them awake at night and their 3 key areas of focus for the last year.



They were also asked for their top 3 areas of focus for 2019/20.



These results were supplemented with anecdotal research from our member CEOs.

GENERAL POINTS OF NOTE



The respondents ranged from private banks and wealth management firms to financial advisors and execution only stockbrokers.

The Personal Investment Management & Financial Advice Association would like to thank those of our members who participated in and contributed to our survey.

KEY FINDINGS

BUSINESS AREAS OF FOCUS IN THE LAST YEAR FOR THE WEALTH MANAGEMENT AND FINANCIAL ADVICE SECTOR

REGULATIONS STILL FLYING THE FLAG AS THE PREDOMINANT CONCERN WITH CEOs

In the past year, regulations was the key issue with a still substantial response rate of 67% of the CEO count.

MiFID II had the majority vote with concerns over interpretation and the systems and procedural work necessary to comply with this complex and demanding regulation. With business growth a close second, we saw CEOs express a desire to 'get back to managing business'.

A less heavily regulated environment was cited as conducive to a happier workplace. Excessive paperwork, now necessary in the sector, is also deemed very much a negative by employees and clients alike.

BUSINESS GROWTH IS ESSENTIAL

Gaining additional clients, firms expansion plans and strategic changes were all listed as focal points by respondents. Firms looked at ways of developing and growing their business, a major theme, as well as the ever present deep client interaction, organic growth.

Inorganic growth through acquisitions was still strong, especially in the financial advice sector, and is a sign that firms remain at least cautiously optimistic about the future.

CEOs also mentioned the need to embrace ESG and the importance of sustainable growth.

TECHNOLOGY IN ALL AREAS

Most areas from front to back office were mentioned from upgrading technical foundations of client platforms to undertaking IT transformation programs.

Many CEOs mentioned the importance of technological innovations so as to better serve both existing clients and attract new client groups and enable their client facing staff to be as productive as possible.



TOP ISSUES KEEPING CEOs AWAKE AT NIGHT

REGULATIONS

Still a major worry for many, with 75% of the count, MiFID II and the forthcoming extension of SM&CR are seen as increasing the regulatory burden, along with the additional cost pressures.

CEOs also voiced concerns over the “increasing dissonance between meeting clients’ needs and the demands of the regulators”, as well as the “rising costs of new systems to deliver data to the regulators”.

BREXIT / MARKET CONDITIONS

There are ever greater market uncertainties resulting from the continuing lack of clarity on Brexit. CEOs are worried about the prolonged period of inefficient and costly preparations that would not otherwise be needed, with some even citing this as a “bureaucratic failure.” CEOs also expressed concerns over other global events like trade wars and political complications that could potentially have an impact on their clients.

STAFFING AND RECRUITMENT CONCERNS

57% of the CEOs surveyed felt this was a major issue. Retention of good staff was deemed essential as was effective recruitment, both necessary to deliver organic growth. Others also mentioned the importance of maintaining the firm’s culture as it grew bigger so as to deliver a consistent quality of service.

Many firms also mentioned the importance of succession planning and holistic training for the next generation of wealth managers, ensuring they are client focused and aligned with the firms’ culture, views and objectives. More CEOs have mentioned the need to encourage the growth of diversity within both their firms and the overall wealth management community.


TECHNOLOGY UPDATE

At 47% of the count, technology is still a relevant area of focus. CEOs considered cyber and data security more of a concern as they know more readily the implications of a breach in this area and its potential impact on the bond of trust with clients and other market participants.

CEOs of wealth management and financial advice firms understand that “maximizing technology enhancements” and “leveraging digital capabilities and technology in advice is an advantage”. Capabilities in digital offerings were presented as important in demonstrating that firms were considered relevant and effective.

COST CONTROL & FEES

Now at 27% of the count, we see this as perhaps a less contentious point. Professional Indemnity insurance was a particular concern as costs for this type of cover are increasing. Maintaining profit margins and even a reduction of costs were points that resonated here.



AREAS OF FOCUS FOR NEXT YEAR

BUSINESS GROWTH

More CEOs (47%, as compared with 39% last year) are focusing on growing their business in 2019/20. Deeper relationships with existing clients, attracting new clients and the crafting of new strategic undertakings including acquisition and consolidation are seen as crucial. Improving client service and experience was seen as key by several CEOs, as well as the need to facilitate “direct private client growth and diversification”.

REGULATORY MATTERS

Regulation had a 40% vote with Senior Managers and Certification Regime (SM&CR), MiFID II and issues with the Financial Ombudsman Service causing most dissent. Preparing for SM&CR involves a large, firm wide project for firms as they look at processes, procedures and the culture of responsibility across their organisations.

TECH SYSTEMS / PORTALS, STAFFING & RECRUITMENT AND COSTS & EFFICIENCIES

All 3 of the above areas were on an equal footing in terms of consideration looking forward at 30% of the vote, still representing a significant audience.

A large number of CEOs stated the need to revitalise and improve their digital offering. This was seen as necessary by many to improve client interactions. Many CEOs also noted the importance of having an updated and efficient client platform so that clients could have the option of easily accessing their portfolio information at their own discretion while also enjoying more personalised services from their wealth managers.

The public’s increasing concerns over the protection of their data privacy mean that wealth management firms would have to invest a significant amount of effort and money in improving their cyber-security and data protection systems to protect their clients.

Staffing and quality of service for clients was important to CEOs. Catering to the client in a holistic and all encompassing way was considered important by some. CEOs even thought that how they were perceived by their own staff was an issue for consideration.

New charging structures and implementing efficiency measures were highly rated topics. CEOs were concerned about rising costs and how, conversely, they could increase profitability, so the business optimisation process was key here.

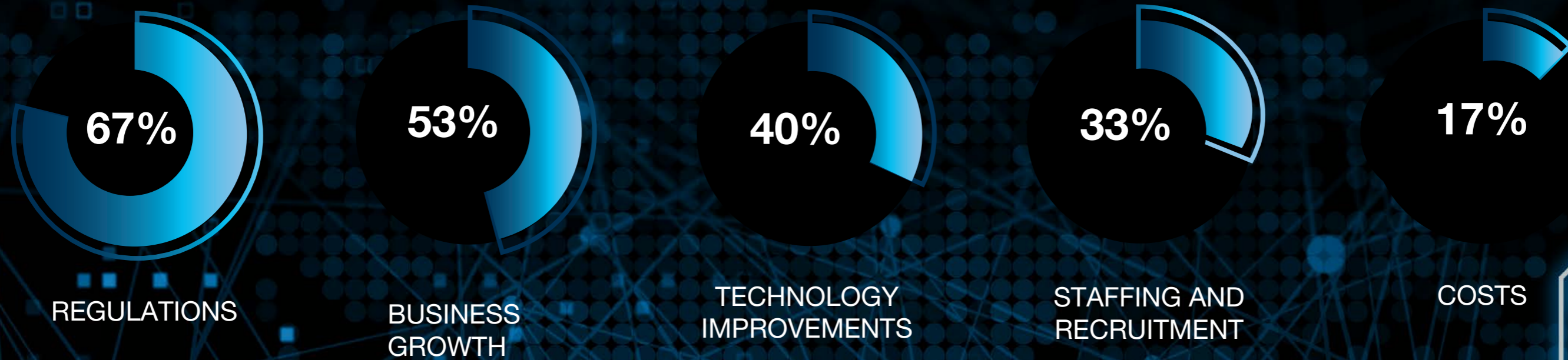
ADDITIONAL POINTS OF INTEREST FOR 2019/20

There are ever increasing concerns over the Brexit and CEOs have voiced the need to possibly establish new EU based entities following UK’s exit from the EU. There are also general fears over a potential political fallout and change of government that could bring about a negative effect on the clients’ portfolio values and hence the firm’s revenue streams.

Risk management in all its guises - business risk, operational risk, market risk and technological risk - were mentioned as an a key ongoing area of focus.

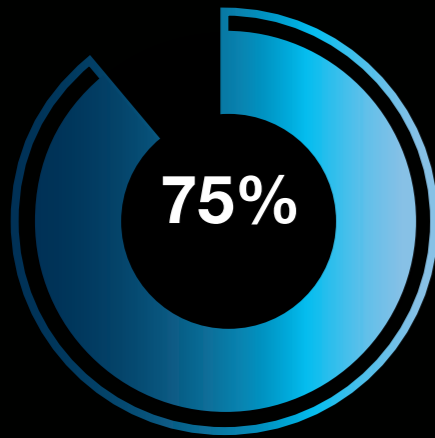
KEY STATISTICS

KEY AREAS OF FOCUS FOR 2018/19

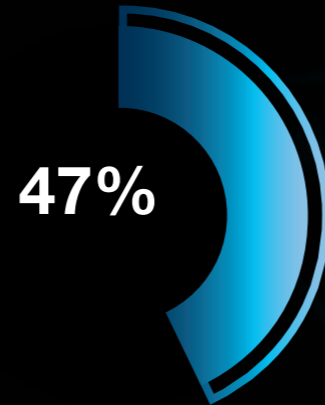


Of the 67% of respondents who listed regulations as a key focus, 50% stated MiFID II specifically

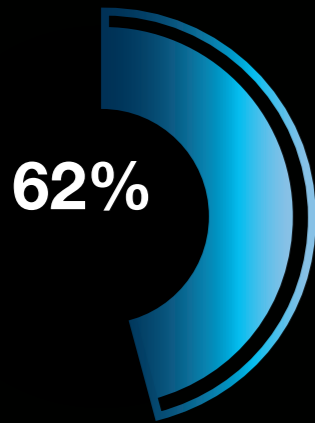
THE TOP 5 CURRENT BUSINESS ISSUES THAT ARE 'KEEPING PEOPLE AWAKE AT NIGHT', AS LISTED BY RESPONDENTS



REGULATIONS



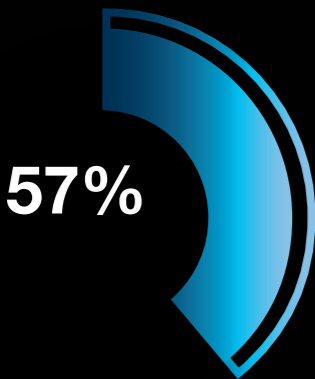
TECH CONCERNS / DIGITAL AND AI DISRUPTION



POLITICAL / MARKET CONDITIONS RISK



COST CONTROL & FEE CONCERNS



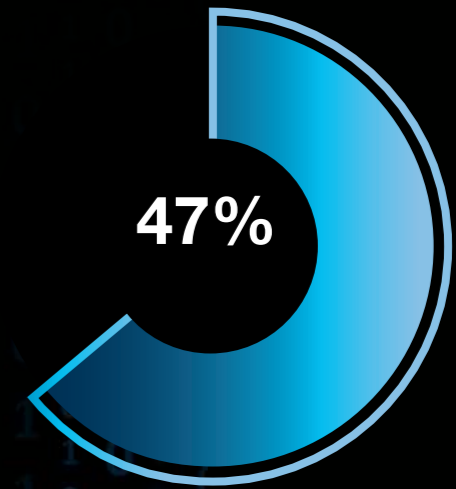
STAFFING / TALENT CONCERNS

OTHER ISSUES REPORTED OF NOTE

- Future leadership development
- The impact of platform updates on client servicing
- Encouraging women into the industry
- Operational resilience



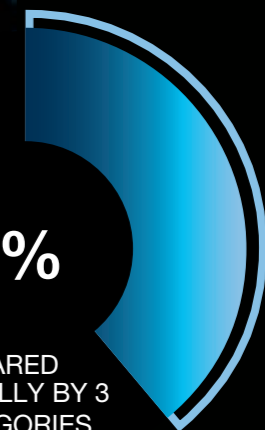
2019/20 TOP AREAS OF FOCUS



BUSINESS GROWTH



REGULATORY CONCERNS



30%

* SHARED
EQUALLY BY 3
CATEGORIES

TECH SYSTEMS/PORTALS,
COSTS & EFFICIENCIES
STAFFING & RECRUITMENT

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ABOUT PIMFA

The Personal Investment Management and Financial Advice Association (PIMFA) is the UK's leading trade association for firms that provide investment management and financial advice to everyone from individuals and families to charities, pension funds, trusts and companies.

Our objective is to create the optimal operating environment for our member firms to deliver their services and meet client's needs. PIMFA also leads the debate on policy and regulatory recommendations to ensure that the UK remains a global centre of excellence in the investment management and financial advice arena.

PIMFA was created in 2017 as the outcome of a merger between the Association of Professional Financial Advisers (APFA) and the Wealth Management Association (WMA) with a history as a trade association going back for 28 years.



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