PRESS RELEASE

11 June 2024

For Professional Advisers only

CIP admin burden increases by 10 days in two years, driving surge in outsourcing, finds Copia

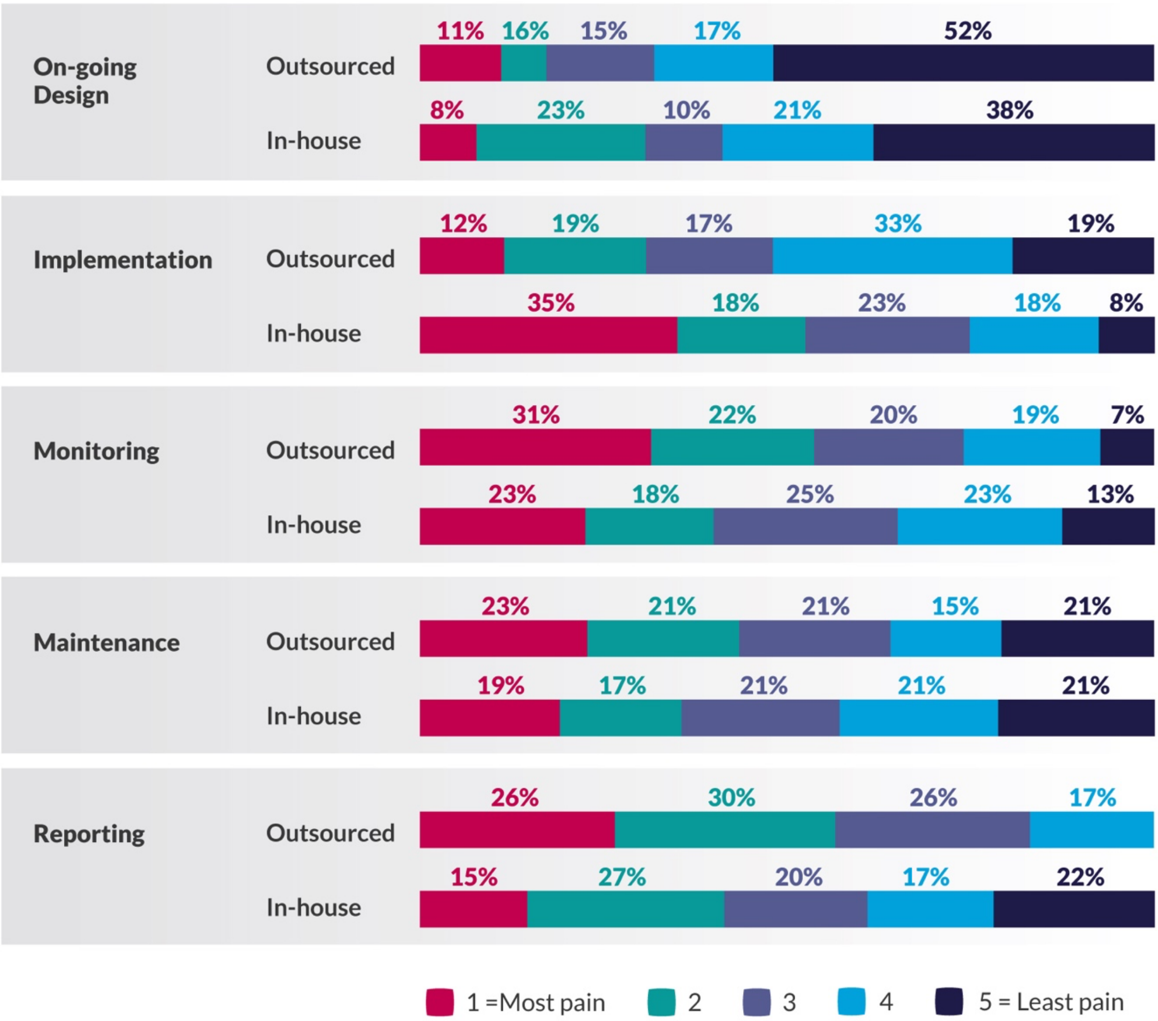
Financial advice firms outsourcing to an external investment manager spend less than a quarter of the time on CIP operations than those running investments in-house.

New research from Copia Capital [Copia], conducted exclusively by the lang cat, reveals that a third (36%) of UK financial advice firms have seen the admin burden of their Centralised Investment Propositions (CIP) increase over the last year. On average, firms estimate they now spend 81 days annually managing their CIP, up from 71 days in 2022. This increased admin is driving a surge in outsourcing, with more than half (55%) of advice firms now outsourcing CIP management, and just 34% running models in-house, compared to 38% and 51% respectively two years ago.

Published today, the findings form part of Copia's latest research into CIPs, An Overheating CIP: 2024 - How outsourcing can cool the engine. The new report updates and extends Copia and the lang cat's 2022 assessment of CIPs[1], which revealed that the admin burden of managing investments increases as a firm grows. The latest research bears out the concerns two years ago of 97% of firms who felt that the requirements of MIFID II and the looming Consumer Duty would soon make their CIP unworkable. It also exposes a tipping point, where firms need to either recruit investment and operational specialists to effectively manage their CIP in-house, or outsource to an external investment manager.

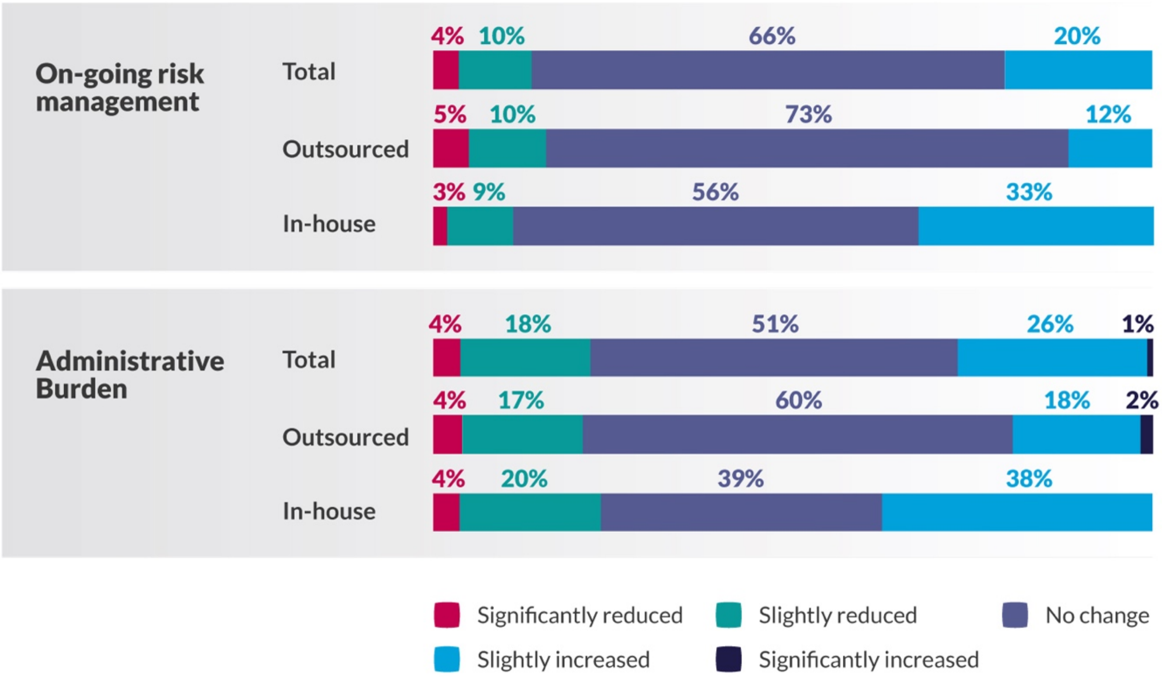
In addition, the new report reveals that ongoing monitoring and reporting requirements are among the biggest pain points for all adviser firms, exacerbated by the requirements of Consumer Duty. Although outsourcing doesn't remove the admin burden completely, it does reduce it significantly. Firms running their CIP in-house spend 139 days on investment management, compared to 32.5 days for those who outsource. For those managing their CIPs in-house, the implementation stage was highlighted as their greatest headache, with 53% rating it as the activity causing the most pain, compared to 31% of firms outsourcing their CIP[2].

Which of these activities do you think causes your firm the most pain (ie time, admin headaches, business risk, financial compliance)?



In-house firms are also more pessimistic in their view of how their CIP management will change over the next year, with 38% expecting their administration to increase and 33% for risk management to do the same, compared to 19% and 12% for outsourced firms.

Changes in the next year



Robert Vaudry, Managing Director of Copia, comments, "Our latest report confirms advisers' fears of two years ago that the requirements of Consumer Duty would significantly increase their CIP administration to the point it could become unmanageable. The new research shows that firms spend ten more days a year managing their CIP on average, compared to 2022, with most of the burden carried by those who run their investments in-house.

"Firms face a stark choice as they grow. There will come a tipping point where, to continue to manage their CIP effectively, firms will need to invest more in their internal resources by recruiting investment and operational specialists, using technology wherever possible and potentially taking on their own discretionary permissions. Or they will need to outsource to an external investment manager, like Copia. With the FCA's continued focus on Consumer Duty, fair value and ongoing services, we expect this decision on how to manage a CIP to become even more important. Doing nothing and maintaining the CIP status quo, is unlikely to be a viable path to good client outcomes."

-ENDS-

1 https://www.copia-capital.co.uk/cipreport/
2 'Greatest pain' calculated as those rating it one or two on a five point scale, with one being the most pain and five being the least pain.

ABOUT THE RESEARCH

The majority of the data in this paper are based on research conducted by the lang cat, on behalf of Copia Capital, during the first quarter of 2024 with 155 financial advice professionals (advisers, business owners, paraplanners etc) from the lang cat's Adviser Insight panel.

NOTES FOR EDITORS

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About Copia

Copia is the investment solutions division of the Wealthtime Group. Launched in 2013, it is a pure B2B DFM that works exclusively with advisers to provide a range of managed portfolio services. These include its MPS Custom service, offering customised portfolios to advisers which are constructed to meet the adviser's retail clients' needs; its 'ready to go' MPS portfolio products; and the added-value MPS Plus range.

The Wealthtime Group, which also includes the Wealthtime and Wealthtime Select platforms, is a trading name of Novia Financial plc and has combined assets under administration in excess of £11.8bn.

For more information, see www.copia-capital.co.uk. Follow Copia Capital on Twitter @copia_capital