

# Platform challenge for the networks

All distributors need to carefully consider their platform strategy, says AT8's **Mark Loosmore**



At AT8 we have been following the move towards platforms with interest, particular the networks' strategy.

With this in mind we found the announcement that Steve Young is moving from his COO role at Sesame Bankhall to take on responsibility for the platform strategy of particular interest. Equally the pre-announcement of a forthcoming statement on platform strategy tweaked our interest.

There are many companies looking at what they do with regards to platforms and the situation is heightened by the ongoing discussion with the FSA and the expected [overdue] Consultation Paper sometime soon.

There are many platform operators in the UK; at the last count there was 20 with at least four more expected this year. Compared to the more mature, but smaller Australian market which is dominated by four big players it would seem that the UK is well served (or over supplied).

The problem for distributors – large and small – is should they have a platform strategy and if so which one or selection is right for their customers? Given the FSA believes it is not always right to put a client on a platform, it must also be right to say that there are circumstances where it is absolutely right to do so.

Given that, it is likely that ALL distributors should formally assess and consider whether they adopt platforms as a major or minor part of their strategy. However, this needs proper structured and

objective analysis and due diligence – initial and ongoing.

So, what about Sesame Bankhall? As with many distributors, we suspect they would ideally like to concentrate on either a single, or a small selection of platforms that meet the needs of their customer base in order to give the distributor operational efficiency, economies of scale and a single view of a customer's assets under administration (AUA). However, from what we have seen so far, the objective is difficult to achieve whilst ensuring the customers get the best value for money and investment outcomes.

We have written about the Synaptic Comparator product before and how we have used it to look at a range of client scenarios and which platforms suit each scenario best. From this research it is difficult to be sure that a single selected platform will be sufficiently compelling to be a default recommendation.

Much has been said about segmentation and subsequent 'matching' of clients to a proposition and then to platforms, but simple segmentation categories such as asset levels – £100k, £250k, £500k and so on, may omit many other elements that also need to be considered.

These include the size of transactions not just total assets, what sorts of investment products, funds and needs do clients typically have/want, along with what sort of service activity such as active or passive reviewing and balancing is needed (these are not always

constants in any case). Platforms can offer and deliver valuable services to customers and we support the use of platforms. However, at the moment there is a lack of clarity and certainty about which to choose – especially for distributors with large and varied client banks.

Comparison tools such as Comparator (if they are robustly designed with the cooperation of the platforms) can act as a 'gating' mechanism that helps to manage the risk of inappropriate decisions that could be comparatively detrimental to customers and may even result in lower income to adviser firms.

There is a risk that 'shoe-horning' clients onto platforms may result in regulatory sanction, reviewing of the recommendation and compensation. Decisions need to be focused on what is right for the consumer not just what is easy to administer.

Organisations such as Sesame Bankhall have experience of platforms from dealing with the Portavista initiative and they will undoubtedly have rigorous strategy evaluation processes – other smaller distribution firms may not apply this rigour.

Some people have already made their decisions and others are in the process of doing so. It is a potentially complex area and one where they may need professional advice. Whatever they decide, they should avoid acting in haste on limited information.

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## Sesame to roll out compliance IT platform

By Rahul Odedra

Sesame members will be provided with a new compliance IT platform to help them manage their regulatory risks.

The network has adopted Redland Business Solutions' Insight T&C, giving advisers access to management information and operational data to minimise their risks.

Scheduled to be rolled out to members next year, the solution can support a range of business applications and the company claims it could also help improve productivity.

Michael Couzens, risk director at Sesame Bankhall Group, says: "Our profession is operating in a regulatory climate that is more intrusive and intensive than ever before.

"This new solution will give our members a single view of their firm's regulatory risks and performance, along with greater flexibility as to how and when they access important data.

"Moving on to a single compliance IT platform also means we will be able to respond far quicker to the new regulatory demands being posed by the RDR."

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