
Press information

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FCA asset management review 'way bigger than RDR', says Nucleus CEO David Ferguson

Nucleus CEO David Ferguson has said the FCA's recent interim report into the asset management sector (MS15/2.2) is 'way bigger' than the retail distribution review (RDR) introduced at the end of 2012.

Speaking to advisers at Nucleus' annual conference, Ferguson said "if it plays out as the FCA intends (and we think it will), fund managers will have to bear the sharp end of the pressures on fees."

"We've been asking why asset allocation is the primary driver of returns but fund management costs many times more, or why not one single multi-asset fund has outperformed its equivalent Vanguard Life Strategies over multiple timeframes.

"In 2014 we said the asset management sector was oversupplied, overpriced, underperforming and under attack from all sides. We said the regulatory examination of fee transparency and commercial pressure from index funds would help drive a collapse in fees pretty much all across the board. The great big thirty-year party was over and the hangover kicks in.'

"With the publication of MS15/2.2, this got pretty real."

Ferguson said neither advisers, nor their clients, gain advantage from their supposedly advantageous collective buying power, while retail funds also cost about four times as much as the institutional equivalent. He also noted that there is a huge spread between the IP, or talent, of fund management and its cost, while Nucleus clients are overpaying by as much as £100m every year across the Nucleus wrap alone.

Elsewhere in his speech Ferguson said that rolling suitability was key for advisers to deliver world class management to their clients, particularly with enhancements in the digital tools available to them.

"World class client management will be anchored around the concept of rolling suitability and delivered across straightforward, tailored and secure communications, whether online or offline.

"Rolling suitability requires an ongoing assessment of on- and off-platform assets and continuous validation that things remain on track.

"We'll always be an open platform and integrate into third-party tools wherever possible. But our work on Narrate (Nucleus' award winning client reporting tool) tells us this has limitations and we also recognise the security risks that may arise. On communication advisers really need to drop email from any client communications, at least where they are exchanging data or taking instructions.

Ferguson is hoping that over time rolling suitability, Narrate, new alerts, secure messaging and document management will allow Nucleus' client portal to become the centre point of client management for advisers.

"We are going to engineer the technologies, the integrations and the infrastructure to make advisers a better 'artist', to focus on all that is truly human," he said.

Other speakers at Nucleus' annual strategy event included Stephanie Flanders, chief market strategist at JP Morgan Asset Management, cyber security expert John Sileo and Rory Percival, former technical specialist at the FCA and now running his own consultancy supporting professionalism in the advisory sector.

- Ends -

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About Nucleus

Nucleus is a wrap platform founded in 2006 by advisers committed to altering the balance of power in the industry by putting the client centre stage.

Since then, Nucleus has established itself as a major force for change. It is now one of the UK's fastest-growing platforms and the meeting point for more than 900 adviser firms in total seeking to create better customer outcomes.

As at 1st January 2017, assets under administration on the platform were £11.4bn.

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