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PRESS RELEASE

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Advice firms spend 71 days per year operating their CIP, finds Copia Capital

Majority of firms think CIPs are in danger of overheating and will soon reach a tipping point where they become unworkable

According to new research from Copia Capital Management [Copia], advice firms now spend an average of 71 days a year operating their Centralised Investment Proposition (CIP). MIFID rules have already increased administration for firms of all sizes, and with the potential impact of Consumer Duty and the proposed ESG requirements, 97% believe CIPs are at risk of becoming unmanageable.

The in-depth research conducted by the lang cat on behalf of Copia, finds that CIPs are increasingly becoming a victim of their own success. Of the 71 days firms spend operating their CIP, monitoring the portfolios takes 15 days on average, maintenance 12 days, and reporting activities 31 days. However, the burden of these activities increases with scale, so firms with more than £250m assets under advice spend 40% additional time on monitoring, 25% more on maintenance, and 39% extra on reporting than the average.

Firms who outsource portfolio management, see a 25% reduction in time spent monitoring their CIP, 72% less on maintenance activities and a 30% fall in days needed for reporting, compared to firms who run their portfolios in-house.

The research forms the basis of Copia's new report, ***The Centralised Investment Proposition – an overheating engine? How CIPs became a victim of their own success and what advisers can do about it***, which looks at how advisers are operating their CIPs. With 88% of firms now running a CIP[1], the paper seeks to understand how well they are working in a typical advice firm and the impact of ever-increasing regulation and a firm's own growth have on their effectiveness.

Robert Vaudry, Managing Director of Copia Capital, comments: "The research clearly shows that CIPs are overheating. Rather than help support adviser growth, they actually create more work for larger firms. Precisely when the tipping point is reached is not black and white, but there is obvious concern among advisers that CIPs cannot scale up indefinitely and they become increasingly difficult to manage as a firm grows.

"Even for smaller firms, new regulations like MIFID cost and charges disclosure have made the management of CIPs more challenging. With the regulatory bar set to rise further as a result of Consumer Duty and potential ESG requirements, many firms will need to consider whether their CIP is operating as effectively as possible, and if not, what changes might be needed.

"Outsourcing portfolio management can help reduce the administrative burden of CIP management as well as some of the associated operational and compliance risk. But it's not a universal panacea and not all external fund managers provide the same range of services to help drive efficiencies within your business. When outsourcing to an external investment manager, it's important to understand the responsibilities of each party and how it will impact your CIP administration going forward."

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1. Source: lang cat State of the Adviser Nation research. Q4 2021

NOTES FOR EDITORS

About the research
The research was conducted by the lang cat, on behalf of Copia Capital Management, during January and February 2022 with 122 financial advice professionals (advisers, business owners, paraplanners etc) from the lang cat's Adviser Insight panel.

The full research report can be downloaded here: https://www.copia-capital.co.uk/cipreport/
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About Copia
Copia is the investment solutions division of Novia Financial plc, a UK platform provider with group platform assets in excess of £11.8bn under administration. Novia was launched in 2008 and Copia was launched in 2013.

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