

# raising the bar in the platform market

June 2007 saw the FSA publish important detail that will heavily influence the use of platforms and wraps\*.

**Billy Mackay** explains how Selestia Investment Solutions has been built around a robust, sustainable business model to meet the challenges set by the regulator and the needs of the evolving advisory channel.



Billy Mackay  
Head of Marketing  
UK Business Unit

It is clear that the FSA want to see changes that will help the market evolve, generate a positive consumer outcome and raise standards across the industry. Demonstrating client suitability and in particular the suitability of the platform service itself is crucial.

The recent FSA factsheet\* encourages advisers to consider a number of issues in the context of their business model and clients:

- Terms and conditions of using the platform
- Actual cost, charging structure and transparency
- Range of funds and tax wrappers
- Range of asset classes
- Functionality
- Accessibility
- Additional tools such as risk profiling, asset allocation and fund selection
- Training and support services
- Platform reputation and financial standing

Demonstrating the value that platforms can add to the service and advice provided to clients will be crucial. Strength in all of these areas will be a must-have for any successful and sustainable platform.

Skandia's new integrated fund platform, Selestia Investment Solutions, has adopted the best aspects of both the Selestia and Skandia platforms to deliver a compelling proposition. This is evident when it is tested against some of the areas highlighted by the FSA.

## actual cost, charging structure and transparency

The new structure is based on a single investor charge so that all investors experience the same charge irrespective of switch activity. This provides a level of transparency that cannot be achieved by platforms that operate switch charges.

Within Selestia Investment Solutions there is no additional charge for switching. However, on other platforms a switching charge of around 0.25% is common. On the face of it this is an

incidental charge and, in the absence of any attempt to reflect the likely impact of the charge in literature and quotations, this is exactly how the charge is perceived. This lack of transparency is something advisers need to see through as active switch activity can result in substantial costs.

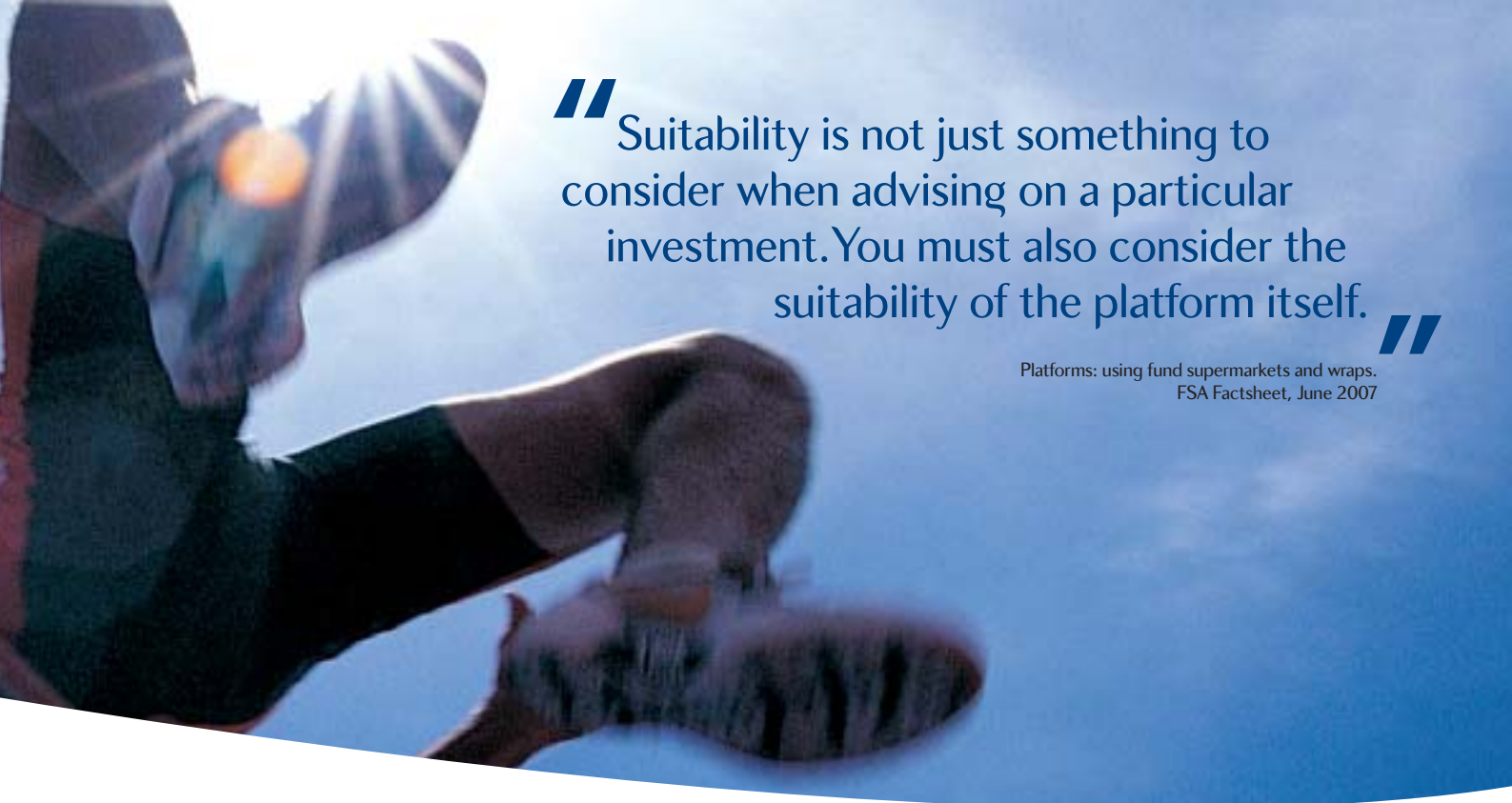
For example, if a third of a portfolio is switched every year the total cost of a 0.25% charge on all switches occurring over a 20-year term would be substantial (see table below).

## range of funds, asset classes and tax wrappers

Many of the passages in the FSA's factsheet and discussion paper lead you to think that the wrap environment is less suited to advisers operating a 'transactional' business model, but is perfectly suited for 'asset allocators'.

Portfolio Value at outset	Total switch charges	Reduction in final value due to switch charges	RIY cost of switch charges
£25,000	£905	£1,600	0.089%
£50,000	£1,810	£3,199	0.089%
£100,000	£3,620	£6,398	0.089%
£500,000	£18,098	£31,990	0.089%

Based on 7% growth and 1.5% charges per annum, 20-year term and no product wrapper. One-third of the fund is switched at the end of the year. Switch charge 0.25% of the value of fund switched and no other charges.



“Suitability is not just something to consider when advising on a particular investment. You must also consider the suitability of the platform itself.”

Platforms: using fund supermarkets and wraps.  
FSA Factsheet, June 2007

The documents also leave the impression that platforms will be particularly attractive in the mass affluent and high net worth segments. In these contexts the breadth of investment funds and tax wrappers are clearly important.

Skandia recently carried out extensive research looking at the demand for funds. After contacting over 600 advisers, 78% responded that they wanted a platform provider with access to around 1,000 funds. With over 900 funds from 67 fund managers and a comprehensive fund research and selection tool, the new platform provides the investment infrastructure that advisers are looking for.

### functionality and accessibility

The platform offers advisers 24/7 accessibility with the complete control that straight through processing and online administration provides. Advisers now have access to the following functionality online: application input; valuations; pre-defined portfolios; phased investment; portfolio re-balancing; audit trails; extensive reporting options; and nominated trail and switch commission.

Other functionality like bulk switching and transaction history are on their way.

### additional tools

To support the investment advice process a new and improved risk profiler has been produced. This tool is based on advice from Watson Wyatt Limited and is independent of the platform's fund range. The asset allocation recommendations reflect the different circumstances of individuals, pension investors, and trustee investors. The Asset Allocation recommendations are embedded alongside the investment holdings for each client so that it becomes an integral part of their investment.

The popular U-Skan facility (which analyses client portfolios to provide details of sector breakdowns, top ten stocks, stock overlaps and volatility) has been enhanced to cover 'off-platform' investments together with a more extensive range of reporting options to ensure a market leading support package for client reviews.

### training and support services

Skandia has the largest and most experienced regional team dedicated to helping advisers evolve their business models to exploit the potential provided by investment platforms. Whether this assistance is provided through the day to day contact provided by our sales consultants or our market leading

programme of workshop based support, our team aims to ensure that advisers are perfectly positioned to add value in the investment process.

### reputation and financial standing

The importance of this should not be underestimated. A number of leading platforms in the UK have short track records and are yet to prove the sustainability of their business model. They continue to make a loss and rely on additional funding from their shareholders.

Selestia Investment Solutions is built around a robust and sustainable business model – and we will develop the platform to ensure it meets the demands of advisers and clients into the future. Basic laws of business prove that initiatives that do not make a profit rarely, if ever, stand the test of time.

### raising the bar

Selestia Investment Solutions raises the bar for providers in the platform market. The quality of the platform infrastructure demonstrates Skandia's long term commitment to develop and build on relationships with advisers as they review their platform requirements. At the heart of this commitment lies a desire to provide investment solutions that will make a lead contribution to the strong and expanding advisory channel. ■

[www.skandia.co.uk](http://www.skandia.co.uk)

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Selestia Investments Solutions is the brand name for Selestia Investments Limited and Selestia Life & Pensions Limited until 25 February 2008. After this date it will be the brand name for Selestia MultiFUNDS Limited and Selestia Life & Pensions Limited.

Selestia Investments Limited and Selestia Life & Pensions Limited are registered in England & Wales under numbers 4145825 and 4163431 respectively. Both Companies are authorised and regulated by the Financial Services Authority with FSA Register numbers: 196620 and 207977.

Registered Office: Skandia House, Portland Terrace, Southampton, SO14 7EJ, United Kingdom

VAT number for all above companies is 386 1301 59

Old Mutual International (Guernsey) Limited is regulated by the Guernsey Financial Services Commission and is licensed to write long-term business under the Insurance Business (Bailiwick of Guernsey) Law 2002. Registered number 2424. Registered Office at Fairbairn House, PO Box 121, Rohais, St Peter Port, Guernsey GY1 3HE, Channel Islands.

Skandia MultiFUNDS Limited is registered in England & Wales under number. 1680071 Registered Office at Skandia House, Portland Terrace, Southampton, SO14 7EJ, United Kingdom. Authorised and regulated by the Financial Services Authority FSA Register number 165359