

Hymans Robertson Investment Services (HRIS)

Consumer Duty: getting what you need from your investment provider

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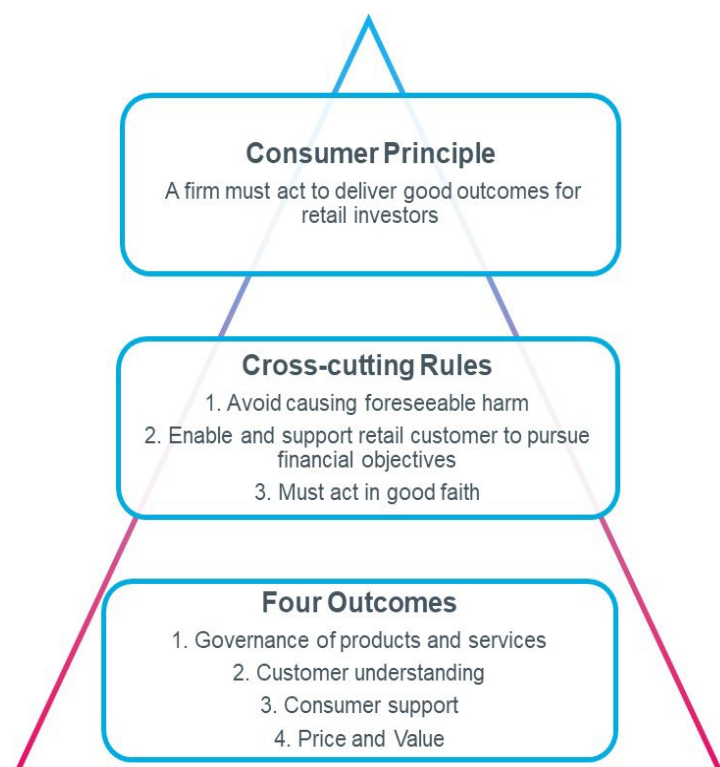
Consumer Duty (“the Duty”) is here. Its deadlines are fast approaching and its scope is wide (the Duty applies “to all firms in the distribution chain for products and services sold to customers”). The key overarching themes are a need for affected parties – and anyone they outsource to – to be able to demonstrate robust audit trails and strong operational resilience. In the remainder of this note we discuss this further and highlight how our portfolios are Consumer Duty ready!

As a reminder

The Duty builds on a number of regulations already in place (e.g. TCF) but sets a higher and clear standards of consumer protection across financial services. The Duty’s Consumer Principle is “Act to deliver good outcomes for retail customers”. The remainder of the Duty, including its three cost cutting rules and its four outcomes (all shown on chart on the right) focus on how parties can work towards achieving the Principle. Key dates include: **31 October**: Firms should have agreed implementation plans in place and **31 July 2023**: The Duty should be implemented for new or existing products or services

So, what does this mean for Advisers?

Given it builds on existing regulations, those impacted by the Duty should already be in a strong position for adhering to its demands; that said, there is undoubtedly considerable information that firms will need to collate within a relatively short period of time to evidence their adherence to the Duty. Importantly, the guidance also makes it clear that firms must consider the impact that any outsourced services have on their customers’ outcomes and firms must have confidence in the outsourced parties’ investment processes and operational resilience.



In terms of outsourced investment management (e.g., model portfolios), Advisers should expect stringent investment rigour from their investment provider and regular transparent updates, that could be shown to the Regulator in the future if required. This should include evidence that processes are being followed and the primary focus is on enhancing retail Customer outcomes.

In the remainder of this document we set out further information on how we are working with our clients to give them the comfort and information they need.

Our background and culture support alignment to the Consumer Duty

With our parent's (Hymans Robertson LLP) 100 years of history providing investment and actuarial advice to some of the largest institutional investors in the UK, and with over £350bn of assets under influence, Hymans Robertson Investment Services comes from a culture of strong governance and robust risk management. Our culture is supported by a large, diverse, experienced team of over 1,200 employees from a range of backgrounds, including investment modelling, asset allocation, responsible investment, fund selection, investment communications and platform implementation. We apply this culture and expertise to all aspects of our approach to managing model investment portfolios for our Adviser clients.

Evidencing alignment: the Cross-cutting Rules

Must act in good faith

- ✓ All Investment decisions are made with end clients' interests in mind
- ✓ Well defined target markets and regular product testing in place, which gives clarity on portfolio objective and suitability





Avoid causing foreseeable harm

- ✓ Institutional rigour applied throughout the investment process, including scenario modelling to give greater confidence in future outcomes
- ✓ Focus on value for money, including access to preferential share classes for certain funds

Enable and support Retail customer

- ✓ Provision of ongoing market and portfolio related communications, to keep investors informed of latest market conditions and the potential impact on their investments
- ✓ Access to Sustainable Income Tooling and industry leading longevity information to support clear decision-making in relation to customer's financial objectives

Evidencing alignment: the Four Outcomes

Outcome	What we do	What this means for you and your clients
Products and Services 	£350bn of Institutional scale, resource, rigour and expertise applied to portfolio construction, monitoring and rebalancing.	Gives a high level of confidence in enhancing investors future outcomes
	Well defined target market and portfolio testing in place	Confirms that portfolios remain aligned to clients' needs on a regular basis
	Governance & risk management culture throughout the Firm	Gives strong operational resilience to your outsourcing
Price and Value 	Competitive DFM fee and portfolios include share classes with of 20- 30% relative to their standard fees	Reduces costs for clients
	Seek to reduce other cost and out of market "leakages"	Improves client returns
	Broad range of services, including ongoing support and communications.	Educates investors to improve their understanding of the proposition and latest market conditions
Customer understanding 	Timely monthly market commentary written in plain English	Helps investors make informed decisions
	Regular communication via multiple platforms e.g. videos, webinars, written communications	Enhanced investors' engagement and understanding of the proposition
	Ongoing interaction with Advisers to understand their needs	Enables proposition to meet clients' evolving needs on an ongoing basis
Consumer support 	Sustainable income tool provides access to evidenced based longevity data via Club Vita, as well as investment scenarios	Helps identify realistic sustainable income levels for investors, as well as the likelihood of achieving objectives
	Regular reporting to Advisers confirming portfolios are performing in line with agreed objectives and Consumer Duty	Provides Advisers with comfort and supports their regulatory reporting
	Clear lines of accountability between HRIS and Adviser	Gives Advisers a clear point of contact to allow for efficient responses to you and your clients' queries



If you would like to find out more about how we can help you, please get in touch at

enquiries@hymans.co.uk or 020 7082 6000.

William Marshall

Chief Investment Officer

Risk warning

The value of your investments and the income from them may go down as well as up and neither is guaranteed. Investors could get back less than they invested. Past performance is not a reliable indicator of future results. Changes in exchange rates may have an adverse effect on the value of an investment. Changes in interest rates may also impact the value of fixed income investments. The value of your investment may be impacted if the issuers of underlying fixed income holdings default, or market perceptions of their credit risk change. There are additional risks associated with investments in emerging or developing markets. The information in this document does not constitute advice, nor a recommendation, and investment decisions should not be made on the basis of it. The material provided should not be released or otherwise disclosed to any third party without prior consent from HRIS.