An interview with Paul Abberley, CEO at Charles Stanley & Co. Limited

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AUM
£25.4 BILLION

FIRM TYPE
WEALTH MANAGER

CORFINANCIAL SOLUTION
BITA WEALTH

'WITH BITA RISK, WE'VE ENJOYED A PARTNERSHIP APPROACH WITH A RIGHT-SIZED PROVIDER'

Compliance complexity and soaring costs have forced many wealth managers to dilute their investment 'personality', but with the right provider firms can still preserve what makes them distinctive – and make moves to stand out even more in key areas like ESG. Here, Paul Abberley, CEO of Charles Stanley & Co. Limited, reflects on how a partnership mentality and a habit of overdelivering has sustained a relationship with BITA Risk lasting well over a decade - and one which is recognised as a real contributor to business growth.

- BITA Star with Monitor implemented for risk profiling, and portfolio construction and monitoring against mandate in 2013
- Upgrade to BITA Wealth in 2019
- Charles Stanley became the first user of BITA ESG Manager in 2021
- Assets on BITA Wealth: £25.4bn

Wealth managers have been upgrading their technology stacks at a feverish pace over the past decade to cope with soaring expectations from both regulators and clients, and many firms have had to engage in a great deal of chopping and changing of systems as their needs, and providers, have evolved. For an institution and a vendor to have made it past their ten-year anniversary, and to still be highly enthusiastic about innovating further together, is therefore quite the feat.

BITA Risk was already well embedded when Paul Abberley took the helm of Charles Stanley as Chief Executive back in 2014, the firm having seen the benefits of investing seriously in wealth-specific portfolio risk software and cutting-edge advisor tools earlier than many of its near competitors. In fact, as Abberley explains, the style of investment management the firm wanted to continue to provide - however regulatory requirements ratcheted up - absolutely demanded such a tool.

The UK wealth management sector may be a very broad church, yet the trend towards model portfolios has been a unifying factor across firms of all shapes and sizes (at least for a proportion of their client bases) since the 2010s. Not so at Charles Stanley however: while Abberley can certainly understand firms going down this path, his remains resolutely committed to providing bespoke portfolios even at the more modest end of the market – lest clients feel short changed.

A MODEL WHICH EMPOWERS INVESTMENT MANAGERS AND CLIENTS

'Our view is that you can't charge someone for a bespoke service only to give them a cookie-cutter portfolio,' he says. 'We think it's incredibly important that investment managers have freedom in portfolio construction and modelling so they can create one as bespoke as each client needs. Of course, we have a house view and managers can build portfolios 100% in line with it when that's appropriate, but equally they are under no obligation to replicate the house view when they'd rather mix and match that with their own. We have been able to maintain a very manager-empowered model relative to many firms because of the compliance guardrails provided by BITA Risk.'

Even more important of course is empowering clients by giving them the real-life investment solutions they require, and in this regard Abberley believes BITA Risk has played a key role in helping the UK wealth industry move forward. Here, Charles Stanley's CEO has a unique perspective, Abberley having spent the bulk of his career at some of the biggest names in the institutional investment management space. 'When I came over to the wealth side, managing risk had to be as much art as science due to the need to generate absolute returns for clients in the context of their revealed preferences around what they wanted to do with their money,' he explains. 'Perhaps relative returns did allow the institutional side of the industry to adopt risk technology much sooner than the wealth sector, but it really was well past time that wealth managers began to use quantified measures of risk in their portfolio construction.'

THE IMPORTANCE OF A PARTNERSHIP MENTALITY

The former CEO of Aviva Investors was hoping to see real academic rigour around risk and says that he certainly found this in BITA Risk. Yet as Abberley points out, it has been the team's unique combination of deep quant expertise and a willingness to always go the extra mile on customisability which has made the relationship endure so well.

He recalls: 'We again took a different path to many of our peers, by choosing volatility rather than asset allocation as the proxy for risk and deciding on fixed rather than floating volatility measures. We did the research to be able to translate that into volatility measures and come up with bands to distinguish different client risk appetites, so that we could be sure that mandates were appropriately calibrated and that people were in the right risk brackets. Then, investment managers' desktops were set up to be automatically populated with measures using the parameters that we had specified.

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bitarisk.

'It operates at two levels: one is mandate compliance monitoring that the client is at the right level of risk, and 'What if?' type work if managers adjust the portfolio in certain ways. It's also very good on concentration risk and ESG if that's part of the mandate.

'With BITA Risk, there was a partnership-type mentality from the start that was the polar opposite of buying something off the shelf. It was very much, "How can we solve these challenges with that partnership mentality?" and the result was a Charles Stanley version of BITA Risk which is unique to us. The investment managers certainly like it.'

Clients do too, Abberley confirms. Being able to demonstrate the highest standards of tech-led risk monitoring has been a significant driver of growth for Charles Stanley over the past decade, allowing the firm to really bring risk - and so its effective management - to life for private clients (it now has 40,000 private clients and £25.4 bn in AuM). Offering a stand-out level of evidencing for risk monitoring has also proven highly attractive to charities.

Continuing the theme of overdelivering, BITA Risk's 2021 implementation of ESG overlays was a 'very, very impressive piece of work', reports Abberley, the first UK wealth chief to sign up for BITA ESG Manager (there are now many other clients following, in both areas of ethical restrictions and ESG).

WHY DRILL-DOWN BEATS BROAD-BRUSH ON ESG

'Naturally, we wanted to be able to show the overall ESG rating the portfolio would have, but more important to us was being able to specify ESG constraints when constructing the portfolio,' he explains. 'We expected a fairly broad-brush process, particularly as the industry was early on in its ESG journey then, but what BITA Risk delivered actually far surpassed what we had asked for: we were given the ability to drill down into the individual sub-components of the E, the S and the G, and, if clients wished, to constrain portfolios by individual characteristics of each.

'They provided us with remarkable flexibility and, therefore, we were able to present an offering to clients confidently at an earlier stage than perhaps others were - although we will certainly continue to evolve it with BITA Risk so we can stay at the forefront of industry developments like improved ESG investment metrics coming on line and, of course, clients' changing demands in this complex area.'

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Turning to the FCA's new set of Consumer Duty rules, Abberley is similarly upbeat and keen to explore technological innovations. Indeed, he - like many others in the industry - sees technology as having the potential to play a *central* role in helping firms meet their obligations in areas like demonstrating value delivery and progress towards the client's desired financial outcomes. Although the principles of the new regime certainly shouldn't be anything new to any wealth manager worthy of the name, Abberley does agree that the sector needs help in evidencing – and even articulating effectively – the good work that it does for clients.

DEMONSTRATING VALUE DELIVERY TO CLIENTS (AND THE REGULATOR)

He explains: 'The problem is that while clients may be highly intelligent, educated and successful, they won't necessarily be familiar with all the jargon of investing and therefore often they can struggle to make an objective evaluation of how good a job the wealth manager has done for them. As an industry we should certainly be exploring new ways of explaining the outcomes we secure for clients in a way that they can really engage with.

'Being able to accurately discern clients' true risk appetites is clearly absolutely foundational to creating portfolios which meet their needs and so we see risk profiling questionnaires as something that should be under continuous improvement. But as the Consumer Duty changes emphasise, you also need the right playback capabilities so that you can ensure clients know exactly what it all means. Leading technology providers can clearly play a crucial role in helping wealth managers translate complex information into plain English so that is easily absorbed and can be presented in attractive ways. I expect that as ever BITA Risk will be working with us in close collaboration on that.'

WHY 'RIGHT-SIZING' IS THE KEY TO CONFIDENCE

ESG and Consumer Duty are of course only two among a long list of major changes the industry has had to adapt to in recent years and there are likely more to come: wealth management certainly isn't the somewhat slow moving (and perhaps relatively low maintenance) business that it was in yesteryear.

But while technological innovation is now at the forefront of most organisations' agendas, few harbour ambitions to almost become technology firms *themselves* by developing solutions in-house; equally, many might feel apprehensive about the level of customisability behemoth providers will really grant them. There is, therefore, a distinct confidence that comes from partnering with 'right-sized' providers, Abberley asserts.

‘BITA Risk is perfect for what we need as a company because, as in all relationships, you want to be of a size that you matter to the provider, but also for them to have the scale to be able to deliver what you want. Those oppositional factors are very nicely balanced with them.

‘I’m personally very pleased that with BITA Risk we’ve enjoyed a partnership approach with a right-sized provider over so many years. It’s not, “Here you go, here’s the latest release.” It really has been a partnership, rather than an arms-length supplier relationship.’

EXECUTIVE TAKEAWAY

Over a decade-long partnership, Charles Stanley has realised numerous benefits from working with a right-sized technology provider. With full confidence that BITA Risk can provide all the customisation it could ask for, the firm has had the confidence to pioneer a new approach to ESG which offers a real ability to drill into the details of clients’ holdings, rather than the broad-brush approach competitors might have to satisfy themselves with.

For more information or to discuss how BITA Wealth can truly benefit your business, please contact bitarisk@corfinancialgroup.com

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ABOUT CORFINANCIAL

corfinancial provides software solutions and advisory services to banking and financial services organisations worldwide. The firm has offices in London, New York, and Boston.

There are five key problem areas corfinancial looks to solve through its primary software and service offerings:

BITA Risk provides Investor Profiling, Portfolio Analytics, ESG Management and Portfolio Monitoring solutions to wealth managers through the BITA Wealth application. Available as individual modules or as an end-to-end solution.

SureVu empowers buy- and sell-side firms to efficiently monitor and track security trades throughout the settlement lifecycle, enabling users to proactively manage and oversee settlement exposure.

salerio is a post-trade processing solution that enables asset managers, hedge fund managers and securities/fund services firms to automate the flow of securities and treasury trades from matching through settlement.

costars is an investment administration platform for third party administrators, fund supermarkets and wealth management companies.

paragon is a comprehensive front-to-back office fixed income portfolio accounting, processing, and reporting solution for banks.

other solutions from

corfinancial.

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paragon.

Fixed-income accounting hub delivers front to back-office portfolio accounting and processing solutions.

salerio.

Automates the flow of securities and treasury trades from matching through to settlement.

SureVu.

Tracks security trades throughout the settlement lifecycle to manage settlement exposure.

costars.

Retail fund/transfer agency solution providing end-to-end administration for collective investments.