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Artorius Wealth

An Ambitious Startup Seizing the Suitability Opportunity

case study

Wealth and asset managers are turning to specialist technology vendors to develop future-proof compliance strategies. Forward-thinking firms are also seeking to wring the maximum business benefits from their technology investments – from enhancing investment performance and risk management, to delivering a more engaging client experience.

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Artious Wealth - An Ambitious Startup Seizing the Suitability Opportunity

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This is one of a series of case studies examining how leading institutions have deployed BITA risk's software in pursuit of gold-standard compliance processes. And for firms like Artorius Wealth, that are growing fast in more than one market, impeccable, replicable and scalable systems are absolutely key.

Greater demands from regulators and clients are driving a dramatic reconfiguration of the wealth management industry - necessitating major technology upgrades for many institutions and arguably making it easier for newcomers unencumbered by legacy systems to compete. Artorius Wealth is at just such an advantage, according to its senior executives, who see implementing BITA risk's software as a key piece of future-proofing the business and positioning it for rapid future growth.

Artorius Wealth opened its doors as a multi-jurisdictional, private family office business at the start of 2015, with an official launch at the firm's Zurich base mirrored in London and its Manchester headquarters in the UK. It is the brainchild of Chief Executive Richard Algar, a former Credit Suisse veteran whose private banking career encompassed roles in Switzerland and several other offshore centres before he began seeking private backing for his new venture and assembling his team (now of 26 members) in earnest at the start of 2014.

Algar's professional experience at a major banking group, and across several jurisdictions, along with his studies in ethical finance, are in fact an important part of the Artorius Wealth story, playing, as they did, a large part in inspiring the ethos of the firm. In short, Algar perceived a real gap in market (or, more accurately, across markets) for an offering combining the best of the independent advisor model - namely a focus on long-term financial planning and personal relationships - with the broad expertise, range of solutions and service delivery of a bank. More specifically, he explained, this meant a servicing model where immaculate compliance processes underpin relationships and portfolio management, and where technology makes activities like risk-profiling really "work for the client", rather than being mere box-ticking exercises.

"A blank sheet of paper"

As a new, independent entrant, Artorius Wealth was at the advantage of "starting with a blank piece of paper" on the technology front, said Algar. Yet in the absence of legacy issues, the firm's founders still faced the difficult task of selecting all the components of a technology platform that they wanted to last for at least a decade. "It's a powerful position, but it has its challenges as well," he said. "You've got to get it right and arrive at something which is adaptable and dynamic for the future." For Atorius Wealth, as with most wealth managers with an appreciably complex or multi-jurisdictional offering, this meant taking a best-of-breed approach to technology that would facilitate top-class, compliance procedures that could anticipate further ratcheting up of regulatory scrutiny.
Conversations with Algar and Artorius Wealth's Chief Operating Officer, Mike Toole, reveal

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both to be firmly in the growing camp of senior executives who speak of enhanced suitability not in terms of a bureaucratic burden, but rather as a natural consequence of best practice and even a differentiator for institutions willing to take the correct client-centric approach. To that end, Algar and his team sought a risk-profiling solution entirely different to the largely meaningless, pro-forma questionnaires deemed sufficient in some corners of industry historically, along with portfolio construction and monitoring system that would allow for a truly customised - yet cost-effective - open architecture approach.

While tailored investment solutions are foundational to the wealth management proposition, cost and compliance pressures have forced a creeping homogenisation of offerings and resulted in even fairly large clients being pushed into model portfolios at some institutions. Artorius Wealth, meanwhile, is using BITA star and Monitor to stand firmly against this trend and to accommodate all the overlays that the sophisticated, £3m plus clients the firm is targeting tend to require, said Toole. As he explained, not only does BITA star enable delivery of optimised asset allocations directly mapped to precise risk bands, it also has the flexibility due to the nature of the profiling questions and the extensive data and computation set to be usable across multiple jurisdictions.

The massive fines being meted out amid the international crackdown on investment suitability have made impeccable audit trails essential. Yet for Toole, using BITA star as a springboard for real client discovery, and investment education, is where the true value lies. “Rather than being a chore, we wanted suitability to be a real value-added opportunity - one where we could engage with the client, take feedback and hopefully change their perceptions,” he said, explaining that the firm actually sees the first report generated by BITA star as only about a quarter of the journey. “The real journey is the conversation about that report and trying to challenge the client to have a really good conversation about the terrain and their true objectives,” Toole continued.

It is for these reasons that Artorius Wealth opted for a risk-profiling solution designed specifically for the private client market and which offered further customisability for sophisticated, cross-border investors (serving Dutch and Italian clients booked in Switzerland is a major focus for the firm). “Many of the other solutions we looked at simply wouldn’t have worked for our clients,” Toole said. “The client engagement wouldn’t have been great and some of the set questions were frankly patronising towards UHNWs.” As he rightly pointed out, asking someone with £50m to invest, how they would feel about losing their job while having a £350,000 mortgage is completely irrelevant - not to mention exceedingly tiresome to clients who are likely to have been “re-papered” many times by their various providers over the years.

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At this point Algar confirms that, in contrast, his firm’s use of BITA star has resulted in “very positive feedback” from clients, noting that one remarked “that was the first risk profile I’ve ever gone through that has made me think”. Furthermore, this client reported that he actually found the risk-profiling process enjoyable, as “he felt he understood the journey – of what he was buying into and the risk he was taking – a lot better”, Algar added. This contrasts with recent research that showed that 54% of advisors believe the client experience during the onboarding process has been negatively affected by the extended questioning and evidencing required today*. It may be ambitious to try to achieve a pleasurable risk-profiling process, yet the potential to differentiate and better engage clients through a dynamic tool is clear. As Algar points out, this engagement and education is actually key to mitigating compliance risks;

asking the wrong kind of suitability questions and not illustrating scenarios clearly will naturally generate insufficient responses and store up trouble for later down the line.

Transportable, scalable

Amid a worldwide frenzy of regulatory reforms, the UK has been at the vanguard of moves to improve transparency and institutional conduct with its Retail Distribution Review; while the UK regime may go further than most in its blanket ban on commissions, the otherwise close replication of the RDR's broad principles in other international reform programmes, particularly around suitability, has been striking.

Algar and Toole therefore believe that getting things right in the UK creates a "transportable model" which will put the firm ahead of the game. "The Swiss market is moving very quickly to a UK style of regulation and we believe this will be a real competitive advantage as a lot of what we've already built exceeds the average standard in the Swiss market," Toole said. As Algar noted, his firm has a laser-sharp focus on regulatory readiness while others in the Alpine state continue with business as usual in the (probably naïve) hope that the legislation will eventually be watered down. "Our compliance consultants recently told us that, assuming 2017 brings what is expected, we are already compliant," he said.

Several Acts to bring the Swiss regime into line with MiFID II rules (and possibly even exceed them) are set to come into force in 2017, making a massive shake-out of the country's external asset managers almost inevitable as compliance and cost pressures mount. "The Swiss market is very interesting to us over the next two to three years because of the coming consolidation," said Algar, emphasising that this in no way detracts from the firm's ambitious plans in the UK. The fact that even venerable Swiss private banking brands are turning their attention to Manchester underscores the booming northern wealth hub's growth potential.

Algar is aiming for Artorius Wealth to garner £1-1.5bn in assets under management within just a few years as he also eyes further expansion in centres such as Singapore or possibly Dubai. He sees making high-quality technology investments as a crucial part of fulfilling these ambitious growth plans – and, in fact, as the foundation of being able to successfully start a new business at all in today's environment.

"We are dealing with clients with high expectations of what they get from financial providers and as a new entrant to the market if you try and operate without the credibility of the right systems, the right interfaces for clients and the right policies then you will just fail," Algar said. "Also, we are looking to build a significant business in multiple jurisdictions which meant we had to build for where we want to be in five, ten years' time."

For Algar, establishing a "best-of-breed, transportable infrastructure" is the key to the kind of rapid – yet sustainable – growth across multiple jurisdictions Artorius Wealth is pursuing. One-size-fits-all suitability processes are no longer sufficient as firms seek ever more sophisticated ways to evidence that they do really "know their clients" and are giving them appropriate investment advice. As such, nor is one-size-fits-all software, in Algar's view – despite any additional effort and expense looking beyond the "standard issue" systems might entail. "Everything is built to be scalable and has a minimum ten-year horizon," Algar said. "Whereas a lot of new start-ups try to do it in a cheap way, we've invested upfront in the architecture that will sustain us for the future."

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