



TALKING WITH



Talking leadership and ETFs with Chris Cummings, Chief Executive at The Investment Association and Richard Romer-Lee, Chief Executive Officer at Square Mile



Chris Cummings

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HOW DID YOU GET INTO THE INDUSTRY?



Contrary to popular belief, most people who end up in financial services didn't go to Oxford or Cambridge. In fact, they come from a wide variety of backgrounds. I grew up on a council estate in Yorkshire where coal mining was the main industry. I was the first person in my family to go to university, which is where I read about how the City works. I had only heard about it on the news and found it fascinating. I wrote to the Lord Mayor, who had established an introductory session on "How the City works" for non-Oxbridge people. A group of us spent a week taking in the City's highlights including Lloyds of London, the Bank of England and Standard Chartered Bank. I fell in love with the place.

IS THE INDUSTRY DOING ENOUGH TO PROMOTE DIVERSITY?

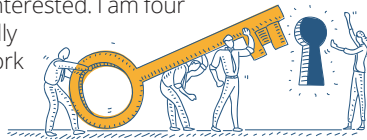


To say yes would be complacent - there is a long way to go. The desired outcome is better investment returns which result from better run companies with workforces, leadership and boards with diversity and inclusion. There are milestones to getting better - one of which is around gender. At the IA our board is now 44% female. We should be the industry guinea pig for setting the right example.



WHAT LED YOU TO THE INVESTMENT ASSOCIATION?

It struck me that the investment management industry was underpowered in its representation. When the opportunity at the IA came up, I saw the chance to help transform it at a time when politicians and the media were becoming more interested. I am four and a half years in, and it has been really enjoyable so far. It's a great place to work and I have extremely high quality, committed colleagues.



WHAT DOES YOUR ROLE ENTAIL?

I stay close to our members and find out what's on their worry list so we can try to help solve problems, ideally before they happen. I spend perhaps more time than is healthy with politicians and regulators - but I thoroughly enjoy doing so. I work with and support the IA board and my colleagues to set the strategy for the organisation and to make sure it is delivered. We have one and three-year strategies, a five-year vision and a 10-year trajectory.



WHAT'S YOUR EXPECTATION FOR THE ADOPTION OF SFDR OR AN EQUIVALENT IN THE UK?

We are working with the UK regulators as to the thinking of Britain's own requirement to implement sustainable and responsible investing. We must have regulatory alignment with SFDR and what the UK chooses to do must cohere with European regulations, otherwise divergence could be uncontrolled. In addition, US standards, the development of which were absent during the Trump presidency, need to cohere with the UK and Europe. The UK has an opportunity to influence this, what with the G7 and COP 26 summits this year.



WHAT ABOUT THE RISKS OF DIVERGENCE?

This could happen in either direction - the UK can stand still or, especially with the rate of change and regulatory expectations inside it, the EU could move. It's why we pushed very hard for the establishment of the regulatory dialogue forum - which has now been agreed between the UK and the commission.

It creates a framework where both parties can share a fair warning of what's planned and agree what the political bandwidth is for divergence. That way, nothing comes as a surprise and it would facilitate the smooth working of the market, which is what we are really concerned about.

Hopefully political tensions calm down in the coming years and regulators can focus on applying the rules. This will mean businesses across Europe can focus on serving clients' needs rather than constantly worrying about politics.



WHAT IS THE IA'S ROLE?

We manage £8.5trillion of saver's money and it's our responsibility to be more transparent, more open and exercise our responsibility as stewards of this money. I am very proud of the industry's work on stewardship - it can help change the world, what companies do and how they are governed.

Demystifying investment management, helping people to understand how to build up savings and saving wisely is a big part of what we are about. More of our members are increasingly having more direct relationships with investors. The direction of travel in this regard is very clear. We are taking investment management to the people!

WHAT ROLE WILL THE IA PLAY IN ADDRESSING THE ISSUE OF CLIMATE CHANGE?

Climate change and its impact on the environment is the number one issue we all face. We published an industry agreed climate change statement, which maps out how the industry is approaching climate change and how we are working with asset owners to meet their needs. It also set out expectations of UK and international policy makers moving to net zero. The industry is showing real leadership, with over £5trillion of assets committed. As part of the COP 26 agenda, the investment management industry is way ahead of banks and insurers.



WHAT'S YOUR VIEW ON THE FCA'S ASSET MANAGEMENT MARKET STUDY?

There was very little in it we would disagree with. We are committed to higher standards of governance and price transparency – especially when it comes to achieving the aim of a retail investor understanding what they are paying for the service they receive. In this regard, the market study was a helpful step forward, but we need to continue to build this understanding. Ultimately it is about value for money and so we support the value assessments. As an industry we can go even further and it's great to see some firms using the value assessment reports to showcase what changes they are making and the impact they're having.



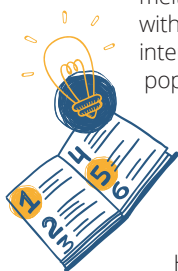
THE IA HAS RECENTLY ADDED ETFs TO ITS SECTORS – HOW BIG DO YOU THINK THE ETF MARKET WILL BECOME IN THE UK?

We have seen the index market grow substantially over recent years. The ETF market will continue to grow, and so it became increasingly odd that we did not include them. We have seen that during this particular crisis ETFs stood up well and their continued growth is to be expected and welcomed. Over 60% of UK investors have a combination of active and passive investments in their portfolios.



HOW WILL THE INDUSTRY LOOK LIKE IN 10 YEARS?

There is likely to be much structural change ahead with many of the silos melting away. More of our members will have direct relationships with retail clients - and this will emulate what is already happening internationally. There will need to be more answers to the ageing population dynamic, addressing longevity through pensions and long term and chronic care needs.



We will help improve governance in private markets, where many of the companies of the future. The advent of Long Term Asset Funds will facilitate this. I also expect to see mass customisation and more personalised solutions. As Andy Haldane has said - the age of asset management is coming.

HAS BREXIT BEEN NEGATIVE FOR THE UK ASSET MANAGEMENT INDUSTRY?

I'm in the camp of thinking that Brexit's come, Brexit's gone, and the UK should be the leading investment management centre for the next 20 years – how do we make that happen?

For international business, the UK is the leading international investment management centre. The challenge is how can we grow our profile outside of the EU and attract more business from other parts of the world. That had been happening and over the past four or five years, the fastest growth we have seen has been in business levels from outside of the EU, from for example the US, Latin America and the Middle East and Asia and China. It's become mission critical.



We have set up our own trade and investment committee to help our members internationalise their business. We need to work at all levels to make sure regulators don't introduce changes that could cause market disruption. Nobody wants to see markets being dislocated, as this is bad for savers and investors.

WHO HAS INSPIRED YOU?

I am a big fan of Sir Clive Woodward. He took a group of individuals with big egos, dismantled them and rebuilt them as a top notch team. There is so much to learn from him in how to support others and help them to become the best they can be. The role of any and every CEO and manager should be helping people to be better.



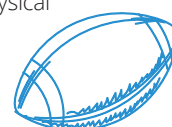
WHAT ADVICE HAS SERVED YOU WELL?

To remember that it's a small world – which was meant as a warning that you never know who you will bump into. And to build a network – you can never know too many people.



HOW DO YOU RELAX?

My family. My wife and I have three children who are now grown up and nearly off the payroll. I am a huge rugby and Leicester Tigers fan. I grew up watching rugby league at Headingley but felt the game rather lost its way as it became professional. I switched codes to follow rugby union – it's more physical and has a great ethos.



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