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Date

12<sup>th</sup> October 2017



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Competition and Markets Authority  
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Dear Mr Swan

**Investment Consultancy Services and Fiduciary Management Services Market Investigation  
- CMA Statement of Issues (21 September 2017)**

**Introduction**

Legal & General Investment Management (LGIM) welcomes the Competition and Markets Authority's investigation into UK investment consultancy and fiduciary management services, and strongly supports all actions to maintain a competitive environment. We believe any approach that aims to establish clarity in terms of choice, cost, and the management of potential conflicts of interest will be beneficial for customers.

**About LGIM**

LGIM is the asset management business within the broader Legal & General Group, and provides asset management services to a broad range of institutional and retail investors. This includes the provision of traditional asset management services to both defined benefit (DB) and defined contribution (DC) pension schemes in the UK and overseas.

LGIM does not provide stand-alone investment consultancy services, actuarial consulting services, corporate consulting or scheme design services. We work with and are researched by investment consultants and employee benefit consultants when providing traditional asset management services, and are therefore familiar with the key investment consultancy market participants.

In 2016 LGIM launched a fiduciary management service for UK DB pension scheme trustees, which combined overall portfolio asset management with the provision of investment advice (Section 36 Pension Act 1995 investment advice). Our service only uses LGIM's internal funds and capabilities, and we do not offer external manager research or manage non-LGIM funds as part of our offering. We do not offer 'partial fiduciary management' (i.e. acting as investment consultant while using our own products in only part of a portfolio).

We view fiduciary management as a service for DB pension scheme trustees who face a governance challenge, and wish to overcome that challenge through greater use of delegation. The key benefits of a fiduciary management approach will typically be a focus on understanding individual scheme circumstances and setting appropriate scheme-specific objectives, diversification of growth assets, improved liability hedging, and increased dynamism. When operating successfully, fiduciary management combines strategic investment advice and

investment execution in a cost-efficient and holistic way to help trustees improve scheme funding outcomes.

We believe fiduciary managers have a responsibility to ensure their clients' interests always come first, and as such we have made the management of potential conflicts of interest central to our approach. When operating in this manner we believe fiduciary management can be highly beneficial to our clients, significantly improving outcomes for pension schemes and their members.

#### **Our views on the CMA's Statement of Issues**

We believe the CMA's Statement of Issues reflects a good understanding of the markets for investment consultancy and fiduciary management services in the UK. We believe it correctly identifies the key issues to include within the scope of its investigation, along with a comprehensive list of potential remedies should any adverse effects on competition be found. We do not have any further specific comments to make on the individual issues or potential remedies at this time, other than to confirm we recognise the importance of the Investigation given the significant impact the services being investigated have on individual savers.

We look forward to working with you during the course of your investigation, and would be happy to assist in any areas that we can.

Yours sincerely



**Paul Sweeney**  
LGIM General Counsel