

Project Manager
Investment Consultancy Market Investigation
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

12 October 2017

Dear Sirs

Schroders response to the Statement of Issues in relation to the CMA investment consultancy services and fiduciary management services market investigation (the "Issues Statement")

We welcome the opportunity to respond to the CMA in relation to its Issues Statement.

Schroders established a fiduciary management business in 2013 in response to client demand for combined strategic advice and investment management aligned with the scheme's objectives. We are transparent on the scope of our role, the fees our clients will be charged and the way in which our performance can be assessed.

We note with respect to paragraph 34 that smaller pension scheme trustees are often more reliant on investment consultant advice than trustees of larger ones as they tend to have less financial resource to consider investment strategy internally.

In relation to paragraph 40 and the methods for assessing market outcomes, we note that each pension scheme is unique and there will be challenges in assessing the quality of services provided to a pension scheme in quantitative terms. However, one way of assessing is to consider a pension scheme's funding level requirement and how different components of the services, like asset allocation, have contributed to the pension scheme reaching its funding level trajectory. It is important, therefore, when assessing performance to look at the total funding level requirement, service levels and how the total assets have been managed against the pension scheme's liabilities.

We are supportive of measures to strengthen the demand side as noted in paragraphs 48 and 49 and the benefits of continuing trustee education and having a professional trustee on the trustees' board to help trustees understand whether the advice they are getting delivers value for money and what other alternative options are available. We run a free trustee training programme on an annual basis which covers training on a wide range of different asset classes and techniques, as well as how to manage the risks associated with them.

We are supportive of measures that will ensure transparency on the supply side. At the outset of a new fiduciary management relationship there should be clear articulation (as we believe we offer our clients) of the role and responsibilities of the fiduciary manager.

Equally, trustees should have a full understanding of the total fees that they will incur. We clearly articulate the total fees that clients will pay, breaking the fees into their component parts. The total fees incurred by the client will be required to be set out in even more granular detail as a result of the obligations under the Markets in Financial Instruments Directive (**MiFID II**).

The client should be able to monitor the fiduciary manager and assess their performance. We, along with many fiduciary managers, have signed up to report performance of fiduciary management services in accordance with a standardised performance disclosure standard which is being set by a wholly independent oversight and selection organisation. We welcome the CMA's comments in paragraph 98 on standardised reporting and would be happy to share more information on this with the CMA.

In relation to paragraph 57, we agree that the CMA should investigate whether there are actual or perceived barriers to clients switching between fiduciary managers. We do not charge an exit fee if our fiduciary management clients wish to switch to another provider.

The identification and management of conflicts is very important in financial services. The CMA's concern in paragraph 67 can be managed if the appointment of a fiduciary manager has followed a transparent and objective process. Following the appointment of a fiduciary manager, it is important that trustees have the ability to monitor and assess the performance of that provider in an independent and objective manner.

Finally, in our view, extending the regulatory perimeter to include investment consultancy and fiduciary management services would mean a consistent and level playing field for all participants in this industry.

We would be happy to discuss in further detail and look forward to working with the CMA during this process.

Yours faithfully

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Peter Harrison)