

## **INVESTMENT CONSULTANTS - MARKET INVESTIGATION**

### **Summary of hearing with the Investment Association (IA) held on 25 October 2017**

#### **Scope of CMA Investigation**

1. The IA confirmed that pension schemes were the single largest client group for the UK asset management sector.

#### **Outcomes**

2. The IA was very supportive of increased transparency and better governance such as clarity of fees and associated costs for institutional investors. They noted that there are various transparency initiatives in the UK asset management sector at present. MiFID would facilitate increased transparency within fiduciary management services offered by MiFID-regulated entities, as a result of the enhanced disclosure of costs and charges of the portfolio management activities involved.
3. In the context of discussion around trustee capabilities, they noted that asset managers offered services including some free training direct to pension trustees.

#### **Vertical integration – fiduciary management**

4. The IA noted that, while investment consultants appeared to have begun the fiduciary management service, a small number of asset managers were now offering it, including the investment advice that forms part of the service. At present, one large asset manager has a significant presence in the fiduciary management market, although a number of other asset managers have entered in recent years. They noted that the KPMG and Aon surveys are the main sources of publicly-available information about the fiduciary management market in the UK.
5. They noted that there could be a potential competition issue arising because of investment consultants' knowledge of asset managers (gained through the manager recommendation work) when they are now operating similar services.

## **Potential remedies**

6. The IA considered it premature to speculate on appropriate remedies, but reiterated its view that the extension of the FCA regulatory perimeter was desirable. It appeared an anomaly that while retail investment advisers are FCA-regulated, investment consultants are not.
7. The IA noted that there was a need to look at tendering, but that separating investment consultant and fiduciary management services structurally could be disproportionate and reduce competition.