Peter Swan
Competition and Markets Authority
Victoria House
37 Southampton Row
London
EC1B 4AD

22 March 2018

Dear Peter

RESPONSE TO WORKING PAPER: INFORMATION ON FEES AND QUALITY DATED 1 MARCH 2018 IN RELATION TO THE CMA'S MARKET INVESTIGATION INTO INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT SERVICES

We welcome the opportunity to comment on the CMA's working paper on fees and quality dated 1 March 2018. We have considered the contents of the paper carefully and set out our thoughts below in relation to the fee information we currently provide to our clients.

Fee transparency: Schroders' practice

We support the CMA's focus on transparency. We have been and remain committed to providing the full transparency necessary for trustees to make informed decisions: at the outset of a new fiduciary management relationship with a client, we set out clearly our role, the total fees payable by our clients and the way in which our performance will be assessed. We provide a break down of the fees payable into the component parts of our fiduciary service, which are investment strategy advice under Section 36 of the Pensions Act 2014 and the investment management of the assets, and we specify the services provided under each component. Our fees are inclusive of any third party fees which are likely to be a small part of the whole and of which the client will have been made aware in advance so that our clients are fully aware of the total cost of their investment arrangements and exactly what services are included.

Our approach is to charge fees in relation to advice and investment management based on the level of assets under management and the underlying investment strategy so that clients have certainty of the fees charged at the outset. Where the strategy may change over time in line with a pre-agreed de-risking schedule, we provide an estimate of the fees at each de-risking point.

Fees for the provision of investment management services are charged directly within the funds that a client invests in. The fees relating to investment advisory services and asset allocation advice i.e. investment strategy advice under Section 36 of the Pensions Act 2014 are charged via regular invoices provided on a quarterly basis and these invoices set out the total fees which includes those taken directly at fund level.

Regulatory landscape in relation to fee transparency

In addition to the breakdown we provide to clients at the outset, our asset management business is regulated by the requirements of MiFID II and its enhanced and very specific provisions around fee reporting means that we will be providing all costs and charges incurred by a client net of fees on an annual basis. MiFID II may not apply to all organisations providing fiduciary management services as they may not conduct business in an authorised MiFID investment firm.

We are closely following the FCA's work on an institutional disclosure template following the FCA's asset management market study. We understand that this template will have three different levels of information for different purposes which will drive transparency further for clients. We are supportive of this standardised template and we look forward to contributing to discussions on this template when the FCA publishes this.

Proposed remedies

In respect of fee transparency, we believe that applying the MiFID II disclosure framework to all firms providing fiduciary management services would mean a consistent disclosure framework for all clients rather than differing levels of disclosure information depending on their fiduciary management service providers' regulated status.

In respect of information on quality and performance, we note that each pension scheme is unique and there will be challenges in standardising qualitative assessments of fiduciary management services in order to be helpful to prospective clients. We have suggested in our response to the Issues Statement dated 12 October 2017 that one way of objectively assessing the quality of services provided 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.

We are supportive of any measures that would help empower trustees and we believe that also extending the regulatory perimeter to include investment consultants will mean a consistent and transparent playing field for all participants in the industry.

We would be happy to discuss our comments in further detail.

Yours sincerely

Charles Prideaux
Global Head of Product and Solution