



KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom
Tel +44 (0) 20 7311 1000

Mr Peter Swan
Markets and Mergers Group
Competition and Markets Authority
Victoria House
37 Southampton Row
London
WC1B 4AD

12 April 2018

Dear Peter

Investment consultants market investigation

KPMG Response to CMA Working Paper 3 – Supply of fiduciary management services by investment consultancy firms

Please find enclosed the response submitted on behalf of KPMG LLP to the CMA's Working Paper dated 29 March 2018 on the supply of fiduciary management services by investment consultancy firms.

Yours sincerely

KPMG LLP

Enclosures: KPMG response to Working Paper

KPMG response to Working Paper

Thank you for affording us the opportunity to comment on the CMA's 'Working paper: Supply of fiduciary management services by investment consultancy firms' (the "**Working Paper**"), published on 29 March 2018.

At the outset, we should declare that we do not offer fiduciary management ("**FM**") services, and thus would not be considered an IC-FM firm (as defined in the Working Paper). We do assist trustees in appointing and monitoring FM providers and so are aware of some of the demand side issues raised by the CMA. Overall, we agree that it is of utmost importance that trustees considering the move to FM are doing so in an informed manner, and that those choosing to pursue FM for the first time undertake a suitable level of market testing.

In relation to the CMA's remedies, we would note that:

- Any measures to **encourage trustee engagement** would be welcome, provided they are found to be proportionate. In relation to mandatory tendering for the first adoption of FM, we note that this would be sensible, provided the remedy included minimum criteria¹ for the tender process (including guidance on assessment) and the level of expertise from third parties required to support the trustees. Any support that helps trustees assess the options available to them, and the pros and cons of the options would be helpful. We consider that disclosure of the appointment process by the Chair of the Trustees to the TPR would provide an incentive to maintain a rigorous selection process, and that guidance in this regard may also prove helpful.
- With respect to **schemes that have already chosen FM**, our view is that ongoing monitoring of providers is key. Measures which enable trustees to improve the level of independent ongoing monitoring of FM would be welcome, and we think that this is an area the CMA should strongly consider.
- **Measures to reduce the risk of conflicts through controlling or incentivising firm behaviours** are important, and are likely to be complex processes. Our overarching view is that any proportionate measures that help to ensure the client is buying a service that they understand, is right for their circumstances and has been appropriately benchmarked against the market are likely to be sensible.

We also note that despite consideration of potential remedies in this Working Paper, it remains an open question (on which the CMA has yet to reach a provisional view) as to whether an AEC has been found to arise in relation to the provision of investment consultancy or fiduciary management services. Furthermore, while in some cases the remedies outlined appear helpful, it is difficult to assess proportionality in the absence of any estimates of a) costs or b) detriment. We look forward to the opportunity to engage further with any proposed remedies, as appropriate.

¹ We note that the CMA's additional remedy questions included a question on the minimum scope for a tender process. Were this a remedy the CMA considered in greater detail, we would be happy to provide further views on what a "good" scope would look like from our perspective as an independent evaluator of FM providers.