

CMA INVESTMENT CONSULTANTS MARKET INVESTIGATION

14 May 2018

Competitive Landscape

Redington response to CMA working paper

The CMA's emerging thinking is that there are separate relevant markets for the supply of IC and FM services to pension schemes in the UK.

In our experience as an IC-only provider, there is a clear overlap between the services IC providers and FM providers can deliver and we clearly face competition from providers of FM services. We do not see the IC and FM markets as separate from each other, rather that there is overlap where such services may replace each other.

From a client outcome perspective, we believe that in many circumstances an IC provider can deliver a better and cheaper solution for pension funds versus an FM provider. Reading your previous working papers, and from our own experience, we agree that it is important for the CMA to consider competition at the stage of choosing an FM provider (particularly the first) but that it is at least as important to consider competition issues at an earlier stage where the pension schemes consider the alternative types of provider i.e. whether to use an IC provider or an FM provider.

We have concern in relation to the frequency with which an IC mandate may be replaced with an FM mandate without consideration given to opening the existing mandate up to other IC firms.

We, therefore, consider it essential that the CMA considers:

- › The interrelationship between IC and FM services rather than simply viewing them as separate services; and
- › Competition factors at both appropriate decision-stages as per below:
 1. Whether to stay with the incumbent IC versus moving to another IC or alternatively an FM provider
 2. What is the right FM provider for them if they have decided appropriately to move to FM rather than IC