

Investment Consultants Market Investigation

Competitive Landscape Working Paper and Barriers to Entry and Expansion Working Paper

Firm A Response

We welcome the majority of findings and observations made in the CMA's Working Papers on the Competitive Landscape and Barriers to Entry and Expansion. However we wish to draw the CMA's attention to two key areas which we feel may be under-represented in the working papers.

I. Investment Consultants without a Fiduciary Management Business can act as a barrier to expansion for Fiduciary Managers

The Competitive Landscape Working Paper clearly lays out the Industry Players in the Fiduciary Management (FM) and Investment Consulting (IC) Markets (Industry Players P 16 Figure One) identifying a number of IC participants who do not have a FM business. This is also covered in the Working Paper on Barriers to Entry and Expansion (P21, Perceptions of Conflicts of Interest and Benefits of Bundling – Points 78 – 81) with reference made to potential barriers to entry to FM for these participants.

One area that is not referenced (in either working paper) is the fact that IC firms who do not have a FM business can act as a barrier to the expansion of Fiduciary Management. These firms are highly unlikely to either raise FM as an alternative model to their IC clients, or to recommend or assist in considering this model if a client should raise the possibility of FM to their incumbent IC themselves. Despite their role in advising pension schemes on the best approach to achieving their objectives, ICs without a FM business are dis-incentivised to assist their clients in considering this model due to the potential risk of losing their client.

We have seen this occur on a number of occasions where pension schemes who had interest in considering FM as an alternative model for the management of their scheme were actively 'put off' from doing so by their incumbent IC who did not have an FM business.

We believe any remedies put in place by the CMA must take account of the potential conflict of interest faced by such firms. [X], Fiduciary Management must be considered as a competitive model to investment consulting – and one which has demonstrated material benefits to clients. The CMA must be careful to protect this growing industry. Without this, certain remedies may result in less competition for investment consulting.

II. Challenges with the competitive landscape for DC Master Trust providers appears to be missing from these Working Papers

Although DC Master Trusts, and the potential competition issues with ICs offering this service to existing clients, were clearly referenced in the scope of the CMA's Issues Statement (Issues Statement Points 20,64,65,66,68,70,71,107,108,116,119,120,121) we were surprised to see no reference to DC Master Trusts, in this context, in either the Competitive Landscape or Barriers to Entry and Expansion Working Papers.

It is our belief that many of the issues raised in relation to the Competitive Landscape and the Barriers to Entry and Expansion for Fiduciary Management also apply to DC Master Trusts. [X]. For

many of the same reasons articulated in the papers in relation to ICs offering Fiduciary Management, ICs are able to dominate the DC Master Trust competitive environment due to their ability to promote their DC Master Trust service to their incumbent clients and, in some cases, to advise their clients to use their own DC Master Trust service without a tender process.

We would urge the CMA to consider DC Master Trusts when considering the Competitive Environment and Barriers to Entry and Expansion for these markets.