

NON-CONFIDENTIAL VERSION OF RESPONSE
24 APRIL 2018

CMA INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT MARKET INVESTIGATION

MERCER'S RESPONSE TO THE SUPPLY OF FIDUCIARY MANAGEMENT SERVICES BY INVESTMENT CONSULTANCY FIRMS WORKING PAPER

This is the response by Mercer Limited (**Mercer**) to the Supply of Fiduciary Management Services by Investment Consultancy Firms working paper (**WP**) dated 29 March 2018.

1 Executive summary

- 1.1 Overall, the evidence cited in the WP does not support a finding of a potential competition concern arising from the investment consultancy as well as fiduciary management (**IC and FM**) model, nor does it support the theory that IC customers may be inappropriately encouraged towards in-house FM services against their best interests.¹ Rather, the CMA's evidence illustrates that:
- (a) in relation to trustee behaviour:
 - (i) **Trustees are satisfied and consider conflicts to be generally well-managed.** The overwhelming majority (95%) of respondents to the CMA's survey are satisfied with their FM service² and the majority (70%) feel that the potential conflict of an IC *"steering clients into their own FM services"*³ is either not a problem in the market, or one that is generally well managed.
 - (ii) **Trustees are sophisticated purchasers of FM services.** Trustees frequently test the market and/or use third party evaluators – according to the CMA's survey *"those schemes that also purchase FM services from the same provider are more likely [than those purchasing only IC services] to undertake an external review of fees and/or quality"*.⁴ If they are unhappy, there is a real prospect they will switch away.
 - (b) in relation to IC and FM firms' behaviour:
 - (i) **There is no clear and consistent pattern to link firms' margins (or remuneration policies) with an incentive to encourage clients inappropriately towards FM services.** The WP assumes that FM services are universally higher margin and, as such, this would incentivise firms to point clients towards FM solutions. [§<]. It also overlooks the real risk of a client potentially appointing a different firm altogether to be its FM provider. For instance, in the case of Mercer, [§<]. Further, and consistent with Mercer's own staff remuneration policy, the CMA has found no evidence of individual investment consultants being incentivised additionally or any differently for introducing clients to FM.
 - (ii) **IC and FM firms have developed detailed written policies to deal with conflicts issues, and the majority, including Mercer, go further.** This includes outlining management strategies and sanctions for failure to comply – which illustrates that the conflicts arising from the IC and FM model are generally well understood and well managed.⁵ This may not be the case for businesses with

¹ WP, paragraph 2.

² CMA survey, page 14: 95% of respondents are either "very" or "fairly" satisfied with their FM service.

³ CMA survey, page 18.

⁴ The CMA's working paper on Trustee Engagement published on 12 April 2018, Table 3 and paragraph 58(d).

⁵ This is further reinforced by the evidence indicating low levels of cross-selling (see below).

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different business models. Given the potential for conflicts to arise in any professional services sector and across business models, we see no reason why potential conflicts from the IC and FM model are any more significant than those associated with single-service models. Indeed, we are concerned the CMA has sought only to focus on conflicts arising from the IC and FM model at this stage.

- (iii) **The evidence is inconsistent with an industry policy of inappropriate cross-selling.** The CMA acknowledges that businesses have a legitimate incentive to promote their products.⁶ Even so, contrary to the CMA's emerging finding, only a minority of schemes said their IC provider had ever raised FM.⁷ This supports our view, and reflects our experience that cross-selling is not being pursued at inappropriate levels. Moreover, even where cross-selling is a relevant strategy, an IC continues to have a duty to provide appropriate advice – we will only ever suggest FM where it could be relevant and beneficial for the client.

- 1.2 We therefore reject any assertion that our clients are encouraged to consider products which may not be in their best interests. This contradicts our fundamental approach to working with our clients and putting their interests first. As an integrated IC and FM firm, we provide clients with a choice of solutions and access to our capabilities across the range of our services. Thus, offering FM in addition to IC services generates synergies and additional benefits for pension scheme trustees, which are not easily replicated by a single service provider.⁸
- 1.3 However, notwithstanding the benefits of the continuum of the IC and FM services model, and the CMA's recognition of the growing demand for FM services, the CMA suggests there is "some evidence" that "could be consistent" with "some customers" being "steered towards" FM.⁹ This emerging finding is framed in an extremely tentative manner and is unsupported by the WP evidence we have seen – it also does not accord with the positive customer outcomes¹⁰ apparent in the market.¹¹
- 1.4 As such, given no competition concern has been established, even at an emerging level, we consider it inappropriate for the CMA to consider remedies in detail at this stage. In particular, the CMA should be mindful of the risk of undermining the benefits to trustees associated with the IC and FM model (especially given the high levels of trustee satisfaction)¹² and the risk of introducing excessive costs and burden on trustees when no adverse effect on competition (AEC) is apparent.
- 1.5 We set out in the following sections detailed comments in respect of each of the CMA's emerging findings. Notwithstanding our concerns noted above, we also provide comments on the potential remedies under consideration by the CMA and, in Annex 1, respond to the additional questions on remedies set out in the WP.

2 Customers' decisions to opt for FM services

- 2.1 In its demand side assessment, the CMA has considered customers' decisions when it comes to selecting a FM provider. However, the emerging findings in paragraphs 71 and 72 of the WP do not indicate a competition problem from customers' perspectives and overstate the evidence relied upon. Looking more closely at the evidence:

⁶ CMA Issues Statement, paragraph 67.

⁷ CMA survey, page 17.

⁸ As noted by the CMA in paragraph 130(b)(ii) of the WP.

⁹ WP, paragraph 123.

¹⁰ We note the the CMA is separately assessing outcomes for customers of IC and FM firms as part of its outcomes work stream.

¹¹ For example, see paragraph 2.2 below.

¹² See paragraph 1.1(a) above.

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- (a) **The CMA's survey results illustrate the active role of clients in the decision to obtain FM services.**
- (i) Only 19% of all schemes said that their IC provider had ever suggested FM.¹³ This is a very low proportion – if a policy of inappropriately introducing clients to FM were indeed prevalent in the market then it could be expected that far more clients would have had FM suggested to them.
 - (ii) Of the total number of clients buying FM and who could remember the process (i.e. excluding 'Don't Knows'), the greatest proportion (42%) said it was their own initiative to pursue FM, with only 28% saying they had been prompted to do so by their existing IC provider.¹⁴ Again, this is far below the level that might be expected if firms were consistently encouraging clients into FM.
- (b) **The CMA's theory that clients may be "steered" is not consistent with our own experience of dealing with clients.** Trustees are sophisticated purchasers – often well advised or supported by independent parties (such as third party evaluators). In our experience, any appointment for FM services has followed careful deliberation with the client as to whether FM services are appropriate. Even once FM is deemed an appropriate route to explore, it is no guarantee that we, as the IC firm, will be appointed as the FM provider.
- (i) Over eight years, [3%] of Mercer's IC clients have become FM clients ([3%]).
 - (ii) Since 2012, [3%].
 - (iii) The process itself for appointing an FM provider is not consistent with the CMA's theory. In our experience, a trustee's decision to adopt FM is usually taken over an extended timeframe and after a thorough review process which includes considering other providers.
- (c) **Trustees frequently test the market – and seek independent third party advice – before appointing an FM provider.**
- (i) The decision to obtain FM services is not one trustees take lightly – as noted by the CMA,¹⁵ it can take several years. These lengthy timelines are reflective of increased testing of the market and of the time taken by trustees to obtain independent advice. For instance, 60% of schemes appointing a fiduciary manager in 2017 received independent written advice on FM selection and appointment, compared with 23% in 2015 and 33% in 2016.¹⁶ This is only likely to increase further – particularly in light of the Pension Regulator's recent initiatives.¹⁷
 - (ii) In addition, there is evidence of increased numbers of pension schemes holding a competitive tender process: the CMA's survey found that 70% of schemes that purchased FM for the first time, and could remember the purchase (i.e. excluding 'Don't Knows'), said they ran a tender process.¹⁸

2.2 Furthermore, the CMA's statement in its emerging finding that *"a large proportion of pension schemes buying FM services selected a provider that was also their existing investment*

¹³ CMA survey, page 17.

¹⁴ CMA survey, page 17.

¹⁵ WP, paragraph 102.

¹⁶ See KPMG's 2017 'UK Fiduciary Management Survey'.

¹⁷ For example, the 'Trustee Toolkit' (<https://trusteetoolkit.thepensionsregulator.gov.uk>).

¹⁸ CMA survey, page 69.

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*consultant*¹⁹ appears to be a broad-brush conclusion relating to 55% of the client-level data in the CMA's sample.²⁰ This is not in itself indicative of a problem: the CMA should consider the strong likelihood that trustees who opt for their IC firm to also provide FM services may do so as a result of a conscious decision made by an engaged, sophisticated and satisfied customer, who has sought independent support and/or tested the market. The high levels of satisfaction²¹ reported in the market by trustees with substantial experience²² is not reflective of a world where clients are "*steered towards*" FM. Indeed, our track record shows that Mercer's 'full' FM clients have, on average, seen funding level improvements (and reduced downside risk) over the period since joining Mercer that have exceeded what they might have expected to achieve based on external published benchmarks.²³

- 2.3 Finally, we take our obligation to act in our clients' best interests very seriously. Mercer does not raise FM where it is not suited to a client's needs. Indeed, we have advised against FM in cases when we consider this is not in a client's best interests.²⁴

3 Firms' incentives

- 3.1 The CMA's emerging finding that "*IC-FM firms have incentives to seek to sell FM services to their existing advisory clients*"²⁵ is not supported by the evidence and is based on incorrect assumptions. [§]. Second, the CMA's own review of IC and FM firms' remuneration policies shows no indication of consulting staff being incentivised additionally or any differently for moving existing IC customers towards FM.

(a) [§]

(i) [§]

- (ii) More generally, the CMA's theory that potentially higher margins may incentivise firms to try to "*steer*" clients towards FM is at odds with the real risk that doing so may result in losing clients to another FM provider.²⁶ As set out above, clients are more likely than not to test the market by conducting a tender or seeking third party independent advice before appointing a fiduciary manager. Therefore, any perceived incentive that potentially higher margins would encourage firms to raise FM with their clients is undermined by the potential risk of losing the client altogether.

(b) Firms' policies do not appear to incentivise individual consultants any differently or additionally for introducing FM.

- (i) In its review of firms' staff remuneration policies, the CMA found that no IC and FM firms have schemes directly linking FM sales to the pay of IC staff. This is positive and reflective of a widespread approach of placing clients' best interests at the forefront.
- (ii) The other examples of incentive schemes cited in the WP (such as for FM sales staff) are not indicative of a framework that aims to convert customers. [§]. The

¹⁹ WP, paragraph 71.

²⁰ WP, paragraph 62(c).

²¹ CMA survey, page 14: 95% of respondents are either "*very*" or "*fairly*" satisfied with their FM service.

²² CMA survey, Table 7: trustees for any pension scheme have on average 11 years of experience, which is broadly consistent across different types and sizes of scheme.

²³ See [§].

²⁴ See, for instance, [§].

²⁵ WP, paragraph 86.

²⁶ For instance, in the case of Mercer, [§].

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existence of remuneration plans such as those that aim to create relationships between sales and rewards, while prioritising and protecting clients' best interests, is normal commercial practice.

- (iii) This appears to correlate with the survey findings: only 19% of trustees had had FM suggested by their existing IC provider.²⁷

4 Conflict management policies and the introduction of FM

4.1 We welcome the CMA's recognition of firms' policies to manage conflict risks. We also agree with the CMA about the importance of clarity for customers on the difference between advice and marketing. However, it is important the CMA is mindful of the following incentives which exist for IC and FM firms:

- (a) **The incentive to develop and maintain a strong reputation for trust.** IC and FM firms operate in a professional environment – the majority of our consulting staff belong to a professional body (the CFA or Institute of Actuaries) with high ethical standards and detailed codes of conduct. In addition, the market is competitive, so acting against our clients' interests or even being perceived to do so would be counterproductive and impair our reputation and ability to compete.
- (i) A key factor not mentioned in the WP is the competitive pressure felt by IC and FM firms in terms of reputational risk. If a firm were to take advantage of conflicts of interest to unfairly boost revenues (whether from FM or IC services), this would result in the loss of clients and damage to the firm's reputation and brand. We have built our reputation and brand on client service excellence and maintaining trust with our clients is essential to this.
- (ii) The potential for conflicts is to be expected in any professional services sector and is common for both multiple or single service providers. We are, therefore, pleased to see the CMA's acknowledgement of widespread use by IC and FM firms of written policies to deal with conflicts issues, and that the majority (including Mercer) go further – including by outlining management strategies and specifying detailed sanctions for failure to comply. In our view, this illustrates that IC and FM firms are cognisant of the scenarios in which potential conflicts of interest may arise and of the reputational and business risks if they are not appropriately managed.
- (iii) We understand the CMA will deal with conflicts arising from single service providers in the Provisional Decision. The conflicts arising from the IC and FM model are no more significant (and potentially less so) than those arising from single-service business models. A potential conflict that exists for advisory-only IC firms is to “defend territory” and avoid introducing clients to FM (on the basis the firm would likely lose advisory revenues if their client chooses to pursue a FM approach). Similarly, for asset managers that provide FM services, there is incentive to discourage switching to an advisory-only approach or to encourage the use of their own funds.
- (b) **The incentive to use transparency at every stage as a means of mitigating conflicts.**
- (i) We are pleased to note the CMA's review of information provided by IC and FM firms to clients has included the supply of information by firms throughout the different points at which a client may consider FM. As we have previously

²⁷ CMA survey, page 17.

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submitted, Mercer has robust policies and procedures in place that govern the client journey and the introduction of FM.²⁸

- (ii) A key point not covered in the WP is the benefit to firms of greater transparency with their customers: the better the quality of information provided to trustees on the services they buy, the more effectively any potential conflict is mitigated. When combined with transparency, conflict management policies are more effective and reinforce existing and potential clients' trust when making purchasing decisions.

4.2 As has been noted by the CMA:

- (a) 95% of respondents are satisfied with their FM service.²⁹ This is a powerful indicator of a competitive, client-focussed market.
- (b) The majority of trustees (70%) feel that the potential conflict of an IC using its position to encourage clients inappropriately to consider FM was either not a problem in the market, or presents one that is generally well managed³⁰ and we consider that the construction of the survey question may have led to this result being understated.³¹
- (c) Furthermore, of those trustees who had chosen not to purchase FM services, concerns about the potential for conflicts of interest was only a deciding factor for a very small number of trustees (4%) according to the CMA's survey.³²

4.3 We welcome these findings. They are consistent with our experience based on feedback from our clients and reflect the efforts we make to manage conflicts effectively.

4.4 We note the CMA's reference to evidence of cross-selling; however, this is not indicative of a problem. In fact:

- (a) as acknowledged by the CMA,³³ businesses have a legitimate incentive to promote their products. The CMA should, therefore, consider the evidence of cross-selling in this context, as part of wider business plans that are implemented in an environment where the best interests of the client come first; and
- (b) less than a third (27%)³⁴ of respondents to the CMA's survey purchasing FM services said they had been prompted to do so by their existing IC provider³⁵ and under a fifth (19%) of schemes more generally said that their IC provider had ever suggested it.³⁶ This evidence is not consistent with an industry policy of "steering" clients.

4.5 Finally, we would note that while certain aspects of providing IC services may be strictly speaking outside the regulatory perimeter, in practice we apply a single approach to dealing with conflicts of interest. This is given our firm-wide approach to ethical issues (as espoused in guidance such as The Greater Good);³⁷ the need to have a single, manageable compliance standard; and the importance for individuals of complying with their own professional obligations

²⁸ See [3<].

²⁹ CMA survey, page 14: 95% of respondents are either "very" or "fairly" satisfied with their FM service.

³⁰ CMA survey, page 18.

³¹ As we submitted to the CMA [3<], trustees were asked a leading question (given the inclusion of "Some analysts have suggested..." at the start of the question) – this may have biased responses.

³² CMA survey, page 14.

³³ CMA Issues Statement, paragraph 67: "it is natural for any firm to want to gain additional business, potentially through 'upselling' additional services to existing customers and this may be of benefit to customers".

³⁴ Removing 'Don't Knows'.

³⁵ CMA survey, page 17.

³⁶ CMA survey, page 17.

³⁷ https://www.mmc.com/content/dam/mmc-web/Files/greatergood/TGG2_English%20British_2013_2.pdf

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as actuaries or CFAs. Therefore, we do not consider the exact perimeter of existing regulation to make a material difference to our approach to conflicts.

5 Potential remedies

- 5.1 The WP sets out a number of potential remedies categorised as either “*seeking to encourage trustee engagement; or reducing the risk of conflict by controlling or incentivising firms’ behaviours*”.³⁸ As it stands, the CMA has not established a potential competition concern, nor identified substantive evidence to support a theory that IC and FM customers “*are steered towards investment consultants’ in-house FM services when an alternative solution could have been in their best interests*”.³⁹ The CMA has also not identified a discernible customer group to which its theory of harm applies, nor how it would identify such customers if they do exist.
- 5.2 As mentioned, the benefits to trustees of receiving both IC and FM services from the same provider are significant. This model allows trustees flexibility to choose the way they work with their provider (in Mercer’s case, whether through the purchase of tools, advice, a fiduciary approach or a combination thereof). It also allows providers to develop intellectual capital and resources which can be brought to bear for the benefit for the widest possible range of clients. These clear benefits and efficiencies would be lost and this would be to the detriment of customers if separation were required.
- 5.3 Broadly speaking, therefore, the CMA should not be considering remedies which are:
- (a) **Disproportionate when no AEC (nor harm towards any group of customers) has been established.** We are concerned that the CMA continues to raise the possibility of remedies such as legal separation and the prohibition of cross-selling advisory and FM services. Such remedies would be severely disproportionate in light of the lack of evidence indicating a flaw in the IC and FM model. Moreover, the benefits of such remedies are not clear. Rather, the CMA should be mindful of the risk of undermining the value to trustees associated with the IC and FM model (particularly given the high levels of trustee satisfaction) and of introducing costs and burden on trustees when no AEC is apparent.
 - (b) **Overly prescriptive and/or burdensome for trustees in a way which might reduce competition, choice and innovation in the market or adversely impact scheme investment performance.** It is important that the CMA is mindful that:
 - (i) Any mandatory tendering remedy should not impose disproportionate or unnecessary costs on clients (particularly given increased levels of tendering are already apparent in the market).⁴⁰ Indeed, the CMA should consider the risk of this remedy introducing bureaucracy and not achieving the objective sought (for instance, if it is reduced to a formulaic box-ticking exercise undertaken by trustees). Some clients, for example those with experienced professional trustees, may have sufficient market knowledge that they do not feel the need to run a formal tender process when appointing a FM. A formal tender may also be less appropriate for partial, rather than full, FM appointments given the relative cost compared with the scope of the appointment.
 - (ii) Any rules to separate marketing from advice materials should not create unnecessarily cumbersome obstacles to the detriment of trustees. In particular, it

³⁸ WP, paragraph 126.

³⁹ WP, paragraph 2,

⁴⁰ CMA survey, page 69: Approximately 70% of schemes purchasing FM services for the first time, and able to remember the purchase, say that they ran a tender process.

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would be unfortunate if trustees faced delays in the implementation of a decision to pursue FM because they could not act in a timely manner on their decisions as a result of a mandatory time gap.

- 5.4 Despite these concerns, we set out for completeness in Annex 1 Mercer's responses to the CMA's detailed questions on remedies.

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Annex 1

CMA Questions on additional potential remedies

We set out Mercer's response to the CMA's questions below. Please note we make only high level comments and have not responded in respect of each question in detail at this stage.

1. Mandatory tendering at the point of adoption of FM or within a fixed period after first appointment.

- a. What could be the minimum scope of an acceptable competitive tender process (for example the number of firms invited to participate)?
- b. How long should an initial FM mandate last before the requirement for an initial tender?
- c. Should such an approach have a requirement for an open tender process?
- d. Should there be a requirement or encouragement to use a third party evaluator?
- e. Should this requirement exist for both partial and full FM mandates?
- f. Should there be specific requirements for any incremental expansion of an FM mandate (such as additional asset classes)?
- g. Should any other requirement be imposed in relation to schemes which have already adopted an FM approach? If so, what? Should this be limited to schemes that did not competitively tender for FM?

- A mandatory tendering remedy has the risk of being unduly onerous, particularly for smaller pension schemes. In Mercer's view, a good practice recommendation would be effective and complement the Pension Regulator's existing work-streams in this area, while granting trustees the necessary flexibility. This would also apply to schemes that have already entered into an FM mandate, where we would suggest that the customer work with the FM provider to ensure there are clear and measurable performance targets (if not already in place).
- Notwithstanding this, any remedy that imposes mandatory tendering needs to ensure that costs are proportionate for clients and providers. Accordingly, we believe any such remedy should not be prescriptive about the format of any tender or the use of a third party evaluator (TPE). It is important such a remedy also takes into account the risk of conflict between roles as regards the firm acting as the TPE – a firm that is active in IC or FM should not act as the TPE to avoid conflicts between its role as an independent adviser and its role as a potential IC or FM provider.
- We do not believe that mandatory tendering is appropriate for partial FM mandates: often this may involve the delegation of the management of a single asset class. It would create cost and delay to require a tender on every such decision, potentially removing the main benefits of using a fiduciary manager for a single asset class.
- At a high level, in Mercer's view, the CMA could achieve its objectives by introducing a requirement that the IC informs the client (including in writing) that:
 - It is good practice to conduct a tender. However, there should be flexibility for pension schemes on the form of tender. For example, it should be up to trustees to decide how many firms to invite to a tender – for a smaller pension scheme with low governance requirements the appropriate number of firms may be lower than for larger schemes.

There are firms that can assist them in conducting the search for FM (TPEs). Appointing a TPE should not be mandatory because it could dissuade smaller schemes (for whom FM

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may be particularly appropriate) from considering FM on the basis the costs of a TPE may be too high (e.g. in our experience, appointing a TPE to run a tender process could cost approximately [£<]). It could be equally inappropriate to mandate this for other schemes who have substantial teams and capabilities to undertake this exercise in-house.

2. Segregation of marketing materials from advice

- a. Are there currently business models where separation of marketing and advice would be problematic?
- b. How could the key differentiators of marketing and advice be defined?
- c. Could marketing and advice be further separated through a time gap between the decision to adopt FM and the provision of marketing materials?

- The separation of advice and marketing would be problematic for all FM providers irrespective of whether they are IC and FM or FM-only firms – and would be cumbersome in practice for customers. Splitting advice from marketing would require the customer to receive:
 - first, documents/presentations from prospective providers outlining their advice on investment strategy; and
 - second, a separate document/presentation outlining the credentials of the FM provider (i.e. marketing).
- In practice, however, discussions relating to advice and marketing for FM are closely linked and cannot be so easily separated. It is often the case that the IC is asked to provide initial advice on what would be an appropriate strategy and in the same conversation is asked to present its credentials. Introducing requirements on the inclusion of clear labels as to whether a presentation contains advice and/or marketing may be helpful in avoiding any confusion on the part of trustees about the nature of the information they are receiving.
- We do not believe a time gap between deciding to adopt FM and receiving marketing materials would be helpful. Trustees should be clear as to whether the information they receive is advice or marketing. This being the case, a time gap would only serve to delay the implementation of the solution chosen by the trustees – potentially to the detriment of the pension scheme.

3. Reporting to members

- a. Would a requirement to report the actions of trustees to members be sufficient to incentivise trustees to more actively consider an appropriate range of options?
- b. What should be in the scope of this report and should there be any enhanced power for members to challenge any decision?

- In Mercer's view, a requirement to report already exists: there is a requirement for each pension scheme to produce a Trustee Report & Accounts on an annual basis, which is available to all members on request or hosted on a website. The report should, among other things, identify actions taken over the year and confirm the scheme's professional advisers and fund managers.
- The investment report will identify where a fiduciary manager has been selected and provide information on its performance. In practice, we find that members do ask questions following receipt of the Trustee Report & Accounts.

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4. Restrictions on selling both advisory and FM services

- a. Would the benefits to trustees of receiving both advisory and FM services from the same provider outweigh the potential harm?
 - b. Could any restriction be limited to situations where advisory and FM services have not been subject to an open tender process (either separately or in combination)?
- It is important the CMA appreciates how FM operates in practice. A full FM mandate is a combination of advisory and implementation services. A non-IC and FM provider (i.e. one which does not have a standalone business of providing advisory services to clients) under a full FM mandate provides advisory services as part of their remit. If the advisory services of the FM mandate are separated from the implementation part of the FM mandate, no firm would be able to provide full FM services: one firm would be providing the advisory part of the FM mandate and a second firm would be providing the implementation of the FM mandate. This would not be helpful to clients or efficient. From a risk management perspective for the client, it creates accountability issues; introduces additional operational risks and also lead to overall costs for clients increasing as the FM cannot take advantage of cost synergies.
 - Such a remedy would harm clients. There are clear benefits to clients from a joined-up approach between advisory and the wider FM services (including the consistency of advice and decision-making).
 - In addition, we believe there are numerous benefits for customers in having the choice of using firms which are IC and FM providers, including:
 - the knowledge on actuarial liabilities of an IC and FM firm for full FM mandates;
 - a wider range of future options with the benefit of client-specific know-how that has built up. FM is usually about the journey to a better funded position and reduced investment and funding risk. Once this goal is achieved an FM-only firm is unlikely to have the in-depth capabilities, knowledge and experience of broking advice on insurance solutions such as buy-ins/buy-outs and longevity hedges; and
 - the benefit of global manager research coverage and access to ideas and intellectual capital from areas large advisory clients are considering. In addition, appointing independent asset managers (not in-house managers) combined with global buying power brings tangible benefits to customers in the form of discounts from asset managers.
 - By contrast, prohibiting the IC firm from then delivering on the IC advice by way of a FM solution burdens the client with the costs and inconvenience of seeking an appropriate solution to implement the advice – while simultaneously reducing their choice of FM providers. This is not in the interests of clients and is likely to reduce competition and choice in the market.