

Project Manager
Investment Consultancy Market Investigation
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

24 August 2018

Dear Sir

Investment Consultants Market Investigation

This letter sets out Stamford's views on the provisional findings and remedies detailed in the Competition & Markets Authority (CMA) report titled "Investment Consultants Market Investigation – Provisional Decision report" (the Report). We can confirm that we are happy for the full content of this letter to be made public.

Our commentary focuses on the Executive Summary of the Report drawing on the main body of the Report where appropriate. The headings below relate to the Executive Summary.

Overview of provisional decision

1. In general we concur with the provisional view that there is an adverse effect on competition given the current market dynamics surrounding the provision of investment consulting and fiduciary management services.
2. We agree there is an incumbency advantage for firms that provide both investment consultancy and fiduciary management and can understand why prospective customers may struggle to access comparable information on fiduciary managers. However, this information is, in principle, available. Whilst fiduciary managers cannot provide information on their competitors, there are a number of third-party firms that should be well placed to provide this information (but see our comments below in sections 6 and 7).
3. We broadly support the proposed package of remedies as they should go some way to alleviating the adverse effect on competition. However, concerning Remedy 6 we still retain the reservations expressed in our February 2017 submission to the FCA over the production of standardised performance information (SPI). Whilst supportive of the principle, we believe the practicalities are such that whatever is produced could lead to more questions than answers and may result in inappropriate comparisons being made.
4. Further, in an environment with schemes turning cash flow negative, money-weighted returns are as, and arguably more, relevant than the time time-weighted rates of return. This, along with increasing momentum behind the use of cash flow driven investment strategies, means that any SPI based on current industry practices could quickly become obsolete.
5. If a requirement for SPI is introduced we believe it should be on a "comply or explain" basis rather than being mandatory. This should be supported by "best practice" guidance from the TPR on assessing and monitoring investment consultants and fiduciary managers (including investment performance). We believe this more flexible framework would create a questioning environment that, in turn, would foster greater understanding by all parties.

Potential conflicts of interest

6. Paragraphs 44 and 45 pick up on the issue of potential conflicts of interest faced by investment consultants. The Report states that the CMA did not find any evidence of these potential conflicts giving rise to a competition problem. We disagree with this comment in relation to those investment consultants that also offer fiduciary management oversight services (referred to below as fiduciary evaluators).
7. The Report highlights in the Market Outcomes section (Paragraph 49) the difficulties customers have in accessing information. While this information should be readily available from fiduciary evaluators, we believe these providers are seriously conflicted when competing in other guises with fiduciary managers and this may well stem the full flow of information that trustees need or, indeed, may preclude some fiduciary firms completely. It is for these specific reasons that Stamford has, to date, restricted itself to sharing information with a limited subset of fiduciary evaluators.

Our provisional decision on remedies

8. In supporting Remedy 1 there are a number of points we would highlight:
 - i. We strongly believe all tenders (whether first or subsequent tender) should be transparent and “open” as without this it creates a material barrier to new entrants gaining access to trustees and having the opportunity to demonstrate their credentials. We do not believe an open tender process will necessarily lead to greater costs compared to a closed tender, but any extra expense is still likely to represent value for money.
 - ii. A platform should be created whereby all tenders are publicly advertised.
 - iii. Clear guidance should be provided to trustees and fiduciary evaluators on how an open tender process should be conducted. The danger, for example, is that a pre-qualification questionnaire is constructed that acts, whether by design or default, to exclude the smaller / new firms via the use of metrics such as number of staff / clients before even considering the quality of the services being offered. If such guidance is not given, pre-qualification questionnaires may simply result in the same outcome as a closed tender and keep mandates circulating around the already established players.

We would be happy to engage further with the CMA on the above or any other aspects of the Report as appropriate.

Yours sincerely



Carl Hitchman
Head of Fiduciary Management Advisory