



**INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT SERVICES MARKET  
INVESTIGATION**

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**RESPONSE TO THE CONSULTATION ON DEFINITIONS**

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**9 November 2018**

**INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT SERVICES**  
**WTW RESPONSE TO CONSULTATION PAPER ON DRAFT DEFINITIONS OF**  
**INVESTMENT CONSULTANCY SERVICES AND FIDUCIARY MANAGEMENT SERVICES <sup>1</sup>**

- 1.1 WTW welcomes the opportunity to respond to the informal consultation paper on draft definitions of investment consultancy services and fiduciary management services (the "**Definitions**").
- 1.2 Before addressing in detail the Definitions proposed by the CMA, we would like to make an overarching comment. We understand that the Definitions have been provided for the purpose of framing the remedies and are therefore not entirely reflective of how the investment consultancy and fiduciary management industry would define investment consultancy and fiduciary management services. In WTW's view, the definition does not reflect the intuitive way the business would look to define the terms. This is important given such terms have not been defined in any other regulatory context and thus could become a reference point.
- 1.3 In light of this, we would ask the CMA to make it explicit that these Definitions are limited to the specific remedies (assuming such are imposed) implemented as part of this market investigation, and are not intended for any other use or purpose so as to avoid the creation of a misleading "official" definition of investment consultancy services and fiduciary management services. It may even be helpful to recognise the point made above.
- 1.4 We have provided a comprehensive list of services to trustees that could be interpreted as fiduciary management (see the last page of the attached compare document) so the CMA is aware of the potential scope of its starting point.
- 1.5 In addition, while we appreciate that there will be an opportunity to comment on the scope of the actual remedies at a later stage, we would like to highlight some concerns that we have already identified with the Definitions. To assist the CMA (if it agrees with our concerns) we have sought to rectify the issues directly in the body of the CMA's proposed Definitions: see attached.
- 1.6 Our detailed comments are as follows:
- (a) Under paragraph 1, we have included "liability risk hedging" within the remit of the definition of investment consultancy as this is an integral part of investment consultancy.
  - (b) We have made amendments to clarify the meaning of fiduciary management which we felt was not accurately described in the CMA's Definitions. It is unclear why the CMA should require that investment consultancy services be provided as a first step towards the provision of fiduciary management. As it is currently drafted, this Definition appears to suggest that a firm is only providing FM services if it previously provided investment consultancy services to that client within the last year.
  - (c) WTW has encountered many situations where it has been awarded a fiduciary management mandate without first providing investment consultancy services or having provided investment consultancy services more than 12 months prior to the award. It seems rather unusual that such instances would not fall within the Definition of fiduciary management as it is currently proposed by the CMA.

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<sup>1</sup> <sup>1</sup> In this response and all responses to the CMA, Towers Watson Limited is the main regulated entity. We refer to both this entity and the relevant general business as "We", "Willis Towers Watson" or "WTW" throughout.

- (d) In light of this, we have made the following amendments to paragraph 4 of the Definitions:
- (i) We have deleted paragraph 4(a) as strategic advice is not an absolutely necessary element of a fiduciary management service. In fact, we are aware of a number of mandates where the strategic advice is provided by a third party.
  - (ii) Paragraph 4(a) is also redundant in light of the detail provided under paragraph 4(b).
  - (iii) Under paragraph 4(b), we have removed the provision of IC services within the last 12 months from the wording of the Definition of fiduciary management service as there appears to be no justification for stipulating this requirement.
  - (iv) With regard to the issue of "consent" in paragraph 4(b), the key difference between fiduciary management and investment consultancy is that there is "discretion". Discretion is the distinctive feature of fiduciary management since no advisory contract grants its advisers discretion.
  - (v) We have included a carve out for asset management products in paragraph 4(b) as we understand that the reference to "investment decisions" is intended to exclude pure asset management activities. As a result of this, under paragraph 5, we have also excluded the decision by trustees to invest into asset management products from the scope of "investment decisions".
- (e) Under paragraph 6, we have provided further clarification to the exclusion with the addition of the words "or founder of the scheme" because that is an entity recognised by The Pensions Regulator in the context of Master Trusts as distinct to the principal or controlling employer.

**9 November 2018**