

## UK Regulator Publishes Market Study and Calls For Change in Asset Management Industry

*The Financial Conduct Authority (FCA) has today published the final findings of its asset management market study and announced the package of remedies it will implement to address the concerns identified in its interim report into the sector.*

The [final report](#) confirms the findings set out in the interim report published in November 2016. This found that price competition is weak in a number of areas of the industry. Despite a large number of firms operating in the market, the FCA's analysis found evidence of sustained, high profits over a number of years. The FCA also found that investors are not always clear what the objectives of funds are, and fund performance is not always reported against an appropriate benchmark. Finally, the FCA found concerns about the way the investment consultant market operates.

The remedies the FCA are implementing fall in to three areas.

### **To help provide protection for investors who are not well placed to find better value for money, the FCA proposes to:**

- strengthen the duty on fund managers to act in the best interests of investors and use the Senior Managers Regime to bring individual focus and accountability to this area;
- require fund managers to appoint a minimum of two independent directors to their boards; and
- introduce technical changes to improve fairness around the management of share classes and the way in which fund managers profit from investors buying and selling funds.

### **To drive competitive pressure on asset managers, the FCA will:**

- support the disclosure of a single, all-in-fee to investors;
- support the consistent and standardised disclosure of costs and charges to institutional investors;
- recommend that the DWP remove barriers to pension scheme consolidation and pooling; and
- chair a working group to focus on how to make fund objectives more useful and consult on how benchmarks are used and performance reported.

**To help improve the effectiveness of intermediaries, the FCA will:**

- launch a market study into investment platforms;
- seek views on rejecting the undertakings in lieu of a market investigation reference regarding the institutional advice market to the Competition and Markets Authority; and
- recommend that HM Treasury considers bringing investment consultants into the FCA's regulatory perimeter.

The implementation of the remedies will take place in a number of stages. Some do not require consultation and are now being applied. The FCA has published a consultation paper, focusing on the remedies related to governance and technical changes to promote fairness for investors.

Some remedies will require further work in light of other legislative initiatives, including MiFID II and will be consulted on later in the year. Finally some of the measures are dependent on the outcomes of the proposed working groups. Full details of the timetable can be found in the final report.

We hope you have found the above overview helpful. Should you have any questions or comments, please do not hesitate to reach out to the contact below:

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