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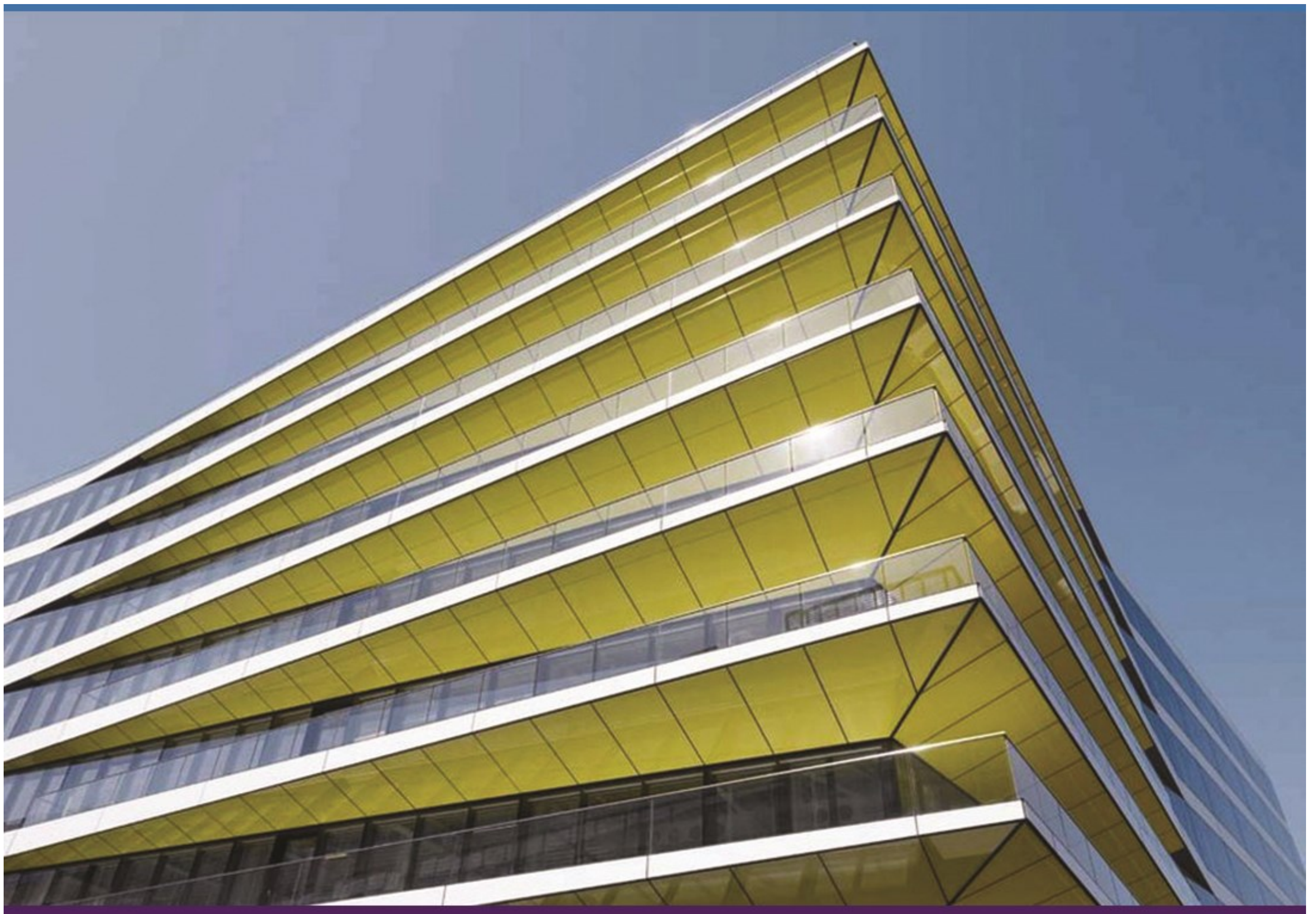
The FCA's Interim Report on its Asset Management Market Study

November 2016



The FCA's Interim Report on its Asset Management Market Study published this month contains some good points and some less good points!

The FCA's motives on seeking to ensure that the UK industry retains its reputation as having an excellent and comprehensive regulatory environment are welcome. The question however is whether some of their proposals could, particularly in combination, have unforeseen consequences, particularly with the prospect of gold plating for UK authorised funds.

The UK's claim to be an asset management hub remains clear. The Interim Report refers to interesting statistics that the UK's asset management industry is the second largest in the world managing £6.9 trillion of assets. Over £1 trillion is managed for UK retail investors and £3 trillion on behalf of UK pension funds and other institutional investors. The industry also manages around £2.7 trillion on behalf of overseas clients.

One concern though must be the increasing use of products based in other jurisdictions over recent years - and this is likely to increase further should the regulation of UK authorised funds become more onerous.

As ever, this study cannot be looked at in isolation. We need to consider how it would work alongside other workflows with which it interconnects, such as the October CP 2016/30 on Transaction cost disclosure in workplace pensions, and disclosure requirements to be introduced under PRIIPS, now due for implementation January 2018. This Briefing Paper focuses however on the Asset Management Study's proposals.

Aims

The FCA's general objective is to assess whether asset managers compete to deliver value for money and so looking essentially at competition law issues, albeit, in practical terms, looking at how investors choose asset managers, costs and charges and other technical issues.

Certain objectives are clearly to be welcomed and supported. For example:

- transparency – clear explanations to customers
- clarity of objectives and investment outcomes.

However, developing what the FCA indicates should be a "coherent policy package" might be quite challenging.

Perceived concerns

The FCA suggest a number of possible remedies for what are perceived to be some possible ills. In Chapter 10 of the Interim Report, the FCA set out a number of concerns about the way in which competition appears to be working in the asset management sector – and these are set out for you in the Appendix the to this Briefing Paper.

There is, as you might expect, a major theme running through the Report which concerns the active vs passive debate and whether asset managers are delivering value. But it is not as simple as that.

Perhaps the first task for you to consider is whether you think that there are valid concerns in these areas before considering the remedies which the FCA put forward, with a view to making the asset management sector work better both for institutional and retail investors.

Possible remedies

This is an Interim Report with interim proposals for remedies. There are many interesting proposals put forward and, in various instances, a number of possible alternatives.

The following comments expand upon the FCA's thinking on a few of these – and provide some context.

- **a strengthened duty to act in the best interests of investors**

  There are already various requirements requiring asset managers to have regard to the interests of investors, but this proposal is one which could be very much more specific so that:

  – **asset managers are held accountable for how they deliver value for money**

  In addition to existing long standing FCA Principles under the FCA can seek to ensure that asset managers act in the interests of their clients, a new duty would ask asset managers to demonstrate how their funds deliver value for money to investors.

  and

  – **thought is given to introducing some (greater or lesser) degree of independence for fund governance bodies.**

  A more specific question is to be addressed for governance for UK authorised funds – should the governance standards be reformed?

[1] (MS15/2.2 November 2016)

Potential reforms were considered at length in FSA CP185 work before the introduction of the COLL Rules, when the role of the authorised fund manager was confirmed. There has been continuation of the established UK approach of focusing on the role of an authorised fund manager and this indeed has been further developed, both for UCITS and in AIFMD, with focus on management companies. Consequently, the FCA are now raising some issues for reviewing governance models which might go against some of the more recent developments, including those which have taken place in Luxembourg and Dublin which now resemble much more the current UK model!

The International Comparisons Annex 9 to the Interim Report which includes reference to governance issues – looks at the position in Australia, Denmark, France, Germany, Ireland, the Netherlands and the US – and gives an interesting insight into the number of ways in which one can tackle the same issues.

The FCA is considering drawing on the US model for fund governance which involves having an annual arm's length reassessment and, where appropriate, renegotiation of the IMA with the asset management company – this presupposes some independent sort of board or governance body which can conduct such a review.

Of course it depends how the fund governance body might be developed. Six options are put forward. The main options being considered are keeping the existing structure but clarifying duties for the AFM board and strengthening the requirements on senior managers of the AFM. However there could be an additional governance body created, or a replacement of the AFM board with majority independent fund board similar to the US mutual fund structure, or a requirement for an AFM board to have a majority of independent members and independent chair, or a look again at putting greater duties on trustees and depositaries. So the FCA is reviewing a wide range of options.

While strengthening governance should be welcome, it might be preferable not to pursue some of the most radical proposals within these six options. If the FCA were, for example, to require independent fund boards: the notion of independent directors has always been facilitated for UK OEICs but has never proved popular. Furthermore, although Luxembourg and Dublin funds have a history of corporate funds with independent boards, they have now moved in the case of Luxembourg almost entirely to the management company structure with a UCITS ManCo or AIFM and, in the case of Dublin, increasingly following the same approach although there are self managed funds still operating. It would be going against the flow if the UK required majority independent fund boards.

It might be easier, and perhaps preferable, to accommodate strengthening of the Authorised Fund Manager's board composition with independent directors on that board, and formalising how the board should operate and review certain key issues.

- **Introducing an all-in-fee approach to quoting charges so that investors and funds can easily see what is being taken from the fund.**

  The FCA is looking not just at charges but transaction costs. The FCA is considering introducing a single charge to increase the visibility of all charges taken from the fund and what they describe as imposing "more discipline on overspend relative to charging estimates."

  The FCA puts forward four options, and it might be hoped that they would choose one of the first three rather than this all-in-single-charge – the fourth. The options are as follows:

  - the current OCF becomes the actual charge that is taken from the fund,
  - the current OCF becomes the actual charge, with managers providing an estimate of any implicit and explicit transaction costs,
  - a single charge which includes all charges taken from the fund, including both implicit and explicit transaction costs, but with an option for "overspend", so managers could have discretion to take additional transaction charges to compensate asset managers for trades in exceptional circumstances which would then be clearly explained to investors in the annual statement, or
  - a single charge which includes all charges taken from the fund, with no option for overspend. The asset manager would be bound by the single charge figure and pay any additional investment related or administrative expenses incurred, including transaction costs. The asset manager would be bearing all of the risks between forecast and actual trading costs.

Requiring a single charge so that there is a standard basis, so people can compare like for like, has its attractions.

This proposal though goes further than that because this is not simply looking at a single charge for the Manager but some single charge potentially taking in all charges taken from the fund including transaction charges. This proposal could be taken as trying to shift a risk from investors to the asset manager. It would depart from the basic premise that investors should be in a similar position as if they had invested directly in the underlying assets – and therefore would be expected to bear whatever the transaction charges happen to be.

The premise for an investment fund has always been to offer a structure providing pooled investment management with professional management for a fee, so to remove from the investor the obligation to bear whatever might be the costs of investment would seem to be a stage too far?

There is a history to this: depositary fees used to come out of the fund manager's fee. So the fund level fees and costs were effectively better collected up in the manager's fee. The issue is more around the inclusion of the costs of investing – and specifically the varying level of transaction costs.

An obvious potential consequence of the switch of risk would be that the costs would go up because managers will set their charges sufficiently high so that they are not out of pocket. A second might be changes in transaction activity – and level of transactions. The FCA is clearly hoping these consequences would not be the result.

One can see the logic for being clear as to what is taken out of the fund but the all-in-charge is likely not the answer. Of course asset managers should be careful about what they charge to the fund and we have always in the UK had some limitations on that – and still do re promotional fees. We could go back to prescribing more precisely what expenses can be taken out of a fund in the COLL Rules, and insist on review of their quantification.

Again though, the latitude which has developed in recent years, with prospectus documents including more and more lines as to what can be charged to the fund, has come in for UK funds in part because there is such latitude in other fund domiciles, and notably Luxembourg and Dublin. So this is another issue of potential gold plating for UK authorised funds.

Fund managers with dual priced funds should note the last paragraph of the Section 10 commentary on this topic, which is that the FCA could also change its rules to ensure that any risk free box profits from the matching of flows in and out of dual priced funds are used solely for the benefit of the fund and cannot accrue to the asset manager. Obviously most funds are now single priced and so these box profits are generally a thing of the past.

- **Helping retail investors identify the best fund for them by:**
  - **requiring asset managers to be clear about the objectives of the fund and report against these on an ongoing basis**

    The FCA is asserting that even the more engaged investors find it difficult to know what to expect from their fund and to assess whether or not it is performing against its relevant objectives, including those set by the fund manager.

    One proposal is to require fund managers to set clearer and more specific fund objectives.

    To be fair, UK funds have always tended towards a shorter statement of investment objectives than funds in other jurisdictions: simply stating an objective of income or capital growth and a simple statement as to how - for example investment in UK equities. Other comparable retail fund models in other jurisdictions typically have much longer explanations of investment objectives.

    On the other hand though, we have to be aware that, first, long explanations can simply confuse and not be as clear. They simply set out all manner of the options, many of which would likely not be used. Secondly, if one is more specific, this reduces a manager's flexibility to respond according to changing market conditions. If the whole point of a fund is to appoint a professional asset manager, the asset manager needs to be able to manage it. Setting wider parameters – particularly in the case of funds designed for inexpert retail investors – seems sensible. Given the COLL 4 provisions for UK funds whereby any change to a fund's specified objectives would need to be subject to an investor extraordinary resolution, widening out the specific fund objectives too far might be an unhelpful step.

  - **providing a timeframe over which performance should be assessed**

    This could be helpful. Some funds already do this by referring to short, medium or long term holdings being appropriate but certainly there could be further improvements in the consistent use of these terms, and in a more helpful framework for explaining the relevant timeframe details and how best performance should be assessed.

  - **requiring managers to explain the performance of funds that have merged / closed**

    This is something which is, in effect, already part of the merger / closure documentation process. For example investor notifications will usually include information about the fund's history and why it has been merged/ closed, and further explanation of the performance aspects should not cause a difficulty.

- **providing information which allows investors to assess whether performance objectives are being met including disclosing managers' benchmarks**

  This is more difficult. There is the potential problem of herding of asset managers around benchmarks to be on the safe side. Encouraging disclosure of internal benchmarks might just further increase this risk. Given the idea is to try and encourage active managers to be active this could be an unhelpful step.

  If however the proposal is simply that there could be a better explanation of performance, with disclosure of a relevant benchmark on an informative basis, that might be a different thing.

  The FCA express this as being something to combine with options for clearer information to investors, and their clear information point is well made.

Finally you should note the final paragraph of the FCA's comment on this topic. Essentially there is a threat that, if there is a pattern of persistent underperformance in the UK market, they will arrange further potential remedies to help investors consider whether to switch away from funds that persistently underperform which might include:

- the FCA "shining a light" on funds with long term underperformance,
- asset managers being required to be more explicit and proactive in their ongoing communications, telling investors when their funds are underperforming relative to the fund's objective – which could lead to a run on the bank and investors leaving and outflows, or
- asset managers being required to compare performance to a relevant benchmark.

- **making it easier for retail investors to move into better value share classes**

  Share classes have multiplied and there is certainly potential for investors being confused as to which to choose.

  Firms are also complaining that it is difficult to switch investors into new cheaper share classes, even when it is in the best interests of investors, because technically this involves disposal of an existing investment and acquiring a new one which requires investor agreement. Obviously the most recent issue has been new share classes in response to RDR.
  The FCA offer to explore ways to enable investors to move from expensive to better value share classes by "shining a light" on differences between old and new share classes; trying different communications to test their effectiveness in encouraging switching; and making it easier for asset managers to bulk transfer to alternative share classes, where it is in their best interests.

  The FCA is not intending to revisit allowing asset management firms to continue paying trail commission to advisers but would like to explore raising investor awareness of the existence of trail commission and making investors aware of the possibility that they could be better off switching share class.

  The wider general issue though, of defining differences between share class, might be one to address. The FCA do flag up as a potential issue whether customers can actually identify the cheapest route to accessing funds, but there are wider issues than simply those within the asset manager's responsibility and domain. To a great extent, clarity on and availability of the right share classes depends on the distribution arrangements and, in particular, options offered by platforms. From the theoretical perspective, it would in any event seem to be counter intuitive to introduce fund charges per individual investor. One can understand the comment "being able to negotiate discounts on share class charges is an important mechanism distributors can use to encourage competition between asset managers". It is unclear though how there is an easy way through the overall concerns solely by tackling regulation of UK authorised fund share classes.

- **requiring clearer communication of fund charges and their impact at the point of sale and in communications to retail investors**
  The FCA seems serious in their proposal of the single charge initiative but, in addition, they also want to focus on the impact charges have on investments and enabling price comparison. Two options are put forward for feedback:

  - **making greater use of pounds and pence charging figures on "point of sale" documentation**

    The current OCF ongoing charges figure given to investors as an estimated percentage of total assets under management may not be as understandable as giving investors charges presented in £ amounts. With PRIIPs due to apply to UCITS and NURS funds firms will be required to provide investors with an estimate of charges they may incur in £ amounts (from 1st January 2018 under the revised timetable for implementation of PRIIPs).

    Note that the FCA mention that this remedy could be combined with the single charge remedy.

    It is worth noting that the FCA found that "only 25% of non-advised retail investors reported looking at the KIID when choosing their fund" so it may not just be that charging information should be in a form which is easy to understand, but that the way that information is communicated needs to be more approachable for

investors so that they actually review it. Perhaps the fee disclosure will need to appear not just in the KIID but in other fund literature, and information from third parties, advisers and platforms included. The FCA is clearly focussed on investors understanding "the cumulative impact of charges on their returns".

– **the second idea is illustrating the impact of charges in "ongoing" communication documents**

The FCA think that fund managers should "explain more clearly the impact charges have had on gross returns, so that investors know how much they are paying for their investments on an ongoing basis". There are additional challenges in looking at total costs of investment including distribution and advice fees – not least post the FCA's unbundling of these so that it is made more difficult post RDR!

The FCA are clearly concerned on this issue because they want these remedies, whatever they decide to follow through on, to apply to investment vehicles available to UK investors and so including UCITS, NURS, listed funds, investment trusts and insurance investments. If institutional investors invest in such funds, they should also benefit from clearer information about fund charges.

A more radical option is for investors to pay fund charges separately by way of direct debit. Whilst this has been used for institutional investors in the past where tax efficient, the notion of doing this for retail investors will likely have considerable push back as simply being impractical: With the possibility of a number of investors defaulting on paying, the number of compulsory redemptions of shares in investment funds would grow. Given that the point of these retail funds is to try and combine matters and run things at the fund level, this direct debit option would not seem appropriate. It seems more better suited to individual portfolio management mandate circumstances.

The good idea coming through all of these thoughts though is that communications need to improve and firms should volunteer their ideas as to how this could best be fitted in in their feedback to the FCA. Also this will fit with the wider smarter consumer communications initiative – where most likely new communication technologies might assist.

The general question the FCA raise is *"what would be the most effective ways to communicate with investors?"*

- **requiring increased transparency and standardisation of costs and charges information for institutional investors**

There have been various work streams in this area. Three are highlighted:

– A current consultation is considering how transaction costs should be disclosed to trustees and independent governance committees, so making transaction costs more transparent to trustees.

– The FCA raise the question of whether there should be a consistent definition of the annual management charge where institutional investors appoint asset managers under a segregated mandate.

– Also, there is consideration of whether there is a need to make information about charges clearer when investing through complex fund structures such as hedge funds and private equity funds.

Certainly, without knowledgeable due diligence exercises, there is a risk of institutional investors not realising the cost of the products they are being offered, whether through a segregated mandate and/or investment through complex fund structures. Investment advisers are certainly recommending more of the complex fund structures and so this issue is likely to become increasingly important.

There is a need for institutional investors to take some responsibility – and undertake some self-help in questioning asset managers.

The Investment Association's aim to create a Standardised Comprehensive Disclosure Code for asset managers to disclose investment costs is supported. It might well be preferable for industry led initiatives to be allowed to develop in this area so that they can be developed by those who should have an eye on the practicality of initiatives.

Nonetheless the FCA is asking asset managers to be effective at controlling complex costs in this area. Minimum expectations might be set out by the FCA. Expectations could include underlying useful products used by institutional investors, including pooled funds and segregated mandates and including hedge funds, funds of funds and multi-manager products. Challenges may arise where these products might be run by the group entities but the terms of which are not actually within the asset manager's control will require careful consideration.

Also the FCA is interested in publication of information – so, for example, occupational DB schemes would include information as part of their annual report. If this included anything which referred to underlying private fund charging structures, there would likely be some concerns around confidentiality of fee structures – not least when discounts are offered to large institutional investors. The upshot of this may unfortunately be lack of discounts being offered!

Overall might it not be better to let the institutional market work things out for themselves, and up their game on due diligence and negotiating terms, than for the FCA to try to enforce a standard approach?

The FCA's Interim Report on its Asset Management Market Study

- **measures to improve the usefulness and comparability of performance information used by trustees**

  Although not raised in the executive summary, the detailed proposals in Chapter 10 of the Interim Report include a request for feedback on consideration of the best format for presenting performance information to trustees and independent governance committees.

- **exploring with Government the potential benefits of greater pooling of pension scheme assets**

  There is an interesting foray into trying to suggest the appropriate investment solutions for clients, rather than regulating the way in which products and services are offered. Maybe the task here is for asset managers to provide feedback to the FCA on their understanding of the market place and what could lead to better outcomes for investors.

  The assertion is that smaller occupational pension schemes have lower bargaining power, but this is an inevitability of the market place. The increased use of pooled vehicles, even by the bigger schemes, is already evident and so any regulatory drive to move the position on would seem to be unlikely to be needed?

  Certainly though, from what we can see, there is increased use of pooled vehicles. The challenge is to ensure that investors realise that there are underlying pooled vehicles and that there are costs involved in these, and they need to understand the terms on which they can invest and dis-invest from those vehicles.

  Part of the issue here is not to do with the asset manager but the governance of pension schemes, and the expertise and scrutiny applied by pension scheme trustees. Their standards vary tremendously.

- **requiring greater and clearer disclosure of fiduciary management fees and performance**

  The FCA is seeking views on how to improve the scrutiny of fiduciary management services. This links with the role of the investment consultants. Whilst asset allocation advice does not come within the FCA's regulatory scope, they do authorise and regulate the investment management part of the investment consultants acting as fiduciary managers.

  Certainly we are seeing greater use of these fiduciary manager appointments. However, we do wonder if some pension trustees really understand the role, and so review their effectiveness and more to the point accumulate all of the fees involved in the various layers to see whether there is value. A key issue here is why the fiduciary management appointment needs to be put in place and to identify conflict of interest issues which arise behind the scenes. Again therefore, part of the issue here is not to do with the asset manager but the expertise and scrutiny applied by pension scheme trustees when making fiduciary manager appointments.

- **consultation on whether to make a market investigation reference to the Competition and Markets Authority on the institutional advice market and bring the provision of this advice within the FCA's regulatory perimeter**

  The FCA have published reasons for consulting on a potential market investigation reference (MIR) in a provisional decision document which is published alongside this Interim Report. Interested parties should carefully review this and respond on that provisional decision by 20th February 2017.

- **recommending that HM Treasury also considers bringing in the provision of institutional investment advice within the FCA's regulatory perimeter**

  There is a concern expressed that asset allocation is crucially important but it has limited scrutiny, with institutional investors focussing on the more obvious and tangible aspects – the returns on investment.

  The FCA seems to view this as one of the black hole areas indicating that "this is a very important part of the asset management value chain which is currently unregulated".

  The FCA would also like views, aside from the market investigation reference (or MIR), on whether it should recommend to the Treasury that regulatory activities scope be extended to advice provided by investment consultants to institutional investors, and also provision of advice provided by employee benefit consultants to employers and trustee boards – or whether there are alternative, better remedies to deal with investment consultants and employee benefit consultants activities.

- **further FCA work is planned on the retail distribution of funds, particularly on the impact that financial advisers and platforms have on value for money**

  Strictly, distribution in the retail sector is not wholly in the scope of this Asset Management Market Study but clearly it is connected. The FCA are helpfully suggesting that these wider issues should be considered. There is a risk of focussing purely on the asset managers and UK retail funds, and forgetting that actually one cannot achieve much in isolation given the evolving distribution models and increasing use of platforms.

The FCA's timetable

Views on the Interim Report should be given to the FCA by 20th February 2017.

The Final Report is to be published in 2017 with, if they so decide, consultation at that time or subsequently on proposed actions.

Concluding thoughts

It is too early to formulate any firm conclusions. The FCA is at the stage of consulting on a variety of options for possible remedies to a wide range of perceived ills. Until one knows their firm proposals for a package taken from such options, it is premature to reach specific conclusions.

Perhaps though we could leave three general high level points with you to consider:

- **consequences of gold plating**

  Some of the FCA's suggestions for gold plating are worrying. If implemented, they could simply drive more fund managers to use their Luxembourg and Dublin fund ranges to sell into the UK rather than developing their UK fund ranges.

  In practice, most asset managers run funds in at least two out of these three domiciles. The risk we are already facing, particularly in the post Brexit world, is UK funds being used for UK investors only. If the gold plating is implemented, there is a risk that Luxembourg and Dublin funds will be sold in more.

- **excessively prescriptive regulation on the horizon?**

  The basic premise has always been that it is for the product provider to assess investment markets and investor demands, and then decide what product to provide. The preferable way forward remains that asset managers should decide on their ideal product offering, and then set it up in a way which is appropriately regulated.

  There is always a risk in overregulating a product. It may lead to an asset manager being prevented, or constrained, from making such decisions as to what product to offer– and from interacting as freely and proactively as it might wish with investors. Instead the asset manager might be focused more on how to comply with strict regulation. There are various instances of proposals in the Interim Report where the FCA seems to be seeking to take a paternalistic view, or perhaps seeking to stand in the shoes of investors and do part of the due diligence for investors where, particularly in the retail market, investors cannot argue their own case. Is this necessary?

- **self-help by asset managers**

  It goes without saying that asset managers should of course respond to the FCA's Interim Report and engage in the debate. But there is further work to be done here.

  Whilst one might see the FCA taking the initiative here, and looking at various ways of switching off old "tricks", there is of course much that fund managers can do themselves to remove some of the issues about which the FCA is concerned – and many have already done so.

  Greater emphasis of self-help by asset managers could discourage the FCA from some of its more draconian potential proposals. Many asset managers have worked hard on making communications clearer to investors; managing internal issues, whether on outsourcings or costs; looking hard at old regulatory problems whether on commission terms or box profits.

  Looking at the clearly expressed concerns in this Interim Report, asset managers could take the opportunity to make further progress in taking various steps at their own initiative.

Overall the FCA's objectives are clearly to be welcomed. Work should certainly be undertaken to improve disclosures and transparency and investor understanding. One wonders however whether some of the more radical proposals might just go too far?

The Appendix: The FCA's concerns identified in MS15/2.2

We are considering remedies to make the asset management sector work better for both institutional and retail investors. The remedies aim to address the following concerns about the way in which competition appears to be working in the asset management sector:

- The evidence suggests there is weak price competition in a number of areas of the asset management industry. Our analysis shows mainstream actively managed fund charges have stayed broadly the same for the last 10 years, that there is price clustering for active equity funds and asset management firms have consistently earned substantial profits across our six year sample
- Our evidence suggests that actively managed investments do not outperform their benchmarks after costs and that some active funds offer similar exposure to passive funds, but charge significantly more
- While asset managers tend to be good at managing charges which are straightforward and inexpensive to control, they are less good at controlling costs for services which are expensive to monitor value for money
- Fund governance bodies do not exert significant pricing pressure by scrutinising asset managers' costs and do not typically focus on value for money
- We have concerns about how asset managers communicate the objectives and outcomes to investors. Investors may continue to invest in expensive actively managed funds which mirror the performance of the market because fund managers do not adequately explain the fund's investment strategy and charges
- While the evidence on investor focus on charges is mixed, we found that around half of non-advised retail investors were not aware they were paying charges, suggesting awareness of the impact charges can have on returns is still low
- Asset management firms told is that where they create a new share class they find it difficult to switch investors to these new, cheaper share classes
- On the institutional side, there are a large number of small pension schemes and trustees vary in how effective they are at negotiating on price. Some institutional investors also are not presented with comparable information on charges

While investment consultants' due diligence ensures that 'rated' asset managers meet minimum quality and operational standards, these ratings do not appear to help institutional investors identify better performing managers or funds. Many institutional investors struggle to monitor and assess the performance of the advice they receive and we also have concerns about whether the interests of investment consultants are in line with investors' interests.

To address these concerns, we are provisionally proposing the following remedies:

- a strengthened duty on asset managers to act in the best interests of investors, including reforms that will hold asset managers accountable for how they deliver value for money, and introduce independence on fund oversight committees
- introducing an all-in fee approach to quoting charges so that investors in funds can easily see what is being taken from the fund
- helping retail investors identify the best fund for them by:
  - requiring asset managers to be clear about the objectives of the fund and report against these on an ongoing basis
  - clarifying and strengthening the appropriate use of benchmarks
  - providing tools for investors to identify persistent underperformance.
- making it easier for retail investors to move into better value share classes.
- requiring clearer communication of fund charges and their impact at the point of sale and in communication to retail investors.
- requiring increased transparency and standardisation of costs and charges information for institutional investors.
- exploring with government the potential benefits of greater pooling of pension scheme assets.
- requiring greater and clearer disclosure of fiduciary management fees and performance.
- consulting on whether to make a market investigation reference to the CMA on the institutional investment advice market.
- recommending that HM Treasury also considers bringing the provision of institutional investment advice within the FCA's regulatory perimeter.

We have also found that retail investors face difficulties understanding the full cost of investment, including distributor fees, and have some concerns about whether intermediaries deliver value for money. So we are proposing further FCA work on distribution in the retail market.

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