Financial Conduct Authority

MIR

MS15/2.2a

Asset Management Market Study

Provisional decision to make a market investigation reference on investment consultancy services

November 2016

Contents

We are asking for comments on this report by 20/02/2017

You can send them to:

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1. Overview

1.1 This consultation document sets out the considerations behind the FCA's proposal to make a market investigation reference (MIR) in relation to the provision of investment advisory services.

1.2 Having considered the evidence we gathered as part of our asset management market study, the FCA has reached the provisional decision that an MIR should be made. Our reasons for doing so are detailed in chapters 2 and 3 below.

1.3 This is our provisional view and one that we have reached after carefully considering the various relevant factors which we set out in this document and the asset management market study interim report[1] (including the relevant annexes). We draw on evidence from the information requests we sent to investment consultants, an online survey of institutional investors, bi-lateral conversations with over 30 institutional investors and academic work we commissioned to understand trustee behaviour.

Next Steps

1.4 We welcome representations from all interested parties on the topics raised in this consultation document. In addition to comments and views, respondents are requested to provide supporting evidence in response to the consultation where possible.

1.5 Our consultation closes on 20 February 2017.

1 See asset management market study interim report MS15/2.2

2.
Scope of MIR

2.1 We have the power to refer a market to the CMA where we have reasonable grounds to suspect that any feature or combination of features, of a market or markets in the UK for the supply or acquisition of financial services prevents, restricts or distorts competition.[2] We refer to this as the 'reference test'. The relevant market features can be either structural in nature or can relate to the conduct of firms or customers. In practice, there might not be a clear division between structural features and those relating to conduct.[3]

2.2 If the FCA is satisfied that the reference test is met, we then consider whether to exercise our discretion to make an MIR. In making this decision we have considered relevant guidance to help guide us in the exercise of that discretion.

2.3 The FCA is minded to make an MIR, within the meaning of section 131 of the Enterprise Act 2002 (EA02), in respect of the market for the provision of investment advisory services to institutional investors and employers.[4] In chapter 2 we set out our provisional view that there are reasonable grounds to suspect that features of this sector restrict or distort competition; and in chapter 3 we set out our provisional decision to exercise our discretion to make an MIR.

2.4 When referring to institutional investors in this document we include pension schemes, charities, insurance companies, and endowment funds.

2.5 Investment consultants provide a number of different services to institutional investors, in particular pension trustees. These range from actuarial services, strategic asset allocation advice, and manager selection all the way to fiduciary management where consultants invest and manage the clients' assets on their behalf.

2.6 Strategic asset allocation advice provided by investment consultants and the manager research and selection process they undertake can currently be done in a way that is not regulated by the FCA.

2 Section 131 of the Enterprise Act 2002.

3 See *Market investigation references Guidance about the making of references under Part 4 of the Enterprise Act 2002* OFT 511

4 As stated in the CMA's guidance referred to above, the FCA is not, however, obliged to provide a precise definition of the market or markets to which any MIR relates. This reflects the fact that no market definition exercise is typically conducted during a Phase 1 assessment.

2.7 In the occupational pension sector, some consultants act as employee benefit consultants (EBCs) where they advise employers who want to set up contract based occupational pension schemes on choice of provider, how to set up their pension schemes and manage it on an ongoing basis. This advice can be delivered in a way that is not regulated.

2.8 As set out in the terms of reference (chapter 5), for the purpose of this reference the provision of investment advisory services refers to:

- Advice given to institutional investors on asset allocation and manager selection, and
- Advice given to employers in relation to pension schemes, for the benefit of their employees.

2.9 For the reasons set out on in chapter 2 we are provisionally deciding to make an MIR in reference to investment advisory services. In our view, the potential detriment arising in this part of the value chain, the impact that this advice has in determining future returns, the lack of regulatory oversight and the difficulty that institutional investors face in assessing this service suggests that this requires an in-depth investigation.

2.10 In the interim report we identified concerns about other services that consultants provide as well, such as the conflicts of interests that arise when consultants offer fiduciary management services. We heard that there is an attempt on the part of some firms and investors to manage and address those concerns. Nonetheless as part of our provisional remedies package set out in chapter 10 of the interim report, we propose to introduce greater standardisation of both price and performance of fiduciary managers. The provision of fiduciary management services is closely related to the provision of investment advisory services not just for investors but also in the business model of investment consultants. In our view, it would not be possible to consider issues around misaligned incentives and conflicted advice in the provision of investment advisory services without considering the full range of related services that consultants provide.

3.
The reference test

3.1 In this chapter, we set out our provisional view that there are reasonable grounds to suspect that features of both the investment consultancy and employee benefits consultancy sectors restrict or distort competition and that the reference test is met. More details on these features can be found in the chapter 8 of the interim report.

Features of the investment advisory sector

3.2 In our view there are a number of features of this sector which give rise to competition concerns,

- Weak demand-side
- Inability to assess the quality of advice provided by consultants
- Persistent levels of concentration and relatively stable market shares among investment consultants
- High barriers to entry and expansion, particularly the inability of smaller or newer consultants to develop their businesses outside of niche, specialist areas
- Vertically integrated business model

Weak demand-side

3.3 In the UK, pension trustees are required to obtain and consider 'proper advice'[5] as to whether an investment is satisfactory. For existing investments, trustees should obtain advice periodically.[6]

3.4 Academic research[7] that we commissioned suggested that trustees have a tendency to rely heavily on investment consultants, Chairs of Trustees and/or professional trustees that they perceive as having greater investment knowledge. This dependency can result in trustees accepting investment strategies proposed to them, without critique or challenge. We found

5 Section 36(6) of the Pensions Act 1995. "Proper advice" means advice from someone authorised under FSMA to provide a regulated activity, or the advice of a person who is reasonably believed by the trustees to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of trust schemes.

6 Section 35 Pensions Act 1995, says that trustees from time to time must revise a written statement of principles which govern investment decisions of the scheme and in doing so need to seek advice.
Regulation 2 (2a) *The Occupational Pension Schemes (Investment) Regulations 2005,* 'Before preparing or revising a statement of investment principles, the trustees of a trust scheme must – (a) obtain and consider the written advice of a person who is reasonably believed by the trustees to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes'.

7 Tilba & Baddeley (2016). The FCA commissioned this work to explore the dynamics of, and obstacles, to effective investment decisions by oversight committees.

that a significant proportion of trustees (33% of respondents to our online survey) rarely challenge their consultant.

3.5 We found that this lack of challenge can be driven by a combination of factors, including the limited or variable experience on the board of trustees; limited resources of trustees; and trustees' fear of complexity and looking ignorant in front of their peers. These factors can contribute to trustees being unwilling to challenge and can make them more willing to accept proposed strategies that they do not fully understand.

3.6 In addition, we find that the levels of switching in this market are low.[8] Our online survey found that 91% of investors haven't switched consultants in the last five years. Institutional investors told us that the costs associated with switching were not prohibitive, but saw the time and resource that goes into a tender process as a deterrent. Those that did switch said they found it easy to do. In cases where institutional investors considered switching, but did not, 48% gave not being able to find a good alternative provider as one of the key reasons.[9]

3.7 Although switching rates are low we did find some evidence of investors using more than one advisor, although this was only evident for clients with large levels of assets. A number of larger institutional investors informed us that they use a panel of consultants; taking advice from multiple advisors before making a decision or get specialised advice on particular topics. This was backed up by our institutional survey results which found that a third of investors which procured services from investment consultants used more than one.

3.8 In the EBC sector, the greatest challenge is getting employers incentivised to robustly monitor the quality of advice and services they receive. Employers' inability to monitor advice they receive (which we discuss below) is exacerbated by limited incentives to devote resources to monitoring and assessing their EBC.

Inability to assess the quality of advice provided by consultants[10]

3.9 Advice of investment consultants and EBCs is a 'credence good'. By this we mean that the quality of advice; both when procuring the advice and even after implementing the advice, is difficult to assess. For example, assessing whether good performance achieved is the result of implementing high quality advice on asset allocation and/ or manager selection or other factors (such as luck), is almost impossible for the institutional investor to ascertain.

3.10 This is exacerbated by the limited availability of transparent and comparable data on the performance of investment consultant advice. We heard that this was an even greater problem for those consultants providing fiduciary management services. As a result, monitoring and holding consultants to account for the quality of their advice and wider asset management services is challenging.

3.11 We also find that due to the difficulties in assessing advice and in the absence of performance information, institutional investors tend to focus on evaluating investment consultant service, rather than their advice. For example, investors often evaluate factors such as the speed with which they respond to queries; the quality of their responses; and their willingness to be flexible in their reporting to meet trustee needs. Consultants recognise this, and often respond to it by competing on these factors more than the quality of their advice.[11]

8 See para 8.14 to 8.15 of the Interim Report
9 This was from a small base of 25 respondents.
10 See also para 8.124 to 8.168 of the Interim Report
11 See paras 8.132 to 8.140 Interim Report

Persistent levels of concentration and relatively stable market shares among investment consultants[12]

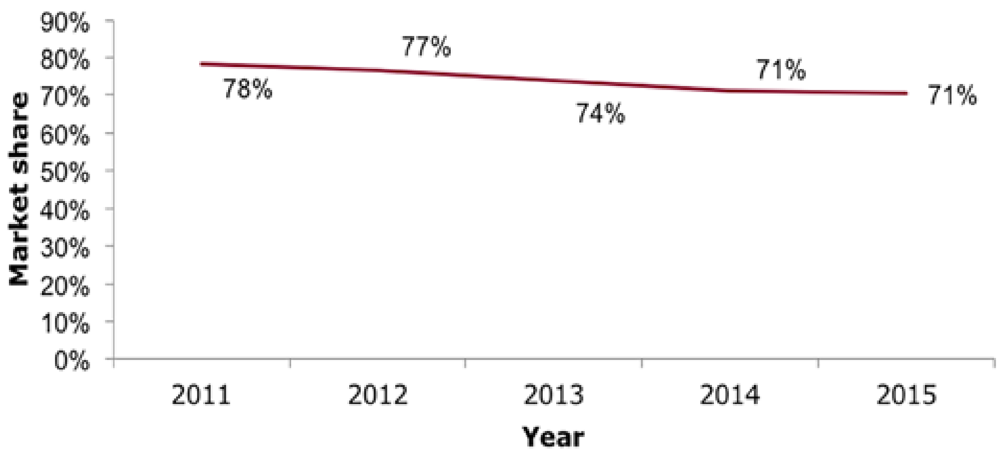
3.12 The investment consultant market is concentrated, with three firms, Aon Hewitt, Mercer and Wallis Towers Watson, taking a significant proportion of market share estimated to be around 60%[13] in 2015.

3.13 In recent years the share of the market held by the three largest firms has seen a modest decline, with smaller firms gaining ground. Some of these small to mid-sized consultants are specialising in providing services to certain institutional investor groups, for example, charities or local authorities. A few appear to focus on serving smaller institutional investors, in terms of assets invested. Others provide specialist advice on certain asset classes.

3.14 While we found a modest decline in the share of the largest firms, overall, the position of the top firms in the market has been relatively stable.

3.15 We have not calculated the market share of the top EBC firms but it is likely to mirror that of investment consultants. This is because large consultancies are able to leverage their existing infrastructure and presence in the market to gain a share in the EBC market as well. Many of the services provided by EBCs use the same tools (investment research, analytics and technological tools) that investment consultants use to generate their advice, so an advantage in one is likely to spill over in to the other.

Figure 1 – Share of advisory revenues for the three largest investment consultants[14]



High barriers to entry and expansion, particularly the inability of smaller or newer consultants to develop their businesses outside of niche, specialist areas

3.16 We did not hear that barriers to entry were high in the investment consultancy or EBC sector. Indeed the entry of new investment consultants and advisory firms, on the face of it, suggests that barriers to entry are not particularly high. An advisor does not appear to need an extensive infrastructure to set up an investment consultancy firm and a number of small advisory firms

12 See Para 8.11 to 8.15 of the Interim Report

13 A sample of twelve of the largest investment consultants provided revenue to the FCA. The largest three had revenues in 2015 totalling 71% of the sample giving us an upper bound estimate. Mandatewire data suggests that this sample covered 76% of mandates advised. As the FCA does not have revenue data on the consultants advising the other 24% of mandates we estimate a lower bound by scaling down 71% by 0.76 providing a range between 54%-71%. The midpoint of these two estimates is 62%.

14 The revenue data collected by the FCA covered 12 of the largest investment consultants but is not exhaustive. The market share estimates are therefore upper bound measures of the share taken by the big three. Data is for advisory revenues only and does not include revenues for fiduciary management.

have managed to make a place for themselves in the market by offering bespoke and niche services to clients.

3.17 Expanding in the market is more challenging for smaller firms. Reputation of the firm matters in this market- one reason for this is that decision makers such as trustees and employers, when making investments on behalf of others prefer to choose an established firm with a well-known name. We also heard clients may be reluctant to use smaller consultants. This is particularly true of pension trustees concerned about their own liability. Our survey of institutional investors suggests that there is a reluctance to shop around or switch investment consultants.

3.18 Taken together these factors are likely to make it difficult for these smaller firms to expand their share of the market and to exert an effective competitive constraint on the larger players.

Vertically integrated business model[15]

3.19 Investment consultants are now offering products that have traditionally been provided by asset managers (such as fiduciary management and fund of fund products). We heard a persistent concern from asset managers and institutional investors that once an investment consultant has developed its own products offerings, it will recommend its in-house propositions even if there are better investment products offered elsewhere.

3.20 The most cited concern was where consultants develop a fiduciary management proposition. One survey found that 58% of schemes currently select the fiduciary arm of their existing investment consultant or actuary[16] as their fiduciary management provider. Moreover 75% of new mandates were awarded without a fully competitive tender in 2014, with investment consultants continuing to provide the majority of mandates.[17]

3.21 Likewise where EBCs have an in-house master trust offering, there is a risk that clients may be advised to opt for the in-house offering even if there are better products available elsewhere in the market.

3.22 Some market participants we spoke with suggested this trend has started to change as the market matures. Nonetheless we were told that having a pre-existing relationship (via the supply of related service) can be a significant advantage in being asked to tender for, or being selected as, a fiduciary manager.

3.23 We found that most investors are aware of the risks arising from conflicts of interests and misaligned incentives and in some cases a few had taken steps to mitigate the risk that their consultants' interests may not be aligned with their own. However, this alone may not be sufficient to mitigate the risks that arise or to ensure that investors get good outcomes.

3.24 In the EBC sector these conflicts of interests raise more concerns. We heard that employers are less incentivised to monitor and manage these risks because they are not responsible for the member's outcome. This is because the pension contract is directly between the member and pension scheme provider, and ultimately there is no guaranteed retirement outcome that the employer has committed to, unlike in a Direct Benefit (DB) pension scheme.

3.25 In our information requests to investment consultants, it was evident that investment consultants are conscious of these conflicts of interest. However, in our analysis, we were unable to conclude whether they were effectively managing them.

15 See para 8.108 to 8.113 of the Interim Report.

16 Aon Hewitt 2015 Fiduciary Management Survey.

17 KPMG Fiduciary Management Survey 2015 (published Jan 2016).

Conclusion

3.26 We provisionally consider that these features, alone or in combination, meet the reference test. In particular, we provisionally consider that this sector is characterised by a mutually reinforcing pattern of demand-side problems (including customer inertia, problems in understanding the service they are buying) and supply-side problems (resulting from market concentration and barriers to entry and expansion).

4. Discretion to make an MIR

4.1 In order to make an MIR, the FCA must be satisfied that the reference test is met. It then has to consider whether to exercise its discretion to make an MIR.

4.2 The CMA's guidance[18] states four factors to consider when deciding whether to exercise discretion whether or not to make an MIR. These are:

- Scale of the suspected problem and whether a reference would be an appropriate response
- Availability of appropriate remedies
- Whether Undertakings in Lieu (UILs) of making an MIR would address concerns
- Alternative powers available to the FCA

4.3 We consider these below.

Scale of the suspected problem

4.4 In determining the scale of the suspected problem, the CMA's guidance[19] identifies three factors of particular significance:

- the size of the market
- the proportion of the market affected by the features
- the persistence of those features

Size of the market

4.5 The size of the institutional market is 80% of the total asset management client base, which is around £5.5 trillion of assets under management.[20]

4.6 Pension funds are the largest institutional client type with £2.1 trillion of assets under management.[21]

18 *Market investigation references Guidance about the making of references under Part 4 of the Enterprise Act 2002* OFT 511.
19 *Market investigation references Guidance about the making of references under Part 4 of the Enterprise Act 2002* OFT 511.
20 Where the total assets under management in the UK in 2015 were £6.9 trillion, Asset Management in the UK 2015-2016, A summary of the IA Annual Survey (September 2016) www.theinvestmentassociation.org//assets/files/research/2016/20160929-amsfullreport.pdf
21 Asset Management in the UK 2015-2016, A summary of the IA Annual Survey (September 2016).

4.7 Almost all DB schemes take strategic investment advice from investment consultants before setting their investment objectives and/or when selecting managers to implement their mandate. There are £1.5tn assets under management in DB schemes.[22]

4.8 DC schemes use the services of EBCs to set the default strategy, select a scheme operator and then monitor that arrangement on an ongoing basis. While individual DC scheme assets are, on average, smaller than DB schemes, membership of DC schemes is rising. Over 9 million[23] individuals save for their retirement through defined contribution (DC) pension schemes.

4.9 Investment consultants also provide strategic asset allocation advice to other types of institutional investors. Trustees of non-profit organisations (which include both charities and endowments) represent 1.3% of the UK Institutional market or approximately £70m.[24]

4.10 In 2015, institutional investors spent over £242m on investment advisory services provided by investment consultants.[25]

The proportion of the market affected by the features

4.11 We found that the concerns identified in the investment consultancy sector are widespread and relate to fundamental aspects of the way that both the demand side and the supply side operate in this sector.

4.12 We found that features of the market identified in paragraphs 3.3-3.11 above, such as the inability of clients to appropriately challenge the advice given by consultants, behavioural biases and inertia that, can affect effective decision making by both small and large institutional investors.

4.13 Institutional investors find it difficult to assess the quality of the advice they receive from consultants and are unable to monitor whether the advice is performing well. While this is particularly true for smaller institutional investors, we found that it also applies to larger institutional investors as well.

4.14 We found that these issues affect DB schemes as well as DC schemes. We heard from institutional investors that smaller DC schemes with a low volume of assets under management may not have the scale and resources to effectively manage and monitor their relationship with investment consultants.

4.15 We found that weak demand side issues identified in chapter 3 can affect large schemes as well as small schemes. We found that even large DB schemes with significant assets and comparatively more resources available to them, may also struggle with monitoring and managing their relationship with their advisor.

The persistence of those features

4.16 The features we identify are long-standing in nature and, in our provisional assessment, likely to persist. As shown in Figure 1 above, the market share of the top three consultants has remained fairly stable over the past years. New firms have entered the market and some have managed to gain market share. However in a sector where reputation and branding play a pivotal role in attracting and retaining clients, we have not seen reason to believe that the market share of the largest three firms will change greatly.

22 Asset Management in the UK 2015-2016, A summary of the IA Annual Survey (September 2016).

23 The Pensions Regulator data based on scheme returns (1 Jan 2016) (excludes hybrid DB and DC pension schemes).

24 Asset Management in the UK 2015-2016, A summary of the IA Annual Survey (September 2016).

25 Based on revenues data submitted to the FCA from twelve of the largest investment consultant relating to investment consultant advice.

4.17 Concerns that the investment consultancy sector is not working well for institutional investors have been on-going since the Myners review first explored it in 2001.[26] The review was asked to consider whether there were distortions in institutions' investment decision-making. The report concluded that many pension fund trustees lack the necessary investment expertise to act as strong and discerning customers of the investment consultants and fund managers who sell them services.[27] The Myners report found that trustees relied heavily on investment consultants in their asset allocation decisions and noted the difficulties faced by investors in evaluating their advisers and the advice they received. The review also found that the concentration of the market led to a narrow range of advice with limited innovation.

4.18 In 2012 the Kay review[28], which looked at UK equity markets and long-term decision making, said that investment chains were too long, with growing numbers of intermediaries between an investor and the company in which they invest. Professor Kay argued that this led to increased costs, misaligned incentives and reduced trust.

4.19 Most recently, in its report on Fiduciary Duties of Investment Intermediaries[29] the Law Commission noted concerns that the investment consultancy market was highly concentrated, with three firms dominating the market. The Law Commission said that this led to many pension schemes being given very similar advice, creating "herding" patterns of investment behaviour. To address concerns, the Law Commission considered a range of options including whether the asset allocation advice given by consultants should be regulated. The Law Commission concluded that with the evidence placed before it, at that stage, it could not make that recommendation. However it noted that the lack of regulation of investment consultants was anomalous, and asked that the Government actively monitor this area because, in their view, if specific risks become apparent, further regulation would be justified.

4.20 Each of these reviews made recommendations that introduced positive incremental change. However, we consider that many of the concerns identified within these studies remain. In a market investigation, the CMA will be able to further investigate the issues identified in the market and will also be able to design, test and implement remedies.

Availability of appropriate remedies

4.21 As part of its assessment, the FCA has considered whether there are appropriate remedies that could be available to the CMA at the end of its market investigation.

4.22 If the CMA were to find one or more adverse effects on competition, the CMA has wide-ranging powers to take actions itself (by accepting undertakings or imposing an Order) or recommend action be taken by others.[30] The CMA's powers enable it to put remedies in place which address the structure of the market directly (e.g. through divestiture, or vertical separation) or which address the behaviour of market participants (e.g. through regulating outcomes or improving transparency). The CMA could impose a single remedy or a combination of remedies.

26 In March 2000, the Chancellor of the Exchequer commissioned Paul Myners to conduct a review of institutional investment in the UK. Myners Review of Institutional Investments: Final Report, 6th March, 2001.

27 Myners principles for institutional investment decision-making: review of progress (December 2004) http://www.uksif.org/wp-content/uploads/2012/12/MYNERS-P.-2004-Myners-principles-for-institutional-Investment-decision-making-review-of-progress.pdf

28 J Kay, The Kay Review of UK Equity Markets and Long-Term Decision Making: Final Report (July 2012) Recommendation 9.

29 Fiduciary Duties of Investment Intermediaries : The Law Commission (LAW COM No 350) (2014).

30 Sections 156 and 161 of the EA02.

4.23 At this stage we do not have to identify what those remedies would be but based on our work so far, some potential remedies may include:

- Requiring consultants to provide more standardised performance information to their clients and introduce a template for reporting this information. This might enhance transparency and assist investors' decision-making.
- Requiring consultants to make their performance and fee information publically available (e.g. on their websites or other publically accessible databases) so that investors can compare across the market.
- Prohibiting certain fee structures that may misalign incentives for consultants when they are advising clients.
- Improving redress mechanisms when consultants underperform or an investor is not satisfied with the advice they have received.
- Requiring trustees to periodically review and re-tender contracts with their investment consultants.
- Making recommendations to trustees and employers on 'best practices' when managing their investments or managing their schemes.

4.24 The CMA may conclude that some or all of these remedies would address any issues identified in the market; or it could identify a completely different set of remedies to address concerns.

Undertakings in Lieu

4.25 The FCA has the power under section 154 of the EA02 to accept Undertakings in Lieu (UIL) instead of making an MIR.

4.26 However UIL should only be accepted if the FCA is of the view that they offer as 'comprehensive solution as is reasonable and practicable'.[31] UIL which satisfy this are 'unlikely to be common' and there may also be significant practical difficulties associated with negotiating UIL with several parties, where the adverse effects have not been comprehensively analysed.[32]

4.27 As part of the consultation process, we would be open to considering UIL if we could be confident that they would provide a comprehensive solution that is reasonable and practicable and consistent with our statutory obligations. In doing so, we indicate our willingness to hear in principle, from the investment consultants, what any UIL would cover.

Alternative powers available to the FCA

4.28 The FCA has considered whether alternative powers are likely to be available to the FCA or others to address the features which it has identified.

31 Section 154(3) of the EA02

32 *Market investigation references- Guidance about the making of references under Part 4 of the Enterprise* Act OFT 511, paragraph 2.21.

4.29 Strategic asset allocation advice provided by consultants to institutional investors can be provided in a way which is not FCA regulated investment advice and our understanding is that Investment Consultants typically provide their advice in this way. Similarly the advice provided by EBCs to employers can be provided in a way that is not regulated investment advice. Consequently, the FCA is not able to use its FSMA supervisory powers to address the concerns identified effectively.

4.30 Strategic asset allocation advice and the advice provided by EBCs to employers are also not regulated by another regulatory authority such as the TPR or DWP.

4.31 As part of the package of remedies we propose in our interim report, we have made a recommendation to HM Treasury to consider including the provision of this advice within the FCA's regulatory perimeter and thereby extend regulatory oversight over these activities.

4.32 Bringing the provision of advice within the FCA's regulatory perimeter may go some way to addressing some of our concerns, as the FCA will be able to supervise and monitor the provision of those services in the sector. However, in our view, this alone will not be sufficient. We believe that issues identified in the sector such as a weak demand side and misaligned incentives can only be fully addressed by an in-depth examination of the sector and remedies designed to address those specific concerns.

4.33 If HM Treasury agrees with our recommendation to bring the provision of strategic asset allocation advice and advice provided by EBCs to employers within the FCA's regulatory perimeter, the timetable for the legislative process is uncertain and could span over a year or two. This is likely coincide with any recommendation or remedies suggested by the CMA at the end of an MIR. The FCA may then have the power to implement and carry forward any recommendations.

5.
Draft Terms of Reference

5.1 The FCA is provisionally minded to make an MIR, within the meaning of section 131(6) of the EA02, in respect of the markets for the provision of investment advisory services to institutional investors and employers.[33]

The draft terms of reference are set out below and we would welcome respondents' comments on the scope of the terms of reference.

Terms of Reference

Terms of reference

5.2 *"the provision of investment advisory services to institutional investors and employers".*

Definitions

5.3 *Institutional investors* means 'legal entities invested in funds or mandates, including pension schemes, charities, insurance companies, and endowment funds.'

5.4 *Investment advisory services* means 'the provision of services in relation to strategic asset allocation advice, manager selection advice, advice in relation to fiduciary management, and advice given to employers.'

5.5 *Strategic asset allocation* means 'the provision of services in relation to clients' investment decision-making and ongoing monitoring of investments, including:

- asset allocation, strategy selection, and managing risk; and
- advice on different types of investments, for example, whether it would be best for a client to invest directly or through a collective investment scheme.

5.6 *Manager selection advice* means 'the provision of services in relation to manager research including rating and recommending managers.'

5.7 *Advice given to employers* means 'the provision of services in relation to the design and implementation of pension schemes in particular as part of employee benefits management.'

5.8 *Fiduciary management means* 'the provision of services where a service provider advises clients on how to invest their assets and makes investments on behalf of the client for all or some of their assets.'

33 The FCA is not, however, obliged to provide a precise definition of the market or markets to which any MIR relates. This reflects the fact that no market definition exercise is typically conducted during a Phase 1 assessment. *See Market investigation references Guidance about the making of references under Part 4 of the Enterprise Act 2002* OFT 511.

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