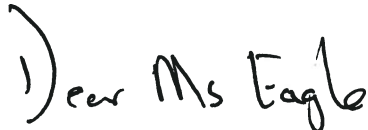


Angela Eagle MP
House of Commons
London
SW1A 0AA

5 August 2019

Our Ref: 190612E

Your Ref: 262258

**RE: Parliamentary Question 262258 regarding occupational pensions**

Thank you for your Parliamentary Question on 10 June regarding occupational pensions. HM Treasury have asked us to respond as your question falls within our remit. You ask the Chancellor of the Exchequer:

If his Department will make an assessment of the potential conflict of interests in the business model of vertically integrated companies offering retail investment platforms, asset management and workplace pensions products (HC262258).

The potential for conflicts of interest due to vertical integration is something the FCA is very aware of, and is an issue we have been assessing over the last few years. As you may be aware, vertical integration is a well-established feature across a number of different sectors and markets. In itself it is not necessarily a concern provided conflicts of interest are effectively mitigated and managed.

We have rules in place that make clear the standards we expect of firms that operate within a vertically integrated structure. For example, firms must take all steps to identify and prevent or manage conflicts of interests and maintain and update a record of these conflicts. These records are reviewed in the course of our supervisory activity and we will challenge firms to show how they are effectively identifying potential conflicts, and how they are actively managing actual conflicts.

In addition to our rules and guidance and supervisory activities, we have carried out work which also focused on competition within certain markets, and the information given to clients who are also likely to be operating within a vertically integrated model. The Asset Management Market Study (AMMS)¹ produced a number of remedies aimed at providing clear information to consumers about fees, charges and other elements of their transactions – including things such as the objectives of funds.

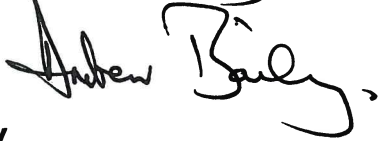
Transparency about fees and charges is particularly important for consumers who are dealing with firms that are operating as part of a vertically integrated model which may not have had fully visibility of what they are paying, and to whom. The AMMS was a big step in the right direction for many retail and institutional investors. Similarly, earlier this year we published the

¹ <https://www.fca.org.uk/publications/market-studies/asset-management-market-study>

Final Report on our Investment Platforms Market Study², and we will be performing further work in this area to improve consumers' ability to switch platforms.

We are confident that managing conflicts of interest is well-established into the processes we operate, and how we deal with firms. However, as with all the areas we regulate, we constantly keep issues under review and will take whatever action is needed – whether supervisory, policy or otherwise.

I hope that you find this letter helpful, and would be happy to meet to discuss these issues further if you would like.

Yours Sincerely


Andrew Bailey
Chief Executive

² <https://www.fca.org.uk/publications/market-studies/ms17-1-investment-platforms-market-study>