

# UK FCA Consults on Preliminary Findings of its Asset Management Market Study

Article By:

Chris Webber

Mariyam Harunah

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In 2016 **United Kingdom Financial Conduct Authority** undertook a study of the asset management market to assess whether retail and institutional investors get value for money when buying asset management products and services. The FCA published the following interim findings in November 2016:

- There is minimal price competition in a number of areas of the asset management industry.
- There is stronger competition on price for passively managed funds. However, the FCA did still find some examples of poor value for money in this segment.
- Firms operating in the market have seen sustained high profits over a number of years despite the large number of businesses in the sector.
- There are concerns about the way the investment consultant market operates.
- Investors do not always understand the underlying objectives of funds.
- Fund performance is not always reported against an appropriate benchmark.

The FCA has proposed a significant package of remedies to promote positive competition and protect those least able to engage actively with their asset manager. Suggestions include:

- Enhanced duties on asset managers to act in the best interests of investors.
- Reforms to subject asset managers to greater accountability.
- Introducing an all-in fee to provide investors with greater visibility of assets being removed from the fund.

- Tools to assist retail investors with identifying the most appropriate fund for them.

With nearly £7 trillion being managed by the UK asset management industry, and over three quarters of UK households with occupational or personal pensions using asset management services, these findings and potential remedies are important and have wide-reaching effect. Interested stakeholders have until 20 February 2017 to provide the FCA with their thoughts.

The FCA will publish its final report and remedies in 2017. Firms providing asset management services will be alive to the fact that their business models may be subject to yet more scrutiny and customer friendly changes in the not too distant future.

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