

## Press release

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### **Fund managers should ‘eat their own cooking’ says the New City Initiative think tank**

- New report recommends investment managers should invest a significant portion of their investible wealth and remuneration in the same strategies and products as their clients.
- Wealth managers must be able to select the best products for their clients, without bias either from rebate arrangements or towards in-house products.
- New City Initiative also advocates the establishment of a ‘Code of Good Practice’ for the fund management industry based on the core principles of alignment, independence and transparency.

Investment managers should invest a significant portion of their investible wealth and total remuneration alongside that of their investors, in order to bring clients’ interests into line with their own, according to a new report by the prominent London and Paris based financial services think tank, the New City Initiative (NCI).

The report, entitled “[Les Patrons Mangent Ici](#)”, (literally, ‘the owners eat here’) also suggests establishing a ‘Code of Good Practice’ for the fund management industry which would build on the principles of alignment, independence and transparency to provide recommendations on issues such as co-investment with clients, co-investment of remuneration, employee ownership, and the appropriate calculation of performance fees and variable remuneration.

According to the report, better alignment of managers with their clients can reduce risk, improve performance, and rebuild trust in the financial services industry. NCI believes that this should be accomplished not by additional regulation on remuneration or ownership, but rather through a process of cultural change supported by policymakers and regulators together with industry stakeholders.

The report has a dual aim. Drawing on NCI’s experience as a think tank comprised of leading independent financial SMEs, it first offers practical recommendations about how investment managers can become better aligned with their clients, and how these recommendations might be applied to participants in the financial system more broadly. Second, it suggests several ways in

which policymakers can encourage better provider-client alignment in the investment management industry, through support and accreditation for the proposed Code of Good Practice, as well as by making it easier for managers to co-invest in their funds and in the equity of their employers.

Commenting on the report, Daniel Pinto, co-founder and Chairman of NCI, and CEO of wealth manager Stanhope Capital says: “This report builds on many of the core principles which NCI stands for. People are understandably angry about the role of the banking sector in contributing to the recent credit crisis, and in many respects correctly so. However many people are unaware that financial SMEs such as NCI’s members account for over half of all employment in the City of London, pose no systemic risk, and did not require bailing out by the taxpayer.

“What is it that we are we doing right? Our members, and many others like us, are drivers of innovation, diversity and consumer choice in the industry. We operate under a firm belief that it is essential for us to sit, in effect, on the same side of the table as our clients. Better alignment is the right way to do business from the client’s perspective, and investors are increasingly recognising that fact. Moreover, better alignment not only reduces risks for investors, but also for the financial system as a whole.

“If the financial services sector is to rehabilitate itself in the eyes of the public, it must reform itself so that decision makers are better aligned with their clients and with the consequences of their decisions. We believe that our experience as financial SMEs who have led the way in good alignment with our clients can be used to improve the investment management industry as a whole, and offers useful lessons for the financial services industry more widely, including the big banks.

“Our latest report offers practical recommendations about how to align investment managers’ interests with those of their clients. We intend that this will form the basis of a wide-ranging discussion between the investment management industry and policymakers over the coming months, the conclusions from which will form the basis of our Code of Good Practice for the investment management industry. Clearly, this is something that will take time to achieve, but the drawing up of such a Code, which we intend to become accepted as an industry norm, will be a good way to encourage managers to put the principles we are advocating into practice.

“NCI is committed to promoting the values of owner-managed firms which align their interests with those of their clients. We believe that adoption of these values more widely will make a material difference in restoring society’s trust in the financial services sector as an invaluable asset to economies at both national and European levels.”

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Please [click here](#) for a link to the paper.

**About the New City Initiative:**

The New City Initiative is a think tank that offers an independent, expert voice in the debate over the future of financial regulation.

Founded in 2010 by Daniel Pinto and Derek Laud, NCI counts amongst its members some of the leading independent asset management firms in the City of London and continental Europe. NCI gives a voice to independent, owner-managed firms that are entirely focused on and aligned with the interests of their clients and investors.

Over the last decade, an old fashioned “client-centric” approach has enabled entrepreneurial firms in the Square Mile and beyond to emerge as a growing force in a financial industry dominated by global financial giants. Now, more so than ever, these firms play a key role in preserving the stability and long-term focus of the financial sector, which is of benefit to society at large.

Today NCI is comprised of 42 leading independent asset management firms from the UK and continental Europe, managing approximately £300 billion and employing several thousand people.

NCI's core aims:

- To serve as an independent, expert voice in the debate over financial reform.
- To restore society's trust in the financial sector.
- To promote the values and practices of European owner-managed firms which align their interests with those of their clients.
- To raise awareness of the positive, stabilising contribution small entrepreneurial firms make to the economy and society as a whole.

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