

Press release

Friday 14 February 2014

## **New City Initiative statement on dealing commissions**

Magnus Spence, chairman of the New City Initiative (NCI), the think-tank established on behalf of Europe's independent asset management firms, today welcomed "any measure which brings greater clarity to the ways in which dealing commissions can be used to pay for research." The comment was made in a response to the Financial Conduct Authority's consultation paper on the use of dealing commission rules.

"By introducing greater clarity in these rules, conflicts of interest between investment managers and their clients should be reduced," said Spence. The NCI chairman also called for dealing commissions to be included in the Total Expense Ratio of a fund, "so that investors can clearly identify the total costs charged against their investment in any year. We would also encourage the FCA to require investment managers to disclose the level of dealing commissions incurred, as a percentage of the assets under management, in the Key Investor Information Document (KIID) in each of the preceding three years. Additionally, we would recommend that a detailed breakdown of the research costs is included in the KIID, showing the largest 10 suppliers and the nature of the research received."

However, Spence said the NCI "would strongly oppose" any steps towards the complete ban on charging research costs to client money, because the combination of clearer rules (as proposed by the FCA consultation paper) and more transparent reporting, will help eliminate conflicts of interest between investment managers and clients when it comes to the use of dealing commissions.

Any ban on permitting boutique fund managers to pay for genuinely value-added research out of client money would be detrimental to smaller firms and, ultimately, their clients. "Smaller funds often produce industry-beating performance. Not only that, they provide crucially-needed competition to large players, giving investors wider choice when selecting funds," added Spence.

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New City Initiative is a think tank dedicated to providing an independent voice in the debate over the future of financial regulation. Established in 2010 by Daniel Pinto its members comprise the leading independent asset management firms in the City of London and continental Europe, managing some £350 billion. Part of its mission is to restore society's trust in financial services, and to raise awareness of the positive and stabilising contribution made by smaller entrepreneurial privately-managed firms to the overall economy.