CWC Research

INTERNATIONAL FINANCIAL DATA SERVICES

PRESS RELEASE

IFDS STUDY INDICATES PROLIFERATION OF SHARE CLASSES AND POTENTIAL PRICE WAR IN UK RETAIL INVESTMENT MARKET AHEAD

LONDON -- 27 November 2013 -- International Financial Data Services (IFDS), a leading global provider of outsourcing and technology solutions to the collective investment, retirement, insurance, and platform markets, today released the results of a study assessing the expected impact on fund share pricing caused by a proposed ban on rebates from asset managers to platforms and customers.

The IFDS report -- ***"Call My Bluff"* --** was done in association with CWC Research, a research-based consultancy specialising in the intermediary sectors of the financial services industry.

The proposed ban, which resulted from the Financial Services Authority's Retail Distribution Review, removes the benefits-of-scale advantage enjoyed by large platforms offering bundled pricing. These platforms typically seek to replace the lost income from rebates with increased business volumes resulting from discounts offered on fund share prices. The study attempts to forecast the nature of the changes that will result from the ban on rebates, scheduled to come into effect in 2014.

In October and November 2013, CWC Research conducted in-depth, structured interviews with asset managers, platforms, adviser businesses, discretionary fund managers, transfer agencies, and data publishing houses regarding the ban.

According to the firm's interviews with **platform managers**:

- 70% forecast confusion,
- 62% anticipate a reduction in the price of funds,
- 45% see prices increasing across the board, and
- 55% forecast difficulty in transferring funds between platforms.

"We expect the very best deals in the marketplace and parity against our platform rivals," said one platform manager. "If we do not receive them from asset managers, as a last resort we may consider their removal from the platform."

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According to **asset managers** that would qualify for discounts:

- Two thirds were attracted to restricted propositions,
- Half would look for influence over distribution, and
- Half would not deal with platforms as they are not distributors.

"We will only offer better terms to distributors who can influence the delivery of funds," said one asset manager. "Most platforms cannot influence fund flows, so will not be offered discounts."

Among **advisers** interviewed for the study:

- One third said they might review their platform and two thirds said they would not,
- Over half said they would review fund selection where discounts were in the 10-15bps discount range, and
- Half said they would seek an alternative fund where a fund offered a discount elsewhere but not to them.

"If it is black and white and lots of funds are offered elsewhere with discounts, we would have to change platforms," said one adviser. "We may end up not dealing with a fund house that gives a discount to our competitors but not us."

The study also indicated that data publishers are concerned that there will be no agreed standard against which fund price is quoted, which will impact reporting and analysis.

"While increased transparency is clearly a positive step, concerns are that a distinct lack of consistency around what the various stakeholder groups are looking to achieve will very possibly lead to further confusion for the consumer," said David Moffat, Group Executive at IFDS. "For example, a lack of standardised naming conventions as the proliferation of share classes grows and a lack of understanding around the commercial terms will possibly deter consumers. An important consideration will be educating and communicating clearly with consumers."

The study also indicates the potential for price war among active managers as platforms demand better terms.

"A couple of asset managers have shown their hand in terms of the clean prices they will offer, the lowest so far being 55 basis points, clearly a discernible difference," said Clive Waller, Managing Director, CWC Research. "Asset managers will want a bang for their discounted buck in the form of promised fund flows, which could mean a drift to restricted propositions and vertically integrated firms."

Notes to editors:

About IFDS:
International Financial Data Services is recognised as a world-leading provider of outsourcing and technology solutions to the financial services industry. IFDS services are provided to a wide range of global asset managers, wealth managers, platform providers, insurers, and life companies. Supporting more than 44 million investor and policy holder accounts for over 370 financial organisations across Asia-Pacific, Europe, and North America, the IFDS enterprise employs in excess of 7,000 experienced individuals located throughout Canada, Ireland, Luxembourg, the United Kingdom and the United States of America. IFDS is a 50/50 joint venture between Boston-based State Street Corporation, one of the world's leading providers of financial services to institutional investors, and Kansas City, Missouri-based DST Systems Inc., a leading provider of information processing and software services and products to companies around the world. Figures as September 30, 2013. For more information visit www.ifdsgroup.com.

About CWC Research:

CWC Research has been providing data and consultancy to investment managers, life companies, platform providers, distributors and consultants dealing in intermediated retail investment markets since 1999.

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