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## Customers are people, British asset managers remind themselves

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By Editor Test     *Thu, Mar 28, 2013*

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In a story that sounded like a parody from *The Onion*, the CEO of Britain's Investment Management Association (IMA) was reported to have admitted that his industry's clients are real people—presumably with flesh, nerves, brains and emotions.

Speaking at a conference organized by the University of Warwick and the Financial Services Knowledge Transfer Network, the IMA's Daniel Godfrey admitted that his industry had a tendency to forget that, *IPE.com* reported.

"What we have to do as asset managers, and a responsibility we have, is to look through that transmission chain and say, yes, our client may be a pension fund, our client may be a life company, but at the end of that chain is a real person that is relying on us to do something that is very, very important to them," he said.

Godfrey's comments followed a mea culpa of sorts from David Norman of TCF Investment, who alleged that the asset management industry was "negligent, incompetent and systematically corrupt." He cited specific instances where fees had not been disclosed fairly, to the detriment of retail investors.

If the asset management industry recognized its importance to "real people," it could then begin to address a number of concerns, Godfrey said. "If we are going to fulfill this purpose for real people, whether they are direct customers or at the end of some transmission chain, [the first step] is to have excellent fiduciary standards and operating practice," he said.

"I don't mean fiduciary standards in some legal sense," he added. "I'm thinking about fiduciary standards more as a moral code, a way of behaving, a form of conduct - so that you understand what you are supposed to do in any given circumstance, by being aligned to an understanding of what your purpose is."

A new standard of conduct could drive down costs, improve client outcomes, and build trust among consumers, he suggested.

"If you base your conduct around trying to always improve your standards of fiduciary excellence, you will look for ways in which you can bear down on costs for your clients," he said. That "can bring costs down, and have a very big impact on long-term outcomes."

As costs were addressed and made clear and transparent, it would allow his industry to enter a "trusted partnership" with financial regulators, politicians and consumer groups, which could lead to "a regulatory and tax regime that helps asset managers do a great job for their customers."

To foster transparency, he suggested that costs could be expressed both in sterling and percentages, and providers could disclose how much an investor's unit has appreciated in value, measured in pounds, along with the fee cost that went towards bringing about this increase.

We want "to see if there is a way through this quagmire of suspicion and smoke to try to get something that helps people understand what's happened in their fund and what the costs have been," Godfrey said.

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