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## **COFUNDS WELCOMES THE FSA DISCUSSION PAPER ON PLATFORMS**

Cofunds, the UK's largest independent fund platform, has welcomed the FSA's recently published paper entitled **"Platforms: the role of wraps and fund supermarkets" (DP07/02)**

Cofunds has taken a full part in industry discussions with the FSA in the development of this paper and greatly welcomes the open and inclusive approach the FSA has taken. Cofunds is in general agreement with much of the document.

### **UK Platforms are still in a period of rapid change**

Cofunds agrees with the FSA that the platform market is still evolving rapidly and that rigid rules could inhibit progress. Cofunds own business is evidence of this. The company only opened for business in 2001 with a simple lump sum ISA. It now has over £13bn of assets under administration for some 293,680 investors who in total own some 1,761,630 fund holdings.

We currently offer regular savings, PEP transfers, unwrapped funds, an insurance bond, a SIPP and a host of asset allocation tools, management information systems and enhanced service options.

### **Cofunds will be an open and adaptable system able to cope with a variety of client needs**

We agree with the view that IFA firms will make different demands of platforms reflecting differences in the nature and needs of the target market which an adviser seeks to serve. We were pleased to note that the FSA has dispelled the myth that there is a finite limit of 20% to the amount of business an independent adviser can place with any one platform.

This is why over the next year Cofunds will move towards providing a wide choice of service and remuneration structures which will include the ability to take fees as well as or instead of commission and more efficient ways to rebate commission.

Cofunds also plans to add more choices to its range of insurance and pension products in the next few months so that its proposition to advisers next year will be substantially richer and more evolved than the current

model and it will be able to support all types of firm whether they transaction, execution, advisory or discretionary.

Cofunds will no longer be a unitary offering and will instead be multi-choice.

### **Effective disclosure is important – for everyone.**

Cofunds believes that the combination of the growth of platforms and the raising of professional standards will help homogenise and commoditise investment products and incentivise simple and transparent pricing over time. The ISA is the model product for this process. However, effective disclosure is also important for this to happen.

The FSA believes that, beside the demands of MIFID, full disclosure of the whole value chain is important to eliminate product bias. Cofunds does not disagree. However, it will be important that for all instances where funds are wrapped inside another provider's product the same transparency should obtain irrespective of whether the method of investment is on paper or by wire. A uniform method of disclosure should therefore apply to all unit linked life insurance and pension products – even where the asset manager and the insurance company are part of the same commercial group. It would be nonsensical for a SIPP or insurance bond bought off platform via a paper application form to have a different disclosure regime to an identical product bought on platform via the web.

### **Effective disclosure should be appropriate to its user**

Some products, a SIPP for example, can involve commercial agreements between an insurance company, an administration provider, a bank and several fund managers. In such instances full disclosure will be lengthy and complicated.

While Cofunds is happy to make such disclosures, it believes it will be difficult to do so in a simple clear and transparent form in point of sale documents for the consumer.

For this reason, we would prefer a system where full details were provided in Key Features Documents. At point of sale, we believe it is much more important to focus simply on total cost to the consumer and fees and commissions for the adviser and his firm. Too much additional detail would only cause confusion and impede focus on the core issue of cost.

We agree with principal that what cannot be disclosed in cash terms should not be paid and note the FSA's view this could call into question the practice of offering equity in platforms to advisers.

However, in the industry at large there is a plethora of agreements covering "marketing support", enhanced commissions, training, loans and equity purchase, between product providers of all types – platforms, insurance companies and asset managers. Cofunds believes there should be an identical regime for all market participants whether they are covered by MIFID (e.g. fund managers) or not (e.g. insurance companies) or whether they distribute via a platform or not.

### **We believe that suitability is key**

We agree with the FSA that advisers should think carefully about the suitability of a platform for the consumer and that the choice of platform is analogous to an asset manager choosing to outsource administration. This would mean that advisers should carefully consider the nature of services on offer, the service capability and financial strength of the platform, the strength of proven and scalable systems, the robustness of risk control and business recovery procedures and the strength in depth of the management.

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Notes To Editors

Cofunds:

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Cofunds Limited, launched in January 2001, is the leading independent fund platform for intermediaries with assets under administration in excess of £13.4 billion (at 30/06/2007). It is an independent company providing a one-stop fundmarket that provides flexible, reliable, convenient administration and management services for intermediaries and their clients. It does not offer investment management or advice, nor does it compete with intermediaries by offering its services direct to the end client. Cofunds exists to serve the needs of fund managers, intermediaries and their clients.

**Cofunds is authorised and regulated by the Financial Services Authority.**