CFA Society
United Kingdom

Ms Victoria Edwards
Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU

27th September 2013

Dear Ms Edwards,

The CFA Society of the United Kingdom (CFA UK) is pleased to share its views, ideas and observations about the Department for Communities and Local Government (DCLG) call for evidence on the future structure of the Local Government Pension Scheme. This response has been prepared by CFA UK's Professional Standards and Market Practices Committee (PSMPC). The PSMPC identifies and monitors key regulatory and best practice developments likely to affect CFA UK members.

CFA UK members abide by a Code of Ethics and Professional Standards[1] that focuses on placing client interests first.

Context and rationale for our response

CFA UK welcomes this call for evidence. It is important that information and data be available to indicate how changes to LGPS schemes under discussion might impact on stakeholders.

Before addressing the requirements of the DCLG's request, it would be useful for DCLG to understand the context of our response and the rationale for our comments. An evidence backed response requires data, not all of which is widely available; we have used publicly available data where possible to support some of our comments. For our purposes we will focus on the local government pension schemes (LGPS) in England and Wales, but we hope our observations are equally relevant to LGPS in the devolved administrations.

[1] http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx

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Deficits and liability profiles

Reports that the total LGPS deficit in England and Wales has risen above £80Bln[2] since 2010 are concerning, though one of the factors that has contributed to the widening of the deficit are the record low Gilt yields seen during this period and these appear likely to rise in coming years.

It would be useful for the data to be collated and published in a form that shows how the headline deficit is distributed across all of the schemes. Indeed, full disclosure and collation of the liability profile for each scheme would be helpful. Schemes differ in their maturity profiles and many have multi-employer mandates. It is possible to gain valuable insights into schemes' liability profile and deficits if the same set of assumptions are used for each scheme. In doing so, we can understand how significant the potential shortfall may be for each scheme and how any deficits can be addressed in a sustainable manner in the interests of the beneficiaries and other stakeholders. Having a focussed scheme oriented approach would be more efficient than one based on a one size fits all approach based on global data.

Structural factors

The review has a particular focus on cost savings. However, it is important to identify whether there are other structural factors that are detrimental to the risk adjusted return[3] (net of costs) that LGPS schemes can achieve.

Two particular issues to examine here are:

- The level of finance and investment expertise within the decision-making function of the LGPS.

- The investment regulations that LGPS are subject to - we understand that these regulations have been relatively unchanged for at least 30 years and may not have kept up with the advances in investment management techniques.

We examine these issues further below.

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[2] http://www.theactuary.com/news/2013/04/local-government-pension-deficit-has-doubled-since-2010/

[3] The refinement of the investment return to take into account the risk taken to generate that return. For example if investment A and investment B generate the same return. If B generates its return taking less risk than A, B has generated a higher risk adjusted return than A.

Skills and expertise

CFA UK believes in the importance of investment education and encourages all of its members to continue to develop professionally. We believe that such education and continuing development is essential to good investment decision making. However, we also acknowledge the market realities. For LGPS, attracting and retaining the appropriate level of skills and expertise is a challenge. Such individuals can demand high salaries that LGPS schemes may not be able to afford. To the best of our knowledge, only a small proportion of those responsible for making investment decision employed by LGPS schemes have any form of relevant qualification.

The reality of the local government pay scales would mean that even a super scheme would unlikely to be able to pay to attract the sort of senior decision maker who should ideally be leading the investment strategy for LGPS schemes. Quantity of investment resource cannot be a substitute for quality and this means that an outsource model using investment consultants remains the solution. However, this does not mean that those responsible for the oversight and management of these pension scheme assets should not have a good foundation knowledge in investments. Typically, the background of the pensions manager and other officers to the scheme will be in accounting, rather than investment or pensions. By attaining investment knowledge, these staff members can ensure they get the most out of outsourced investment services, actively challenging their advisers.

Currently, each section of the LGPS scheme will have its own adviser. In theory it might seem possible to access the same skills and expertise at a lower cost by consolidating schemes in some way, but there may be drawbacks to this approach. As the Government backed 2001 Myners Review of institutional investment[4] pointed out -

'Although concentration of the consulting industry and the undue influence of a small handful of individuals on the investment policy of the industry is undesirable, worse is the generic "one size fits all" advice which the consultants provide.'

[4]Institutional Investment in the United Kingdom: A Review; chapter 4. (2001) http://uksif.org/wp-content/uploads/2012/12/MYNERS-P.-2001.-Institutional-Investment-in-the-United-Kingdom-A-Review.pdf

There is excessive concentration within the investment consulting model which may be to the detriment of the quality of advice. That review called for increased competition.

Amalgamating schemes and using a sole adviser would be to the detriment of this objective. Furthermore an amalgamated scheme will still have sections within it with different deficit levels and stakeholders facing different economic realities. As such, the appropriate level of risk each section can take (and the commensurate returns it can target) will differ from section to section and therefore there is no 'one size fits all' advice that will be appropriate, again minimising the scope for savings on adviser fees.

Those responsible for each scheme have a duty of care to the beneficiaries and stakeholders. In addition to having the appropriate skills and expertise, this duty also involves ensuring that each scheme has the appropriate level of oversight and governance.

Maintaining effective governance and appropriate skills are challenges for trustees in the private sector. The same, if not greater challenges, apply to LGPS schemes. Decisions on the investment of LGPS schemes are ultimately the responsibility of their Pensions Committee, made up of people elected as councillors who quite typically do not have a finance background. Furthermore, the turnover in pension committees can be high.

Cost savings – economies of scale and mergers

It is right to investigate possible economies of scale to reduce the cost burden of pension funds to local authorities and tax payers. However, the potential for long term savings must be balanced against the costs and efforts of bringing about the necessary changes. We worry that a desire for perceived action might underestimate the costs of bringing about such change and overestimate the potential benefits.

DCLG should also recognise the measures already being undertaken to reduce costs by councils, assessing which have been successful and why. Equally important is to learn from those efforts where the net benefits have fallen short of expectations. In addition, it is also vital that DCLG examine objectively the scope for cost savings for each scheme and the length of time required to deliver the net benefits of such measures.

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One approach cited recently to deliver cost savings is the use of mergers. Mergers are deemed to deliver synergies that will manifest in cost savings. In some cases such mergers often fail to deliver the cost reductions on the scale or the timeframe anticipated. It is our understanding that where private sector conglomerates have merged pension arrangements the payback period has been unexpectedly long, with merger costs being underestimated and future savings lower than expected. While there would be different challenges for mergers of LGPS administrating authorities, the experience of such mergers should be understood.

It may be presumed that asset management costs can be substantially reduced by co-investment (whether this be through scheme mergers or cooperation through some form of common investment fund). It is indeed likely that some smaller schemes could see some economies of scale by co-investing as it is not atypical for asset managers to offer a sliding fee scale at the smaller end. However, it is our belief that the benefits will be limited. Many (and possibly the majority of) schemes are going to be large enough to benefit already from the lowest fee scale available. An asset manager who can genuinely deliver alpha is in demand and can afford to turn away low revenue business.

There is also a risk that co-investment could cause diseconomies of scale. Active fund managers are subject to capacity constraints and asset growth and performance can be negatively correlated[5]. The scale of the LGPS is such that some strongly performing managers currently managing LGPS mandates would not be able to offer more capacity and would need to be removed from a co-invested model. A super scheme may well only be able to consider the very largest of global asset management houses and even then, only the more liquid of their strategies.

Based on evidence we have seen[6], even those councils considering a merger will need financial assistance to make the merger viable; which in turn raises the question – will the merger deliver the benefits anticipated? While central Government may fund these mergers, this simply shifts the costs from a local level to a national level. Such a subsidy to meet a policy objective would distort the true economics of any merger and make it only superficially viable.

[5] CFA UK Position Paper: Conflict of Interest, page 8 (2013)
[6] http://ipe.com/news/neighbouring-uk-councils-consider-4bn-pension-fund-merger_55914.php?s=buckinghamshire

LGPS regulations

The regulations governing LGPS schemes are restrictive when considered either against those governing the Treasury functions in local government, or pensions in the private sector[7]. We also understand that these regulations have remained largely unchanged for a considerable period of time and believe that this review would be remiss if it did not address the shortcomings of these regulations. The substantive restrictions hamper the return opportunities and risk management of schemes, force schemes to pay for costly pooling structures to 'get around' restrictions and the lack of clarity in their drafting results in advice on legal fees that should be unnecessary.

The increased use of LDI (Liability Driven Investment) in private sector schemes has been well documented. LDI strategies have performed well in recent years and have reduced the volatility of funding deficits. However, these structures require the use of interest rate and inflation swaps to hedge the liability profile[8] of the scheme. The LGPS regulations do not permit swaps despite the fact that they are a credible risk management tool. There are examples of LGPS schemes setting up bespoke pooled vehicles in order to obtain exposure to swaps, but this is a costly approach to what should be a low cost investment strategy.

In seeking investment return, most LGPS schemes invest in assets denominated in non-sterling as well as sterling. Currency hedging is commonly employed to reduce the unwanted currency risk inherent in non-sterling assets. Yet even a simple currency hedge is not always deemed to be within the scope of the LGPS investment regulations. The LGPS investment regulations are quiet on the subject of currency forwards, as they are on all non-exchange traded futures. The Department of Communities and Local Government has sought to allay concerns in open letters on the use of these instruments. However, we are still aware of counterparties opting not to trade these instruments on LGPS accounts as the primary legislation is not clear.

There are further areas of legislation that drive sub optimal decision making and create costs. For example, schemes are forced to diversify manager exposure where that exposure is gained through pooled funds. While one might presume this is to diversify active manager risk it is not effective in doing that – instead it can force the use of segregated solutions where pooled

[7] http://mpfmembers.org.uk/pdf/si3093.pdf
[8] Liability driven investment strategies for pension funds
http://www.cfainstitute.org/learning/products/publications/cp/pages/cp.v25.n4.7.aspx

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may be better. It may also force diversification of passively managed pooled funds, where this can add to costs and yet there are no active manager risks to mitigate. Ring fenced pooled vehicles do not themselves introduce a risk that needs diversifying.

The regulations also limit the amount that can be invested through partnerships. This can hamper an LGPS scheme's ability to seek returns and diversification through alternative assets (e.g private equity). It is the underlying assets, not the structure through which they are invested, that should be considered for any concentration limits.

In summary, regulations that require frequent and costly legal advice to interpret and prevent access to advances in investment techniques are to the detriment of LGPS scheme. Although some schemes may look for alternative means to gain access to these techniques (eg bespoke pooled vehicles) such activity adds costs and complexity which may have been avoided had the investment regulations been less onerous. Bringing the investment regulations up to date would be in the best interests of stakeholders and support the aim of reducing costs and improving efficiency.

We understand that changing the investment regulations may require Parliamentary time; CFA UK would suggest that this is an investment worth making.

Costs, revenues and asset values

Table 1, below, from the Office for National Statistics (ONS) shows that LGPS expenditure has increased markedly between 2007/08 (when it was £6,185 million) and 2011/12 (by which time it has risen to £8,592 million). However, in proportion to the size of the funds (see Table 2) the increase in costs is less marked (an increase from 5.2% to 5.8%) and within this the costs of managing the funds in the scheme, as a percentage of total expenditure, have <u>declined</u> from 6.1% in 2007/08 to 5.4%. The costs of managing the funds has not increased materially as a percentage of assets (0.31% in 2007/08 compared to 0.32% in 2011/2012) despite a trend towards increasingly complex investment arrangements.

Of course these figures mask the variety across sections.

Table 1: Local Government Pension Scheme expenditure 2007-08 to 2011-12

£ million

	2007-08	2008-09	2009-10	2010-11	2011-12
Total expenditure on benefits	5,230	5,611	6,317	6,730	7,534
of which:					
Pensions or annuities	*4,109*	*4,398*	*4,774*	*5,021*	*5,503*
Lump sums paid on retirement	*1,036*	*1,048*	*1,323*	*1,441*	*1,706*
Lump sums paid on death[(a)]	*84*	‖ *123*	*137*	*153*	*164*
Optional lump sum[(b)]	-	*41*	*82*	*114*	*161*
Other benefits	*1*	*1*	*1*	*1*	*1*
Disposal of Liabilities	553	513	858	829	551
of which:					
Transfer values	*540*	*502*	*846*	*818*	*551*
Pensions Act premiums	*10*	*11*	*12*	*12*	*0*
Refunds of contributions[(c)]	*4*	‖ *0*	*0*	*0*	*0*
Costs charged to the funds	375	359	384	437	468
of which:					
Fund Management costs	*270*	*245*	*271*	*313*	*353*
Administration costs	*105*	*114*	*115*	*125*	*118*
Other expenditure	27	19	19	10	38
Total expenditure	**6,185**	**6,502**	**7,578**	**8,007**	**8,592**

Source: SF3 forms

(a) The rules changed from 1 April 2008. Prior to this date death benefit was twice salary, after this date it is three times salary.

(b) This was introduced from 1 April 2008

(c) The rules changed from 1 April 2008. See *Terminology used in this release* for further details

Table 2: Local Government Pension Scheme income and market value of funds 2007-08 to 2011-12

£ million

	2007-08	2008-09	2009-10	2010-11	2011-12
Contributions (including those from admitted authorities)					
Employees[(a)]	1,680	1,926	1,974	1,966	1,839
Employers[(b)]	5,009	5,400	5,759	5,947	5,920 *
Investment income (gross)	3,165	2,873	2,572	2,696	3,045
of which:					
Dividends receivable	*2,080*	*1,999*	*1,754*	*1,708*	*2,071*
Interest receivable	*638*	*546*	*385*	*383*	*370*
Income from property	*303*	*302*	*305*	*345*	*387*
Other investment income	*144*	*25*	*128*	*259*	*217*
Transfer values	707	557	800	791	662
Other income	50	50	58	96	82
Total income	**10,610**	**10,806**	**11,163**	**11,496**	**11,547**

£ million

	2007-08	2008-09	2009-10	2010-11	2011-12
Market value of funds at end of year	119,959	97,272	132,012	142,716	147,719

Source: SF3 forms

(a) The rate of employee's contribution to the scheme changed from 1 April 2008 from a flat rate for all employees to a variable rate dependent on salary.

(b) Includes employers' secondary contributions

* Employers contribution for 2011-12 includes a one-off exceptional item of £65m due to transfer of responsibility of scheme

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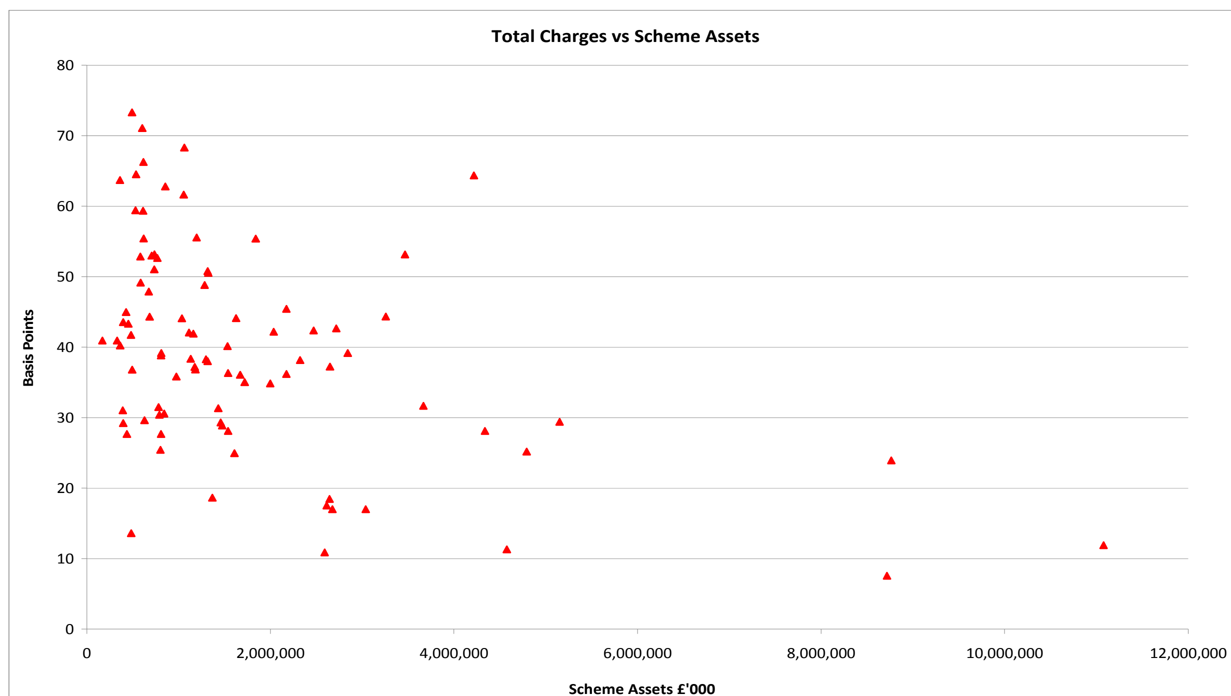
Chart 1 – Total charges as a percentage of scheme assets (£,000)



Source: ONS data, CFA UK.

Chart 1 appears to show some negative correlation between scheme size and costs. However, some larger schemes pay ad valorem charges that are above that paid by some far smaller schemes.

We have not been able to find available data to analyse costs versus the complexity of investment arrangements. This work needs to be done before any conclusions can be made about correlation between size and costs. More complex arrangements involving diversification into alternative asset classes, using boutique asset managers and using hedging structures are put in place to enhance risk adjusted net returns, which should be to the benefit of stakeholders if appropriately implemented.

There are other reasons why high level data on the fees and charges related to managing each scheme's assets are not comparable. For example, the data will include some schemes (quite possibly those in pooled vehicles) that report transaction costs in addition to asset management fees and others (quite possibly larger schemes with segregated mandates) that do not.

Rather than rush to solutions that may or may not reduce cost, it would be better to investigate the way in which funds are deployed to generate value net of costs on a risk-adjusted basis. It may be that turnover is eroding returns (through manager change and/or active management that is not adding value). It may be that schemes are chasing returns. It is worth examining to what extent asset managers and consultants are delivering value to the scheme.

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Comment on the high level and secondary objectives

High level objectives

1. Dealing with deficits –

Dealing with deficits is an all-encompassing objective that requires schemes to be run cost effectively with optimal investment arrangements. How this is best achieved could create numerous secondary objectives. The most important of which is arguably to ensure that the schemes have robust governance systems in place such that schemes acts in the best interests of the beneficiaries and stakeholders.

2. Improving investment returns –

The appropriate formulation of an investment strategy cannot be judged purely on past performance and with the benefit of hindsight. Before viewing an improvement in returns as a high level objective it should be considered whether past decision making has been sub-optimal. The higher expected future returns may be generated by excessive risk taking although this may be appropriate for some schemes and not other. What is appropriate is that schemes are able to formulate strategies that have targeted an appropriate balance of risk and return taking into consideration the needs of their stakeholders.

Secondary objectives

1. To reduce investment fees

At one extreme an effective way to reduce investment fees would be for all assets to be invested only in passive funds tracking mainstream asset classes (for example developed market equity and investment grade bonds). This would be sub-optimal and should impact negatively on the expected risk adjusted returns. Therefore, this is an inappropriate objective without qualification. The objective should be to ensure that asset management fee structures fairly reflect the value the mandate is expected to generate.

Indeed, based on the evidence we cited above, even if a reduction in asset management fees can be achieved, it will have little real impact on the progress of deficits. While the absolute

pound numbers can make good headlines, asset management costs are a relatively small proportion of costs and even smaller in the context of the LGPS liabilities.

2. To improve the flexibility of investment strategies

This is a sensible objective and requires an overhaul of the investment regulations and an improvement in the expertise available to LGPS schemes.

3. To provide for greater investment in infrastructure

Inclusion of this objective appears to be introducing a broader government agenda when the focus of a review of LGPS schemes should be the interests of the beneficiaries and stakeholders.

Infrastructure is not a panacea to improve returns and its inclusion in a portfolio should be on the basis of its risk-adjusted returns. Infrastructure that offers a stable index linked cash flow may indeed look attractive from a risk prospective, but it still needs to have an attractive potential return. An LGPS scheme should be encouraged to seek global opportunities rather than focus on its domestic market, particularly where the domestic opportunities do not make an appealing investment case. Just as other funds and securities have to undergo a robust due diligence process to be included in a portfolio, infrastructure projects should undergo a similar process.

A variety of asset classes should be considered by schemes and this objective should be restated as *'to encourage diversification and remove any barriers to investing in assets that meet a schemes needs'*. The LGPS regulations can form one such barrier, the limitation on holdings via particular structures is an inappropriate restriction – investment risk is introduced by the underlying asset exposure rather than the type of structure.

For more mature schemes, tying up capital in relatively illiquid investments like infrastructure would not be appropriate.

4. To improve the cost effectiveness of administration

We believe that this is an appropriate objective but is outside our area of expertise.

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5. To provide access to higher quality staffing resources

We agree that schemes should have better access to experienced investment professionals but recognise the economic barriers to this. As a minimum we would see a threshold level of investment knowledge being a prerequisite. The objective should be to ensure structures are in place for effective decision making and have made our observations, above, on this issue.

6. To provide more in-house investment resource

As above we believe that this objective should be to ensure structures are in place for effective decision making and have made our observations, above, on this issue.

Each LGPS section faces the challenge of market forces. Experience and expertise in investment decision making can command a salary that cannot be offered by local government, necessitating outsourcing to the private sector. However, this should not prevent the officers dealing with LGPS schemes from having a good foundation knowledge in investments to enable them to effectively question and challenge their advisers. Qualifications such as the Investment Management Certificate can provide a good foundation in investments for staff. For further information see https://secure.cfauk.org/qualifications/index.html.

Questions

Question 1 – How can the Local Government Pension Scheme best achieve a high level of accountability to local taxpayers and other interested parties - including through the availability of transparent and comparable data on costs and income- while adapting to become more efficient and to promote stronger investment performance?

We appreciate the need for transparency to stakeholders. Asset management costs will be variable across schemes and will be higher, for example, where significant use is made of:

- Alternatives and other esoteric asset classes
- Investment managers offering high conviction asset management (as against passive or quasi passive)

For data on investment structures and costs to be useful it should identify the risk adjusted target return and the element of return expected from 'alpha' (asset manager skill) and 'beta' (market return) as the latter should be extremely cheap and the former is a scarce asset that comes at a cost. It should also be clear what aspect of cost is a performance payment. Using a risk adjusted expected return will allow for the diversification benefits that are expected from incorporating a range of different asset classes. If such data were published by all schemes, the basis of it would need to be subject to certain guidance or fully disclosed, as differences in assumptions could make comparisons meaningless.

Our comments above focus on investment, however similar challenges apply to other areas of cost transparency – disclosing costs without disclosing the quality of what is being received will lead for harmful comparisons potentially putting undue pressure on well governed schemes.

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Question 2 – Are the high level objectives listed above those we should be focussing on and why? If not, what objectives should be the focus of reform and why? How should success against these objectives be measured?

We have made specific comments on the proposed objectives above. CFA UK additionally suggests the following high level objectives:

1) Robust governance - ensure that the governance of the scheme is as robust as possible and has the ultimate beneficiary and affected stakeholders in mind at all times.

   One place to start would be to examine each scheme's Statement of Investment Principles (SIP) and see how this reflects the liability profile of the scheme, the effectiveness of the portfolio that has been constructed and the governance structures in place. An appropriate SIP that was being adhered to would be a good metric to assess the governance of the scheme.

2) Risk adjusted net returns - schemes should focus on risk adjusted returns net of fees, not just the headline returns nor the costs.

Consideration should be given to goals-based metrics[9] which are adopted by the most forward thinking private sector schemes. The metrics used to measure success are defined for the short, medium and long term goals. Having a goals-based approach can ensure that each scheme has the ultimate beneficiary and stakeholders in mind and that all those involved have a set of clear consistent objectives that can be continued regardless of changes in decision making personnel.

Essential to success are investment approaches with appropriate risk management (or risk budgeting), controlled costs through disciplined rebalancing and reduced turnover and the avoidance of returns chasing. We cite evidence in our response to the Kay Review[10] that private sector trustees have a tendency to chase returns and invest in funds that have done well in the past and LGPS schemes are little different in this regard. Hence, in the desire to "do

[9] Client Goal–Based Performance Analysis, Stephen Campisi, CFA; CFA Institute Conference Proceedings Quarterly March 2011, Vol. 28, No. 1: 32–41
http://www.cfapubs.org/doi/abs/10.2469/cp.v28.n1.1

[10] CFA UK response to the Kay Review of UK Equity Markets
https://www.cfauk.org/assets/2162/CFA_UK_response_to_the_UK_Equity_Market_Review_SENT.pdf

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something" underperforming managers are replaced by managers that have outperformed in the past. However, in subsequent years the sacked managers often outperform their replacements.

Question 3 – What options for reform would best meet the high level objectives and why?

We have given in our answer to Question 3 above some approaches to meet the objectives we suggest. More broadly while we see scope for co-operation across schemes and some co-investment for reasons outlined in our introduction we do not see a super-scheme of schemes offering the solution.

Question 4 – To what extent would the options you have proposed under question 3 meet any or all of the secondary objectives? Are there any other secondary objectives that should be included and why?

Please see our comments on the primary and secondary objectives.

Question 5 – What data is required in order to better assess the current position of the Local Government Pension Scheme, the individual Scheme fund authorities and the options proposed under this call for evidence? How could such data be best produced, collated and analysed?

CFA UK suggests that before making any plans for reform the DCLG has a robust evidence base to justify any change. We would suggest that the DCLG undertake the following actions:

1) Commission a forensic assessment of each scheme to assess the governance of the scheme, risk adjusted net returns and the scope to generate material costs savings.
2) Provide comparable data on each scheme e.g. like-for-like cost data on schemes of various sizes.
3) Undertake an examination of the complete costs involved with mergers and a realistic estimate of cost savings to calculate a payback period so assess where mergers would be economically viable and where they would not.

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4) Undertake some case studies to demonstrate the diversity of schemes, cost structures, liability profiles, their respective governance structures and portfolio composition.

We trust that these comments are useful and would be pleased to discuss them in person.

Yours,

Natalie WinterFrost, CFA FIA
Chair Professional Standards &
Market Practices
Committee, CFA UK

Will Goodhart
Chief executive
CFA Society of the UK

Sheetal Radia, CFA FRSA
Policy Adviser
CFA Society of the UK

About CFA UK and CFA Institute

CFA UK serves society's best interests through the provision of education and training, the promotion of high professional and ethical standards and by informing policy-makers and the public about the investment profession.

Founded in 1955, CFA UK represents the interests of approximately 10,000 investment professionals. CFA UK is part of the worldwide network of member societies of CFA Institute and is the largest society outside North America.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behaviour in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 110,000 members in 139 countries and territories, including 100,000 Chartered Financial Analyst® charterholders, and 136 member societies.

The aim of CFA UK's advocacy initiative is to work with policy-makers, regulators and standard-setters to promote fair and efficient-functioning markets, high standards in financial reporting and ethical standards across the investment profession. The society is committed to providing members with information regarding proposed regulatory and accounting standards changes and bases its responses on feedback direct from members or relevant committees.

Members of CFA UK abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Since their creation in the 1960s, the Code and Standards have served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. The Code and Standards are fundamental to the values of CFA Institute and its societies.