CFA Society United Kingdom

PUBLIC

CFA Institute

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**Consumer Investments Distribution Policy Team**
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

**Submitted by e-mail to:** cp26-24@fca.org.uk

Dear Policy team,

**CFA UK & CFA Institute letter in response to FCA's consultation Paper CP26/24: Simplifying Consumer Investment Disclosures**

We are pleased to provide our response to this consultation, which builds on our previous input to Consumer Composite Investments (CP 24/30)[1] and is in line with our advocacy for an effective, simple and decision useful regime for consumer disclosure.

This is also an area covered extensively by CFA Institute standards for the investment profession. **These standards emphasise the need for complete and accurate information, explained in a way that is understandable to consumers**, and underpin our perspective.

We commend the FCA's evidence and research based approach to rationalizing changes based on consumer feedback, and the aim of modernizing disclosures under the umbrella principle of the Consumer Duty.

Our detailed responses are covered in Appendix 1. A key theme running through our responses is consistency. While the proposals aim to align pre-sale disclosure with the CCI product information, **we recommend extending this principle to post sale disclosure.**

The final proposals need to balance consumer understanding and engagement with flexibility for firms, and our suggestions – summarized in the two tables under Q.3 and Q's 5/6 - incorporate both elements, **including minimum mandatory requirements.**

The importance of transparent and simple cost disclosures cannot be underemphasized. Some of the consumer issues of trust and complexity of engaging with invest-

[1] cfa-uk--cfai-letter-in-response-to-fcas-cp-2430-on-cci-product-information--20th-march-2025.pdf

ments are likely due to a perception of vague or hidden costs and a clear disclosure regime is an **essential component for building a UK investment culture and increasing consumer trust in the sector.**

We hope our comments are useful and would be grateful for the opportunity to meet and discuss our feedback.

We consent to publication of our response.

Yours sincerely,

**CFA Society of the United Kingdom**

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**With thanks for their contributions to our volunteer:** Nick Evans Rakowski, CFA, and the oversight of CFA UK’s Ethics & Professionalism Steering Committee.

## APPENDIX I
## Responses to questions

**Question 1: Do you agree with our proposals on how firms should disclose pre-sale costs of investing? If not, why not, and what presentation would you propose?**

We agree with the logic of alignment with the CCI disclosure format and categories. This will make it simpler for consumers, as well as aid engagement and understanding by viewing costs through a familiar and comparable format. **Consistency should remain a core disclosure-design principle**, including in future refinements.

With regard to the specific proposals relating to pre-sale disclosure:

- We agree with the proposal to show flat fees as a % of the whole portfolio, as relating them to a specific portion of the portfolio can be misleading.
- We agree that one-off costs, transaction costs, performance fees, carried interest and CEIF cost are disclosed separately and not added to an aggregate as they may risk confusing the ongoing aggregate figure in pre-sale disclosure.
- We agree with transaction costs disclosure being limited to explicit costs, as per our detailed response to the CCI follow on consultation of 2025[2].
- We note the intention to provide a personalised pre-sale £ figure, but suggest consideration is given to presenting the £ figure on a generic basis e.g. for an investment of £10,000. This will be easier for firms to provide and not impair consumer understanding materially.
- We support the encouragement to use different means of communicating charges rather than just static pdf, but emphasise that a **minimum mandatory format should be followed** with scope to add explanations, illustrations, visuals etc.
- When disclosing ongoing charges, a requirement to indicate whether these are **charged in arrears, upfront, or at any other frequency should be included**.

**Question 2: What can be done to enable and encourage firms to deliver dynamic and engaging pre-sale cost disclosures?**

With the CCI initiative introducing a reasonable degree of flexibility in product information materials, the **FCA has already provided firms with the ability to craft engaging formats for consumers**, which we feel do not require further regulator involvement.

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[2] cfa-uk--cfai-letter-in-response-to-fcas-cp259-further-proposals-on-cci-disclosure--27th-may-2025.pdf

Firms may be permitted to enhance disclosure, for example by way of explanations, illustrations, schematics etc. but not detract from the mandatory information.

In our response on CCI we also cautioned against allowing firms complete flexibility on where to locate key information, and it should not be permitted to make the information hard to find.

**Question 3: Do you agree with our proposals for the presentation of post-sale cost disclosures? If not, why?**

We recommend **extending the principle of consistency to post-sale disclosure** and summarise our suggested approach in the table below.

The key differences in post-sale disclosure are that a) the cost impact can be related to the actual £ consumer investment, and b) some previously estimated % costs are now known and can be aggregated.

With regard to the specific proposals relating to pre-sale disclosure:

- We agree with retaining the requirement to aggregate recurring costs, with post-sale aggregation being broader than at pre-sale as costs are based on actuals.

- We agree that the aggregate should include explicit transaction costs. The uncertainty and issues with implicit costs have already been removed and explicit costs are a legitimate and tangible part of costs incurred by consumers, and can vary materially across products.

- The aggregation should not include upfront costs which have already been dealt with in pre-sale disclosure, and may cause consumer confusion.

- We **disagree with excluding CEIF costs from the aggregate**. Some products may have a material portion of such costs, and some fund-of-fund structures using in house CEIFs may have small a charge at the top and higher fees at the CEIF level which can be obfuscated.

- While supporting the overall drive to flexibility and engagement, we **recommend a minimum mandatory disclosure in a consistent format**. Additional sub totals, for example, are acceptable but selecting what is excluded in the overall total is not.

- We support encouraging disclosure formats going beyond a durable medium, and further recommend that consideration is given to growing usage of AI to review documents and the added option of machine readability.

- We note that advice charges are not included in your illustrations. **For avoidance of doubt, these should be added as a line item** (upfront and/or ongoing) where applicable.

To recap our suggested approach to pre- and post-sale disclosure, both in a visually similar format, please see the table below. This suggestion is not prescriptive but intended to request the FCA to consider an approach along these lines that supports consumers and is consistent across firms and over time.

**Table 1 - Suggested approach using £10,000 as example**

| **Pre-sale cost summary for a customer investing £10,000** | | |
|---|---|---|
| Recurring charges | | |
| Annual platform fee | 0.25% | £25 |
| Annual fund charges (OCF) | 0.75% | £75 |
| Other recurring charges | - | - |
| **Total** | **1%** | **£100** |
| Other charges | | |
| Transaction costs* | 0.05% | £5 |
| Performance fees* | TBD | TBD |
| Underlying funds costs (CEIF)* | TBD | TBD |
| Others | - | - |
| Upfront charges | | |
| One-off entry fees | 1% | £100 |
| Others | - | - |

| **Post sale cost summary based on actual £ investments** | | |
|---|---|---|
| Recurring charges | | |
| Annual platform fee | 0.25% | £ actual |
| Annual fund charges (OCF) | 0.75% | £ actual |
| Other recurring charges | - | - |
| **Total** | **1%** | **£ actual** |
| Other charges | | |
| Transaction costs* | 0.05% | £ actual |
| Performance fees* | 0.25% | £ actual |
| Underlying funds costs (CEIF)* | 0.25% | £ actual |
| Others | - | - |
| **Total** | **1.55%** | **£actual** |

*Refer to explanations on page xyz and whether estimated or not

**Question 4: Do you agree with our proposal to permit a 'reasonable estimate' of costs to be disclosed post-sale? If not, why?**

We question your concern that firms are unable to calculate actual costs incurred by a consumer. **Not disclosing actual costs risks undermining trust in the sector and reinforces perceptions of opaque charges**. The investment sector cannot afford to have a regime that allows firms to say they are not sure what was paid for their product/services.

That said, we support the flexibility for a firm to caveat specific disclosure items as "best estimates" along with **suitable internal processes and governance around**

**these as well as disclosure when an estimate is used**. The instances where estimates can be used should be:

- Charges not reliably known in aggregate, and
- Charges known at aggregate level, but not reliably apportionable at client level

**Question 5: Do you agree with our proposal to remove the requirement for a cumulative effect illustration pre-sale? If not, why?**
**Question 6: Do you agree with our proposal to require firms to show the effect of costs on performance in regular post-sale reporting in the way described? If not, why?**

We understand the concerns of ambiguity and inconsistency of approach in pre-sale forward looking disclosure. **However, we still see the value of a generic illustration of cumulative future impact,** which in itself may be difficult for many consumers to calculate and estimate on their own. This provides a mid-way solution to illustrating the impact of compounding over time, without bringing in inconsistent growth assumptions and relating it to the specific sum invested. We therefore disagree with the proposal to altogether remove any cumulative impact illustration.

With regard to post-sale disclosure, we agree with your approach but question full freedom in how this is presented. A **minimum disclosure of total costs incurred, and their cumulative impact should be a requirement**, with flexibility permitted on additional disclosure. We suggest a way in which to make this proportionate and yet useful for consumers as outlined in table 2 below. This suggestion is not prescriptive but intended to request the FCA to consider an approach along these lines that supports consumers and is consistent across firms and over time.

**Table 2 - Example of Alternative Cumulative Impact Disclosure Format**

| **Pre-sale cost summary for a customer investing £10,000** | | |
|---|---|---|
| Cumulative impact of recurring charges | | |
| | Total charges | Value of investment if no change in market value |
| Over 1 year | £100 | £9900 |
| Over 3 years | £ | £ |
| Over 5 years | £ | £ |

| **Post sale cost summary** | | |
|---|---|---|
| Actual recurring charges – annual and cumulative | | |
| | Total % impact on performance | Total charges |
| Over past 1 year | % | £ actual |
| Over past 3 years | % | £ actual |
| Over past 5years | % | £ actual |

**Question 7: Do you agree with our proposal to improve up-front disclosures about cash interest? If not, why?**
**Question 8: Do you agree with our proposals on how information should be disclosed when firms receive money from consumers? If not, why? Would our proposals present any operational difficulties?**

**Question 9: Do you agree with our proposal to require disclosure of interest paid and fees charged on cash balances in periodic reporting to retail clients? If not, why?**
**Question 10: Do you agree with our proposals to combine COBS 6.1 and COBS 6.1ZA and other relevant rules into one new chapter, COBS 6A, for all investments business? If not, why?**
**Question 11: Do you agree with our proposals to remove the rules in COBS 6.1ZA.15B-15J? If not, why?**
**Question 13: Do you agree with our proposals to delete CASS 9.4 and move these requirements solely into COBS 6A? If not, why?**

We agree with the proposal contained in questions 7-11 and 13, as these align with our key principles of transparency, decision usefulness and simplicity. We have no particular comment or challenge with regard to these.

**Question 12: Do you agree with our proposals in relation to pensions business? If not, why?**

The proposal to include pensions in similar and consistent fashion for pre-sale disclosure is a positive move and **helps reduce consumer navigation complexity across investment options.**

However,
- We suggest explicitly **clarifying whether Trust based pensions are also covered,** or remain outside the FCA's regime and if so, the roadmap for alignment
- With regard to post sale disclosure, we would prefer the FCA to indicate that this **will be an item for future review**, rather than the statement that "we propose to maintain the status quo in COBS 6A".

**Question 14: Do you agree with our proposed requirements on disclosures for professional clients and eligible counterparties? If not, why?**

We are broadly supportive of the proposal to provide similar disclosure (matching retail), or as explicitly agreed by the client (bespoke), which is aligned with the modernisation of client categorisation initiative of the FCA.

**Question 15: Do you agree with our proposals for the transition period? If not, what would you suggest?**
**Question 16: Do you agree with our proposed changes to the CCI transition period?**

We have no objection to the proposed transition periods. With the broader CCI regime commencing in June 2027, allowing time for cost disclosure updates till June 2028, and yet permitting early movers to progress, are reasonable proposals.

## APPENDIX II
## About CFA UK and CFA Institute

**CFA UK** serves nearly 12,000 members of the UK investment profession. Many of our members analyse securities, manage investment portfolios, advise on investments, or are in roles responsible for investment operations or oversight.

Our role is to help investment professionals build and maintain their skills and competencies so that they are technically and ethically competent to meet their obligations to clients. We advocate for high standards of ethical and professional behaviour and our work with regulators, policymakers and standard setters is focused on skills, knowledge, and behaviour.

We are not a lobby group or a trade body. We are an independent, professional association whose mission is to 'educate, connect and inspire the investment community to build a sustainable future.'

Founded in 1955, CFA UK is one of the largest member societies of CFA Institute. Most of our members have earned the Chartered Financial Analyst® (CFA®) designation. All our members are required to attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

For more information, visit www.cfauk.org or follow us on Twitter @cfauk and on LinkedIn.com/company/cfa-uk/

**CFA Institute** is the global association for investment professionals that sets the standard for professional excellence and credentials. The institute is a champion of ethical behaviour in investment markets and a respected source of knowledge in the global financial community. Its aim is to create an environment where investors' interests come first, markets function at their best, and economies grow.

It awards the Chartered Financial Analyst® (CFA) and Certificate in Investment Performance Measurement® (CIPM) designations worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry.

CFA Institute has members in 162 markets, of which more than 170,000 hold the Chartered Financial Analyst® (CFA) designation. CFA Institute has nine offices worldwide and there are 158 local member societies.

For more information, visit www.cfainstitute.org.