

6 March 2026

Consumer Investment Distribution Policy
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Submitted by e-mail to: dp25-3@fca.org.uk

Dear Policy team,

CFA UK & CFA Institute comment letter in response to the FCA's CP 25/3 Expanding Consumer Access to Investments

We support the FCA's aim to refresh the retail investor regulatory framework to align with changing behaviours and technological innovation.

CFAUK and CFAI have engaged with related initiatives such as consumer composite investments, targeted support, and client categorisation to consistently support simplification and modernisation while retaining retail investor protection.

In this response we have summarized some key points under three themes, which are integral to the questions being consulted on.

1. THE ROLE OF REGULATION IN INFLUENCING CONSUMER BEHAVIOUR

Regulation no doubt has a critical role to play in protecting the downside for retail investors and maintaining market integrity.

However, when it comes to influencing consumers or encouraging certain behaviour, such as embedding an investment culture or reducing the allocation to cash, there is less evidence of the impact of regulation or deregulation.

Consumer behaviour is shaped and influenced by many other factors over time such as literacy, informal influence, role models, popular trends, convenience of change, marketing and advertising impact, tax breaks, cost etc. This is often also seen in other non-financial consumer behaviours.

The most effective role of the regulator is to remove unnecessary barriers to changing consumer behaviour, while providing appropriate protection and

supporting consumer confidence. Regulation should accordingly keep pace with evolving technology and consumer choice, rather than advocating for any specific route or innovation.

For example, in relation to your Questions 1- 2 on DEPs, the current framework and Consumer Duty, combined with tangible consequences for breach e.g. under SMCR, provide a simpler and more flexible regulatory approach, without the need for additional bespoke regulation and complexity.

In relation to Qs 3-4 on Fractionalized investments, we similarly support relying on the existing framework for firm obligations, while facilitating consumer choice.

Regarding MPS (Qs 5-6), the issue is one of consistency of investor protection, and we have also previously advocated for extending key elements of the regulatory framework to MPS. As the nature and structure of products evolve over time, the regulatory focus should be to check inadvertent slippage out of the regulatory perimeter. For example, in our response of 20th March to FCA's CP24/30 A new product information framework for Consumer Composite Investments, we recommended that *"the FCA considers bringing Discretionary Portfolio Management in scope"*.

2. THE REGULATORY APPROACH TO HIGHER RISK PRODUCTS

The FCA's retail v professional categorization review initiative sets a sound backdrop to this issue – we have separately responded to that consultation, broadly supporting but with some specific risk mitigation recommendations.

To align with principle-based regulation, and in relation to Questions 7-8, **we agree that a risk-based approach will be more agile and effective over time compared to a product-based approach.** This also aligns with how consumers approach things i.e. they want an outcome and assume the 'wrapper' is less important – for example do retail investors really understand or care about the difference between an ETF, investment trust, OEIC or MPS?

The broad framework for this already exists – the MMI, RMMI and NMMI categorization. Rather than revise this approach, we recommend a robust, transparent and ongoing process to clearly categorize new products and innovations under this risk-based framework, to balance increased consumer choice with appropriate consumer protection.

This will lead to consistency, simplicity and support a better consumer understanding of risks and why certain products are so categorized, without needing to understand every detail about a product. It also provides a framework for progressive liberalization and evidence-based consideration by the regulator of the right category for new products as they enter the market.

This is especially important as the suite of options visible to consumers expands, including private assets, digital products and combined offerings.

Similarly in relation to P2P (Question 9), if appropriately categorized under this framework, we question the need for additional bespoke product level regulation and complexity.

3. ADDRESSING THE BARRIERS TO INVESTING

In framing its approach, the FCA will need to draw a balance between driving an investment culture and protecting retail consumers. A true investment culture needs people to understand, own and take their own risks rather than being drawn to holding cash if the perception of risk is not managed.

We think the FCA should think more deeply about this balance, as arguments emerge for both sides, to avoid the possibility of neither objective being satisfied.

From preliminary consumer research that we have undertaken, key barriers to consumer investing include financial education and difficulty in understanding product features and risks, as well as low levels of trust in financial services. **CFAUK and CFAI are currently working on a report, including consumer research, which delves into the issue of UK Investment Culture** (or lack thereof), and we will be happy to send you the report once it is published.

Previous research undertaken by CFAI indicates that trust is particularly low in the UK. However, it also clearly shows that technology and professional advice are catalysts for wanting to engage more with finance and investments. Hence, it is about finding the right levers, adapting to technological shifts and instilling trust through professional advice.

- <https://rpc.cfainstitute.org/research/surveys/2020-earning-investors-trust>

In relation to Questions 10-15, we recommend that the regulator **prioritizes the way in which firms describe and explain products beyond just adopting a narrow regulatory disclosure requirements lens.**

The latter is often interpreted in a conservative way and can include technical terms and jargon that at best impact consumer engagement and at worst scare off investors. Many firms follow the regulatory requirements as a tick box, for example focusing on prominent risk warnings, while making less effort to explain products to consumers in a way they can understand.

CFAUK and CFAI will be happy to propose specific templates or wording to assist the FCA to advance this objective, if helpful.

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,

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With thanks for their contributions to our volunteers: Suzanne Hsu, Nick Rakowski CFA, Natalie Schoon CFA, and the oversight of CFA UK's Ethics & Professionalism Steering Committee.

APPENDIX I

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/



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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.

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