TISA

Response by TISA to FCA's consultation on a new product information framework for Consumer Composite Investments (CP24/30)

Sophie Legrand-Green

Policy Executive, TISA

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270-member firms involved in the supply and distribution of savings and investment products and associated services. Our members include the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTechs, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our work, your influence

With a focus on four key workstreams that best support the consumer and UK financial services, TISA has become a leading industry voice and ally for delivering consumer focused initiatives.

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **four distinct workstreams**:

1. **Consumer Protection**
   Protecting the best interests of UK consumers in their financial journeys.

2. **Consumer Access**
   Considering issues that could directly impact access to financial products.

3. **Effective Products**
   Examining key considerations and legislation relating to products across the

investing and saving landscape.

4. **Corporate Responsibility**
   Exploring issues that directly impact society, the environment, and the economy.

All groups focus on both strategic and technical elements of policy/regulation. Key outputs from our workstreams can include recommendations to government and regulators on developing a financial services framework that protects and benefits UK consumers, finding solutions to operational/infrastructure challenges and developing standards of good practice on the interpretation and implementation of new regulation.

We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out **more about TISA here: https://www.tisa.uk.com/about-tisa/**

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Introduction and Summary of Recommendations

TISA welcomes the opportunity to respond to the FCA's consultation on a new product information framework for Consumer Composite Investments ("CCIs"). We support the aims to:

- Ensure people have access to accurate, intelligible and engaging information that empowers them to make effective, timely and properly informed decisions
- Encourage consistency and comparability of decision-useful information.

We recognise that the current consultation has a specific focus on one area of consumer disclosures. We agree with the policy objectives that underpin the consultation, but were disappointed that the consultation is not more ambitious and holistic in its proposals. The scope of the paper does not include MiFID related disclosures or post-sale disclosures. We feel this is a missed opportunity and we would encourage the FCA to consider conducting a more comprehensive review of all consumer disclosures, underpinned by research that seeks to understand how consumers make decisions, what information is decision crucial, useful and a nice to have; where consumers go to access this information; and what trade-offs consumers make throughout an investment product lifecycle. Once this is understood, we can ensure that the policy reflects the reality of how consumers make decisions and engage with financial services and ensure that the regime supports consumers accordingly. We would like to see a far more ambitious overhaul of the approach to consumer disclosures, which is underpinned by a clear view of the purpose a disclose serves – i.e what decisions are they trying to help consumers make and what information can help consumers make informed decisions. We stand ready to support the FCA in this work and would encourage the FCA to adopt the collaborative, policy development techniques that have been used to guide the Advice Guidance Boundary Review.

In respect of the scope of CP24/30, we agree with the FCA that the current PRIIPs approach can be improved. The disclosures can come too late and consumers do not read or engage with the information contained in these standard documents. In light of this, we would expect there to be a greater emphasis on layering to avoid overwhelming and overloading consumers.

We agree with the FCA on the information that should be made available to a consumer pre-sale, however recognising the concern that the current approach often confuses and overwhelms people, meaning that they make ineffective decisions, we propose that the proposal is restructured in the following way. We propose that there are 3 types of information that should be contained in a product summary:

1. Core disclosure requirements: these are provided by the manufacturer who is solely responsible for their accuracy and regulatory compliance.
2. Any supplements, additional descriptors or considerations that are not core disclosure requirements, but are required to be contained in the product summary. The manufacturer is solely responsible for their accuracy and regulatory compliance. The manufacturer and distributor may layer this information in the product summary, highlighting the prominence and essential nature of the core disclosure requirements.
3. Supplemental, non-required information that either the manufacturer or distributor may layer into the product summary. This supplemental information is not obligatory and seeks to increase consumer understanding and engagement with the disclosures contained in the product summary.

The information at (1) and (2) should be contained in a machine readable report that the manufacturer provides to the distributors.

The manufacturer and distributor use this information to form their pre-sale CCI disclosures.

The core information (1) should be the information that is decision-essential for the consumer. It is fundamental that the customer understands this information before they purchase the CCI and this information should be given priority and due prominence. The information should be:

a) general product information: information listed at 5.2.1R(1)-(5)(7)-(12)
b) costs and charges information: the headline cost and supporting illustration
c) risk information: the risk score on a 1-10 metric
d) performance information: the line chart as proposed, including a cash savings benchmark

We think these core pieces of information are essential to support consumer decision making and would provide a summary of the product information. The wider information set would still be contained in the document and would be available to consumers. However, the core information should be the most prominent information, with the additional information helping to expand and bring to life the core information. Subsequently, the presentation of the additional information should be determined by firms – i.e. they can layer the information in the way that they believe best furthers consumer understanding and engagement. Crucially, the core information and additional information (items 1 and 2 listed above) must be in the product information document or digital journey. A firm can decide how best to present the additional information, but they cannot remove this content.

In addition, the information contained in the product summary, along with additional supporting information, such as complaints information, should be provided to the consumer in a durable medium, shortly after the CCI sale. The information needed post-sale is slightly different to decision-useful information needed pre-sale. The content of the post-sale 'receipt' should reflect this.

We would like to thank FCA for their engaging and proactive approach and for the opportunity to respond to consultation and would be happy to discuss these recommendations and any other aspects of our consultation response. We look forward to FCA progressing their work on the new pre-sale disclosure regime for CCIs and we stand ready to engage, collaborate and lend out support to help achieve the policy objectives.

Question Responses

Question 1: Do you have any comments on our approach to applying the Consumer Duty to CCI product information?

We agree that the Consumer Duty will help to drive better forms of disclosures, including in respect of CCI product information.

However, we think careful consideration needs to be given to the level of prescription needed in order to drive consistency and comparability across product information disclosures. We recommend that the FCA adopts an approach whereby the information that is decision-essential for consumers, namely product identification information, the manufacturer's name, what the product is and its aims, risk, performance and costs & charges information, is prescribed and given the utmost prominence. Basic information about redress and relevant holding or exiting conditions are essential too. Additional information may be useful to some consumers, but not necessarily all. There is a delicate balance to be struck whereby consumers are not overwhelmed by information and are able to make sufficiently informed decisions. Barclays research estimates that there are 13 million people holding £430 billion of cash savings which could be suitable for investment. According to the Bank of England, approximately £254 billion is being held in cash earning no interest, and a further £945 billion is sitting in instant access accounts, paying on average 1.3% in interest. There are millions of people who are getting poorer in real terms because they are not engaging with their finances and many of these people could be making their money work harder for them and, based on historical performance data, could be accessing higher levels of returns by investing.

TISA research has found that the biggest barriers to investing are engagement, with over 70% of people who have a cash ISA having never considered opening a S&S ISA and people grossly overestimating the risk of losing money when investing, even over long-term time horizons, compared to historical performance. The FCA and HMT are undertaking transformative work on the Advice Guidance Boundary Review and the Targeted Support policy to help address engagement concerns. It is vital that once currently disengaged consumers are engaged, we don't fall at the final hurdle by providing them with overwhelming, overly complex, levels of information that leads them to give up on investing. This underlines the importance of getting disclosure right. Of striking a careful balance that enables consumers to access and understand decision essential information, whilst also allowing them to access additional, supporting information if that is of interest and relevance to them.

At present, we think the policy proposals do not get this balance right. We agree with the FCA that costs & charges, risk & reward and past performance information is decision-essential. However, firms should be able to layer additional information so that consumers are not overwhelmed and can determine for themselves what additional information is relevant or of interest to them. Under the Consumer Duty, we would expect firms to test their disclosures with their customers to check understanding and engagement levels. This will be crucial to ensure firms strike the right balance and layer information appropriately.

A more technical point on the draft Handbook text, we are aware that the FCA is seeking to remove duplicative requirements (as set out in the Call for Input Review of FCA requirements following the introduction of the Consumer Duty). We assume this intention also extends to creation of new regulation and to further this aim, the FCA may wish to consider removing DISC 3.2.2(2). There is already a requirement on firms to ensure all of their consumer communications are clear, fair and not misleading. Providing an additional rule that specifies that this is the case for product summaries would seem to be superfluous. If the FCA's intention is to apply this principle to overseas funds when they create a product summary, it may be more apt to specifically tailor the rule to that purpose.

Question 2: Do you consider the proposed CCI regime can help distributors to assess value for overseas funds? Please explain why or why not.

We are glad that the FCA has recognised this issue and the need for improved information flows, particularly in order to further the implementation of the Consumer Duty.

We would encourage the FCA to go further to require overseas funds to populate the UK centric data points within the widely adopted EMT. Whether through the EMT, or an alternative CCIs template, these data points are considered necessary as they allow distributors to meet their responsibilities under the Consumer Duty and therefore the desired outcome is that overseas funds (in fact all manufacturers) provide this information to distributors.

Question 3: Do you have any comments on the other considerations in Chapter 2, including ESG and Equality and Diversity considerations?

TISA continues to call for an overhaul of the approach to disclosures. With this in mind, we continue to encourage the FCA to take the opportunity to conduct a holistic review of disclosures which radically reconsiders the purpose and function of disclosure, so that it is designed to support consumer decision making. We should be considering how consumers actually access information, what information they find decision useful and the underlying purpose disclosures seek to fulfil. The FCA has noted that they will consider this alongside responses to our CfI on the Consumer Duty and we would welcome further information on when and how this work will be taken forwards.

TISA has recently conducted research seeking to understand consumer views on the current approach to performance disclosures and specifically fund performance reports. In respect of female investors, our research found that:

- 60% of female investors do not find fund performance reports easy to understand.
- Fund performance reports make only 40% of women feel confident about investing
- 55% of female investors think fund performance reports support them to make investment decisions
- Over a third of female investors struggle with key performance metric terminology, such as ‘quartile ranking’, ‘sector average’, ‘cumulative growth’ and ‘discrete growth’.

We have also tested whether the use of benchmarks, including a cash savings benchmark could improve customer understanding of disclosures, as well as support their decision make. Here,

- 97% of female investors told us that the benchmarks would improve their understanding
- 97% of female investors told us that the benchmarks would support their decision making.

These findings are relevant to the current FCA proposal to allow firms to show benchmarks, including a cash savings benchmark. We have provided additional evidence in respect of all investors later on in the TISA response to demonstrate the universal benefits that consumers could derive from seeing this benchmark.

We also tested whether consumers appreciated being able to choose the way in which information is presented them – providing with the option to see key information in different formats. Research participants could toggle between a chart, a table and a word description. Our research found that:

- 98% of female investors thought the ability to customise how they view information would improve their understanding of performance disclosures.
- 98% of female investors thought that the ability to customise how they view information would improve their confidence in investing
- 97% of female investors said that the ability to customise the presentation of information would support their decision making.

These findings are relevant to any proposals where the FCA is seeking to prescribe a set format for the way in which information is disclosed to consumers. We have provided additional commentary elsewhere in our response to propose that the FCA considers encouraging firms to innovate in this space in order to provide better support to customers and further the consumer duty.

We are also able to provide research findings in respect of other demographics to support the FCA's policymaking.

In respect of BAME investors, we found that:

- 70% of BAME investors find fund performance reports support their decision making, suggesting that these investors trust and value the information provided by financial services firms. This gives us an encouraging platform from which to build and further improve

In respect of the benchmark features that we tested:

- 97% of BAME investors told us that the benchmarks would improve their understanding
- 97% of BAME investors told us that the benchmarks would support their decision making.

In respect of the ability to customise how information is visualised:

- 98% of BAME investors think this feature would improve their understanding.
- 98% of BAME investors think this feature would improve their confidence in investing.
- 97% of BAME investors think this feature would support their decision making.

We would also draw attention to research from CFA Institute and the Financial Industry Regulatory Authority Investor Education Foundation (FINRA Foundation) reveals that 49% of UK Gen Zs own at least one investment and the fear of missing out is a key motivator to invest. As this new generation seeks to invest, it is vital that firms can provide the support and service these investors are seeking to avoid them turning to riskier, non-mass market options. The recent TISA research found that Gen Z investors struggle to understand current performance disclosures:

- Only 44% of Gen Z investors said fund performance reports were either somewhat easy to understand or very easy to understand.
- 61% said they were helpful in supporting decision making
- 45% of Gen Z investors struggle with key performance metric terminology and 1 in 3 struggle to understand the risk associated with investments.

In respect of the benchmark features that we tested:

- 98% of Gen-Z investors told us that the benchmarks would improve their understanding
- 99% of Gen-Z investors told us that the benchmarks would support their decision making.

In respect of the ability to customise how information is visualised:

- 100% of Gen Z Investors think the ability to customise how they view information would improve their understanding of how their fund is performing.
- 98% of Gen Z Investors think the ability to customise how they view information would improve their confidence in investing.
- 99% of Gen Z Investors think the ability to customise how they view information would support their investment decision making.

Question 4: Do you have any comments on the scope of products included in the CCI regime?

We would be grateful if the FCA could clarify whether an investment that is closed to new investors, but permits existing investors to top up their position meets the definition of 'distributed to retail investors' and therefore falls within scope of the regime.

We also note that the upcoming AIFMD consultation may re-open discussions and question sin respect of close-ended investment companies. We recommend that where possible, approaches are aligned to avoid conflicts and duplication.

Question 5: Do you have any comments on our proposed scope clarifications? Are there any other areas where it would be helpful to clarify the application of the CCI regime?

Please see our response to Q4.

Question 6: Do you agree with our proposal to allow optionality for multi-option products (MOPs)? Do you have any comments on how MOPs should be treated under the CCI regime, in particular how costs, risk and past performance should be presented to account for the range of products within them and the costs of the wrapper?

No comment.

Question 7: Do you agree with our definition for when a CCI is not a retail product and therefore out of scope? If not, please explain why.

Yes.

Question 8: Do you agree with our proposed transitional provisions for moving to the CCI regime? If not, please explain why.

Under the proposals, PRIIPs (with the exception of investment companies), UCITS and NURS will have 18 months to comply with the CCI requirements once the final rules are published. However, given that the current exemption of UCITS from producing PRIIPs is set to expire at the end of 2026, the final rules would need to be published by June of this year for the full transitional period to apply. Firms may have an even shorter implementation period than currently specified if the FCA does not publish a Policy Statement in the first part of this year. This timeline presents considerable challenges, and we request that further thought, in consultation with HM Treasury, be given on practical ways to address this.

Imposing the CCI on different products at different times will amplify these significant operational challenges for both manufacturers and distributors; for example, firms providing products subject to different transitional periods will have to manage and deliver against multiple compliance timelines. We do not agree that investment companies should be prioritised as a sector six months ahead of other products. We recommend that the CCI regime is imposed for all products at the same time, to ensure a smooth transition and customer experience. Given the extend of changes and the importance of getting the disclosure regime right, it may be sensible to provide a 2 year implementation period for all firms.

Question 9: Do you agree with the proposed timeline for closedended investment companies moving to the CCI regime? If not, please explain what alternative timelines you would suggest and why.

No. Please see our response to question 8.

Question 10: Do you agree with our approach, including how responsibility is allocated across the distribution chain? If not, please explain why, and how you think responsibilities should be allocated.

We agree with the FCA on the information that should be made available to a consumer pre-sale. Recognising the shared concern that the current approach under the PRIIPs and UCITS disclosures regime often confuses and overwhelms people, meaning that they make ineffective decisions, we propose that the FCA adapts its approach. We propose that there are 3 types of information that should be contained in a product information document (or pre-sale CCI disclosures):

1. Core disclosure requirements: these are provided by the manufacturer who is solely responsible for their accuracy and regulatory compliance.
2. Non-core disclosure requirements: additional descriptors or considerations that are not core disclosure requirements, but are required to be contained in the product summary. The manufacturer is solely responsible for their accuracy and regulatory compliance. The manufacturer and distributor may layer this information in the product summary, highlighting the prominence and essential nature of the core disclosure requirements.
3. Supplemental, non-required information that either the manufacturer or distributor may add or layer into the product summary. This supplemental information is not obligatory and seeks to increase innovation aimed at improving consumer understanding and engagement with the pre-sale disclosures.

The information at (1) and (2) should be contained in a machine readable report that the manufacturer provides to the distributors.

The manufacturer and distributor use this information to form their product summaries.

The core information (1) should be the information that is decision-essential for the consumer. It is fundamental that the customer understands this information before they purchase the CCI and this information should be given priority and due prominence. The information should be:

a) general product information: information listed at 5.2.1R(1)-(5)(7)-(12)
b) costs and charges information: the headline cost and supporting illustration
c) risk information: the risk score on a 1-10 metric
d) performance information: the line chart as proposed, including a cash savings benchmark

We think these core pieces of information are essential to support consumer decision making and would provide a summary of the product information. Any information that is currently proposed to be core information but is not captured by (1) should be recategorised as (2) non-core disclosure requirements. The wider information set would still be contained in the document and would be available to consumers. However, the core information should be the most prominent information, with the additional information helping to expand, complement and bring to life the core information. Subsequently, the presentation of the additional information should be determined by firms – i.e. they can layer the information in the way that they believe best furthers consumer understanding and engagement. This flexibility will encourage innovation. Crucially, the core information and additional information (items 1 and 2 listed above) must be in the product information document or digital journey. A firm can decide how best to present the additional information, but they cannot remove this content. We think this approach furthers the FCA's key principles for the CCI regime: it has greater flexibility and proportionality, encouraging innovating and engaging ways of presenting information to consumers; it is outcomes focuses leveraging the consumer duty and lends greater emphasis to distributors embedding product information into the consumer duty to better support consumer understanding. The clear focus on the core information facilitates an appropriate degree of standardisation, enabling more effective comparison of costs and charges, risk and performance.

We agree with the FCA that information contained in the pre-sale disclosures, along with additional supporting information, such as complaints information, should be provided to the consumer in a durable medium, shortly after the CCI sale. The information needed post-sale is slightly different to decision-useful information needed pre-sale, for example information on the applicable complaints procedure is not required pre-sale. The content of the post-sale 'receipt' should reflect this.

In respect of the allocation of responsibility, we agree with the policy intention that the manufacturer should be responsible for basic information such as the CCI's name and objectives. We agree that the manufacturer should also be responsible for information pertaining to the costs, charges, risk and performance of the CCI. In our proposed structure, the manufacturer would be responsible for the

items that fall under categories 1 and 2, as listed above. The product manufacturer knows their product better than any other firm, and so they should be responsible for providing this information about the CCI. They should also be responsible for ensuring that this information is accurate and compliant.

Any additional supplemental information that supports consumer engagement and understanding of that core information (i.e. item 3 above) is not in and of itself a piece of core information. It is additional, supplemental information that the firm can layer into the product summary that it provides to consumers. This is a key principle that needs to be reflected in the draft Handbook text.

We also think there needs to be greater clarity on the responsibilities and liabilities of the manufacturer and distributor. As mentioned, the distributor should not be responsible for the veracity and regulatory compliance of the manufacturer's disclosures. Where the distributor uses the manufacturer-supplied information in their product summary, they should not be responsible for ensuring its accuracy and compliance with applicable regulatory obligations The way in which the proposed Handbook text is drafted does not clearly distinguish the information that is provided by a manufacturer and what they are responsible for, and what information and responsibilities are apportioned to the distributor. For example, 4.2.1R(2) holds that a distributor is responsible for accuracy and compliance of any information and communications it prepares or provides to consumers. DISC 4.2.1R(3) needs to be much clearer and definitive. The distributor should be able to rely on the accuracy and regulatory compliance of all information provided by the manufacturer. This also means DISC 4.2.2R should be removed.

In addition, in earlier requirements set out in DISC, the use of the blanket term 'firm' in the drafting makes the delineation unclear. For example, 3.2.4(1) states that in preparing the product summary, a firm must consider whether it may be appropriate or necessary to adapt, summarise, paraphrase or supplement the core information in order to comply with DISC 3.2.1 and DISC 3.2.2R. We would not expect distributors to be responsible for ensuring the accuracy and regulatory compliance of the manufacturer's disclosures and we would not expect manufacturers to make changes to the substance of that core information. Distributors may wish to add further information, such as educational content that defines key terms, or to amend the way in which information is presented, for example consider whether information could be displayed in different formats. These supplements are not obligatory, as they are not essential to ensure the product summary is contains the prerequisite information. We would not expect distributors to change the substance of the obligatory information. This would hinder comparability of the core information and has the potential to confuse and mislead consumers. This outcome should be distilled into 3.2.4(2) and (3).

We do think more should be done to encourage distributors to provide feedback to manufacturers. We understand anecdotally that the industry-created Distributor Feedback Template is only being used by approximately 35%- 40% of distributors, which hinders the ability of manufacturers to assess whether their products are delivering good outcomes to the end consumer, where they do not have a direct customer relationship. Standardising these data flows helps to derisk liability concerns raised by distributors and facilities comparability and eases operational processes. The FCA should consider what further encouragement, and even requirements, it can provide to enable these data flows to operate smoothly and successfully. Standardised data flows would provide a more uniform, streamlined process for ensuring consumers receive accurate, compliant core information irrespective of the financial services provider they use.

We recommend that DISC 3.2.4R is amended to make it clear that distributors are not responsible for the regulatory compliance of the disclosures prepared by a manufacturer. If data flows are standardised, including feedback provided by distributors, then this feedback could lead to improvements being identified and made to the core information disclosures. In a similar vein, we also

recommend that DISC 3.2.6 is clarified so that it is clear the distributor is under no obligation to ensure the regulatory compliance of the manufacturer's disclosures, but that it may proactively identify information through consumer testing and feedback that it should share with the manufacturer. 3.2.4R and 3.2.6R need to make the responsibilities and liabilities clear. At present, when 3.2.6 is read alongside 3.2.4, it implies that the distributor does have a responsibility to ensure the manufacturer's disclosures are compliant.

Under the current proposals, we are also concerned that a single distributor may agree a change to the core information disclosures or product summary with a manufacturer, because the distributor has concerns about compliance with the Consumer Duty. Where these changes are agreed, the current proposal does not automatically require these changes to be adopted wholesale by the manufacturer and all other distributors. This proposal would allow disclosures that may be non-compliant to continue to be used by other distributors and ultimately read and relied upon by consumers. DISC 4.3.1R outlines a process for notifying manufacturers and distributors about a non-compliant product summary, or core disclosure, and 4.3.3G provides some suggested guidance on next steps, but there is no requirement to action the change. There should be a requirement to correct information that is non-compliant, in order to prevent consumers from receiving inaccurate and/or misleading information. Instead, a process similar to the one outlined in DISC 4.1.1R of the draft Handbook text should be adopted to facilitate adequate consumer protection.

Finally, we are concerned by the proposal at para 4.12 which leaves the question of responsibilities and liabilities to be negotiated by multiple firms. This runs the risk of disadvantaging smaller firms who may not have equal negotiating power and would seem to be contrary to competition law. Instead, we think the FCA should set clear requirements stipulating that the manufacturer of the particular activity or sub-product is responsible for providing the disclosures. This should not be a matter left to interpretation or commercial negotiations.

Question 11: Do you agree with the core information manufacturers would be required to prepare? If not, please explain why and what alternative requirements you would suggest.

In line with our response to question 10, we agree with the FCA that core information should include the name of the CCI, its objective, associated costs & charges, risks and performance disclosures.

We would distinguish core information, which should be information that is essential that the consumer understands before they purchase a CCI, and additional information which should be included within a product summary but may be layered by a firm. The core information should be prioritised and given the most prominence in the product summary.

We recommend that the following information is treated as core information:

a) general product information: information listed at 5.2.1R(1)-(5)(7)-(12)
b) costs and charges information: the headline cost and supporting illustration
c) risk information: the risk score on a 1-10 metric
d) performance information: the line chart as proposed, including a cash savings benchmark

The manufacturer should provide core information and additional information that is contained within the product summary that pertains to the CCI. This is still important information about the product, but should be given less prominence and should not detract from the core information. For example, we recommend that the proposed headline cost should be treated as core information and should be given utmost prominence in the product summary. Information on the individual components and additional factors and narratives should be given less prominence. This information is important, but it should not detract from the headline cost. Similarly, the risk score is the most important risk disclosure in the product summary. It should be given the most prominence and treated as core

information, because it is essential that the customer understands this before they purchase the CCI. Additional risk information remains important, but should not be given equal prominence. It should be capable of being layered by firms.

The additional information that the FCA is currently proposing to include within the 'core information' should be reclassified as additional manufacturer-supplied information. It is essential that this information is included in the pre-sale disclosures, but it is not core information.

The third category of information is the supplemental information that a distributor (or manufacturer) may layer into their consumer-facing pre-sale disclosures. The distributor is under no obligation to produce a product summary and may rely on the manufacturer's product summary if they so choose. However, a distributor may decide to supplement the manufacturer's product summary with educational content or interactive tools that help their customers make sense of the disclosures and what they mean for them. The manufacturer is not responsible or liable for any supplemental information added by the distributor. This information is not core information and is not essential for the product summary. In light of this, DISC 3.2.8G would seem more relevant to additional information that the distributor layers into the product summary, in order to supplement the essential, core disclosures. The FCA should clarify that information can be split into these three categories: core information, additional manufacturer-supplied product information, and supplemental/non-obligatory information. The first two categories of information are supplied by the manufacturer and the manufacturer is responsible for their accuracy and compliance. The distributor may layer the additional manufacturer-supplied product information, as well as supplement it in order to maximise consumer understanding and engagement.

On the specific draft Handbook text, we wondered if rephrasing DISC 3.2.1R(2)(a) so that the obligation is defined in the positive might further the aim of encouraging innovation and increase the willingness of distributors to add supplemental information. This would mean that the requirement stipulates that the product summary must reflect the information prepared by the manufacturer with due prominence, accuracy and clarity. This would make it clear what outcome firms are expected to achieve.

We also think that DISC 3.2.1(3)(a) should be more tightly defined. The product summary should enable retail investors to achieve a reasonable and sufficient understanding of the items listed at 3.2.1R(1)(a)-(e). Otherwise, the scope of this requirement and the outcome sought are unclear.

Question 12: Do you agree with our proposal that manufacturers should be required to make their underlying product information available to distributors? If not, please explain why.

Yes.

Question 13: Do you agree with our proposal that manufacturers should be required to make their underlying product information machine-readable? If not, please explain why.

Yes, although we note that the draft Handbook text does not achieve this aim.

In line with the FCA's aim to create outcomes-focussed regulation, we recommend that the FCA does not mandate a new template that firms should use. Industry already uses a number of templates to facilitate data flows and we believe the delivery mechanism for this requirement should also be determined by the industry, for example by working to make relevant updates to the EMT.

Question 14: Do you agree that manufacturers should be responsible for producing a product summary? If not, please explain why.

Please see our responses to questions 10 and 11.

We agree with the principle that manufacturers should be responsible for producing the core information and additional obligatory information that must be contained in pre-sale CCI disclosures. The manufacturer is best placed to provide this information about their product.

The regulatory framework should make it clear that the manufacturer is responsible for the ongoing accuracy and regulatory compliance, including compliance with the Consumer Duty, of any disclosures that they give to the distributor. It should not be the distributor's responsibility to check this. The manufacturer is best placed to know their product, so it is appropriate for the manufacturer to be responsible for the accuracy and compliance of these disclosures.

Question 15: Do you agree with the proposed requirements for the product summary? If not, please explain why. Do you agree with our proposal not to prescribe its overall design or layout? If not, please explain why and what design requirements you believe we should prescribe.

We agree with the FCA's proposed aim that it should not prescribe the overall design or layout of the product summary.

In line with our responses to questions 10 and 11, we think the current approach risks repeating the issues consumers currently face with the existing PRIIPs and UCITS regimes. There needs to be a balancing act as there is a real risk that too much information is given to consumers, causing choice paralysis and disengagement.

We recommend that greater flexibility and space for innovative design is injected into the proposal. We think the pre-sale CCI disclosures should contain the following types of information:

1. Core disclosure requirements: these are provided by the manufacturer who is solely responsible for their accuracy and regulatory compliance.
2. Any supplements, additional descriptors or considerations that are not core disclosure requirements, but are required to be contained in the product summary. The manufacturer is solely responsible for their accuracy and regulatory compliance. The manufacturer and distributor may layer this information in the product summary, highlighting the prominence and essential nature of the core disclosure requirements.
3. Supplemental, non-required information that either the manufacturer or distributor may add or layer into the product summary. This supplemental information is not obligatory and seeks to increase innovation aimed at improving consumer understanding and engagement with the pre-sale disclosures.

FCA should require that items 1 and 2 are contained in the pre-sale disclosures.

Item 1 provides a summary of the product that facilitates comparability and provides a snapshot of the decision-essential information about the CCI. The current FCA proposals seek to require c.90 different pieces of information as core information. We think 90 different pieces of information, including potentially complex, sophisticated and expansive disclosures, may struggle to be classed as a 'summary'. We think refocussing the pre-sale disclosures, so that there is clarity about the most prominent, decision-essential pieces of information in the summary and additional, obligatory information in the wider document or pre-sale consumer journey provides a more consumer-friendly and engaging approach.

Question 16: Do you agree with the requirements for distributors to provide the product summary or information within it to potential investors, including the timing of delivery? If not, please explain why.

As mentioned in other responses, we do not think the distributor's review of the manufacturer-prepared product information and summary should include reviewing the accuracy and regulatory compliance of these disclosures. This should be the responsibility of the manufacturer, as they know

their product best, and should not be conferred on distributors. The distributors may review the manufacturer-prepared product information and summary with a view to deciding whether they wish to include additional information that further facilitates customer understanding and engagement. For example, whether additional educational content or tools should be added to help people make sense of the disclosures and understand what they mean for them. The manufacturer is not responsible or liable for any supplemental information that the distributor chooses to include.

We would welcome the FCA sharing its expectations on the branding used in product summary /CCI pre-sale CCI documents. For example, does the FCA expect a distributor to publish a manufacturer-branded product summary/report (as is currently done under PRIIPS), even where the distributor has added supplemental information? Or should the distributor publish a pre-sale CCI document in its own branding where it does this? This branding point reinforces the liability issues raised in previous responses, as it is unlikely that a manufacturer would be comfortable with a distributor publishing a document that uses their branding, where the distributor has made additions to the contents. Similarly, the distributor may be reluctant to use their branding where they have made changes, as this could imply they are responsible (and liable) for the entire contents of the document. We would welcome clarity from the FCA on this branding point.

Finally, we would also welcome the FCA sharing its expectations as to how amendments to pre-sale CCIs disclosures should be handled where changes seek to support vulnerable consumers. Would the FCA expect the manufacturer to consider this when first creating the obligatory information and their pre-sale disclosures? Given the distributor may often have the direct relationships with consumers, what role should they play in considering changes and adaptions? Who would make these changes and how should they be flowed through the distribution network?

Question 17: Do you agree with our proposals for providing a product summary in a durable medium if a sale is made? If not, please explain why. Do you have any comments on the requirement of a 'durable medium' for this?

We agree with the proposal that all consumers should be given a durable receipt following a sale. TISA has conducted consumer research on a digital S&S ISA journey. This research considered what information consumers must know, should know, and could know and layered this information accordingly. When testing the journey, the one link that all consumers clicked was the 'digital receipt' link that provided consumers with a durable record, or receipt. We agree that this durable medium still has a valuable role to play, even in a more digital future.

We do think greater consideration should be given to the information provided pre-sale and in the durable post-sale record. We think the durable receipt can contain additional information that is not necessary pre-sale. The purpose of this durable receipt differs from post-sale disclosures. For example, we do not recommend that the complaints process is disclosed to a consumer pre-sale: a consumer does not need to know how to complain about a product before they have purchased the product. Consumers should be informed that there are protections and processes in place should anything go wrong, but we do not think the precise details of a complaints procedure is a piece of decision useful information when a consumer is trying to decide whether to purchase an investment. This information would be better placed in the post-sale receipt, so a customer can quickly look up the complaints process should they need this. Consequently, we think 5.2.1R(6) should be removed from the scope of general product information. The requirement to publish this information in the durable medium post-sale should be specified in a new, separate rule.

Question 18: Do you agree that we should require unauthorised firms to follow some of our principles for businesses and basic product governance standards when carrying out CCI activities? If not, please explain why. Do you have any comments on the standards that should be set for these?

Yes we do. We recognise that the intention in the consultation paper is to extend some of the principles for business and basic product governance standards to overseas funds. We would be grateful if the FCA could clarify that these requirements will not alter the position for other firms. For example, under the current regime the manufacturer of closed-ended investment companies is the AIFMD, not the board of the investment company. We would be grateful if the FCA could confirm that this position will be maintained under the new rules.

Question 19: Do you have any other comments on what obligations manufacturers should have in the CCI regime?

No.

Question 20: Do you have any other comments on what obligations distributors should have in the CCI regime?

We would reiterate our response to question 10 and the need for clearly defined roles and responsibilities to be outlined in the regulations in order to facilitate smooth data flows. We would also be grateful if the FCA could clarify the roles and responsibilities where there are multiple distributors in the distribution chain (e.g. an advised platform). Our expectation is that the same guiding principles would apply, but for completeness and certainty, we would be grateful if the FCA could specifically confirm this.

Question 21: Do you agree with the costs and charges we are proposing to require the disclosure of? If not, please explain why and what alternative approaches you would suggest.

We are supportive of the idea of a headline cost being disclosed to a consumer. We think this should constitute all entry and exit costs as well as ongoing costs. We think it should be possible for consumers to receive 1 headline cost for the product and 1 headline cost for the distributor/platform. The consumer should be presented with a total annual cost, with some basic assumptions applied. The headline cost should be treated as core, basic information that must be given prominence as it is essential for the consumer to know before they purchase the CCI. This position should be articulated in 6.2 of the draft Handbook text. The consumer does not need to know the various component parts – this is a nice to know, not a must know. They do need to know what price they will pay for the product they are buying. To use a metaphor – when a consumer orders a birthday cake to be made in a month's time, the consumer does not need to know the price of eggs, flour, energy prices etc. The consumer just needs to know how much the cake costs. The bakery needs to know the component parts and will base their price on these variable factors accordingly. The competition authority may wish to oversee pricing structures to ensure pricing is not uncompetitive or predatory.

In light of this, we agree with the proposal to provide consumers with a headline cost figure. This headline figure should clearly tell the consumer how much they will pay for the investment product. The component information should be layered into the product summary.

We are also aware that there is a risk that the inclusion of some costs in the headline cost figure, for example transaction costs, could mislead consumers. Where costs are accounted for in performance figures, they should not also be included in cost figures. This is duplicative, and runs the risk of consumers 'double counting' these costs. As a result, we recommend that where a cost is already accounted for in gross performance figures, it should not be included in the headline costs figure. This information may be layered with supporting narratives given, in order to avoid consumer confusion and misunderstanding.

Whilst comparability may be desirable, careful consideration should be given to whether this stifles innovations in pricing structures and models, including those that could make investing more inclusive and accessible. For example, some firms may wish to adopt subscription models which could include

allowing customers to perform certain number of transactions a month / year for a flat fee. We do not think the current proposals would allow for this innovation in pricing structure.

The FCA should also consider encouraging firms to innovate and provide tools, such as a costs calculator, so that consumers can input specific deposit amounts and time horizons so they can engage more with these disclosures and understand what they mean for them. These tools may be more helpful for consumers than requiring all firms to disclose costs to a set model (i.e. the headline cost for 1 year, for a £10,000 deposit). As more and more consumers engage with their finances through digital channels, calculators and interactive tools can help consumers gain greater, and much needed, understanding of what costs and charges mean for them, in their particular circumstances. DISC 3.2.7G in the draft Handbook text provides a useful clarification that will give firms confidence to innovate in this space. In light of this, we recommend that the FCA considered how they can drive consistency across financial services products and specifically the ongoing work to look at SIPP tools and modellers (DP 24/3). We also encourage the FCA to consider how they can support such tools as a way of improving consumer engagement, understanding and ultimately ensure people make better informed decisions.

We also support the FCA's encouragement of the industry providing concise, plain English descriptions of the nature and content of each cost figure that underpins the headline cost. TISA has conducted research that looked at adding 'tooltip' definition features into disclosures, finding that these improved understanding for the vast majority of consumers. This simple, easy to deliver feature can make a material difference to consumers. We would encourage the FCA to set guidance or expectations under the Consumer Duty that further encourage firms to adopt this practice. Additional guidance that adopts the approach could also be added after 6.2.13R. that could encourage this practice.

We also recommend the FCA conducts consumer testing on prescribed terminology to ensure these terms do not cause consumer misunderstanding and confusion. Where possible, we suggest that prescribed terminology is simplified and made less jargonistic. TISA research has found that 35% of less confident investors struggle to understand what costs and fees apply to them and to understand metrics such as 'quartile ranking' and 'sector average'. In light of these findings, we encourage the FCA to consider simplifying prescribed terminology in relation to costs and charges (as well as other prescribed terms used in CCIs disclosures) wherever possible.

We would also encourage the FCA, as the competition authority, to play a stronger role in ensuring that competition continues to operate for the benefit of consumers in this market.

Finally, we note that the drafting in DISC 3.3.1R(1)(a) could be improved and clarified. There may be a verb missing and the term 'growth' should be replaced by 'total return'. We presume that the FCA intends firms to explain to consumers the impact costs and charges could have on their total returns – i.e. covering both price changes and yields associated with the CCI. It may be worth the FCA specifically clarifying and saying that the intention is to cover both of these elements of total return.

Question 22: Do you agree with our approach to disclosing transaction costs? If not, please explain why.

We do not agree with the proposal to disclose transaction costs. We are unclear what purpose the FCA feel this disclosure would serve and given transaction costs often vary year or year, we are not clear what key information consumers should take away from the disclosure of transaction costs.

As noted in our previous response, transaction costs may already be accounted for in performance figures. Therefore, including these costs again in the ongoing cost headline figure is misleading. This is duplicative, and runs the risk of consumers 'double counting' these costs. The risk of double counting is also the reason why the FCA proposed not to include transaction costs in the definition of

investment charges in its consultation on the value for money framework for workplace DC pension schemes.

More sophisticated investors may be interested in this information, but it is highly likely that this information will confuse new, less confident investors, who may be more likely to assume this refers to their own personal transactions, than those of the fund manager.

Disclosing these costs so prominently, by including them in the headline cost figure, may also drive poor market behaviours, as may lead to fund managers having their trading strategies unduly pressurised by cost considerations.

Given the likelihood that disclosing transaction costs in the cost summary will cause confusion and misunderstanding, we recommend that this proposal is dropped. This information should not be treated as a core disclosure that forms an integral part of the headline costs. Instead, this information may be layered, so that more sophisticated investors who wish to see this information may do so, without running the risk of misleading less sophisticated investors. Consequently, DISC 6.2.1R(1)(d) should be removed and consequential changes made to the draft Handbook text. This information should be included within the product summary, but firms should be able to layer this information reflecting the fact that it may be of interest to some investors, and could confuse others if given greater prominence.

Question 23: Do you agree with adopting the PRIIPs methodology for calculating transaction costs? If not, please explain why and what alternative methodologies you would suggest.

Please see our response to Q22

Question 24: Do you agree with our approach to pulling through costs? If not, please explain why.

We agree that these costs should be included in the headline cost figure. We would also encourage the FCA to consider including tracker funds within scope of this proposal, so that these funds are treated consistently with actively managed funds. If the tracker funds are incurring underlying costs that can impact an investor's return beyond the direct costs and charges incurred by the top-level fund, then these should also be disclosed. The policy rationale for applying this to other funds would seem to equally apply. We would distinguish the inclusion of these costs where they are already accounted for in returns (or performance) information, as this double counting could be misleading.

Question 25: Do you agree with our product specific cost disclosure requirements? If not, please explain why and if we should extend any of these more broadly? Are there any other product specific clarifications we should consider?

Yes. However, to ensure a level playing field, the carve out relating to the exclusion of gearing costs and/or costs incurred in the maintenance and commercial operation of real assets should also be extended to open-ended funds. This will ensure complete alignment with the DWP charge cap where no distinction is made between open and closed-ended funds in respect of these costs.

Question 26: Do you agree with our proposals for the presentation of costs and charges? If not, please explain why and what alternative approaches would you suggest.

Please see our response to question 21

Question 27: Do you agree with our proposed changes to MiFID costs and charges? If not, please explain why. Are there any broader comments you would like to make on cost disclosure requirements under MiFID II?

We agree that this matter should be reviewed by the FCA to ensure there is a consistent and harmonised approach. Without seeing the detailed proposals that the FCA intends to include in its upcoming consultation it is difficult to comment further.

Question 28: Do you agree that we should maintain a standardised horizontal risk score for CCIs? If not, please explain why.

Yes.

We would encourage the FCA to conduct consumer research to understand whether consumers find this information decision useful and whether they understand the risk model and scoring proposal.

Question 29: Do you agree with our proposals for narrative risk and reward requirements? If not, please explain why.

We agree with the proposal to combine risk and reward narratives, as this will support consumers in their decision making.

The information contained in 5.6.1R should not be treated as core information. It should be included within the product summary, but firms should be able to layer this additional information. This will prevent the fairly complex, detailed information from detracting from the core information.

The FCA has noted existing TISA research which found that risk warnings may deter the investing activity of underrepresented groups. The FCA agreed that it is important to contextualise standardised risk metrics and in order to further this, we recommend that the FCA adds further guidance after 5.6.2G to this effect. If the FCA is minded to provide examples of contextualised risk warnings, these examples could draw on the risk warnings that formed the basis of the TISA research.

We also support the FCA encouraging the industry to include 'tooltips' which can define key terms. TISA has conducted research that looked at adding these features into performance disclosures. 96% of research participants said that this educational content would improve their understanding, as week as their confidence in investing and would make them feel better supported in decision making. This simple, easy to deliver feature can make a material difference to consumers. We would encourage the FCA to set guidance or expectations under the Consumer Duty that further encourage firms to adopt this practice.

Question 30: Do you agree that the starting basis for this risk score should be the standard deviation of volatility of the product's historical performance or proxy over the past 5 years? If not, please explain why.

We agree that it is important for consumers to understand volatility risk over time. This helps encourage long-term investing behaviours which are more likely to lead to greater levels of return than short-term activity.

We would distinguish 2 risks that consumers need to consider when purchasing an investment. The first and most fundamental decision that a consumer needs to make is whether to invest at all. Here it is essential that the consumer understands the trade-off between holding money in cash and investing. At present, the risk information in DISC 5.4.1R does not sufficiently support a consumer in making that decision.

TISA has recently conducted research into the use of benchmarks, including whether consumers think a cash savings benchmark would improve their understanding, confidence and support better decision making. We used the Bank of England's Base Rate as a proxy for cash savings in our research. 95% of research participants said this would improve their understanding and their confidence in investing. 96% said this would support them in their decision making. From our qualitative interviews, some investors indicated that they do separately seek out this information to help them decide whether they should buy, sell or hold their investment. This approach may work for more sophisticated, confident investors who are able to source cash savings rate information from credible sources, but there is a risk that less experienced and confident investors do not know how to access this information and may inadvertently turn to unreliable sources. 40% of less confident investors said

they valued the ability to assess if their money would have been better invested or saved in cash. Less confident investors are potentially more likely to be newer to investing, so the initial decision to invest may be more fresh in their minds. Providing the cash benchmark helps them understand whether they made the right investment decision.

In light of these research findings, we recommend that the FCA requires this information to be disclosed because consumers find it decision useful and to underscore the aim that these disclosures should be a central, trusted source of information for consumers.

In addition to this, and in line with TISA's research on the impact of risk warnings, we think it is also essential that customers understand the context of this risk and the importance of holding investments over at least a 5 year time horizon, where possible. This encourages consistent, longer term investment behaviours which are more likely to ensure returns, given historical data. If only volatility risk is prominently shown to consumers, cash will always seem like the 'safest' option, which is unlikely to be the case over longer time periods and when there are higher rates of inflation. Historical data suggests that a consumer is far more likely to make a greater return on investing large balances over longer time periods than they are if that money was held in cash. The reliably higher potential returns offered by investments in UK equities over longer periods of time is evidenced in research. As an example, the 2019 Barclays Equity Gilt Study used historic data from 1899 onwards to demonstrate that there is a 76% probability of returns on UK equities outperforming returns on cash savings over a 5-year period, (91% at 10 years). It is vital that this contextual narrative is given to customers so that they can understand the different functions that cash and investing offer and can make informed decisions about how to allocate their money between cash and investing. The FCA notes in the consultation paper that they agree that it is important to contextualise standardised risk metrics. In light of this, we strongly recommend that the FCA allows the risk information to appear alongside the performance information, and that a cash savings benchmark should be presented on the line graph.

We also recommend that the time periods over which performance and risk are measured are aligned, so that both are shown over a 10 year period. This would emphasise the importance of investing over longer time horizons, mitigating the risk of consumer harm arising from them investing over unsuitable, short time periods. There does not appear to be a clear reason for differentiating these two time periods and alignment mitigates the risk of confusion caused by presenting consumers with core information over different time periods.

The second decision point and risk that consumers need to consider is the comparative risk and reward presented by different investment types. Here, the consumer has already decided that they wish to invest some of their money, rather than keeping it in cash (or spending it). This is a secondary decision and the level of detail and focus that a consumer is likely to give to this decision will vary depending on a consumer's financial literacy levels, interest in investing, investment experience and confidence, as well as the amount of time they are practically able to dedicate to this activity. Some consumers may wish to spend hours on this decision, others may not. Being able to effectively layer information to tailor for different levels of expertise, interest and time available is important. It will ensure firms are able to meet customers 'where there are' and decreases the risk that consumers who should be investing do not.

The FCA's volatility risk scale is a core piece of information that helps a consumer understand the comparative risk. This should be given prominence as it is essential that the consumer understands this information.

The risk information outlined in DISC 5.4.4R(2) should be capable of being layered by firms. We agree that this information should be made available to consumers, but it should not be given equal prominence as the risk score. The information outlined in DISC 5.4.4R(2) may be quite exhaustive and

is likely to be of interest to some, but not all consumers. It may be relevant for some products, but not all. It will often depend on the consumer's level of sophistication, experience and interest in investing. This is potentially very complex information that may overwhelm consumers and detract from the key message that the risk score is trying to portray. For this reason, we think DISC 5.4.1R(2) should read 'a narrative explanation of the risk score' only. The additional relevant risk information should be included in the product summary, but should not be treated as core, basic information. We would also note that DISC 5.4.4R(2)(c) would seem to be already covered by General Product Information.

We are very sympathetic to member views that there may be inherent difficulties in trying to ensure consumers understand the 1 to 10 scale for volatility which is calculated using standard deviation. Aberdeen's Savings Ladder Index estimates that 23.3 million UK adults have poor financial literacy levels, underlining the importance of ensuring essential disclosures are intelligible, engaging and effective. This does not mean this information shouldn't be disclosed, but greater consideration should be given and consumer testing undertaken, particularly with less confident, less experienced consumers, to understand what information they find decision useful and at what point this information may become overwhelming. As mentioned, we would encourage the FCA to share the findings of its consumer testing on the risk metric, so that all firms, particularly smaller firms, can learn and benefit from this research.

Question 31: Do you agree that we should expand the risk metric from 1-7 to 1-10 to differentiate a larger range of products? If not, please explain why.

We encourage the FCA to share the output from its consumer research and testing on whether the 1 to 10 risk metric improves consumer understanding.

Question 32: Do you agree that firms should consider amending the risk class where they deem it does not accurately reflect the risk of product specifics? If not, please explain why.

Yes. We also recommend that the FCA adds a reporting requirement so that firms must notify the FCA of any changes to risk scores in advance of doing so. This would provide a degree of consumer protection and would supply the information with valuable risk information.

Question 33: Do you agree with the proposals for products within the high-risk category? If not, please explain why.

Yes. It is our understanding that products that use derivatives as a risk management tool, i.e. reduce the inherent risk of the product, are not automatically considered a high-risk product. Derivative financial instruments held within funds may be complex in nature and more difficult for the average consumer to understand but the added complexity may reduce the overall risk of losing money e.g. if the derivatives are used for the purposes of hedging risk. Classifying these funds within the high-risk category would seem to be counter to the use of the derivative within the fund, discouraging hedging and prudent risk management

We would also caveat that without consumer research and testing of the 1-10 risk metric, it is difficult to comment. As mentioned, we share FCA concerns that the current risk metric score may not be understood by investors and could lead to confusion. Without understanding whether investors, including less confident and less experienced investors, can understand and derive decision-useful information from the risk metric, it is difficult to comment. We encourage the FCA to share the output from its consumer research and testing on whether the 1 to 10 risk metric improves consumer understanding.

Question 34: Do you agree with the proposals for how to apply the risk score to different types of structured products? If not, please explain why.

Structured products are non-linear and therefore difficult, if not impossible, to fit within the proposed framework. We recommend that the FCA works with relevant providers and trade bodies to find a workable solution.

Question 35: Do you agree with our proposals to require showing past performance? If not, please explain why.

Yes, we agree that firms should present past performance information. This is information that consumers want to see, irrespective of the potential limitations of past performance. It provides context and can demonstrate both performance and volatility risk to consumers.

We agree with the FCA that consumers can often find charts and visual depictions helpful, however recent TISA research has uncovered that consumers value being able to see performance information in different formats. Different people have different learning styles and some customers may prefer visual presentations of information, where others may prefer tables or words. Investors that took part in the most recent TISA research highly valued the ability to toggle between different data visualisations, such as graphs, tables, and text summaries. This flexibility caters to diverse preferences, enhancing comprehension and decision-making. Visual graphs are particularly appreciated for providing a quick, clear overview of performance metrics. 80% of investors think the ability to personalise how fund performance information is displayed would support their decision making a fair amount, 97% of investors said the ability to customise visualisation would improve their understanding of performance disclosure. Research participants told us that visual graphs made it easier to compare data and understand trends at a glance, which is especially useful for less experienced investors. While visual graphs are preferred, people also value detailed textual explanations that clarify complex data. This combination helps investors of all experience levels make more informed investment decisions. In light of these research findings, we think the proposal to include a line graph over a 10- year period is helpful, providing a snapshot summary that consumers can quickly understand and engage with. The additional obligatory information and supporting narratives are also important as they can help people who perhaps struggle with visual presentations of information make sense of this disclosure. Our research participants valued being able to look at performance disclosures across the different formats, rather than identifying and sticking to one, preferred format. The different views may also add positive friction and increase the depth of engagement, as investors also noted that the different views and formats of information may reduce bias risk or incomplete investment decisions. We recommend that the regulatory regime facilitates innovation and inclusive design to improve consumer understanding and engagement.

As mentioned in our response to question 30, we also strongly recommend that the FCA requires firms to display a cash saving benchmark in their pre-sale disclosures. This not only helps consumers understand the risks associated with investing or saving over different time horizons, but also highlights the relative performance of an investment against the alternative option of keeping money in cash. TISA has recently conducted research to test the impact adding an inflation indicator has on consumer understanding of performance disclosures. One qualitative research participant told us that "I would find the inflation benchmark very, very useful because I would want my investment pot to be inflation proof as it grows." Another told us "Well, for me, inflation can really eat away at investments. And I want to make sure that my investment portfolio is outperforming any inflation." From our quantitative research, 94% of less confident investors told us that the benchmark features that we tested would improve their understanding. This rises to 98% of more confident investors. There were also indications that some research participants separately seek out this information to help them make financial decisions. This approach may work for more sophisticated, confident investors who are able to source inflation rate information from credible sources, but there is a risk that less experienced and confident investors do not know how to access this information and may inadvertently turn to unreliable sources. In light of this research, we recommend that the FCA considers requiring firms to

provide inflation indicators in performance disclosures. Inflation has the potential to erode people's investments and savings and it is important that consumers understand this risk and the impact it has on returns. We do not think this information is a priority, essential disclosure, but is something that firms could layer into their investment journeys.

In respect of the draft Handbook text, in light of the FCA's recognition that risk and reward should be presented alongside one another, we recommend that DISC 3.2.1(4) is amended to specifically include performance information, so that this is given equal prominence alongside information on risk and on costs and charges.

3.4.4R(2) requires the past performance to be net of any actual costs and charges. We think there should be a corresponding disclosure requirement that makes this position clear to the consumer.

Finally, the FCA should also clarify that where a fund's objective is to outperform an index, that index must be shown alongside the fund's actual performance.

Question 36: Do you agree with our proposed requirements for a line graph for products that have past performance? If not, please explain why.

Yes. Please see our response to question 35.

Question 37: Do you agree with our proposal to require up to 10 calendar years of past performance data to be shown where data is available? If not, please explain why.

Yes. If this information is available, we see no reason for not disclosing it.

Question 38: Do you agree with our proposed requirements for the inclusion of benchmarks in the line graph? If not, please explain why.

Yes, although we think the FCA position should be stronger.

There are two decisions that a consumer may be trying to make, the first is whether to invest or whether to do something else with that money (e.g. hold it in a cash savings account). Allowing firms to provide a cash benchmark will help consumers make the trade-off between holding their money in cash and investing and decide which option is best for them. We recommend that the FCA goes a step further and requires firms to show a cash savings benchmark and that the FCA should specify that firms use the Bank of England's base rate. This will provide a consistent and reliable source for this benchmark. Many consumers are familiar with the Bank of England's base rate which we think will improve confidence and trust in this disclosure.

TISA has conducted research on the existing approach to performance disclosures and found that 1 in 4 less confident investors struggle to understand relative performance. Over 33% of less confident investors struggle to take actionable insights from performance disclosures. Benchmarks are critical to breaking down these barriers. Our research found that 94% of less confident investors think the ability to view benchmarks to inflation, cash savings and setting a personal growth goal, would help improve their understanding. 95% of less confident consumers said being able to benchmark the performance of their investment to inflation, cash and a personal growth goal would improve their confidence and in turn would support their decision making. 40% of less confident investors specifically said they valued the ability to assess if their money would be better invested or saved in cash.

Encouragingly, over 1/3 of less confident investors said the benchmarks helped them to think long-term rather than reacting to short-term market fluctuations, supporting people to develop more consistent investment practices and reduce the likelihood of consumers unnecessarily withdrawing funds during market volatility events and losing money.

In line with this recommendation, we suggest the FCA clarifies the application of 3.4.8R(2) so that firms are as a minimum encouraged to include this benchmark or ideally, required to do so.

The second decision that investors may be trying to make is which investment to pick. Here a cash benchmark is less relevant, as the consumer has already decided that they will not keep their money in a cash product. Here, we think other benchmarks may help consumers make investment decisions. For example, consumers may wish to set individual investment goals, which can help them determine their risk appetite and the suitability of different investment types. TISA has tested a personal growth goal with consumers – this allowed investors to set a personal growth goal against which they could measure an investment's performance. This can help bring disclosures to life, making them more personalised to the consumer's individual goals and aims. We recommend that the new CCIs disclosure regime enables firms to innovate in this area, so they can conduct their own research and consumer testing on new tools and approaches that can improve consumer understanding, confidence and informed decision making. That is to say, we do not think the FCA's rules should oblige these more innovative, personalised benchmarks, but the regulatory framework should not prevent these innovations from developing.

Question 39: Do you agree with our proposals for required basic information that must be disclosed? If not, please explain why.

We do not recommend that the complaints process is disclosed to a consumer pre-sale. Consumers should be informed that they are covered by any relevant redress schemes and the firm will provide support should anything go wrong, but we do not think the precise details of a complaints procedure are decision useful information when a consumer is trying to decide whether to purchase an investment. This information would be better placed in the post-sale receipt, so a customer can quickly look up the complaints process should they need this.

We also think the additional information requirement should be capable of being layered. If a customer wants to find out this information, they will search for it. By its very nature, this information is a 'nice to have', not an essential piece of information that every consumer must read before purchasing the investment product. We do think this information should be disclosed in a post-sale receipt. We also note that the way in which DISC 3.2.1 (2)(c) is drafted would also seem to frustrate the policy intention in respect of additional information requirements, where links and cross-references to other materials are the most suitable way to present this information. This further supports the rationale for removing this category of information from the list of basic information and instead allowing firms to layer this information into their disclosures, as well as requiring this information to be disclosed in the durable medium receipt. 5.2.1R(11) should also be removed.

We agree with all other basic information proposals.

It should be made clear that information provided under DISC 5.2.2G is not basic, core information given the guidance specifies that the manufacturer is not obliged to provide this information. A similar clarification should be made in respect of supplemental information added under DISC 5.4.3G(2)in relation to risk information.

Question 40: Is there any other basic information you think should be communicated to consumers?

No.

Question 41: Do you agree with our Cost Benefit Analysis? If not, please explain why.

The cost benefit analysis should include costs related to changes that distributors will need to make, despite the proposal requiring significant change and associated costs for distributors.

Cost considerations associated with the Product Summary:

- Whilst the majority of distributors will have an existing disclosure mechanism in place, this is based on the provision of a standard template. The current FCA proposal will result in different formats of PS being available and thus existing mechanisms or external disclosure providers may need to make substantial IT changes to accommodate these. The impacts are increased costs through IT change and/or re-negotiating service provider contract.
    - This will also arise when the distributor embeds the new PS formats into their existing Pre-Sales and/or Post-Sales journeys – the 'flexible' nature of the proposed disclosure framework could result in higher costs for both Manufacturers and Distributors.
- In addition if distributors decide to supplement product summary documents, then this will incur additional IT/development costs, as well as cost associated with consumer testing.

Cost considerations associated with providing core information in a machine readable format:

- This potentially brings in new asset data requirements and the costs associated with these proposals will to some degree depend on whether a new industry template is required or if an existing one is utilised for CCI purposes (for example, the EMT).
    - If the industry decides to utilise an existing industry template, then these costs could be reduced where distributors already have such data feeds in place. However, if extensive additional data points are required, this could open up contract negotiations between distributors and data vendors.
    - Typically, the commercial model of data providers means that these type of costs are incurred by distributors, not manufacturers.
- SDR is a recent example that provides an indication of the costs incurred by distributors when changes are made to disclosure regiments. Here, firms had to facilitate a new data feed for SDR and the costs of the new data feed were approximately £30,000 per firm. SDR also required changes to pre-sale journeys and the implementation of new data fees. The cost of this regulatory change project is expected to be around £200,000. This involved c.7 new asset data points, whereas it seems likely that the CCI regime will require many more.

All the above cost indications do not include the cost associated with involving general Compliance Teams.