

20th March 2025

Consumer Investments Distribution Policy  
Financial Conduct Authority  
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London E20 1JN

By Email: to cp24-30@fca.org.uk

Response to FCA Consultation Paper CO24/30

**ShareSoc represents the interests of individual investors in the United Kingdom. The organisation boasts approximately 15,000 direct members and social media followers who largely typify the 12.5 million share owners across the country. Collectively, individual investors own some 12% of the UK stock market directly, rising to 30% via funds and pensions.**

Under the PRIIPS and MiFID II disclosure regimes, ShareSoc has become increasingly concerned by the divergent and often perverse implementations of cost disclosure by retail investment platforms.

A particular area of concern is listed closed-end funds (investment companies), for which the PRIIPS disclosures (prior to the current exemption) have been highly misleading and damaging.

We have witnessed cases of retail platforms issuing information which disadvantages certain investment products. In some cases, platforms have actively obstructed client access to products based on their over-zealous interpretation of Consumer Duty responsibilities.

We believe that regulatory disclosure requirements and restrictions are, in some cases, being abused by some retail platforms for their own commercial benefit.

Investment companies engage in a vast spectrum of activities – from holding listed portfolios of stocks (like those held by OEICs) to maintaining private holdings in private non-listed enterprises (like those held by listed commercial holding companies) and extending to alternative assets such as private debt.

The discount (or premium) at which an investment company's shares trade reflects, among other things, the market's assessment of the value proposition – effectively discounting a future stream of charges. Highlighting those charges without reference to the share premium / discount can create the misleading impression that charges will erode share price over time. This practice has damaged investment companies.

While there is some argument for inclusion of investment companies whose portfolio substantially or entirely comprise listed shares, there is an equally strong argument to treat other investment companies as listed commercial companies and to exempt these from formulaic reporting under the CCI regime.

To the extent investment companies are required to report, the disclosure should carry a legend noting that costs are general corporate expenses not directly chargeable to the shareholder, that they are expressed as a percentage of NAV, not market price, and that their impact on future returns is reflected in any difference between the NAV and the share price.

Our responses to your 41 questions are set out below. We have only commented where we have expert knowledge.

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

*We support a move towards principle-based regulation of CCI product information.*

*We also support the intended consistency with the Consumer Duty in this regard.*

*However, we caution that cost disclosures (and value assessments) should exist solely for the purpose of delivering consistent, accessible information to the consumer. They should not be used by distributors as a screening tool.*

*We are uncomfortable with the term "outcome-based" since many individual investors will interpret this as a measure of absolute financial return, without taking account of risk or of benchmark performance.*

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

*We would welcome greater clarity from the FCA as to how these new rules will be enforceable and a deterrent to bad behaviour by overseas firms and their directors.*

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

*ESG / SRD: we agree that CCI product information should incorporate required disclosure under SDR including investment labels and associated statements. Proliferation of regulatory disclosure documents should be avoided at all costs.*

*DEI: In addition to the consumer groups identified in section 2.42 we note that women are under-represented in the investment community.*

*We believe that the identified differences in CCI ownership among identified consumer groups relate primarily to economic circumstances (and are therefore not necessarily indicative of an underlying industry bias). We note the relevance of financial education and financial numeracy and call upon the regulator to focus on improving general access to financial education in the United Kingdom.*

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

*We are troubled by the inclusion of investment companies (listed closed end funds) in the CCI regime.*

*Investment companies engage in a vast spectrum of activities – from investing in listed portfolios of stocks (like those held by OEICs) to maintaining private holdings in private non-listed enterprises (like those held by listed commercial holding companies) and extending to alternative assets such as private debt.*

*The discount (or premium) at which an investment company's shares trade reflects, among other things, the market's assessment of the value proposition – effectively discounting a future stream of charges.*

*Highlighting those charges without reference to the share premium / discount can create the misleading impression that charges will erode share price over time.*

*While there is some argument for inclusion of investment companies whose portfolio substantially or entirely comprise listed shares, there is an equally strong argument to treat other investment companies as listed commercial companies and to exempt these from formulaic reporting under the CCI regime.*

*Exempted investment companies would have the option to produce a CCI product and cost summary but not an obligation to do so. An election not to produce a CCI product summary should not result in exclusion by retail platforms.*

*We understand that several investment companies have recently elected to be reclassified as commercial companies, presumably as a response to this issue. We believe that this trend is ultimately damaging to the investment company sector.*

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?

*See comment on potential exclusion of certain investment companies in our reply to Q4.*

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?

*Yes.*

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. The reduction in threshold is welcome.*

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

*No. We do not believe that the current exemption of investment companies from PRIIPs requirements presents any real risk of consumer harm, and we believe that compliance is equally onerous for these companies. We would like to see the 18-month transition period apply to such companies (if they are to remain in scope).*

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

*No. We do not believe that the current exemption of investment companies from PRIIPs requirements presents any real risk of consumer harm, and we believe that compliance is equally onerous for these companies. We would like to see the 18-month transition period apply to such companies (if they are to remain in scope).*

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 are concerned about unintended consequences and gold plating. We have, for example, seen instances of wildly differing cost presentations for the same vehicle across different platforms; this is confusing and misleading.*

*Each layer of the distribution chain should be responsible only for incremental information relating to its own activity.*

*We do not believe that distributors should be able to adjust or amend manufacturer's output. We see a risk of consumer harm in this proposal.*

*The information prepared by the manufacturer should be delivered in unmolested form to the consumer (along with and incremental information of content provided by the distributor).*

*We are surprised at the lack of examples of good and best practice. The FCA should be able to point to examples of good practice and / or proforma reports as guidance.*

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.

*Generally, yes.*

*We would like to see actual performance, volatility and tracking error (or active share) numbers reported for standardised historic timeframes.*

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.*

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.*

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

*Yes.*

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.

*No. We believe that some degree of standardisation is beneficial to aid comparability and consumer familiarisation. We do agree that a tick-box approach is unsatisfactory, so content should, where practical, be led by guidance and best*

*practice rather than by codified requirements. Also see our comments to Q14 and Q10.*

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.

*Yes, but the distributor's input should only cover their own costs and charges. The manufacturer's summary should be supplied as an unaltered standalone item.*

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?

*Yes. We suggest dated .pdf format should be delivered to the consumer. A version history of the document should also be maintained on the websites of both manufacturer and distributor.*

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, but exemption should be made for principles, governance and documentation where the unauthorised firm is subject to (and compliant with) a regulatory regime deemed to be substantially equivalent (potential examples include EU and US).*

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

*No.*

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

*We are very concerned by the unintended consequences of Consumer Duty, particularly around interpretation and implementation by distributors of cost disclosure and value assessment.*

*In our view, it is valuable and desirable for distributors to present and highlight to consumers information about costs, risks and performance of potential investments, and to highlight any concerns or comments they may have.*

*It is, however, not useful for distributors to unilaterally exclude a CCI from their platform based on said concerns or comments. The consumer has a need and a right to be informed but should have free rein to allocate.*

*Where the distributor has negotiated a discount in the fees from the manager, this should be shown as a negative cost item in the list of distributor's costs which make up their total costs. Alternatively, the distributor can specify the discount and use a distributor specific CCI form the fund manager.*

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 would prefer that the ongoing costs figure be broken into two components to separate the management fee from other ongoing costs of operation. We consider both pieces of information to be relevant and necessary in considering the nature of operations and the remuneration of the manager.*

*Where a manufacturer of distributor elects to present a breakdown of costs, this should be presented in unmolested form to the consumer (along with the resulting aggregate cost figure).*

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

*Yes. Additionally, we would like to see disclosure of AuM and portfolio turnover.*

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.

*No. We believe that the inclusion of slippage costs results in excessive workload to produce an unreliable data point of very limited value to retail investors. Slippage costs should be excluded.*

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

*In general, yes. However, pull-through costs should always be separately identified, so that consumers can a) clearly identify top layer costs and b) decide for themselves what weight to put on pull-through costs.*

*We note, with great interest, the FCA's acceptance in para 5.26 that cost pull-through from investment companies into index funds would constitute a market*

*distortion and would make the index funds appear unduly expensive. This admission underlines the validity of our concerns about investment company disclosure!*

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, except that (per our response to Q4), we would like to see closed-end investment companies that do not substantially invest in listed funds treated as commercial holding companies and therefore exempted.*

*Manufacturers should be free to provide additional information that aids transparency.*

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.

*We agree with the proposed presentation for most CCIs but favour an alternative format (the Statement of Expenses) for listed closed-end investment companies.*

*For investment companies, any costs disclosure should carry a legend noting that costs are general corporate expenses and are not directly charged to the shareholder, that they are expressed as a percentage of NAV, not market price, and that their impact on future returns is reflected in any difference between the NAV and the share price.*

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?

*Yes.*

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

*Yes.*

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

*Yes.*

*We agree with para 6.8 "it is important to contextualise standardised risk metrics and explain the relationship between risk and reward".*



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.

*Yes, although more clarity is needed on how to adjust the risk score to account for tail risks, non-linear profiles, illiquidity, credit risk. A single metric is likely to oversimplify and any adjustment should be accompanied by textual explanation.*

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.

*Yes, but we believe the actual volatility number should be presented alongside the rating.*

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.*

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

*Yes, except that the minimum risk score for VCTs should, in our view, be lowered from 9 to 7.*

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.

*Yes. Tail risk is important to many of these products. Arguably such products should only be sold to sophisticated investors.*

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

*We agree that past performance should be shown.*

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

*Yes, but it should be accompanied by the numeric data, including 1, 3, 5, 7 and 10-year CAGR (net of costs) for product and benchmark.*

*Historical volatility and tracking error compared to the fund benchmark should also be included.*

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.*

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

*Yes. Benchmarks should be market related, not peer performance-related.*

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

*Yes.*

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

*We would like to see specific reporting of volatility and of active share and / or tracking error.*

*Custody charges should be disclosed by the distributor.*

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

*We find the cost benefit analysis lacking. It does not state the total costs paid by individual investors, nor does it attempt to estimate the benefit to individual investors that will accrue if a better system is implemented.*

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