7th March 2023

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

Submitted by e-mail to: dp22-06@fca.org.uk

Dear Retail Investment & Distribution Policy Team,

CFA UK and CFA Institute Joint response to FCA's discussion paper: Future Disclosure Framework (DP22/6)

The CFA Society of the UK (CFA UK) and CFA Institute are pleased to respond jointly on this topic. Investor disclosures, transparency and information fairness are by definition core parts of the CFA Institute investment ethos and the organisation's Code of Ethics and Standards of Professional Conduct. In addition, CFA Institute continues to develop and promote the highest industry standard in the area of performance presentation, the Global Investment Performance Standards (GIPS), which sets a high bar on how firms and investment professionals are expected to calculate and present performance to prospective clients.

We have consistently taken an active part in regulatory consultative work in this field, including the most recent consultation by the FCA on the UK PRIIPs regime in 2021[1] in which we stated the following in our preamble:

> "It has been clear for some time that elements of the current Packaged Retail and Insurance based Investment Products ("PRIIPs") Key Investment Document ("KID") detract from rather than assist investors' understanding of many if not all PRIIPs offered in the market and that, as a consequence, retail investors often do not closely read the KID when they invest in a PRIIP."

Our view on the FCA's discussion paper, as well as HMT's own consultation on the subject, is that we agree with the high-level principles and objectives of the work undertaken to agree a new framework for investor disclosures. However, we continue to believe the right balance needs to be found between flexibility and standardisation as some degree of comparability is still an important part of the investor journey.

Below are some of the key points we would like to make as part of this consultation:

[1] Joint CFA Institute and CFA UK response to FCA CP21-23 (September 2021): https://www.cfauk.org/-/media/files/pdf/pdf/5-professionalism/2-advocacy/responses/cp21-23-priip-proposed-scope-rules.pdf)

We agree that adding flexibility to the disclosure regime would allow some modularity in how information is presented to prospective investors, which may improve consumer outcomes especially as firms could tailor disclosures to different consumer cohorts. In turn, such freedom granted to firms may enhance the quality of the investor journey. It could also be a solution to the integration of other sources of information such as sustainability. However, certain key information should be required to be presented and should be comparable between similar products, aiding informed consumer decision making.

- Modularity means the chain of responsibility between the manufacturer and the distributor may need to be revisited, in keeping with the provisions of the Consumer Duty. We believe the manufacturer should be responsible for the calculation and provision of the information elements as well as their accuracy, while the distributor could be responsible for their presentation to the clients according to their profile.

- We think the regulator should establish a strong standard when it comes to marketing. Through enforcement and targeted thematic reviews, the FCA should give a clear message that it will challenge the intentionality of product design as regards the new disclosure framework. The bar should be set higher, even if it results in a marginally lower choice spectrum for investors. Raising the level of confidence and trust in the system would more than compensate the potentially lower choice, as the objective is to increase retail participation in capital markets.

- We believe comparability should be an objective across products sharing similar characteristics, for example cash savings, investment funds, or household insurance. In each case consumers are likely to benefit from being able to compare products which may meet their needs and objectives in a particular space and so reach a more informed decision. The availability of such data, calculated in accordance with agreed methodologies, would also support third party comparison sites which may again lead to more informed purchasing decisions by consumers.

  By extension, we believe standardisation should be achieved on high-level investment characteristics, depending on granularity and layering, such as:

  - Historical performance
  - Risk measures
  - Costs and fees

- Some degree of coherence with international regimes should be sought, to aid cross-border retail investors and manufacturers alike. The additional burden on manufacturers to satisfy multiple sets of disclosure rules should be considered, including the risk of a resulting reduction in products made available to retail investors. Nonetheless, we understand the need for the new regime, proposed by the HMT and eventually regulated by the FCA, to be adapted to the UK's specific circumstances.

Given our historical interest in these aspects of investment management regulation, we would be glad to offer the FCA the possibility of holding discussions between our expert staffs on this subject. We would be happy to offer our technical expertise on investor disclosures.

We appreciate the opportunity to respond to this consultation and thank the FCA for this initiative.

Yours sincerely,

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With thanks to contributions from:
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and the oversight of the [Professionalism Steering Committee.]

APPENDIX I: About CFA UK and CFA Institute

CFA UK serves nearly twelve thousand leading members of the UK investment profession. Many of our members work with pension funds, either managing investment portfolios, advising on investments, or as in-house employees responsible for pension investment oversight.

The mission of CFA UK is to build a better investment profession and to do this through the promotion of the highest standards of ethics, education and professional excellence in order to serve society's best interests.

Founded in 1955, CFA UK is one of the largest member societies of CFA Institute and provides continuing education, advocacy, information and career support on behalf of its members.

Most CFA UK members have earned the Chartered Financial Analyst® (CFA®) designation or are candidates registered in CFA Institute's CFA Program. Both members and candidates attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

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

CFA Institute is the global association for investment professionals that sets the standard for professional excellence and credentials.

The organisation is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow.

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

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

For more information, visit www.cfainstitute.org.

APPENDIX II: Responses to questions

Chapter 3 – Delivery

Q1: What are the benefits or drawbacks of the timing of disclosure being prescribed by the FCA? Or should it be left to firms to find the right time for their target consumer?

Our view is that investor disclosures should reach the right balance between flexibility and standardisation.

We believe the overarching principle on which the framework should be based is the need to ensure consumers have the necessary information to make informed decisions, ideally presented to them in engaging and accessible ways. We agree with the FCA's concern on anchoring bias. Therefore, some degree of modularity would indeed help present critical information (e.g. costs, risks) at the right time of the investor journey.

Our position could be summarised as follows, as regards timing of disclosures:

- Standardisation of calculations and information elements, where possible, and these should be meaningful and appropriate.
- Flexibility granted to the firms on the timing and presentation of disclosures, to match the investor journey according to the manufacturer's or the distributor's own processes, in line with our overarching principle above.

In any case, however, the rules should mandate that provision of investor disclosures take place before the sale or before the prospective client is in a position to make an investment decision. This timing should be verifiable and auditable.

Q2: Will a durable medium requirement constrain your ability to deliver innovative disclosure? Are there any other rules that may constrain the medium in which information can be provided?

Yes, rigid requirements for a durable medium will constrain firms. If the regulator supports the concept of an investor journey as the basis on which to allow for flexibility in the framework, then the requirements for a durable medium need to also evolve.

The principle should be that the investor, the manufacturer and the regulator should be in a position to verify and ascertain what has been provided to the investor and at what time in the process before the investment decision.

Requirements for digital medium should therefore also be updated to include minimum storage requirements in order to satisfy a necessary audit trail and verification mechanism.

In keeping with the idea that the framework should be focused on sought outcomes, the hypothesis that needs to be proven as part of a regulatory investigation should be that the client has had access to the relevant information at the right time before sale.

We would support the design of targeted thematic reviews based on this hypothesis, following which the FCA could release typical guidance, with good and bad practices.

We recognise that this point of view represents a shift in mindset which we discuss later in this document. Yet, if we collectively agree a dose of flexibility and modularity is the best approach for an outcomes-focused framework, then the requirements themselves need to adapt to this new paradigm.

Q3. Do you agree that we should future proof the disclosure requirements? How else can we do this? Do you have any views or evidence on the merits and drawbacks of different approaches to future-proofing?

Yes, we agree that upholding the principle of technological neutrality and focusing on desired outcomes will allow the framework to be future proof.

Disclosure requirements should provide for data to be machine readable, which will help with modularity and future developments in digital presentation in an efficient manner.

Also, enabling comparison and filtering via third-party providers is key as a large proportion of retail investments are made on platforms. The RDR's objective had been to promote open-source distribution, which could lead to a general lowering of costs and fees, an objective also noted in the FCA's Platform Market Study. By focusing on quality of information and modularity, the new framework could establish that an open architecture model does not need to result in poor investor information; i.e. distributors should be in a position to use technology to communicate with clients in a sophisticated manner, with information that will be meaningful and directly relevant as part of their decision-making journey.

Q4. How do you envision the distribution of retail disclosure changing over the next 5-10 years?

We believe the trend towards the digitalisation of disclosures will continue. Factoring in the modularity and tailoring envisaged by this consultation will allow information to become more useful and targeted for the investor journey, which includes non-financial and sustainability information where appropriate. It will be important, however, to respect individuals' and investors' varying sensitivity levels towards technology and internet-based solutions, as not everyone will be equally disposed towards all-online investor information.

It is also possible the rise of artificial intelligence (AI) in robo-advice will lead or permit an enhanced degree of individualisation in investment decision making. In turn, this could result in a reduced reliance on the intermediation of Independent Financial Advisors (IFAs). Regulators will need to monitor such disintermediation of investment decision making. CFA Institute has regularly written about the merits of mixing artificial intelligence and human intelligence, as investment firms adapt to a world where data becomes a critical source of value and optimisation. We think AI and big data analysis requires renewed attention on the ethics and professionalism of the decision making process. (ref. https://www.cfainstitute.org/research/industry-research/t-shaped-teams; https://www.cfainstitute.org/research/industry-research/ethics-and-artificial-intelligence-in-investment-management-a-framework-for-professionals).

Another trend in the investment industry is related to the so-called gamification of investments. CFA Institute has recently released a research and policy report on this development: https://www.cfainstitute.org/research/industry-research/investment-gamification-implications. As explained, "gamification and other behavioural techniques have many positive uses, such as education, but these methods could also be exploited to promote excessive trading. This paper analyses the main issues and recommends reforms to prevent abuses." In this context, we think the FCA should monitor this trend and its impact on the quality of investment decision making. We believe some analysis of the trade-off between speed and information quality should be established. Is the elimination of frictions necessarily a positive development for individual investors? Or can it be taken too far? Could the introduction of too much friction in the retail investor's investment journey be an unhelpful source of irritation, unnecessarily complicating or elongating the investment process, becoming a barrier to achieving the best outcome for the client and undermining the brand-value of the regulated investment firm in the process?

Q5. Who should have responsibility for producing retail disclosure?

We believe some evolution in the framework and chain of responsibility will be necessary to accommodate the proposed principles of the new UK framework for investor disclosures. Whereas the PRIIPs regime established the clear responsibility of the manufacturer for the production of the KID, introducing modularity, flexibility and adaptability in the new framework should mean that some degree of shared responsibility between the manufacturer and the distributor needs to be considered.

In keeping with the existing provisions of the PROD rulebook (FCA Handbook) establishing the duties of the manufacturer and that of the distributor in regard to the target market and ensuing marketing, the new UK investor disclosure framework could simply clarify the chain of responsibilities in the context of disclosures.

The principle could be as follows:

- The manufacturer should be responsible for producing the information elements constituting the disclosures, along with their accuracy, according to the rules to be designed by the FCA. The manufacturer remains responsible for the determination of the target market for its own products.
- The distributor should be responsible for the presentation of these information elements to their end-investors, according to the investment journey and based on investors' needs, to be determined by the distributor as they manage this

relationship. This is where modularity will permit adaptability to investors' needs, however it also involves the responsibility of the distributor quite clearly. This proposition would establish a clear responsibility on the part of the distributor for the sale of a product and for reviewing the appropriateness of that sale at a particular point in time in the investor journey.

Some further considerations we think warrant attention:

- The FCA should be clear on the chain of responsibility in order to determine liability in case of problems and investor harm. Which party will be to blame if investors received the wrong information, at the wrong time, or felt misguided?
- What would result if the distributor had the technical capability to alter the data provided by the manufacturer? Could a digitalised framework making ample use of flexibility and modularity enhance this risk?
- It is possible to imagine that greater modularity could give more powers to distribution platforms to use technology to tailor the information prospective clients get to see depending on their own investor journey. Technology and modularity could theoretically help investors sort through funds based on key characteristics, or use other features, for example sustainability or thematics, to distinguish between funds.
- Whether specific elements should be able to be altered by the distributor to provide a better comparison to consumers – for example should the total cost of investment (product and distributor fees) be presented as a combined number which can then be further broken down if the consumer wishes.

We believe the FCA could design targeted thematic reviews to monitor risk and practices in the above areas. The industry would certainly be interested in the FCA's conclusions on best and poor practices as they align with the new standard and regulatory expectations, including that of the Consumer Duty.

Q6. How should it be determined that a product is suitable for the retail market and therefore that regulated disclosure should be produced? Does this need to be balanced with choice for retail investors?

As a reference point, the definition of marketing used in the PERG perimeter guidance in the FCA Handbook is not straightforward to directly transpose into this work on investor disclosures.

In keeping with the FCA's focus on outcomes, our view is that the new Consumer Duty is more useful as a framework to determine suitability of products and for establishing requirements to produce retail disclosures.

In this context, intentionality on the part of the manufacturer and the distributor should be considered. Products' design and structure should be sufficiently clear to determine intention as regards retail access. This should include share class design and minimum investments. The manufacturer has a clear responsibility in these design choices, which involve the definition of a target market.

However, a line has to be drawn, which is not necessarily simple. Retail investor sales may result regardless of intention (e.g. accidental access). As regards the Consumer Duty standard and policy guidance, the standards on marketing and disclosures should also be elevated, with a clear messaging of low tolerance for mis-selling.

The FCA could send a clear message to the industry through strong enforcement actions and targeted thematic reviews.

The question of investor choice should also be considered. It can be argued that a stronger regulatory standard may discourage the provision of products to consumers because of the perception of a heightened regulatory risk. We believe, however, that choice in and of itself should not be an argument against raising the bar in terms of expected outcomes.

Our belief is that a higher level of retail involvement in capital markets, and therefore an interest in their own financial security, will result from simpler, outcomes-focused disclosures and strong enforcement of the rules. Retail participation hinges on confidence and trust in the system.

Chapter 4 – Presentation

Q7. Do you agree with these principles for effective disclosure design? Are there any other principles we should assess?

Yes, we agree that language should be simple and graphs would be helpful in several instances, such as to show past performance. Adding in images is debatable, as there could be a risk of misleading investors depending on interpretation of these images, which could prove to be a subjective representation of the intended message.

Other descriptors for the disclosure framework as a whole could include: accessible, engaging, clear, useful, relevant, informative. These terms all align with the overall objective of rendering the framework outcomes-focused in the interest of investors.

Q8. Do respondents have any evidence or consumer testing results on the merits or drawbacks of different forms of presentation?

Practical experience shared by CFA UK Society members pointed to some confusion caused by KIDs amalgamating information across various share classes.

We believe there could be merit in considering that investor disclosure should be specific to the share class being evaluated. Rules could clarify this distinction to ensure that the information being communicated remains directly relevant for the share class in question. This way, the information would be directly tied to the product considered by a prospective client. This could reduce the risk of confusion.

Q9. Evidence suggests that layering in retail disclosure can improve consumer understanding. Do you agree with this and can layering also reduce the burden on firms? Are there any challenges we should consider?

We agree that layering and dashboards can help the readability and relevance of information shown to prospective clients, in line with the idea of modularity. It can help tailor information to specific individual needs or sensitivities of clients and also facilitate proportional disclosure dictated by the complexity of the product.

A few remarks or reservations to consider:

- The level of prescription in these dashboards should not negate the flexibility sought in proposing them in the first place. The right balance will vary again depending on the profiles of the firm, product and client.
- The question of how to transfer the information, or its format, from the manufacturer to the distributor needs to be addressed in a practical manner, so as not to cause ambiguity about the responsibilities of both parties.
- If distributors are using different forms or inputs of presentation, this could inhibit consumers' comparison between products. The FCA should establish basic input requirements or principles of presentation for the dashboard.
- The layering should not result in excessive repetition across the overall document or presentation, as this would likely distract clients.

Q10. Are there other interactive disclosure approaches we should evaluate?

We agree that a degree of interactivity of information is welcome as bespoke information can be made immediately available when needed without the client having to extrapolate in their own calculations.

The suggestion of hover-over buttons would be useful to explain certain financial terms which retail investors can sometimes find jargon-heavy.

We think simulators are a good idea:

- For costs and charges. The previous (PRIIPs) prescriptive approach of basing this on a nominal amount is not very helpful or indicative for individuals. A tailored and individual simulator would bring live information directly relevant for a client.
- There could also be a carbon emissions simulator to illustrate the sustainability impact of a given investment amount over a given period i.e. the emissions saved.

However, for any interactive disclosures, manufacturers should be required to store this in static format.

Q11. How can disclosure requirements facilitate firms to use plain language to further consumer understanding while balancing accuracy, particularly with complex products?

We agree the use of plain language devoid of unnecessary jargon is always preferable. However, this should not result in dumbing down the message. The information itself is what needs to be conveyed.

We think adding a glossary could also be helpful to facilitate consumer understanding.

We also believe graphics could replace text where possible. In a similar fashion, we see the use of videos as worthy of consideration to help with explanation of more complex topics. Videos would be easy to store as a proof of record that can be retained by the client.

Chapter 5 – Content

Q12. What do you consider the appropriate balance between flexibility and prescription in disclosure? Does comparison feature in this balance?

As part of our answer to HMT's consultation on the same topic, our answer was as follows:

We believe the UK should strive for the right balance between flexibility and standardisation. It is of course easier said than done, yet investors do benefit from the capacity to compare and contrast various investment options on key characteristics, when comparability is meaningful and pragmatic. We believe comparability should be an objective across products sharing similar characteristics, for example cash savings, investment funds, or household insurance. In each case, consumers are likely to benefit from being able to compare products which may meet their needs and specific objectives and so reach a more informed decision. The availability of certain key data, calculated in accordance with agreed methodologies, would also support third party comparison sites which may again lead to more informed purchasing decisions by consumers.

As regards investment products specifically, they should be comparable to different degrees at different levels. For example:

- at the highest level we would argue that all investment products should disclose their historic returns and fees in a standardised format; but
- more detailed performance or risk data, however, could be presented in a standard way relevant to the fund or trust's underlying assets – best disclosure should look different for a fixed income fund, an equities fund or a multi-asset fund, for example.

Some degree of coherence with international regimes should continue to be sought. While we understand the need for the UK's new regime to be adapted to meet the UK's specific circumstances, investment management has developed over the years into a highly internationalised industry. Funds and management firms often engage in cross-border services, whether it be to manage funds or market them. Investors will benefit from documentation and disclosure requirements that remain sufficiently coherent across these various jurisdictions and service providers.

We think standardisation can and should be achieved on high-level investment characteristics, depending on granularity and layering, such as:

- Historical performance
- Risk measures
- Costs and fees

This balance should also depend on the level of product complexity; we have clearly seen that a one-size-fits-all approach did not result in the desired clarity or an easier way to compare products.

We think the ability to compare between investment options remains an important component of a disclosure framework to allow investors to make informed decisions. Perhaps the use of comparison engines on 3rd party platforms could help. If we take for granted that the framework will become more modular and flexible, then we would expect such technology-based tools to emerge to make the best use of machine readable information according to investor profiles.

Q13. What information, if any, should be comparable? Do you have evidence to support or refute comparability between similar product types?

We believe the industry could agree fundamental principles for the elements where standardisation and comparability should be sought, based on the concept of demonstrating value for money:

- Basic characteristics like costs, fees, time horizon and objective should remain comparable across the board.
- A series of characteristics (like performance, risk) could stay comparable within a similar product line or even across product lines with similar features.
- Calculation methodologies should be prescribed when possible, and be logical and meaningful.

We continue to believe that some degree of comparability, where meaningful and appropriate, serves an important purpose as part of the investor journey towards making a decision. There should be a balance between flexibility and standardisation, in the investors' interest.

Q14. What level of prescription should be involved in the calculation of costs to ensure clarity and consistency for consumers while also prioritising the need for accuracy?

We believe the level of prescription can be raised when it is possible to reach common measures, for example across a product line.

The level of prescription should be high for key items of comparability such as costs, risks and returns. KPIs could be prescribed for the determination of net and gross returns. We could also agree that a Total Costs figure could be useful to compare among similar products with similar management and cost structures. As noted in our answers to previous questions the information should be based on the consumer's view – for example they are interested in the total cost they pay which would suggest that product and distribution costs should be presented as a combined total cost with a further breakdown available.

Q15. What are the pros and cons of presenting cost as single figure, with more detailed information layered in disclosure?

As a general rule, we would agree that presenting cost as a single figure, where possible and meaningful, should be sought. The question, as discussed before, is how to determine where to set the bar of standardisation to capture as broad as possible an ensemble of products.

The key elements of costs are: management fee / ongoing charge, transaction costs, subscription / redemption fee, performance fee and distribution fees.

One solution could be to combine the subscription fee, the ongoing charge, the transaction costs and distribution fees as the total figure. The subscription / redemption fee and performance fee could then be listed separately.

Dilution levy or adjustment is another cost that can be considerable and can influence an investor's decision. We would recommend also listing this charge separately.

Overall, the disclosure should show an honest, fair and comprehensive appreciation of all costs involved.

We agree that layering adds a degree of flexibility which firms can use to tailor the presentation of information in a manner that matches the investor journey or their personal circumstances more accurately. It also allows firms to adapt to product complexity where appropriate.

Fees also depend on the investment amount, so an interactive tool where the consumer inputs an amount to get a total figure in £/p is a good idea. We could also think of ways to present total quantum of fees over the first 5 years in amount and expressed as a yield reduction. For such modularity, flexibility will be of the essence to make it meaningful and readable.

Q16. What level of flexibility should there be in the calculation and presentation of risks?

Again, we could agree on ground principles and objectives for the presentation of risks:

- Presentation of risks needs to be appropriate and clear.

- Comparison of risks across products is important, so as to allow investors to filter products by their desired risk level. Therefore presenting risk as a number makes sense.
- Graphics can be useful in presenting information and to facilitate comparison or filtering.

There is the question of how much to align with or stray from PRIIPs / UCITs presentation of risk. Currently PRIIPs / UCITs can produce a different risk figure for the same product due to differing methodology which can seem confusing or misleading. In keeping with FCA and HMT objectives, we would be of the view that the desired framework should aim to unify as broad as possible a spectrum of products on the same rulebook for investor disclosures whilst also catering for the distinct characteristics of different asset classes with a second tier of requirements.

We would recommend considering the following factors or characteristics related to the risk of an investment product:

- Max drawdown
- Volatility over the last 3 years

Whilst the average consumer may not understand Sharpe, Sortino and Information ratios, we believe they could still be provided in a digital format, with a description of what these ratios are. The average retail consumer may not understand exactly what these numbers mean but they will be able to distinguish a high number from a low number, permitting a basic comparison between products. These ratios will further be of use to more sophisticated retail investors.

Q17. What is the purpose of performance disclosure?

We believe performance disclosure is important. Firms are aware of the limitations in using past performance as a guide to future returns. Yet, realised performance gives an account of what has happened historically and the parameters of what might be expected in the future given market context, especially when the fund has a well-established performance history.

CFA Institute has always promoted the highest standards in terms of performance calculation and presentation, with the Global Investment Performance Standards (GIPS). We certainly think GIPS should be considered as a basis for rules on performance disclosures.

Our hesitations about performance scenarios remain the same. Performance simulation could be non-representative and performance disclosure should be based on what performance a product has realistically achieved in the past – based on facts rather than hypothetical scenarios.

Q18. To what extent should the FCA prescribe the performance information to be provided to retail investors? Should the FCA categorise products for the purpose of performance disclosure?

We support the categorisation of products if the intention is to permit the standardisation of performance calculation among similar groups or categories of investment products. When possible and meaningful, standardisation of performance calculation and presentation (e.g. using a standard such as GIPS), should make sense and prove useful for clients as they compare between products of a similar type.

Distinguishing between categories also means the need to produce a set of tailored disclosure requirements for different asset classes. The complexity of such a task should not be underestimated, but we believe it could be very valuable: having decided at one level that they wish to invest in a fixed income fund, prescribed standardisation of certain fixed income specific performance and risk data (duration for example), whilst allowing firms flexibility to add additional relevant data, should then help the retail investor decide which fund to select.

Q19. Would tailoring or flexibility promote accuracy and enhance consumer engagement?

Our overall view remains that a proper balance should be found between standardisation and flexibility, keeping in mind the overarching objectives and principles sought for the new framework.

It could be a good idea to tailor information to the target market, as it depends on investors' objectives in the first place.

The counter argument here is that this means a lot more work for asset managers and some administrative burden. How will manufacturers define different target audiences? And will consumers then have to select their profile which will determine which presentation of disclosure they see? Although there are benefits, this could be an added burden on firms. If not mandated, however, perhaps such an approach means asset managers have the opportunity to demonstrate they can add actual value to their reports, by presenting information that is deemed relevant for a specific audience, which may ironically be the whole point of the exercise. In turn, this could bolster competition and raise the bar for disclosure presentation.

Also, tailoring related to complexity could be a good idea. Layering, in this context, could enhance the readability of these reports for people who want deeper information and those who do not. This may help with accuracy and engagement with clients.

Of course, the issue is that these reports will suddenly look very different from firm to firm, although the key information should be comparable. This will complicate the regulator's job in assessing compliance, but at the same time, it would send a clear message to asset managers and distributors that they are considered responsible for fair and not misleading information. This could again be the subject of a thematic review to illustrate good and bad practices after implementation.

Q20. Are there other content requirements that should be included in regulated disclosure? Should this content be disclosed alongside product information?

We believe making the framework modular and flexible may provide a practical answer to the question of how to integrate or consider sustainability information, as per SDR.

We could consider that the new framework provides the general requirements or principles for investment disclosures. Various other regulatory frameworks (including SDR) would prescribe what information needs disclosing for a specific aspect of disclosures (e.g. ESG funds in the case of SDR). Meanwhile, distributors (and manufacturers in certain circumstances) retain some flexibility in the presentation of the relevant information blocks for a specific client or product.

As regards SDR, it may make sense to incorporate the upcoming SDR pre-contractual disclosure rather than having this as a standalone document and an added layer.

General reservations, however, could include the following:

- How to address the problem of the same funds now having different disclosure frameworks depending on jurisdictions for marketing? The most obvious situation is that related to funds marketed both in the EU and UK. We believe some form of homogeneity should be actively pursued.
- If information is disclosed in separate places and at different stages of the consumer journey, does this add complexity and make it more confusing for consumers if they are faced with multiple documents? The FCA should conduct regular evaluation and thematic reviews to address this potential problem.