

## **DP15/5 Smarter consumer communications – Answers to selected questions**

### **Q4 Suggestions for making information more effective and engaging specifically for consumers of the asset management industry.**

We are surprised that the FCA has singled out the asset management industry in this question, given that the regulatory approach to providing key information for investors in retail funds has been the inspiration for European lawmakers' efforts to create a Europe-wide key investor information regime for other retail investment products. Retail funds, in the form of UCITS and NURS, have been subject to the KII Regulation (for NURS through a modification by consent) since July 2013. This regime was specifically designed to ensure that investors and potential investors are presented with information that is relevant, well organised and written in language appropriate for retail consumers. Other sectors, in banking and insurance, lag behind retail funds in this regard, which is why the PRIIPs Regulation was adopted and regulatory technical standards are being prepared. A similar approach is now under development in the context of the Insurance Distribution Directive, for non-investment insurance products.

Given that the content of the KIID is subject to detailed rules, firms have next to no latitude to make the content more effective or engaging, which in any case might subvert the aim of harmonisation - so that information about opportunities in the market is consistent and comparable. In this heavily regulated environment, there is no obvious scope for behaviourally informed creativity. Firms also need to be cautious in the development of marketing material to run alongside the KIID, as the pre-eminent position of the KIID is not to be compromised, as set out in Article 3 of the KII Regulation: "In particular, it shall not be presented or delivered in a way that is likely to lead investors to consider it less important than other information about the UCITS and its risks and benefits".

### **Q6 Do you agree there is a role for industry and other stakeholders (collectively as a market or at an individual firm level) in addressing the issues identified?**

We do and in this context The Investment Association is working on an investment glossary, aimed at retail investors, giving plain English descriptions of common investment terms. The eventual aim would be to encourage firms to use this glossary, either by linking to The Investment Association consumer pages or by adopting the glossary on their own investor website, and to aid investor comprehension through consistent use of glossary terms rather than any alternatives, so that the glossary becomes more of an industry lexicography as well. In this work, we have borne in mind work already undertaken by NEST and by some of our members.

### **Q7 Do you have any views on the ideas we set out in this discussion paper and can you suggest other approaches that would achieve similar outcomes or objectives?**

The Discussion Paper and the underlying literature review raise interesting issues, but given the current state of investment and insurance product disclosure regulation in the EU, it is difficult to see the debate leading to any kind of concrete change in the near to medium term. With the arrival of the PRIIP KID regime at the end of 2016, and with an insurance PID likely to follow, it seems to us that this debate has already been had. The Oxera review covers the same ground as much of the discussion in the European institutions over the PRIIP KID, even to the extent of including some of the same examples as past ESA discussion papers, but given that the PRIIP Regulation was made in November 2014, it seems a bit late to be having this debate in the UK now.