

## Investment Cost and Charges Roundtable

Hosted by the Financial Services Consumer Panel  
16 January 2015  
at the Financial Conduct Authority,  
25 The North Colonnade, Canary Wharf, E14 5HS

<b>1</b>	<b>Lord Hunt's Opening Remark</b>
	<p>Following Sue Lewis welcoming remarks, Lord Hunt outlined the Consumer Panel's concerns with a specific focus on the historic and persistent lack of transparency in the long term investment market. He noted that various market and regulatory interventions had not fully addressed the problem of cost transparency and the perception that costs and charges are poorly controlled. Consequently, consumers and their representatives are handicapped to assess value for money or even to assess the cost of the service they are receiving.</p> <p>Lord Hunt said that auto enrolment and the growth of Cash Isa savings puts transparency and the need to assess value for money in a different context; millions more will save into investment funds under ongoing pension reforms. These consumers will depend on good outcomes in their retirements. He therefore emphasised the need to focus the discussion on solutions.</p>
<b>2</b>	<b>Roundtable discussion – Making the market work better for consumers</b>
	<p>Summary of key points:</p> <ol style="list-style-type: none"> <li>1. There was consensus that costs and charges mattered greatly to investment outcomes.</li> <li>2. Attendees agreed that opaqueness and the lack of full disclosure restricted consumers and their advisers from understanding costs and charges and their impact.</li> <li>3. There was wide support for the proposition that the fund manager or anyone else commissioning costs on clients behalf must know what they are.</li> <li>4. Attendees agreed that transparency at every level of the value chain was desirable.</li> <li>5. Attendees agreed that as one part of the solution, action should focus on getting full cost and charges disclosed throughout the value chain.</li> <li>6. Attendees agreed that as a starting point more should be done to highlight the impact of costs and charges to consumers.</li> <li>7. Attendees agreed that it was helpful to have default options where charges were modest for pension products. Attendees thought the principle of a 'single charge' was laudable, and considered its merits strong enough for continual dialogue and development of the idea. Nevertheless, most attendees questioned the practicalities of making it work. Concern was expressed about transferring to the fund managers all the risks associated with pricing of their services; some regarded such a transfer as healthy. The IA was critical of the idea of including uncertain implicit transactional costs within the single charge.</li> <li>8. There was wide support for a single charge that did not include implicit cost.</li> <li>9. The Financial Conduct Authority said it would consider how transaction costs should be disclosed working closely with key stakeholders.</li> <li>10. The FCA emphasised the importance of staying consistent with the direction of travel set by the European Union's agenda.</li> <li>11. The Treasury noted the principal agent problems in this market and said it was interested in practical solutions and considering how UCITS VI could be used to address some of the problems.</li> <li>12. Attendees agreed that existing governance structures could be strengthened. One person noted that investment companies had long standing oversight structures.</li> <li>13. Attendees discussed extending the idea of Independent Governance Committees (established to provide oversight to occupational pension schemes and assess value</li> </ol>

	<p>for money) to investment funds.</p> <p>14. There was broad support for the idea, but only if IGCs themselves prove effective.</p> <p>15. The idea of a fiduciary duty was resisted by representatives of industry. It was argued that this might lead to agents seeking to keep the letter but not the spirit of the law.</p> <p>16. The IA noted that it was developing a Statement of Principles' which would outline how investment managers should behave towards consumers.</p>
<b>3</b>	<b>Next Steps</b>
	<ul style="list-style-type: none"><li>• Sue Lewis thanked attendees and noted that the Consumer Panel will now go away to consider further work in this area. She also noted her desire to reconvene the group in 9 months' time for further dialogue.</li></ul>