

RESPONSE TO CONSULTATION

FURTHER PROPOSALS ON PRODUCT INFORMATION FOR
CONSUMER COMPOSITE INVESTMENTS



association of the
luxembourg fund industry

Luxembourg, 27 May 2025

We thank the UK Financial Conduct Authority (FCA) for the opportunity to respond to this consultation. Please note that we only answered questions that are relevant from our perspective.

Response to consultation

The wider context

Question 1: Do you have any additional comments on our approach to the Consumer Duty?

We would like to reiterate the following points from our response to the FCA's first consultation on the CCI disclosure regime:

Given that one of the four Consumer Duty elements is customer understanding, we think applying the Consumer Duty principles to the CCI product information makes much sense. However, some practical aspects, such as consumer testing and delivery timing, may prove challenging for overseas funds.

As regards the key principles for the CCI regime as listed in point 1.18, we also think that the one-size-fits-all approach of the EU PRIIPs KID undermines the goal of comprehensibility. We then welcome increased flexibility for presenting the information while aligning disclosures only in certain areas where a standard methodology is needed for data comparability. In practice, it may be difficult to strike the right balance between these two considerations, and we look forward to receiving guidance on the standardised sections.

Cost information

Question 2: Do you agree with our proposal to require disclosure of explicit transaction costs? If not, why?

We fully agree with the proposal to disclose explicit transaction costs as part of the CCI cost disclosure and for the fair information and protection of investors. Indeed, these costs can have an impact on an investment depending on the investment strategy used, the markets and currencies invested in and the partners chosen to work with. Furthermore, there is no ambiguity as to how these costs are calculated and included in the CCI accounts.

Question 3: Do you agree with our proposal not to require disclosure of implicit transaction costs? If not, why?

We fully agree with the proposal to eliminate the disclosure of implicit transaction costs: these implicit costs are in fact an estimate, which may be negative and reduce the explicit costs, and are based on a costly methodology, the implementation of which is detrimental to investors given the (very low) amount of these estimated implicit costs in relation to the calculation costs incurred

(data) – ultimately paid by the investor. In addition, the complexity of the calculation methods depending on the asset category and often the lack of data have prevented the use of harmonised calculation methods, which has hindered true comparability. Finally, the concept of implicit transaction costs is difficult for a retail investor to understand and obscures the information available on costs.

We understand that the current rules on the offsetting of the proceeds of the anti-dilution levy will be retained. However, we would like to point out that this system unfairly penalises funds that do not have anti-dilution measures in place, as adjusted NAVs take into account transaction costs as well as market movements.

Question 4: Do you agree with our proposal to require the separate disclosure of transaction costs, and their inclusion in the summary cost figure? If not, why?

We agree with the proposal to require the separate disclosure of transaction costs and their inclusion in the summary cost figure: such cost granularity allows for a sufficient understanding of the cost structure and a valuable comparison with other CCI products. Explicit transaction costs are fully part of the costs borne by investors and as such, should be included in the summary cost figure.

Question 5: Do you agree with our proposed rewriting of Article 50 requirements? If not, why?

We welcome the convergence between the CCI rules and MiFID cost disclosures and the fact that the former will also apply to MiFID: this is a welcome simplification that provides clarity for investors. Whether the disclosure is made on a pre-sale or post-sale basis (e.g. for the purposes of the annual personalised disclosure -6.1ZA.1 4B (1)(b)(i)), the CCI rules and calculation methodologies will apply.

Question 6: Do our draft rules replacing Article 50 achieve the intended rationalisation and alignment with proposed CCI rules? If not, why?

Yes, they do.

Question 7: Do you agree with our proposal to delete Article 51 of the MiFID Org Reg (COBS 14.3A.11)? If not, why?

Yes, we agree.

Consequential Handbook amendments, transitional provisions and complaints handling

Question 8: Do you agree with the proposed options available to firms during the transition period? If not, why?

In our view, it should be avoided to have two types of documents available to investors for products of the same nature, even for an interim period.

As regards UCITS and NURS (including OFR), we think that the exemption from PRIIPs until the end of 2026 should be extended until the CCI requirements come into force. In other words, funds concerned should not be required to produce a PRIIPs KID in case the CCI requirements come into application after 31 December 2026.

Question 9: Do you identify any potential problems with or omissions from our proposed consequential amendments to the Handbook?

No, we have not identified any problems.

Question 10: Do you agree with our approach to complaints handling for unauthorised persons and our proposal for simplified requirements on unauthorised firms within scope of CCI rules to implement complaints handling procedures? If not, why?

No answer.

Use of our FSMA powers

Question 11: Do you agree with our proposal to extend the policies and procedures in DEPP which relate to the exercise of powers under Part 11 and Part 14 to breaches of CCI requirements? If not, why?

No answer.

Question 12: Do you agree with our proposal that decisions to take enforcement action under Part 14, together with determinations of applications under section 206B(4), should be taken by the RDC? If not, why?

No answer.

Question 13: Do you agree with our proposal that Executive Procedures is the right mechanism for making decisions when giving directions or determining an application to vary or revoke a direction? If not, why?

No answer.

Cost benefit analysis

Question 14: Do you agree with our Cost Benefit Analysis? If not, why?

We agree with the Cost Benefit Analysis and welcome the FCA's pragmatic, common-sense approach, which takes into account both the access to a complete financial information that is simpler and more understandable for retail investors, and the costs and regulatory overlap that have burdened the financial community.

About ALFI

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,500 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. These include depositary banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax advisory firms, auditors and accountants, specialised IT and communication companies. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 70 countries around the world.