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Consultation Response

AFME Response to FCA Consultation Paper 26/24 Simplifying Consumer Investment Disclosures

28/08/2026

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to respond to the FCA's consultation paper 26/24 on simplifying consumer investment disclosures (the CP) published on 2 July 2026. AFME is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.

AFME is registered on the EU Transparency Register, registration number 65110063986-76. We summarise below our high-level response to the consultation, which is followed by answers to the individual questions raised.

AFME's membership includes participants active across a range of investment markets and client segments. Many of the proposals in the CP are directed primarily at retail-facing distributors and consumer investment platforms and are therefore less relevant to parts of AFME's membership. However, a number of proposals have important implications for AFME members, in particular: **(i)** the scope and operation of the proposed COBS 6A framework; **(ii)** the treatment of professional clients under the new regime; **(iii)** the practical implementation of the proposed disclosure reforms; and **(iv)** the transition implications of the proposed changes. AFME has sought to take a constructive and solutions-focused approach to this response and would welcome the opportunity to discuss these matters further with the FCA as it develops the final rules and guidance.

This response focuses on those areas, following the FCA's own numbering of consultation questions. Where a question falls outside AFME's primary areas of interest, we have either noted that members have no substantive comments or reflected the general observations raised during our member discussions, as appropriate. Before turning to the specific questions, AFME wishes to flag two cross-cutting observations relevant to the CP as a whole.

<u>UK / EU regulatory divergence</u>

Members operating pan-European businesses will increasingly need to maintain the capability to produce separate cost and charges calculations for UK regulatory purposes and for EU MiFID II purposes. The UK regime already diverges from its EU equivalent following the introduction of the CCI framework and would diverge further under the CP proposals, resulting in different cost presentation requirements from those that continue to apply across EU markets. Firms that currently run a single, EU-wide system for cost and charges disclosure will need to consider how that system is adapted to generate UK-compliant outputs without compromising EU compliance. This is an implementation cost and a systems architecture question that sits beyond compliance with the specific proposals in the CP. AFME would

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welcome further consideration of these systems architecture and implementation costs as part of the FCA's finalisation of the rules and transition timetable.

Consistency with wider FCA reforms

AFME notes that the proposals in the CP sit alongside the FCA's Consumer Duty reform agenda. With firms potentially implementing multiple overlapping regulatory change programmes simultaneously, unnecessary divergence in scope, terminology and operational requirements may create additional complexity and costs. Members would therefore welcome consistency, where possible, in the scope of application, definitions, concepts and client categorisations used across these initiatives, and would welcome the FCA clearly explaining any areas where a different approach is intended.

Chapter 2: Costs and charges

Pre-sale cost disclosures

Question 1: Do you agree with our proposals on how firms should disclose pre-sale costs of investing? If not, why not, and what presentation would you propose?

While the pre-sale consumer journey is not the primary focus of AFME's response, members raise the following point of general application to both the pre-sale and post-sale proposals.

The CP proposes substantive changes to both the content and presentation of pre-sale and post-sale disclosures, but it does not clearly distinguish between mandatory presentation requirements and areas where firms retain design flexibility. Given that disclosure is highly automated across many in-scope products, any mandatory change to disclosure templates or formats (as opposed to underlying content or calculation methodology) could require significant technology and implementation work.

AFME would welcome further clarification regarding which aspects of the proposed simplified formats are intended to be mandatory and where firms retain flexibility over presentation, so that members can properly assess the impact on systems and technology and any associated implementation requirements.

Question 2: What can be done to enable and encourage firms to deliver dynamic and engaging pre-sale cost disclosures?

AFME members do not have any substantive comments on this question.

Post-sale cost disclosures

Question 3: Do you agree with our proposals for the presentation of post-sale cost disclosures? If not, why?

See the response to Question 1.

Question 4: Do you agree with our proposal to permit a ‘reasonable estimate’ of costs to be disclosed post-sale? If not, why?

AFME understands the practical rationale for permitting reasonable estimates where complete cost information is unavailable.

However, the CP does not make clear how the proposal is intended to apply to certain cost components that may be particularly difficult to identify or calculate in practice, including broker mark-ups and mark-downs embedded within transaction prices. In particular, it is unclear whether such amounts may be estimated, what evidential standard would apply, or whether a different approach is intended for professional client business.

AFME would welcome further clarification regarding the treatment of these cost components and the circumstances in which firms may rely on reasonable estimates.

Cumulative effect illustrations

Question 5: Do you agree with our proposal to remove the requirement for a cumulative effect illustration pre-sale? If not, why?

AFME members do not have any substantive comments on this question.

Question 6: Do you agree with our proposal to require firms to show the effect of costs on performance in regular post-sale reporting in the way described? If not, why?

AFME understands the rationale for requiring firms to disclose the effect of costs on performance in regular post-sale reporting.

However, the CP provides limited detail on the methodology firms are expected to use to calculate and present this information. In particular, it is unclear how the requirement is intended to operate in practice, including its scope, the expected calculation methodology and the operational lead time firms will have to implement any necessary changes to reporting infrastructure. Many disclosures are currently generated through highly automated reporting processes and, as a result, even relatively small methodological changes may require significant systems development and implementation work.

AFME would therefore welcome further clarification regarding the intended scope of the requirement, the expected calculation methodology and the implementation expectations for firms.

Chapter 3: Cash holdings

Question 7: Do you agree with our proposal to improve up-front disclosures about cash interest? If not, why?

AFME supports the FCA's objective of improving consumer understanding of the treatment of cash held within investment services and agrees that consumers should receive clear information about any fees and interest arrangements applicable to their accounts.

However, members believe that the proposals would benefit from greater recognition of the different types of investment services and customer journeys that exist across the market.

The CP and supporting evidence appear primarily focused on investment platforms and execution-only propositions, where clients may choose to hold significant cash balances pending their own investment decisions. Whilst this may be an appropriate focus for some business models, the proposals do not sufficiently recognise discretionary portfolio management services, where cash holdings may form part of an actively managed investment strategy rather than representing uninvested customer assets.

Within a managed portfolio, cash may be retained for a variety of reasons, including liquidity management, tactical asset allocation, portfolio rebalancing, risk management considerations, or in response to prevailing market conditions. In these circumstances, the level of interest received on a cash balance is unlikely to be a primary driver of customer outcomes when assessed within the context of the overall portfolio and long-term investment objectives.

For execution-only and digital investment services, investment accounts are generally designed to facilitate investment activity rather than to serve as cash savings vehicles. Whilst transparency regarding interest rates is important, members would be concerned if disclosure requirements inadvertently encouraged customers to focus disproportionately on short-term cash returns rather than the long-term investment objectives for which the service is intended. The FCA should therefore consider how disclosures can improve understanding of cash treatment without altering customer behaviour in ways that are inconsistent with the primary purpose of investment accounts.

AFME members are also concerned that some aspects of the proposed disclosures may not be easily understood by consumers. Firms may use a range of factors when determining interest rates, including operational, liquidity, market, cost and commercial considerations. A requirement to explain interest-rate setting methodologies should therefore remain sufficiently flexible to allow firms to provide meaningful explanations that are understandable to consumers without oversimplifying what may be complex processes.

Members also note the FCA's recognition in the cost benefit analysis of the risk of confusion, duplication and inconsistent consumer experiences arising from overlapping disclosure regimes. Members believe the proposed changes may exacerbate these issues. Customers often hold multiple savings and investment products that offer similar interest rates on cash balances but are subject to different regulatory frameworks and disclosure requirements. They may also hold different investment account types, such as ISAs, GIAs and SIPPs, where cash is held under different arrangements. The proposed disclosure requirements may therefore increase complexity and make cash holdings harder for consumers to understand.

The position is further complicated by forthcoming ISA reforms regarding the applicable HMRC charge on interest paid on cash balances held within Stocks and Shares ISAs. This will introduce an additional layer of complexity for disclosures to customers. Disclosures should remain as simple and clear as possible, focusing on the actual rate of interest payable to the customer, applicable HMRC deductions, and that a margin is retained by the firm (not the margin as this is variable). This would support genuine consumer understanding more effectively than a more detailed and complex disclosure regime.

Overall, AFME supports measures that improve transparency and consumer understanding of the treatment of cash held within investment services. However, any disclosure regime should remain proportionate, capable of being understood by consumers, and sufficiently flexible to reflect the differing characteristics of platform, advisory and discretionary investment services. The FCA should seek to improve transparency without creating unnecessary complexity, duplication or behavioural incentives that could lead to poorer customer outcomes.

Question 8: Do you agree with our proposals on how information should be disclosed when firms receive money from consumers? If not, why? Would our proposals present any operational difficulties?

AFME understands that customer cash arrangements can be complex and believes that consumer disclosures in this area should be considered carefully.

AFME members also support the FCA's objective of helping customers understand the financial implications of holding cash within investment services. However, members do not believe that a requirement to provide estimates of future interest receipts is appropriate in all circumstances. Whilst disclosure of any fees charged on cash balances is reasonable and likely to enhance consumer understanding, members have significant reservations regarding the practical value and potential unintended consequences of requiring firms to provide projected interest estimates.

For discretionary portfolio management services, cash balances generally represent only a small component of a diversified portfolio and may vary significantly over time as part of the portfolio management process. Any estimate of annual interest received could therefore be highly speculative and potentially misleading. The amount of interest ultimately received would depend not only on future interest rates, but also on future portfolio allocation decisions, market conditions, rebalancing activity and other factors that cannot reasonably be predicted at the outset.

For execution-only and digital investment services, whilst it is possible that a customer could leave cash uninvested for an extended period, that is not typically the purpose of the service. Investment accounts are principally designed to facilitate investment activity rather than to serve as deposit or savings products. Where a customer's primary objective is to earn interest on cash deposits, alternative products may be more suitable.

AFME members are also concerned that the introduction of projected interest estimates may create confusion alongside existing costs and charges disclosures and other portfolio projections. Consumers may incorrectly infer that future interest receipts are expected or targeted outcomes of the investment service, when in reality they are incidental to the primary purpose of investing.

Members also note that paragraph 3.15 proposes that estimates would not be required where cash is provided for an immediate investment purpose. In practice, however, firms operating execution-only and digital investment platforms may have limited ability to determine a customer's intentions at the point funds are deposited. Customers typically initiate payments directly from their bank account or by debit card and firms generally receive little or no advance notice that funds are being added to an account. Whilst cash may ultimately be invested, customers may also choose to retain cash temporarily for a variety of legitimate reasons, including managing liquidity, awaiting investment opportunities, or making use of tax-efficient wrappers.

As a result, it is unclear how firms would be expected to determine consistently and reliably whether a deposit is being made for an immediate investment purpose. Introducing a requirement to establish customer intent at the point of deposit could necessitate additional questions, declarations or other customer interactions within the funding journey. This would introduce additional friction into what is currently a straightforward process and could delay customers' ability to invest or manage their accounts.

AFME members are also concerned that any attempt to gather and assess information regarding a customer's intended use of funds could create uncertainty regarding the boundary between the provision of information and more personalised forms of advice or support. The operational complexity associated with implementing and evidencing such assessments would likely therefore be disproportionate to the consumer benefit achieved.

AFME considers that these requirements would add limited value for consumers whilst creating complexity, potential inconsistency and customer frustration. A simpler approach, based on clear disclosure of applicable interest rates, fees and cash treatment arrangements, would be more practical for firms and easier for consumers to understand.

Question 9: Do you agree with our proposal to require disclosure of interest paid and fees charged on cash balances in periodic reporting to retail clients? If not, why?

AFME agrees that firms should inform their customers of the interest they earned and the fees they paid on their cash balances in their regular post-sale reporting.

AFME recognises that there may be circumstances where firms should proactively engage with customers holding substantial uninvested cash balances in order to help them achieve their financial objectives. However, members believe the FCA should acknowledge that the appropriateness of such communications, and the conclusions that can be drawn from cash holdings, will depend on the nature of the service provided and the information available to the firm. While encouraging customers to consider investing cash balances may be appropriate for some services, the FCA should recognise that this will not always represent the best outcome for every customer.

Chapter 4: Simplifying and streamlining disclosures

Question 10: Do you agree with our proposals to combine COBS 6.1 and COBS 6.1ZA and other relevant rules into one new chapter, COBS 6A, for all investments business? If not, why?

AFME generally supports the objective of consolidating the existing disclosure requirements into a single COBS 6A chapter. However, members have significant concerns that certain aspects of the draft rules, in particular proposed COBS 6A.1.3, do not appear to reflect the FCA's stated policy objective of simplifying and reducing disclosure obligations for professional client business (as set out in paragraphs 4.18 and 4.19 of the CP). In particular, while the CP describes a streamlined and flexible disclosure regime for professional clients, proposed COBS 6A.1.3 appears to go beyond this policy intent and beyond the existing MiFID-derived position for business with professional clients, in particular in relation to costs and charges disclosures. Members are therefore concerned that the proposed drafting may not fully achieve the policy outcome described in the CP. This is addressed further in the response to Question 14, where AFME sets out specific questions on this point.

Scope and perimeter of the proposed regime

AFME understands that the FCA intends the new COBS 6A to apply across designated investment business. As regards client categories, AFME's understanding is that retail clients remain fully in scope, professional clients are intended to be subject to a simplified and more flexible disclosure regime and ECPs remain largely out of scope. As explained above and detailed further in the answer to question 14 below, AFME and its members are concerned that the drafting does not achieve the FCA's policy objectives.

Operation of the regime in distribution chains

Members also raised questions regarding the operation of the proposed framework in distribution chains and, in particular, the allocation of responsibilities between manufacturers and distributors. This is a separate issue arising principally in the retail distribution context, particularly where a manufacturer has no direct relationship with the end retail consumer.

AFME notes that the CP assumes that manufacturers and distributors will continue to exchange cost information through existing distribution channels, including EMT/EPT processes.

AFME would welcome a clear statement of respective responsibilities throughout the value chain of manufacturers and distributors for generating, validating and transmitting cost information under COBS 6A in the retail distribution context. More generally, members would welcome clarification on how the FCA expects the framework to operate where products are distributed through intermediaries, including whether and to what extent any obligations are intended to apply to manufacturers whose products ultimately reach retail investors through such intermediaries.

Question 11: Do you agree with our proposals to remove the rules in COBS 6.1ZA.15B-15J? If not, why?

AFME members do not have any substantive comments on this question.

Question 12: Do you agree with our proposals in relation to pensions business? If not, why?

AFME members do not have any substantive comments on this question.

Question 13: Do you agree with the proposals to delete CASS 9.4 and move these requirements solely into COBS 6A? If not, why?

AFME generally supports the proposal to delete CASS 9.4 and consolidate overlapping disclosure requirements within COBS 6A. However, members question why a similar rationalisation exercise has not been undertaken in relation to other CASS 9 provisions, particularly CASS 9.5, which continues to interact with a number of COBS 16 and 16A reporting requirements. The FCA may wish to consider whether further consolidation opportunities exist.

Professional client and eligible counterparties

Question 14: Do you agree with our proposed requirements on disclosures for professional clients and eligible counterparties? If not, why?

AFME supports the FCA's objective of simplifying and reducing disclosure requirements for professional clients. However, members are concerned that proposed COBS 6A.1.3 does not reflect that policy objective in its current form. In particular, the draft rule proposes that (a) unless it is agreed otherwise with each individual professional client, professional clients receive full retail disclosures; and (b) irrespective of any agreement, all professional clients receive certain disclosures. AFME and its members concern is that this creates a more burdensome position for professional client business than applies under the current regime, rather than delivering the simplification and flexibility described in the CP.

AFME's concerns, and the specific questions on which AFME seeks clarification, are set out below. It would, however, be helpful if the FCA were able to produce a transposition table setting out the current disclosure requirements for the different categories of clients and set out whether that position is being maintained, deleted, changed or expanded. It would also be helpful for the FCA to point out where new disclosure requirements are being created for new categories of clients. This will help both the FCA and industry determine whether or not the FCA's policy objective in respect of professional clients is being achieved by these proposals. As explained further below, AFME's concern is that (perhaps unintentionally) additional requirements are being imposed in relation to MiFID business with professional clients.

COBS 6A.1.3 and the proposed professional client regime

AFME understands from the CP that the FCA's intended policy direction is to simplify and reduce disclosure requirements for professional clients (see paragraph 4.18 and 4.19 of the CP), and AFME supports that direction. However, members do not consider that proposed COBS 6A.1.3 clearly achieves it, and would welcome clarification from the FCA on the following three points:

(i) Scope of the default disclosure. As drafted, COBS 6A.1.3 provides that professional clients receive all disclosures equivalent to those provided to retail clients under new chapter 6A, unless the individual professional client has agreed a different basis with the firm. AFME's concern is that this is expanding the current MiFID-based requirements for business with professional clients rather than reducing the current disclosure requirements. This builds on the existing approach in MiFID for, for example, costs and charges disclosures, but members' concern is that this will result in an expansion of the current position. The transposition table requested above will demonstrate whether this concern is well-founded.

(ii) Necessity of the COBS 6A.1.3(2) disclosures. COBS 6A.1.3(2) sets out a specific list of disclosures for professional clients regardless of any alternative agreement, including in relation to costs and charges. AFME would welcome clarification as to why each of these disclosures is considered necessary for professional clients, how their disclosure compares with the current position and how their retention aligns with the FCA's stated objective of simplifying and reducing disclosure requirements for this category of client. The requested transposition table would assist here too. Members have pointed out, for example, that the FCA's proposal regarding costs and charges is an expansion of the current MiFID position. Currently, costs and charges disclosures need only be provided to a professional client when a firm is providing investment advice or investment management services (COBS 6.1ZA.14B(1) read with COBS 6.1ZA.14B(2)(b)). The proposed position is that costs and charges information is provided to *all* professional clients, together with an itemised breakdown on request, without any exemption (including in respect of execution-only business). AFME does not believe that the proposed regime is intended to expand disclosure obligations for professional client business beyond the existing MiFID-derived framework. Accordingly, at the least, the status quo for costs and charges disclosures should be preserved.

(iii) Alignment with the stated policy objective. AFME is concerned that, taken as a whole, the drafting of COBS 6A.1.3 does not appear fully to achieve the CP's stated objective of simplifying and reducing disclosure obligations for professional clients: hence the request for the transposition table.

AFME would welcome the opportunity to engage further with the FCA on these points, either in writing or in a follow-up discussion, so that any amendments can be reflected before the rules are finalised.

COBS 6.1ZA.14BR

In particular, the CP states that MiFID cost disclosures are currently required when a firm provides a "relevant service" to a professional client, such as investment advice or portfolio management. This current MiFID-derived position is reflected in COBS 6.1ZA.14BR. The proposed COBS 6A rules appear to retain a baseline obligation to provide costs and charges information to professional clients, together with an itemised breakdown on request, without any obvious exemption, including, for example, for execution-only business. This raises a risk that business with professional clients could become subject to broader disclosure requirements than apply under the current MiFID-derived regime, contrary to the FCA's stated policy intent.

AFME does not believe that the proposed regime is intended to expand disclosure obligations for professional client business beyond the existing MiFID-derived framework. Accordingly, existing MiFID-derived scope limitations and exemptions, including but not only, in relation to professional client execution-only business, should continue to apply under COBS 6A. AFME would therefore welcome confirmation that this position will be preserved under the new regime and reflected clearly in the final rules and accompanying guidance.

Contractual flexibility and existing documentation

The CP does not clearly explain how contractual arrangements are intended to operate under the new rules. In particular, members have concerns about the references to a "bespoke arrangement" (paragraph 4.18) and agreement "in writing" (proposed COBS 6A.1.3(1)(b)). In light of the concerns identified above regarding the expansion of disclosure obligations for professional clients, it is unclear whether the FCA intends firms to negotiate and agree new disclosure arrangements individually with professional clients. If so, this could give rise to significant operational challenges, implementation costs and repapering exercises across large professional client populations, which do not appear consistent with the FCA's stated objective of simplification._Our members note that, even if the “bespoke agreement” / agreement “in writing” could be addressed through amendments to firms’ terms of business with professional clients, such an exercise would be costly and operationally cumbersome in itself and may still involve negotiations with individual clients._

Members also note that the following are unclear: **(i)** the extent to which individual cost categories may be simplified, aggregated or presented differently by agreement between the firm and the professional client; **(ii)** how firms are expected to approach cost categories that are particularly difficult to identify or calculate in practice, including broker mark-ups and mark-downs. The uncertainty around these issues creates a risk that firms may need to review and potentially amend existing arrangements, giving rise to additional implementation costs and operational complexity.

AFME would therefore welcome clarification on how the FCA expects the contractual arrangements to work in practice and would welcome the opportunity to discuss this topic with the FCA.

Transition and implementation period

Question 15: Do you agree with our proposals for the transition period? If not, what would you suggest?

AFME believes that the implementation timetable should take into account the time required for firms to assess the scope and operation of the new COBS 6A framework, understand the implications of the revised approach to professional client disclosures, and implement any necessary changes to systems, reporting processes and client documentation. Members also note the increasing divergence between the UK and EU disclosure regimes, which may give rise to additional implementation complexity for firms operating across jurisdictions.

Members therefore request a 24-month implementation period to allow sufficient time to implement the proposed changes, particularly given the significant number of other ongoing UK and EU regulatory implementation projects affecting firms.

Question 16: Do you agree with our proposed changes to the CCI transition period?

AFME members do not have any substantive comments on this question.

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