

# Summary of discussion

## Institutional Disclosure Working Group (IDWG)

### Meeting 11 December 2017 (09:30-13:00)

#### Opening business

1. Members approved the minutes from the 2 November meeting and welcomed new members. Membership changes were noted to increase the representatives from the alternatives space, with future new members also representing alternatives and insurers.

#### Framework and approach

2. Members discussed their understanding of how the different pieces of the framework fit together, including the mechanics of how the different levels of the framework feed into one another. Members agreed they needed clarity about the direction of travel and that further work was needed to refine the framework, including reviewing some of the current draft content in light of the original 'meta' list of all known costs.

#### Draft framework and data collection

3. Members considered the current draft template at length. The Group was in agreement that good progress had been made, particularly where the framework and the work of sub-working groups had been well reflected in the design of the draft.
4. Members raised a number of detailed comments that need to be addressed in the draft template. These included:
  - The format and method of template delivery,
  - Rationalising the different levels of the framework,
  - Presentation and formatting suggestions,
  - Some specificities in relation to asset classes which need further discussion at subgroups including hedging, and
  - Stock lending.
5. The sub-working groups on long equities and private equity reported back on some initial testing work and took questions from other members on their suggestions. Generally members were in agreement that some of the elements of the proposed format by the equity sub-group should be reflected across the other asset classes including, for example, that levels of the hierarchy which were previously split into two will be combined into one level.

6. As members were discussing the template some factors in relation to the collection of data were discussed. These included:
- The level of aggregation,
  - Whether data collection should require one full submission or narrower submissions split by asset class,
  - Potential operational risks,
  - The maximum level of data granularity that is possible for providers which could be used as inputs into the aggregated levels,
  - Whether providers should submit costs at different levels in the framework or just one and,
  - The degree to which parts of the value chain other than asset managers (e.g. Defined Contribution platforms, custodians) would need to submit data.
- Members discussed whether these firms currently record some of the relevant information.

### **Aggregation of data into disclosure**

7. Members discussed the degree to which users of the disclosures would find different degrees of granularity useful, and how this can best be reflected in the overall design. There was acknowledgment that some users would want more detail than others, and that users should be given the ability to 'drill down' into further levels of granularity if they request this. It was widely agreed that the most aggregated level of disclosure should be the level of transparency demanded by the majority of users, being mindful of the comparability of that information and the degree to which it enables them to assess value for money.
8. There was some discussion about potential cost implications of this for the user of the disclosure template. This included noting that some level of automatic aggregation is built into the template, appreciating that larger schemes may have in-house resources to aggregate costs whereas smaller schemes may not, that other parties may be suitable to provide aggregation services and that regardless of who executes the aggregation that any potential cost to the end user should be taken into account. No firm conclusions were drawn and this will be discussed further in later meetings.
9. Members expressed their views on whether the role of the IDWG is to recommend best practice or decide on the minimum level of disclosure that should be provided.
10. Members noted that the aggregation of costs needs to be consistent with regulatory requirements, and discussed presenting some of the data fields and their relationship with those requirements more clearly. Ongoing work on COBS 19.8 rules by the IA and ABI was noted and will be shared with the IDWG in due course.

### **Stakeholder engagement and testing**

11. Members discussed the communications plans for December and January. Members agreed the importance of testing with stakeholders, and gathering feedback to make improvements to their recommendations. Members agreed that this was an important part of the next phase of their work.
12. The December web update was approved by written procedure and further details for the engagement event in the New Year were proposed.

13. This discussion continued with a secondary meeting of a sub-group of members proposing elements of the engagement plans in greater detail. These will be discussed in the first meeting of the IDWG in 2018.