

Summary of discussion

Institutional Disclosure Working Group (IDWG)

Meeting 2 November 2017 (09:00-11:30)

Opening business

1. Members approved the minutes from the 9 October meeting.

Framework, including the hierarchy of instruments, accounts & investors

2. Members agreed and approved the overall structure of the framework, including the hierarchy, which underpins the design of the template.
3. Members discussed the scope of the progress to date on the overall framework, and noted that the timelines and scope of the work as originally expressed in the Terms of Reference may need to be updated to reflect the progress made.
4. Members discussed whether the group's work in its current form applies to the Defined Benefit space, DC space or both. It was noted that even if it were to be designed with one intention in mind, or tested in one area, there would likely be read across to both spaces. Members agreed that insurers, as a significant part of the DC delivery chain, should be engaged with the work of the Group.
5. Members discussed the need to consider the ways in which data is actually collected or produced in order to determine how the costs and charges can be aggregated for the investor in a template. For example, the Group noted the need to consider how practical it will be for firms to provide the information.
6. Members noted that further consideration needs to be given to how the template could evolve and how it will be updated in the future. There was also a short discussion on some early thinking on how the template should be presented to investors, though it was noted by some members that agreeing the appropriate design principles for the format is difficult given the current stage of the work.
7. Significant discussion revolved around the issue of whether there is a need for multiple different templates or whether the Group should be aiming for one master template. Members are not in agreement on this point, with some of the view that templates aimed at different asset classes or at different types of investors could be more useful. Other members were of the view that the practical benefits of one template, including the increase in simplicity for the investor, lead them to favour one combined template. The overall agreement for now is to make progress on the underlying materials and

then decide at a later date to what degree one template or multiple templates are the most suitable approach.

8. Members also discussed whether the template is intended to be a starting point for further discussion between the investor and their manager, or whether the template should aim to disclose all possible granularity so that the investor need not ask further detail from their manager in most cases. The discussion centred on what different investors might need, and the support they might currently need to get that level of disclosure and the benefits of providing further information up front to avoid some of this work.
9. A new sub-group was launched to consider costs disclosure from the perspective of the trustee, with particular focus on key data points needed by trustees for decision making.
10. Members considered some more complex examples in order to test their own understanding of how the different levels of the hierarchy work and fit together. It was noted that they need to come to a clear definition of what is categorised at which level in the hierarchy.
11. The Local Government Pension Scheme has agreed to road test some of the outputs of the Group as soon as the draft template(s) become available. The LGPS process may be able to support the early improvement of the templates. The members discussed the appropriateness of using the LGPS as a test case, including concerns around the impact on those asset managers who may have already have adopted the existing LGPS template. It was confirmed that asset managers will be able to fulfil their obligations under the LGPS Code by using the existing LGPS template for the 2017/18 reporting period.

Progress against current topics and updates from the sub groups

12. On fixed income there was nothing new to add that hadn't already been included in other discussions or had already been added for review into the main framework. On foreign exchange the topic has also largely been covered in previous discussions, though it was noted that at some point the Group would need to agree on whether fees and charges associated with foreign exchange would be presented at the level of the security, or in a separate cost line.
13. Though equity has also largely been covered by previous work, the Group considered how best to split out trading and execution costs. The Group largely agreed that where different trading strategies lead to different levels of costs these should be clear to the investor. However members had differing views on whether this requires splitting out the costs into many different buckets rather than the cost differences being made obvious from the higher level aggregation. It was also noted that definitions and lines of costs must be aligned with MiFID II and other regulations.
14. The current progress on private equity was fed back to the group, including some specific examples of complexities for which proposals have now been made, and ongoing discussions regarding potential alignment with the ILPA template.
15. Further discussion with stakeholders is needed in the real estate/infrastructure and custodian space in order to refine the work of the Group. Fiduciary management and derivatives sub-group work will be discussed in more detail at the next meeting.

16. The members had a short discussion about the regulatory context in which they are operating, and the key pieces of the landscape that need to be taken into account.

Engagement plan

17. An outline draft engagement timeline was discussed by the members. It was agreed to work towards publicising the progress of the Group by Christmas as originally planned and potentially host a stakeholder event early in the New Year.