

March 2026

**Financial Conduct Authority**  
**12 Endeavour Square**  
**London**  
**E10 1JN**

Submitted via email to: [dp25-3@fca.org.uk](mailto:dp25-3@fca.org.uk)

**RE: DP25/3: Expanding Consumer Access to Investments**

BlackRock<sup>1</sup> is pleased to have the opportunity to respond to the discussion paper on expanding consumer access to investments, issued by the Financial Conduct Authority.

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

We welcome the opportunity to comment on the issues raised by this Discussion Paper and will continue to contribute to the thinking of the FCA on any issues that may assist in the final outcome.

We welcome further discussion on any of the points that we have raised.

Yours faithfully,

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<sup>1</sup> BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

## Overview

We welcome the FCA's strategic intent in DP25/3 and the significant progress already being made to improve consumer outcomes and confidence in retail investing. There is a substantial volume of welcome regulatory and legislative change underway across retail investments: the Advice Guidance Boundary Review and introduction of the new Targeted Support activity, implementation of the new CCI disclosure regime, the review of investment risk warnings, and wider reforms affecting retail wrappers. Against this backdrop, DP25/3 provides a timely opportunity to take stock of the reforms already in flight and to shape a more holistic, "root and branch" framework that keeps the consumer at its centre.

While there are a number of areas outlined in the DP where we believe change is needed, we would encourage the FCA to take a step back and define what "good" looks like in practice, clarifying the outcomes it is seeking to achieve, and how those outcomes should be delivered consistently across products and distribution channels. In our view, the priority should be to simplify and align the overall architecture (including risk communication, product/customer categorisation and the use of proportionate frictions), rather than layering on further targeted, piecemeal changes that risk compounding complexity without clear additional benefit to consumers.

This response therefore outlines our thoughts regarding:

- Addressing barriers to ETFs adoption
- Rebalancing risk in the regulatory framework
- Supporting innovative investment methods (including crypto ETNs, LTAFs, fractional shares and tokenised products)
- Use of model portfolios

## **Broadening accessible retail participation: addressing barriers to ETF adoption**

Encouraging wider retail participation in capital markets requires ensuring that investors can access vehicles that deliver diversification, transparency and value for money over the long term.

ETFs can offer clear benefits to retail investors when used appropriately within a long-term portfolio. They typically provide diversified exposure to markets at comparatively low ongoing cost, with high transparency around holdings, pricing and performance. ETFs can also function as primary entry point for retail, especially individuals and households wishing to automate their investment journey by investing small amounts on a regular basis. Over time, lower charges compound into materially better outcomes for long-term savers, particularly within tax-efficient wrappers such as ISAs.

ETFs can serve as scalable, long-term savings vehicles of choice for UK households, when supported by appropriate distribution models and regulatory frameworks. The recent growth of retail investment in ETFs in Germany (through savings plans developed by neo-brokers, commonly known as *ETF Sparpläne*) and Japan (through government reforms to their ISA, known as Nippon Individual Savings Account) demonstrates this trend.

The UK evidence suggests that the principal constraints on wider ETF adoption are structural rather than product-specific. First, awareness and understanding remain significant barriers. Research from the IA identifies lack of familiarity as the most important obstacle to greater use.<sup>2</sup> This aligns with the broader participation challenge: only a small proportion of UK households invest directly in capital markets. From an FCA perspective, this engages issues of consumer understanding, disclosure and framing. If ETFs are

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<sup>2</sup> The Investment Association & Opinium, [Retail Investors and ETFs](#), September 2025.

primarily perceived as trading tools rather than diversified collective investments, retail adoption of them as long-term savings vehicles will remain limited regardless of availability.

Second, platform and advice economics appear highly influential. In Germany, the rapid expansion of ETF savings plans since 2018 illustrates how recurring, low-cost investment functionality can drive sustained investor participation in capital markets. By lowering distribution frictions, German platforms have normalised ETF investing across income and age cohorts, embedding retail participation into a durable mass-market investment culture rather than episodic activity. Other EU nations are also beginning to embrace this trend. While that model was supported by a number of market factors, which may not be directly replicable in all regions – it demonstrates a clear cause-and-effect relationship between distribution design and ETF uptake.

In the UK, standard share-dealing charges, the prohibition of PFOF, and the strict inducement/retrocession framework shape how platforms can commercialise ETF dealing. Where “free-buy” or heavily subsidised recurring investment models are not viable, small, regular ETF investments may appear less economically attractive for both platforms and consumers. The issue is not whether these safeguards are appropriate, but whether the current framework unintentionally limits innovation in recurring, diversified ETF investing.

Third, market infrastructure and operational design may act as a further constraint. The UK retail market is heavily intermediated through advisers, platforms and retail service providers. If execution, settlement and custody arrangements make small, frequent ETF purchases operationally complex or costly relative to other collective investments, this will influence platform design and the prominence given to ETF savings models. The historical ISA evidence shows that operator behaviour and commercial incentives strongly affect uptake; policy changes often take time to filter through precisely because of operational adaptation.

Taken together, the evidence suggests that barriers to retail ETF participation are less about product access and more about how awareness, distribution incentives and execution & post-trade market structure interact across the customer journey – from first engagement with investing, to initial purchase, to sustained “little and often” contributions. For the FCA, the relevant questions therefore concern consumer understanding, platform charging and inducement frameworks, and the operational conditions that determine whether low-cost diversified ETFs can be delivered to retail investors in a genuinely low-friction way.

### **Rebalancing risk in the regulatory framework**

There is an opportunity to rebalance how “risk” is treated in the regulatory framework so that it better reflects how consumers experience risk in daily life, while still delivering appropriate protections.

At present, regulation can sometimes approach risk primarily through compliance and protection lenses in ways that do not translate into genuine consumer understanding, and inconsistencies in how products are illustrated and explained (for example, presenting outcomes in real versus nominal terms) can distort expectations. This does not necessarily require wholesale reform, but it does point to a need for clearer explanations and more effective risk communication that helps consumers understand what matters to outcomes.

In that context, we support the FCA’s objective of helping consumers take considered investment risks aligned to their risk appetite and financial resilience, recognising that promotions and distribution rules strongly shape how consumers perceive both risk and protections. At the same time, the framework has accumulated overlapping product and

customer classifications and multiple, often targeted, interventions that introduce different frictions and warning styles; this can increase complexity and heighten the risk of confusion.

We therefore favour a more holistic, consistent approach—grounded in the Consumer Duty and outcomes-based regulation—that focuses on material differences that affect consumer outcomes and the degree of substitutability between products, rather than divergences in form. Communications should build practical understanding of risk/return trade-offs, diversification, time horizon and the specific features that can increase risk (such as illiquidity), rather than relying on generic warnings that may deter engagement with long-term investing.

As such, we are very supportive of the work on risk warnings and consider that the evolution of the CCI regime provides an opportunity to reflect how consumers actually experience risk over time, and ensure that they are well informed about the long-term impacts of inflation, volatility and time horizon.

## **Financial promotion and distribution rules**

While we remain supportive of the FCA’s objective in DP25/3 to ensure consumers can invest with confidence and that marketing restrictions are aligned to consumers’ risk appetite and ability to bear loss, we do not agree that UK RIE-traded crypto Exchange Traded Notes (cETNs) should automatically be treated in the same way as qualifying cryptoassets for the purposes of financial promotions by being classified as Restricted Mass Market Investments (RMMIs).

The rationale for applying the full RMMI “high-risk investment” customer journey (including prescribed risk warnings, investor categorisation, appropriateness testing and a 24-hour cooling-off period) is to address specific consumer harm risks. In our view, that calibration should be driven by the actual consumer risk and outcome profile of the product itself, rather than applied by default based solely on the presence of a crypto reference asset.

cETNs admitted to trading on UK regulated markets sit within a framework of market standards, disclosure and governance that differs materially from exposure to spot cryptoassets acquired directly, including the risks associated with self-custody and operational resilience at the point of access. That does not remove the underlying volatility of the referenced cryptoasset, but it does mean an exchange-traded product structure justifies a more nuanced regulatory treatment than deeming the product equivalent to the underlying assets. Given the considerations and protections that apply to the UK listing of ETPs—alongside the disclosure requirements already applicable to the prospectus and PRIIPS KID—investors should be well-equipped to make informed decisions aligned with their financial goals, without the need for overly restrictive and prohibitive measures.

We therefore encourage the FCA to revisit the appropriateness of the RMMI classification for UK-traded cETNs in light of the evolving nature of the regulatory framework and to ensure the UK’s regime remains proportionate and internationally coherent. Continuing to apply restrictive classifications originally designed for an unregulated market could also risk undermining the effectiveness of the FCA’s new cryptoassets regulatory regime, creating consumer confusion, and stifling the development of responsible innovation in the UK

## **Fractional shares and tokenised exposure products**

We welcome the FCA’s focus on supporting innovation that can improve retail access and diversification, while ensuring consumers receive consistent protections regardless of whether they invest through “traditional” or more novel mechanisms.

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In relation to fractional shares, we agree that these can play an important role in supporting access and flexibility, and that the regulatory approach should be grounded in equivalence: where a fractional model is structurally equivalent to the underlying share (for example, where the consumer has a property right secured by an underlying asset held in custody), it should benefit from the same core protections and remain subject to expected conduct standards such as best execution. Where the model diverges (for example, where exposure is delivered via a derivative or introduces additional counterparty/operational risk), proportionate, tailored safeguards may be appropriate.

In all cases, clear and consistent disclosure is critical so consumers understand any differences versus the underlying asset, including treatment of dividends, corporate actions and voting rights. We also recommend reading BlackRock publication [Fractional Ownership and ETF Savings Plans](#), for detailed analysis of different fractional dealing models and policy recommendations to maintain the integrity of retail investor interest.

A similar risk-centred approach is important for Tokenised Price Representation products (also sometimes referred to as Security Exposure Tokens), where understanding the implications of the Tokenisation model is key. More broadly, consistent with the direction in DP25/3, we support a framework that focuses on the nature of the risk and consumer outcome, rather than product labels, so that innovation can develop responsibly while consumers receive protections that are proportionate and easily understood.

## **Model portfolio services**

We agree that there is an important distinction between ‘managed’ and ‘static’ model portfolios and that this should be reflected explicitly in any future regulatory approach. We can understand the FCA’s rationale for exploring greater consistency between static model portfolios and authorised fund disclosures, particularly where the consumer experience is “product-like”. Static model portfolios can look more economically and functionally equivalent to multi-asset funds, in that investors select from a suite of pre-set strategies aligned to their risk preferences. Accordingly, a standardised disclosure regime, such as the pending CCI framework, could be more appropriate to support comparability and informed decision-making across similar packaged investment products.

However, we do not believe the same logic applies to managed model portfolios. The DP itself distinguishes managed MPS by the presence of discretionary management and a full suitability assessment. In practice, managed MPS are typically delivered through advised channels, where firms must assess the client’s objectives, risk tolerance/capacity for loss, and suitability on an ongoing basis. These requirements are a different consumer protection mechanism from product-style disclosures designed for direct comparability between packaged products.

Accordingly, while we support the FCA’s objective of helping consumers compare options more easily, a more proportionate approach would be to focus any enhancements for managed MPS on outcomes and service disclosures (e.g. clarity of roles across the chain, ongoing management features, costs and service standards), rather than attempting to map the model onto a “fund-like” product disclosure framework.

We also flag a key operational point in relation to standardised risk scoring and fund-style comparability: in some distribution models, a ‘model portfolio’ is not implemented in full. A firm may adopt only components of the model, substituting funds, changing weights, or blending with other exposures, meaning the end portfolio no longer matches the model designer’s intended allocation.

In those circumstances, it is unclear whether the model provider would be deemed responsible for the resulting portfolio risk score, the suitability of the implemented

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holdings/weights, or ongoing monitoring of a portfolio over which the provider has no oversight or control. If the FCA pursues greater alignment with fund-style risk scoring/disclosures for some forms of MPS, we suggest it should clearly allocate responsibility based on who controls implementation and ongoing rebalancing.

## **Conclusion**

We appreciate the opportunity to address and comment on the issues raised by the Discussion Paper and would welcome continued engagement with the FCA on any specific issues which may assist in the ongoing review of the regulatory framework governing consumer investment journeys.