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BVCA RESPONSE TO CESR's CONSULTATION ON THE MANDATE FOR THE EXPERT GROUP ON INVESTMENT MANAGEMENT

The British Venture Capital Association (BVCA) is responding to the invitation to submit views on the mandate for the expert group on investment management. The BVCA has around 165 members. This represents the vast majority of UK based private equity and venture capital firms. Those 165 firms are invested in over 11,000 companies, who between them employ nearly 3 million people. That is equivalent to some 18% of the private sector workforce. Our industry invests in every sector of the economy across all regions. Private equity funds are non-harmonised funds and we therefore have a significant interest in CESR's work in this area.

As a general comment we agree with the priorities outlined in the consultation but would make the following specific points:-

- We have a concern about the practicability of the timetable for areas of work by the end of 2005. CESR should not underestimate the huge burdens which will be faced by firms in dealing with the implementation of MiFID and other directives. There is also a significant burden in understanding and responding to consultations on what can be significant changes to existing practices. We do not therefore think that CESR should start work on the issues which are identified as being for work by the end of 2005 until it has dealt with the issues of urgent priority. Indeed until there has been agreement across Member States as to the rules and practices in relation to UCITs we think it is inappropriate to start work on issues relating to non-harmonised funds.

- In considering non-harmonised funds we do not think it will be useful to make an inventory of the schemes which are marketed throughout Europe. By definition these schemes are not capable of exhaustive listing - the type of scheme, constitution, location etc. depends on a wide range of factors which can change over time. We would suggest instead that CESR focuses on identifiying a common approach to private placing rules for such funds, which we think will be an approach that is more durable than an approach which is based on product identification.

- In its work on these funds CESR needs to bear in mind that European investors are usually investing in a vehicle where there will be many other investors from jurisdictions outside Europe. It is essential that any conduct of business or other rules or recommendations recognise how important it is to professional investors in Europe to be able to invest in funds that have a focus and investor base that is not entirely European.

BVCA

We would welcome discussing these issues with you in more detail if that would be helpful.

Yours sincerely

MARGARET CHAMBERLAIN
Chairman BVCA Regulatory Committee