Consumer Panel response to CESR's consultation CESR/07-045 Clarification of the definitions concerning eligible assets for investment by UCITS: can hedge fund indices be classified as financial indices for the purpose of UCITS?

The Consumer Panel was established under the Financial Services and Markets Act 2000 by the Financial Services Authority to represent the interests of consumers. The Panel is independent of the FSA. The main function of the Panel is to provide advice to the FSA, but it also looks at the impact on consumers of activities outside the FSA's remit. The Panel represents the interests of all groups of consumers.

This is the Panel's response to CESR's consultation on clarification of the definitions concerning eligible assets for investment by UCITS (hedge fund indices). We welcome the opportunity to engage in this debate. We have addressed the broad issues as they affect consumers, rather than responding to the individual questions posed in the Paper.

The Panel recognises that retail investors increasingly are seeking economic exposure to hedge funds. These can introduce more risk however and the Panel is keen to ensure that there are adequate consumer protection measures in place in this complex market. Given that hedge fund indices are at an early stage of development we welcome the additional guidelines being proposed over and above those for other more well-established financial indices, as these should offer the necessary level of investor/consumer protection.

We support publication of the indices to ensure that they are as easily accessible as possible for consumers. We also support the proposed independent audit of the indices as this provides a necessary additional safeguard for consumers.

Finally, we note that CESR will monitor the evolution of the market to consider further measures which might be necessary to cope with market developments. We agree that this is an essential safeguard in this fast-moving market.

Financial Services Consumer Panel

13 April 2007