

## **Consumer Panel response to CESR's consultation paper on a common definition of European money market funds**

### **Introduction**

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.

The Panel is not in a position to respond in detail to many of the questions in the paper, but we have set out below our comments on the key issues for investors.

### **Common definitions**

We strongly support CESR's work on strengthening investor protection and we welcome the proposals in the paper for a split between short term and longer term money market funds. The overall approach seems sensible from an investor perspective and we have no comments on the detail of the definitions as set out in the paper.

### **Disclosure**

As identified in the paper, there is evidence that many investors have not been aware of the risks associated with different money market funds. Although disclosure in itself is not a panacea, the Key Information Document will be a powerful tool in addressing consumer detriment in this area. The key risks to which the investor is vulnerable must be made absolutely clear in the "risk and reward profile" and relevant narrative presentation of material risks in the KID. Investors must be encouraged to look beyond the term 'money market fund' which might, historically, have implied a level of capital security that can no longer be justified.

### **The possible application of the definitions to non-UCITS funds.**

From an investor perspective it makes sense that the proposed common definitions are applied to all retail money market funds, whether UCITS funds or not. This will enable investors to make, so far as possible, a like for like comparison between funds and will facilitate informed decision-making. However, this will only be the case if the common definitions are adopted on a harmonised basis. Any other approach might result in a patchy and ultimately unhelpful situation for investors.



Chairman, Financial Services Consumer Panel  
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