

Telephone: 020 7066 9346
Local fax: 020 7066 9728
Email: enquiries@fs-cp.org.uk

Sally Rigg
Collective Investments Team
Retail Policy and Themes Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

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Our ref:CP08 04

Dear Sally

CP08/4: Funds of Alternative Investment Funds (FAIFs) - Feedback on CP07/6 and further consultation**

This is the Financial Services Consumer Panel's response to the proposals in CP08/4 Funds of Alternative Investment Funds.

The Panel is not in a position to respond to the specific questions posed in the consultation paper. However we would like to take this opportunity to reiterate two concerns highlighted in our response to CP07/6***: Funds of Alternative Investments Funds (FAIFs).

The first concern related to the availability of post sales advice for consumers after purchasing FAIFs. The Panel believes that advisers receiving on-going trail commission should have a continuing obligation to review regularly the suitability of these products for their clients. We are pleased that the FSA intends to conduct a post implementation review to establish how this market actual operates in practice. We hope that the FSA reacts promptly to any issues identified by this review.

Secondly we expressed concern that consumers may focus on the potential rewards available without taking full account of the risks of higher risk products. To address this concern we suggested that the FSA should monitor closely the sales of these products in the first 12 months and to react swiftly to any indications of mis-selling. We are aware of the FSA's view that firms have been clearly told that they should have a target market for these products and are expected to collect management information enabling firms to establish whether they are achieving the expected outcomes. However we remain concerned that it is possible that consumers outside

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of the potential market for these products could purchase these products and it is not clear what remedial action can be taken in the event of an unsuitable purchase.

Yours sincerely,

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Adam Phillips
Vice Chairman

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