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Dear Mr Wright

Investment services directive

In the course of the past year, the Financial Services Consumer Panel has made representations about aspects of the ISD to both the Committee of European Securities Regulators and to the European Commission. On the one hand, we have argued that those consumers who wish to undertake purchases or sales of financial products without the benefit of advice (ie 'execution-only' business) should be able to do so without being subjected to onerous disclosure requirements to test their suitability. On the other hand, in the case of purchases (or sales) where consumers have sought financial advice before undertaking the transaction, we have stressed the importance we attach to retention of a test to ensure that the transaction in question is suitable for the individual concerned.

Conscious that these views were expressed separately at different times during the past year, I thought I should write again to clarify the Consumer Panel's position, which is as follows: -

1. We continue to press for retention of consumer ability to undertake '**execution-only**' business. We believe it is very important that consumers who wish to do so can enter into transactions without being burdened with a requirement to provide information before they can proceed. Many customers who wish to do business on an execution-only basis do not want to spend time giving details of their investment knowledge and experience. We firmly believe that this straightforward form of transaction should be permitted provided firms retain records confirming that the customer is clear that responsibility rests with him/herself.

2. However, in the case of **consumers who wish to seek advice**, we are very much in favour of retaining conduct of business rules to determine their suitability to undertake the transaction(s) in question. Consumers who want advice on the purchase of a product need to know both that the product is suitable and that the particular product recommended represents good value, for example in relation to the charges levied. This will involve the potential customer giving information sufficient for the seller to recommend the appropriate product type (and could conceivably lead to a decision that no investment product is right). Without conduct of business rules to ensure that, in the case of 'advised' sales, a test of suitability takes place, we believe there would be a serious risk of misselling. We made this point recently in response to the UK's Sandler Review recommendations on the development of a suite of stakeholder products that could be sold without the constraints imposed by conduct of business rules.

I hope this is helpful in clarifying the Consumer Panel's views on this issue. Please do not hesitate to contact me if you would like to discuss this further.

Yours sincerely,



Colin Brown
Chairman

cc. John Tiner
Andrew Whittaker
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