

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Our ref:CP07/06

Dear Sally

CP 07/6* Funds of Alternative Investment Funds (FAIFs)**

This is the Financial Services Consumer Panel's response to CP 07/6: Funds of Alternative Investments Funds (FAIFs).

Whilst the Panel is not in a position to respond to the specific questions posed in the consultation paper, we broadly support these proposals which recognise developments in the investment market. We appreciate that an increasing number of retail investors are keen to take advantage of these new investment vehicles but we do want to see providers and distributors targeting consumers appropriately, given the nature of the funds.

In particular, we have two points that we wish to raise.

Firstly, we are concerned about the availability of post sales advice for consumers after purchasing FAIFs. In particular, we believe that advisers receiving on-going trail commission should have a continuing obligation to regularly review the suitability of these products for their clients.

Secondly, whilst we are aware that the risk profile of these products may vary widely, we are concerned that in the case of higher risk products consumers may focus on the potential rewards available without taking full account of the risks. To address this we would like the FSA to monitor closely the sales of these products in say the first 12 months and to react swiftly to any indications of mis-selling. We would also be keen to have feedback on any particular issues arising from 'execution only' sales and sales through fund supermarkets.

Yours sincerely,



John Howard
Chairman