

## **Consumer Panel response to DG Markt call for evidence: Need for a coherent approach to product transparency and distribution requirements for "substitute" retail investment products**

The Financial Services 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 DG Markt's call for evidence on the need for a coherent approach to product transparency and distribution requirements for "substitute" retail investment products.

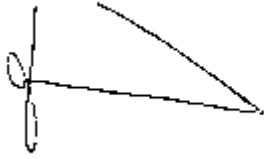
The Panel is not in a position to provide evidence to DG Markt in the form of research or similar work. There are however some important general principles that we would like to address.

In the UK market the Financial Services Authority has successfully harmonised, wherever possible, the regulatory regimes that apply to different financial services products. For example, while preparing for the introduction of MiFID requirements the FSA took the opportunity to review the Conduct of Business Rules that would apply to non-MiFID business and made the additional changes that were necessary to ensure consistency and standardisation in key areas. This is important for consumers who do not generally distinguish between different regulatory regimes when considering investment options and who should be confident that the assumptions they make are transferable across markets.

Consumers making choices between investments clearly benefit from a consistent approach to product transparency, but inevitably taxation can often be a deciding factor in individual cases. The structure of the distribution channel and the related costs are also factors that affect consumer choices. These are a natural consequence of product and service diversity within the retail market, together with differing consumer requirements. We would not wish to see consumer choice constrained by a high-level policy of harmonisation that did not take account of the need for flexibility.

In so far as harmonisation between products can reasonably be achieved, the key issue for consumers is that they should be making choices on the basis of a consistent or standardised framework for disclosure and transparency. Whatever procedures are put in place to achieve this degree of harmonisation should be based

on extensive consumer testing. This would ensure that such an approach would be appropriate for individual market structures.

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Chairman  
Financial Services Consumer Panel

17 January 2008