

4 September 2006

David Wright
Director, Financial Services Policy
DG Internal Market
European Commission
Rue de la Loi 200
B-1049 Brussels

Dear David,

RESPONSE TO THE REPORT OF THE EXPERT GROUP ON INVESTMENT FUND MARKET EFFICIENCY

Fidelity International Limited (FIL) serves the major markets of the world by providing investment products and services to individual and institutional investors outside the US. FIL's products and services include equity funds, fixed-income funds, money market funds and institutional portfolio management. FIL's programme of overseas expansion has continued and today we have a network of offices trading 24 hours a day, covering all the major world stock markets.

Within Europe, FIL has three significant mutual fund centres: the UK, Luxembourg and Dublin. All the key fund ranges have multiple registrations outside their home jurisdiction and this underlines the importance of the creation of an efficient Single Market for Fidelity.

The importance of asset management to the EU and its ageing populations

Asset management is a vital sector for the EU economy. The asset management industry plays a vital macroeconomic role in the EU in allocating capital to investments with good return prospects, thereby facilitating growth and jobs in line with the new Lisbon Agenda. It also plays a core role in helping people to save during their working lives and to build up a decent retirement income. As has been eloquently rehearsed by several reports, inefficiencies in the UCITS regulatory framework have had the effect of reducing ultimate returns to investors so affecting the adequacy of retirement income. The flaws of the structure and its implementation are essentially picking the pockets of the EU citizen.

Extensive Consultation process

FIL welcomes the Commission initiative to set up the expert group on Investment Fund Market Efficiency and its engagement with industry. This process has already resulted in the identification of significant inefficiencies in the UCITS regulatory framework which are holding back the realisation of a single market for investment funds. Indeed we believe that the analytical and rational basis for action is now well established between the Commission, industry and numerous other stakeholders.

Broad support for the Expert Group Recommendations

FIL broadly supports the recommendations of the Expert Group aimed at removing many of the barriers to a single market for investment funds. In particular we feel urgent action is required to tackle the following priority issues:

- **Streamline the product passport**

The current home state authorisation and host state notification procedure results in significant delays to fund launches and prevents the setting-up of pan-European marketing campaigns. We support the recommendation of the Expert Group to introduce a maximum home state authorisation time of twenty business days followed by a maximum of three days for regulator-to-regulator notification. As has been pointed out, funds are now at a disadvantage to securities passporting under the Prospectus Directive.

- **Simplify the simplified prospectus**

The simplified prospectus is anything but simple and has failed to achieve its original objectives. It needs to be a simple short document disclosing information to investors which allows them to effectively compare funds. It seems crucial to us that the development of an investor-friendly document be undertaken with significant guidance from investors themselves, and not fall into the trap of being an amalgamation of the wishes of various special interest groups, amongst which I would number the regulators.

- **Activate management company passport**

The inability of a management company to offer its core activity on a cross-border basis is a serious inefficiency in the UCITS regulatory framework. A management company passport offers significant economies of scale and savings derived from the removal of unnecessary duplication and complexity. Indeed, such a passport would allow companies such as ours to develop centres of excellence for such an activity. It should also not go unnoticed that the extra costs of establishing and maintaining management companies in multiple jurisdictions are borne by the end investors.

Bringing forward amending legislation

The time for thinking has been well-used, but is over: now is the time for action. We encourage the Commission to bring forward the necessary amending legislation without delay and to consider the use of a fast-track legislative procedure. We support the recommendation of the Expert Group Recommendations that the measures should be implemented in Member States within three years.

We look forward to working with your Services to ensure the timely adoption of amending legislation with a view to enhancing the strength of the UCITS brand and the lot of the EU investor. Please do not hesitate to contact me if you'd like to discuss any of the points raised in our response.

Yours sincerely,

Gareth Adams
Executive Director, Regulatory Strategy