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Financial Conduct Authority  
12 Endeavour Square  
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By email: [amfpolicy@fca.org.uk](mailto:amfpolicy@fca.org.uk)

Dear Sir/Madam

**Financial Services Consumer Panel (the Panel)'s Response to the FCA's consultation protecting investors in authorised funds following the Russian invasion of Ukraine**

The Panel welcomes the opportunity to respond to this consultation on protecting investors in authorised funds.

The FCSP are supportive of the approach outlined in CP22/08 relating to the creation of 'side pockets' for suspended Russian/Belarusian assets. We believe this approach will allow investors to access/continue to access their investments whilst also maintain ownership of suspended assets. We recognise that this will also enable investors to trade in funds that may have previously held Russian or Belarusian stocks with the knowledge that these are no longer part of the main units.

The Panel would like to highlight the following:

1. We support the proposed approach to side pockets as outlined in sections 3.11 to 3.23 of the Consultation Paper, but not the alternative proposal due to its complexity and potential costs.
2. We would expect the asset managers' own costs in relation to the management of the side pocket to be lower than that of the main fund as there is little asset management activity possible at the current time. We would expect Asset Managers' Assessment of Value reporting to apply to Side Pocket share classes as separate individual assessments.
3. The regulation ensures that investors in other classes do not cross-subsidise the costs of the side pocket arrangement.
4. As the FCA is proposing to waive the normal investor consultation, the Panel would ask that Investor Communication from the fund managers is clear, easy to understand and is tested with consumers prior to wider communication (as detailed in 4.45). We would expect this communication to include a Frequently Asked Questions selection, developed from consumer research rather than the questions the firm 'thinks' an investor will want to ask.
5. The Panel, whilst not wanting to interfere in the operation of a free market, would draw the FCA's attention to the potential reputational damage, to the FCA, the industry and consumer investments, should certain investors, such as Hedge Funds, be seen to make significant profits by buying up units in side pocket classes which achieve a higher valuation if and when restrictions are lifted - and the

associated exploitation of retail investors. We would therefore propose the FCA either adapt the proposed regulation or monitor unit transfers to ensure there is no strategic profiteering from the purchase of these units (6.14 to 6.18)

Yours faithfully

Wanda Goldwag

Chair, Financial Services Consumer Panel