

## **Fund Objectives Working Group**

### **Terms of Reference**

The Financial Conduct Authority (FCA) published the final report of its Asset Management Market Study. This sets out our findings on the way competition works for asset management services, the resulting outcomes for investors and our proposed remedies. One of the areas of concern was the usefulness of fund objectives for investors.

The market study found that it is difficult for investors to know what to expect from their fund and it is difficult for investors to assess whether or not their fund is performing against relevant objectives, including those set up by the fund manager.

This working group is set up to discuss these issues and propose ways to improve the usefulness of fund objectives for investors and facilitate the comparability of funds on the basis of their stated objectives.

### **Deliverables of the working group**

- **Meaning and usefulness of fund objectives.** To consider how the investment objectives and policy of funds can be presented in a more meaningful and useful way to investors so that investors can better understand what the fund is trying to achieve and how the manager will achieve this. The working group will consider how fund objectives might be expressed in simpler language and with greater clarity and / or detail, while allowing managers sufficient flexibility to pursue the best interests of investors.
- **Comparability of fund objectives.** To consider how to improve the comparability of funds with similar objectives and whether standardising certain information about funds' objectives and policy might help investors identify and compare between similar funds. The group will consider the role of comparators and fund categories used by asset managers, data providers and other market participants and whether these are effective in helping investors compare between funds.
- **Improving reporting against objectives.** To consider how fund objectives might be made more measurable and how to improve reporting by asset managers' of their fund's performance against the stated objectives and policy so that investors are able to assess whether the fund is doing what it set out to do.
- **Delivery.** To agree the best way to implement the proposals of the working group into effective interventions, whether regulatory, industry-led or a mixture of both.

### **Membership of the working group**

The working group will be chaired by Mary Starks, Director of Competition and Chief Economist, FCA. The membership of the working group will consist of nominees from a range of firms, industry bodies and consumer organisations, including:

- Fidelity International

- St. James's Place Wealth Management
- Woodford Investment Management
- Legal and General Investment Management
- Standard Life Investments
- Orbis Investments
- Columbia Threadneedle Investments
- JP Morgan Asset Management
- Capita Asset Services
- Fundhouse
- Morningstar
- Financial Services Consumer Panel
- Investment Association
- Association of Investment Companies
- The Depository and Trustee Association
- ShareAction
- The Wisdom Council
- ValidPath Limited

Other relevant stakeholders and market participants will be provided with an opportunity to contribute and share their views on these topics as well. The issues paper circulated ahead of each meeting and minutes of the discussion will be published on the FCA website. The key issues and themes that arise from the discussion will be shared more widely through the regulatory round up.

Secretariat services will be provided by the FCA and FCA staff will attend working group meetings.

### **Frequency of meetings**

The working group will meet four times. Each meeting will cover one of the four deliverables of the group. Detailed agendas and other relevant papers will, whenever possible, be shared at least 3 working days before each meeting.

### **Operating procedure**

We expect attendees to come to meetings prepared and ready to engage and provide their insights on topics.

In the interest of encouraging full engagement, discussions will be subject to Chatham House rules. Discussions within the meetings will not be attributable to individuals or the organisations they represent.

Members may want to share and discuss topics and issues that arise in the working group within their organisation. Individual members are expected to accept responsibility for ensuring that those third parties are aware of and respect the confidentiality and sensitivity that attaches to the work of the working group and any related papers and materials. Members will undertake not to disclose any information which is confidential in nature, or which is provided in confidence, without authorisation from the working group Chair. With regard to third parties outside their organisation, members will undertake to keep confidential the work of the working group unless the FCA has agreed on its public release.

The FCA will use the insights gained from the discussions to consider appropriate interventions.