

FCA Publishes Webpage on Review of Closet Trackers

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On March 14, the UK Financial Conduct Authority (FCA) published a webpage in relation to its review of potential closet tracker funds and closet constrained funds. The review forms part of the FCA's supervision to protect investors and maintain a competitive market.

On its webpage, the FCA explains that both types of funds look like and charge similar fees to funds that strive to beat a benchmark (active funds), but are managed in a way that is similar to funds that track a benchmark (passive funds).

The FCA's priority is for promotional material and investment objectives to be clear, fair and not misleading. Therefore, the FCA expects fund managers to communicate fund investment objectives and policies clearly, including changes to these, even if they are merely clarifying existing disclosures. The FCA also emphasizes the importance of investors having clear information and the best possible understanding of the funds they are looking to invest in or are invested in.

By the end of 2017, the FCA had reviewed 84 funds, consisting of a mix of equity, fixed income and multi-asset funds. In the FCA's findings following its review, 20 funds were considered as adequately describing how investors' money was being managed. The FCA is working together with firms on 42 of the remaining funds to ensure that disclosures are made clearer. The webpage notes that, overall, £34m in compensation has been paid to funds and investors, and one firm is currently under enforcement investigation by the FCA.

The FCA's webpage is available [here](#).

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