

Mr. Steven Maijor  
Chair  
ESMA  
CS 60747  
103 rue de Grenelle  
75345 Paris Cedex 07, France

Brussels, 10 October 2014

Re: "Closet Indexing" (falsely active funds)

Mr. Chairman, dear Steven,

You are aware of the recent and quite appropriate initiative of Finanstilsynet, the Danish Financial Services Authority: an investigation into "closet indexers" - mutual funds that claim to be actively managed, but in reality charge high "active" fees for index-like performance, which would warrant much lower management fees.

We, as a small resourced individual investor organization, have already received feedback from certain of our national member organisations and other stakeholders of the investment community pointing to the fact that this is certainly not an issue that is specific to funds sold in Denmark. On the contrary, unfortunately the issue is much wider and affects other EU Member States. This, in our view, is likely to represent a serious investor protection issue in the EU potentially very detrimental to individual investors.

This is why I am writing to you, in the name of the Federation of European Financial Service Users, to officially request the European Securities and Markets Authority to extend – or ask the national supervisors to extend - the Danish investigation to other Member States which are major domiciles for UCITS funds (Luxembourg, France, UK, Ireland, Germany, etc.) and look into the problem of "closet indexers" and ascertain the magnitude of the problem as well as the prejudice to fund investors.

We look forward to hearing from you about the upcoming measures that ESMA will initiate in order to tackle this EU-wide investor protection issue.

Yours faithfully,



Guillaume Prache  
Managing Director

c.c. Tilman Lueder, Head of Unit G4, Asset Management