

FONDFÖRVALTARANSVARET– SÄRSKILT OM ETISK FONDFÖRVALTNING



Akademisk avhandling

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av

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Abstract

Siegl, S. (2011) Fondförvaltaransvaret – särskilt om etisk fondförvaltning. Liability for mutual fund managers – especially about ethical mutual fund management. 335 pp. Stockholm 2011

The subject of this thesis is the responsibility of mutual fund managers in relation to the ethical management of mutual funds. The legislature's protective purpose in mutual fund legislation primarily covers three areas: system protection, consumer protection, and efficiency. The focus of this dissertation is on consumer protection.

Consumer protection is an important reason for special regulation of financial markets. The importance of consumer protection is underlined by the complexity of mutual funds as well as the large economic impact mutual funds have on the financial well being of the investment community. Mutual fund consumer protection legislation covers diversification requirement, which states that a fund should be properly diversified given the fund's investment objective. Hence, a fund manager is compelled to strive for diversification and invest in a minimum number of holdings. The mutual fund regulation also contains information disclosure requirements, thereby enabling investors to evaluate the risks of an investment.

The rationale of the legislation is analyzed in the thesis with a focus on how it is achieved in relation to ethical funds. It is shown that the existing diversification requirements will not offer sufficient consumer protection, and potentially less consumer protection than the legislator has assumed. While this might be the case, it is also not viable to realize diversification requirements leading to extensive consumer protection within the fund structure. Therefore the need of proper information requirements increases dramatically.

The information disclosure requirements do not take into account that mutual fund investors are not as rationale as assumed within economic theory. The information requirements also disregard the fact that, at least some, ethical mutual fund investors are not driven by financial returns but social aspirations making the existing information somewhat irrelevant.

The thesis indicates that the present diversification and information requirements do not provide adequate consumer protection and that the rationale for the regulation is not adequately supported. The legislative guidelines of ethical fund management do not adequately protect the interests of the investment community. This is primarily due to the shortcomings of the information requirements and not so much related to the diversification requirements.

More clear-cut and exact information requirements focusing on the consequences of risk, in difference to describing risk, could strengthen the consumer protection by enhancing the Supervisory Authority's effectiveness.

Keywords: Mutual funds, financial market regulation, consumer protection, Socially Responsible Investing, Corporate Social Responsibility, fiduciary duties, prudent investments.