

Questionnaire on simplified prospectus for retail investors

General

The views and remarks of ING IM with respect to the questionnaire are based on (our experiences with respect to) the Financial Leaflet (Financiële Bijsluiter) in the Netherlands. We have not examined e.g. the way a Simplified Prospectus for a Luxemburg UCITS is designed.

As a general principle we would like to emphasize that we would advise against radical changes with respect to the FL (or Key Investor Information (KII)) again.

In general we are of the opinion that with respect to the Financial Leaflet (FL) the Netherlands is on the right track. A lot of the suggestions mentioned in the questionnaire have been incorporated in the FL; so the form of the Dutch FL would be a good example for Europe. However, some points could be improved. With respect to the FL we would like to mention:

- more standardisation of the text on risks, performances etc. for the benefit of mutually comparing different providers of investment funds;
- simplification of the way the risk indicator (GUISE) is calculated. The calculation is very complicated resulting in too little differences between separate investment funds. We would prefer a calculation with more levels.

The information to be included

1. What information should be included?

We suggest including only the substantive features (kern informatie) with references back to the prospectus, not an exhaustive enumeration of information. The information should be drafted in so called ‘retail language’, i.e. simple and clear.

2. What substantive UCITS features do consumers need to know about?

The KII should target the consumer with little knowledge of investments (‘retail language’)

3. What information should be provided about risks and rewards?

• Information about risks can be difficult to present in a simple and easily understood manner.

The Dutch model (as presented in the FL) is fine: a risk indicator together with a specification of the most important risks. With respect to the risk indicator: see our remarks above.

• Should investors be informed about potential gains as well as risks?

Consumer are especially interested in:

- what the investment fund is doing (investment policy);
- the profits the investment fund yields (performance);
- the charges; and
- the risks.

Consumers will not be interested in e.g. relative performances (the performance compared to the benchmark). In the FL the fund performance as well as the relative performance is presented. For consumers we think that the relative performance may be left out.

Regarding presenting back-testing and simulated scenarios: these are more suitable for commercial brochures.

4. What information should be provided about strategy and objectives?

The Dutch FL is a good example: a short specification of the objective of the investment fund.

5. How should past performance information be presented, and for what time period?

We suggest to follow the performance information of the FL. The information is presented for a period of 10 years.

- Should information about past performance be presented in a standardised way?**

Yes, we prefer a standardised presentation as much as possible.

- If so, how? As mentioned above, tables or bar charts or cumulative graphs could be used.**

Histograms (staafdiagrammen), as included in the FL.

- Should the display of past performance also be adapted to indicate a recommended holding period?**

Not in general, for it depends on the type of investment fund that is offered. Instead as item for a KII it is more an item to be dealt with in the risk profile of a consumer as this is laid down by the distributor.

6. How should information about charges and fees be presented?

The FL is rather clear on charges and fees. However, the Dutch rules with respect to the distribution fees are not that clear. We are not in favour of mentioning these fees, as they differ by the distributor. It is not possible to cover them all in KII.

With respect to the 'portfolio turn rate': in our opinion it does not give consumers relevant information. It only makes it more complicated (the performance is important).

- Is the term 'total expenses ratio' (TER) misleading because it excludes initial, transaction and exit charges?**

It should be clear for consumers that the TER excludes initial, transaction and exit charges. The term TER gives the wrong impression that it includes all charges

- Should overall charges be represented in different but complementary ways in the KII: for instance, through a TER which includes initial, transaction and exit charges; and also through a TER without these?**

A TER that includes all charges seems impossible as the initial and exit charges may differ by the consumer (and will be charged by the distributor).

7. How could the packaging of funds into different end-products be handled?

Keeping in place the Dutch model: a FL for investment funds and a separate FL for a 'packaged' investment fund.

8. How far should the information be harmonized between firms and between EU members?

• How important is it for consumers to be able to compare the UCITS of different firms and those sold cross-border from other Member States?

We think harmonisation desirable. For consumers it is important to be able to compare different investment funds; then the consumer is not interested whether he invests in a Luxembourg or Dutch Fund.

• What sort of information is most relevant for comparison purposes and should this always be presented in the same way?

We prefer presentation in the same way of the following information:

- specification of the investment policy
- performance information
- expense ratio
- risks

• How should host Member State information (eg where prices are published) be added?

The host Member State information should be put in a separate paragraph of the KII.

9. Would it be useful to specify how this information should be presented?

We prefer a standard model regarding the lay out of KII.

10. In what form should the information be delivered?

Mainly by a website.

11. How should we ensure consumers get information in sufficient time for it to be useful for their investment decision?

The KII should be available for consumers and available on demand, not a duty of active distribution.

The suggestion of a short period to consider the KII, before executing the investment is not practical and not in the interest of consumers.