

## CONTENT AND FORM OF KEY INVESTOR INFORMATION DISCLOSURES FOR UCITS

**1. The French Banking Federation (FBF)** is the professional body representing over 500 commercial, cooperative and mutual banks operating in France. It includes both French and foreign-based organizations.

As universal banks, the FBF members are highly interested in the evolution of the legal framework of the information for UCITS, precisely on the current work of CESR on content and form of Key Investor Information disclosures for UCITS.

As an introduction, the FBF wishes to make three statements:

**- 1<sup>st</sup> statement:**

**FBF would like to specify that the work on KII should come into effect at the same time than the Level 1 amendments as the reform of the UCITS Directives has been discussed for several years.**

**- 2<sup>nd</sup> statement:**

**Besides, FBF clearly insists on the fact that the KII should be considered as an integral part of the passport, i.e. it should be approved once by the home authority of the country where the fund is located.**

**- 3<sup>rd</sup> statement:**

**Moreover, FBF clearly insists on the fact that the KII should legally replace the Simplified Prospectus and be a harmonised document over the EU.**

## **2. CESR'S QUESTIONS AND FBF'S ANSWERS**

### Chapter 3 Recommendations on the format, content and presentation of KII

**FBF understands that the responsibility of the KII is upon the fund issuers, so the FBF's point of view is from the distribution perspective. Moreover, the distribution information should be provided separately and directly by the distributor.**

As regards the interaction of the UCITS Directives with the MiFID, we would request that the current liability arrangements be maintained. In particular, we point to the arrangement

whereby distribution is considered MiFID-compliant with the delivery of the simplified prospectus. The same should apply for the KII, although distributors might – and typically will – choose to provide additional information to the client.

#### Chapter 4 Recommendations on the format, content and presentation of KII

The proposed length of two pages seems appropriate to us. The proposal of items of information to be included and additional items to be tested with consumers broadly also finds our agreement. Given that the KII shall be designed to provide the most important information for the investor's decision, we have a preference for the shorter version proposed by CESR and would not consider e.g. the name of the depositary and the name of the auditors relevant for this document.

More information should be available on the fund manager's internet homepage, and a link to this homepage should be indicated on the KII document. In addition, it should be stated clearly on the KII document that this is a short document to provide only the most relevant information, and that the full prospectus is available on the indicated homepage.

**Nevertheless, the FBF suggest setting up information directly in the KII about the recommended minimum holding period.**

In view of the objective of a standardised and harmonised format for the KII, we would clearly not support a building-block approach. **We furthermore underline that indeed neither local nor distribution information should be included in the document to allow the desired degree of harmonisation.**

#### Chapter 6 Risk disclosure

**Option A of improving the current narrative risk-reward presentation would be preferable to a synthetic indicator. In our experience, such a narrative approach is by nature better suited to approach the complex issue of risks linked to a certain product.** Besides, a synthetic indicator necessitates a lot of simplification. Investors should rather be encouraged to consider the risks strategically and in the context of their specific risk and investment profile, as well as to be aware that risks are developing over time and can change in significance.

**The FBF reckons CESR's principles-based suggestions suitable to improve the current presentation. However, some kind of standardisation in the presentation of the information and in the extent of this section might in our opinion help potential investors to focus on the most imminent risk categories.**

Should CESR nevertheless have a preference for a synthetic indicator, we underline that this would have to be supported by additional explanations on the correct interpretation of such an indicator, i.e. we would expect this to rather take the form of a hybrid between a synthetic indicator and a narrative description of risks. Such an indicator should also be asset-class specific to allow for a distinction between different funds that invest in the same types of assets. Moreover, as the case may be, a synthetic indicator would have to result from a harmonised methodology.

## Chapter 8 Charges

In our view, the most important information for consumers is that of net performance of the fund and as measured against a comparable benchmark.

**We therefore find that the current concept of Total Expense Ratio is suitable in principle, as well as more complete than CESR's current proposal. Rather than inventing anything new at this stage, we would suggest that more effort be focused on an EU-wide alignment in the calculation of the TER.**

In terms of presentation, we agree with CESR's recommendation of consumer testing to establish the format that is most easily understandable for consumers. We trust that these tests will be sufficiently representative, and that it will be possible to carry them out comparatively swiftly.

As regards the disclosure of distribution charges, we support the proposal of providing maximum figures with an explicit indication that lower figures may apply. As noted above, any other approach would prevent the use of a single and fully harmonised document across all distribution channels. **The precise information about distribution costs should be provided through the distributor, in line with the MiFID fee disclosure requirements.**

## Chapter 9 Benefits and costs of KII proposal

We do expect that the costs of replacing the current simplified prospectus with the KII will be considerable for asset management companies. The KII disclosures should therefore be introduced with a grandfathering period of about two years for existing funds launched with a simplified prospectus.