

EBF Response:**Calls for evidence on key investor disclosures and distribution aspects for UCITS****CESR refs 07-241 and 07-205**

1. The European Banking Federation (EBF)¹ welcomes the opportunity to comment on key investor disclosures and distribution aspects of UCITS. Banks are among the most important points of sale for UCITS, and in many European countries the most frequent distributors of UCITS as well as other investment products.
2. We have welcomed the European Commission's broad outline of a reform of the simplified prospectus, as set out in its White Paper on Investment Funds. We also find its call for evidence to CESR very timely and strongly support that work on the details of the "key investor disclosures" not be further delayed.

General aspects of investor disclosures

3. On a general note, we wish to emphasise that this reform must be undertaken with the strong resolution to deliver a real single market. In particular, the new regime should rely on full harmonisation, without any scope for goldplating. Only if definitions, calculations and other relevant information are made on the same basis and under the same assumptions can the key investor information provide the best possible degree of comparability of the information and contribute as much as possible to investors' understanding of the instruments.
4. In addition, we believe that only such a far-reaching and resolute approach would justify the additional investments that will be imposed on the industry. At the same time, there should be a sufficiently long transition period for firms to implement the new requirements.
5. We do not wish to go into much detail as to specific disclosures but instead wish to add some general thoughts based on the distribution point of view.
6. In terms of scope and content of the new document, we believe that the objective should be a document of maximum two pages (or comparable, if not provided as hard copies). This should contain both quantitative and qualitative information pertaining to the specific investment instrument, along the lines of the Commission's current thinking. At the same time, it is clear to us that this document could not provide information on aspects that will be different for different investors, such as distribution channels and cost and tax implications. It will be the responsibility of distributors to provide this additional information, as well as to help the investor understand the information provided by the fund manager in his specific context.
7. We also underline that the role of the new document must be clear and truly focused on the needs of investors. It should therefore also not impose any additional liability on either the fund manager or the distributor.

¹ The European Banking Federation (EBF) is the voice of the European banking sector representing the vast majority of investment business carried out in Europe. It represents the interests of over 5,000 European banks, large and small, from 29 national banking associations, with assets of more than €20,000 billion and over 2.3 million employees.

8. To ensure that this new document really fulfils its intended objective, we welcome the Commission's statement made in its request for assistance to CESR that the groundwork should also include tests with market participants and investors before being finalised.
9. As regards forward-looking aspects around UCITS distribution, we have noted the Commission's potential interest in complementary work on "point of sale" obligations for the principal distributor/ adviser networks through which UCITS and UCITS-based investments are sold. However, the rationale for this work would be unclear to us, as distributors are already covered by the broad scope of the MiFID.

Distribution aspects

10. We agree with CESR's assessment regarding the emergence of new trends in fund distribution, including open architecture, funds of funds and internet selling. We welcome these developments as they give evidence of sound and vibrant markets and provide a wide range of choices to retail investors. At the same time, we underline the important role that intermediaries continue to play. This is especially in light of the often limited financial literacy of consumers on the one hand, and a growing number of increasingly complex products on the other hand.
11. We also reiterate that meaningful and complete information to the investor cannot be restricted to the product itself. Indeed, we see this information about the product as one of the essential pre-conditions for a good investment choice. Banks in their role as distributors will make appropriate use of this information as part of their investment advice to retail investors, and will combine it with additional information relevant to the specific needs of the client. We therefore believe that intermediaries play an important role even for those retail investors who do have a sound level of general understanding of economics and financial markets.
12. In this context, it must be acknowledged that a good quality of advice requires a good level of knowledge about the specific product and can therefore only be delivered on a limited number of products. Whilst it is in principle desirable that a wide range of products be available in a specific market, individual distributors should retain the choice of which products from this range they would like to offer to their clients. This should be seen as a reasoned strategy, and it does not exclude the parallel existence of competing business models that rely on a larger number of products but cut back on the quality of advice.

Simplified prospectus

13. We are aware that CESR's questionnaire on the simplified prospectus is specifically directed to retail investors. We welcome this as a helpful approach in drawing up a document that will genuinely be suited to provide relevant and understandable information to retail investors in an adequate format and scope, and underline that it should therefore also not seek to fulfil any other purposes.