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The Committee of European Securities Regulators
11-13 avenue de Friedland
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By email

Your ref
Our ref

Dear Sir

CESR's public consultation on Inducements under MiFID

Thank you for giving Threadneedle the opportunity to respond to the above paper. Threadneedle has over £70bn in assets under management (including significant sums through segregated portfolios), markets its services globally, and is a major UCITS cross border player managing over £17bn in UCITS and successfully marketing UK based UCITS into a number of EU jurisdictions. Threadneedle operates cross-border activities, has two ISD branches and operates cross-border into third countries from those branches. The proposals outlined in the paper therefore are of significant importance to Threadneedle given our experiences with cross-border and branch activities in different Member States.

We have a number of general comments and concerns that we would like to make.

1. We are concerned that virtually all the examples are based on UCITS, a regulated and highly transparent product (more than any other). This seems very unfair given that no real reference has been made to other retail products (whether falling within MiFID or not). It is vital that a regime is put in place that provides some form of level playing field or does not disadvantage UCITS unfairly. Even if that was not the intention of the paper, that is exactly how it is being interpreted by many.

2. We can see that as drafted, this CP could lead to advisers considering whether to sell other products at the expense of UCITS or a move to "in house" products where it is less clear what degree of transparency there is. Ultimately we could see a reverse move from widespread open architecture. We ask CESR to ensure it carefully studies the remuneration structures of other potentially less transparent vehicles.

3. The CP readily acknowledges that it is the distributors duty to disclose the inducement to the end customer. We consider that the paper should equally acknowledge and confirm that it is the distributors responsibility to justify the receipt of the fee/payment etc given that they maintain the relationship with the client. It would be impossible in many cases for the manufacturer or product provider to be able to understand the basis on which the distributor is acting for or with the client (be that advice, execution only, fee based etc). This needs to be clear particularly on a cross-border basis otherwise the basis on which MiFID is built will begin to fall down.

4. We concur with others who attended the Open Hearing at the concerns raised around the introduction of a "proportionality test". This can be seen as a way of price-capping and against the free market. It must be down to the market (i.e. investors themselves) to determine acceptable fees based on disclosure.

We have no specific comments on the rest of the paper and hope these comments are of help and would welcome the opportunity of discussing this with CESR.

Yours faithfully

Peter Grimmett
Head of Distribution Compliance

Cc: Investment Management Association, EFAMA