SJ n° 2257/Div.

Mr Fabrice Demarigny
Secretary General
Committee of European Securities Regulators (CESR)
11-13, Avenue de Friedland
75008 Paris

Paris, 25 May 2007

AFG RESPONSE TO CESR CALL FOR EVIDENCE ON UCITS DISTRIBUTION

Dear Mr Demarigny,

The Association Française de la Gestion financière (AFG)[1] welcomes the CESR call for evidence on key investor disclosures for UCITS.

For many years now, AFG has been actively contributing to European discussions and consultations relating to the revision of the UCITS Directive, either directly or through the European Fund and Asset Management Association (EFAMA) in particular.

The aim of CESR's call for evidence on UCITS Distribution is to consider the diversity of ways in which UCITS funds can be "packaged" and distributed to retail investors. CESR wished to obtain further evidence about the way in which UCITS funds are distributed, and the type of intermediation that may exist in the relationship between the UCITS provider and the end investor.

[1] The Association Française de la Gestion financière (AFG)[1] represents the France-based investment management industry, both for collective and discretionary individual portfolio managements.

Our members include 365 management companies and 772 investment companies. They are entrepreneurial or belong to French or foreign banking or insurance groups.

AFG members are managing more than 2500 billion euros in the field of investment management, making in particular the French industry *the leader in Europe in terms of financial management location* for collective investments (with more than 1500 billion euros managed, i.e. 22% of all EU investment funds assets under management, wherever the funds are domiciled in the EU) *and the second at worldwide level*. In the field of collective investment, our industry includes – beside UCITS – the employee savings schemes funds and products such as regulated hedge funds/funds of hedge funds as well as a significant part of private equity funds. AFG is of course an active member of the European Fund and Asset Management Association (EFAMA) and of the European Federation for Retirement Provision (EFRP). AFG is also an active member of the International Investment Funds Association (IIFA).

Before delivering our positions on the different issues raised by CESR, let us first recall that in some case our members (management companies) distribute themselves their funds, and otherwise have their funds distributed by third parties. From this double perspective, we hope our opinion will be helpful for CESR.

Distribution channels

First, we strongly contest the approach that CESR wished to follow, i.e. three scenarios. In our opinion, there are only two scenarios: either the provider interacts directly with the investor, or the investor's relationship is with a third party – whatever this party belongs to the same group as the provider or not. Let us stress that within a group common to the producer and the distributor, the responsibility for the relationship with the client belongs exclusively to the distributor – even if the product sold might originate from the producer of the same group.

Therefore, we contest the statement by CESR that "*in the second scenario, the provider is not directly involved in the sales process, but is fully aware of the distribution charging structure and the sales procedure*."

Packaging of UCITS funds

This part of the call for evidence concerns more directly the distributors. Asset Managers cannot deliver a comprehensive information on a packaged product.

To our knowledge:

- when the product is packaged in a life-insurance contract, it is required that the insurance company provides for a link to the Simplified Prospectus;
- in the case of a discretionary portfolio manager, investment rules are disclosed;
- for funds of funds, the information is delivered a posteriori on underlying funds.

Fund structures

First, we agree with CESR that the key investor information should reflect the extent to which investors have a choice of classes.

Second, it is clear that unit / share classes are used to structure distribution: it is the main reason for having established share classes.

Third, in the case of multiple classes, all the information is delivered (contrary to the case of sub-funds for umbrella schemes, where only the information related to the relevant sub-funds is delivered).

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If you wish to discuss the contents of this letter with us, please contact myself at 01 44 94 94 14 (e-mail: p.bollon@afg.asso.fr), Stéphane Janin, Head of International Affairs Division at 01 44 94 94 04 (e-mail: s.janin@afg.asso.fr) or his deputy Catherine Jasserand at 01 44 94 96 58 (e-mail: c.jasserand@afg.asso.fr).

Yours sincerely,

(signed)

Pierre Bollon