Homepage

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Your reference, Your message of	Our reference, contact person	Extension	Date
	BSBV 64/2009 Dr.Rudorfer/We	3137	27th of April 2009

Subject: **Technical issues relating to Key Information Document (KID) disclosures for UCITS - CESR Consultation paper**

Dear Madam/Sir,

the Division Bank and Insurance of the Federal Economic Chamber appreciates the opportunity to comment on CESR´s Consultation paper on technical issues relating to Key Information Document (KID) disclosures for UCITS:

General remarks

The purpose of the KID should be a simple document to provide investors with harmonized and comparable information which will enable them to take an informed investment decision. In this regard, two aspects are crucial, being the comparability of the document implying its standardized information and that it is understood by (retail) investors.

a. Chapter 1 – Risk and Reward Disclosure

Volatility as a Risk Measure:

We are not of the opinion that volatility is a risk measure due to its insufficiency to cover risks in a multidimensional perspective. This having said, we believe that a methodology based on Value at Risk measurement (VaR) based a on standardized approach of past performances would better ensure the necessary comparability. Nevertheless, it should be kept in mind that probably no indicator can properly and comprehensively reflect all potential risk scenarios. However, a standardization preferably based on VaR could be the way forward. This does not mean that VaR has to be fully implemented and adopted by each management company but that a standardized set of rules based on the VaR framework combined with simple back-testing shall be feasible.

The proposed volatility measure could lead to systematic inconsistencies, such as that there is no need for a different treatment of structured funds shall be reduced to the minimum. Moreover, if possible, the methodology shall be applied to all types of funds.

Risk-Reward Indicator

Regarding the proposed risk-reward indicator, we want to point out that this is an entirely new concept of risk perception with reward elements being assigned considerable weight. This having said, problems might occur regarding guarantee funds because due to the lack of participation in potential market opportunities treated as a category of risk, they could be considered as risky products which clearly shows the limitations of this approach.

Suggested Disclaimers (1.2.10)

The suggested disclaimers clearly need to be amended in our view since they are not appropriate in various regards. Disclaimer 1, being that historical data is not an indication for the future shall be amended in the light of Art. 27 para 4 (d) of the MiFID level 2 Directive which emphasizes on “reliable indication for the future”.
Disclaimer 4, being that narrative explanations of classification into categories 1 and 7 as well as Disclaimer 6 stating why the fund is in a specific category shall be deleted since we do not see any need to explain non-applicable categories.
Disclaimer 9, being a warning about whether the fund is likely to be unsuitable for investors wishing to redeem their holding within a certain period is in our view potentially misleading since it could make the impression that any investment exceeding the specified time limit would produce desirable results. Since it would be redundant in the light of the suggested VaR methodology, we would be in favor to delete this disclaimer.
However, we would like to suggest a new disclaimer stating the date to which the validity of the data used for the calculation is referred to.

b. Chapter 2 – Past Performance

Material Changes (2.1.3)

In general, we ask for a definition and clarification what is considered a material change to a fund’s investment objectives or policy. This is crucial, because otherwise, various interpretations could lead to non-comparable results.
Moreover, regarding the two examples of good practice, we prefer Good Practice 1.

Performance Scenarios (2.2.)

The scenarios are based on numerous assumptions pertaining to future events and thus we reject them, also because they can lead to misunderstandings. Moreover, a standardization of the existing wide range of such assumptions does not seem to be realistic. Consequently, no comparability can be ensured in this regard.
In the light of the suggested methodology based on VaR, performance scenarios would become redundant as probability of losses would be sufficiently displayed by the VaR. Moreover, such approach would be applicable to all types of funds which then ensures comparability.
Additionally we are not in favour of the probability tables (2.2.3) which do not mean anything and would rather cause confusion than help.

c. Chapter 3 - Charges

Recommended Options for Consumer Testing (3.1.)

We prefer Option A being an improved version of the existing Simplified Prospectus disclosure.

Overall Presentation of Charges (3.2.)

Regarding the options to present charges, we favor Option 1 due to its simplicity and clarity.

Methodology for Ongoing Charges (3.3.)

In line with our prior statements, we oppose the terminology “ongoing charges” since this causes confusion. The well-known term TER is clear enough and also well understood by investors.
Regarding the options to present performance fees, we prefer Option 1a due to its simplicity and clarity.

Best regards

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