



SJ n° 2256/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 QUESTIONNAIRE ON SIMPLIFIED PROSPECTUS FOR RETAIL INVESTORS

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 questionnaire on simplified prospectus for retail investors is to get views of consumer representatives to better understand what key investor information (KII) can better meet consumer needs.

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).

Even though we understand that we are not part of the public targeted by such a questionnaire, we consider that as our duty is to act professionally on behalf of investors (and sometimes even as investors through funds of funds), our opinion might be helpful for CESR.

The information to be included

1. What information should be included?

We are against having a second part of the document (for less important legal information) or an appendix (technical information). The whole document must be kept short (either through a maximum number of pages or a maximum number of words, such as in the Prospectus Directive for instance), and by having only key information. In addition, the longer the document will be, the most costly it will become.

2. What substantive UCITS features do consumers need to know about?

We agree that consumers need to know some elements regarding the fund. However, the KII should not target the “average consumer” or any other type of very theoretical investor.

3. What information should be provided about risks and rewards?

Among the items of the first list provided by CESR, we strongly favour the inclusion of a statement of minimum recommended investment holding period.

Regarding the second list, we clearly favour one option, which would be applied depending of the relevant case: funds and, when appropriate, benchmarks past performances as well as, in case of start-up of formula-based funds that have no suitable benchmark, scenarios that illustrate the returns the funds would have earned if launched in the past (back-testing). The last sub-case (back testing) would be significant and therefore should be applied for formula-based funds, as long as it follows different scenarios. However, this approach should not lead to making benchmarking the rule, as benchmarking may harm the development of active financial management (and therefore could lead to sub-optimum for investors).

4. What information should be provided about strategy and objectives?

We agree on the approach proposed.

5. How should past performance information be presented, and for what time period?

This element must be strictly harmonised in its calculation period: on a yearly basis. Regarding the visuals, it might be bar charts expressing in percentage year-to-year variations complemented by tables showing the same figures – as bars and figures are the easiest tools for fair comparisons.

It would be not necessary to recall the recommended holding period here as it would have been already used for the box on risk disclosure (see above).

6. How should information about charges and fees be presented?

We clearly favour a presentation through a percentage rate, as well as through a harmonised calculation and disclosure of TER (but including neither transaction costs nor performance fees). In particular, only percentage rates ensure a real comparability. On the contrary, there isn't any need either for cash terms or for commission split between the funds' producer and the distributor. What is important for the investor is the total cost for him; in addition, it would be a difficult exercise if several distributors are involved and it would not be easy to adopt such a principle for competing, in-house produced, financial

products such as certificates, notes, etc. But in any case the TER must be harmonised in its calculation and disclosure.

7. How could the packaging of funds into different end-products be handled?

It is not possible to handle it in the KII (in particular because in some cases the producer is not informed of all distributors selling its product). What is crucial is to ensure a similar disclosure obligation at the level of all distributors, whatever the distribution channel and the relevant Directive (MiFID or Insurance Mediation Directive) is.

8. How far should the information be harmonized between firms and between EU members?

To ensure comparability in practice, harmonisation is required on key definitions (TER, performances), key information (objectives, minimum holding periods) and format.

Providing the information to consumers: form and mode of delivery

9. Would it be useful to specify how this information should be presented?

We oppose any European approach regarding the lay-out and visual appeal of the KII. These two elements should be freely left to professionals.

10. In what form should the information be delivered?

Web and/or hardcopy should be used, depending on the subscription channel for instance.

Timing

11. How should we ensure consumers get information in sufficient time for it to be useful for their investment decision?

Distributors should follow the same, similar, approach for delivering such information to consumers. But producers should not be taken responsible for any mis-behaviour of distributors in this matter.

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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