

Athens, 14.12.2007,

TO : The Committee of European Securities Regulators (CESR)
(Deadline for responses to the Consultation Paper: 17 December 2007)

FROM: Hellenic Exchanges S.A.

ISSUE : Response Paper to “ CESR Consultation Paper on content and for, of the Key Investor Information disclosures for UCITS ” following the as of r.n. 43603/26.10.2007 incoming document of the Hellenic Capital Market Commission.

Introductory remarks

The Simplified Prospectus (hereinafter “SP”) was initially designed to be a core informative and therefore essential instrument to UCITS eventual investors. As the preamble of Directive 2001/107/EC has it, “(15)...*Such a new prospectus should be designed to be investor-friendly and should therefore represent a source of valuable information for the average investor. Such a prospectus should give key information about the UCITS in a clear, concise and easily understandable way...*”. Still, as the European Commission diagnosed, the implemented version of Simplified Prospectus across member states is still far from fulfilling the above stated purposes¹.

The Hellenic Exchanges SA welcomes both the Commission's and CESR's detailed work on re-elaborating and further upgrading the existing framework concerning the Simplified Prospectus disclosures, in view of upgrading the latter under the distinctive title “ Key Investor Information “ (KII) , so as to effectively serve the purpose and needs that called for its' introduction in the first place. In this aspect, the Hellenic Exchanges considers that CESR's proposals both identify correctly and achieve to address the core problematic issues associated with the up-to-day function of the SP.

Regarding Chapter 3: The wider context in which KII would be used

We particularly welcome the stated variety of circumstances under which the KII may be offered, and the relevant acknowledgment of their individual particularities. This reality

¹ European Commission, “White paper on enhancing the single market framework for investment funds” COM (2006) 686 final, Brussels 15.11.2006, par.2.1. : “...*The simplified Prospectus was intended to provide investors and intermediaries with basic information about the possible risks, associated charges, and expected outcomes of the respective product. However, it has manifestly failed. In most cases, the document is too long and not understood by its intended readers. It has been the victim of divergent implementation and 'gold-plating': the relevant Commission Recommendation¹ has been honoured more in the breach than in the practice. The result is a massive paper-chase of limited value to investors and a considerable overhead for the fund industry...*”.

if closely related to important issues, such as the respective responsibilities of the UCITS management company and the UCITS distributor for the delivery of the KII. In that aspect, we find appropriate that the management company shall only be held responsible for its delivery to the investor only in case where it acts as the direct distributor (or via a tied agent). The management company's responsibility shall remain solid for drawing up the KII for each UCITS it manages, as well as for providing it to other intermediaries participating in the UCITS distribution chain. The confinement of the UCITS management company's responsibility to responding to requests from other regulated entities to provide them with sufficient copies of the KII (as opposed to actively seeking to provide every potential distributor with it), goes to the right direction, as it clearly recognizes that in certain cases the management company is not systematically informed that the funds are marketed by some distributors.

Regarding Chapter 4: General options for format and content of KII.

The KII is challenged to achieve the goal the SP has failed in practice, and therefore it should provide retail consumers with all necessary information for informed investment decision. An inherent element of the latter is the investor's free choice between relevant investment products, which necessitates the ability of him/her to effectively compare products with dissimilar characteristics. The KII is invited to play a substantive role to that effect. We believe that the advanced comparability would be better served if a prescriptive approach were adopted by the regulators.

In that respect, the single, unified, standardised format seems to provide an answer to certain issues, such as the length of the document and the degree of comparability thereof. Still, the standardization of the format should leave some space of adjustment to the particular needs linked with specific products, as is the case of the structured funds that the CESR paper states (par. 4.18).

A model containing information in a strictly-to-need basis should be favoured, while considering the inherent difficulty in defining an exclusive, limited list of such elements. By consequence, were the KII to be restrained to the basic informative elements for the retail investor, its' effectiveness could be diminished by the structure under independent-like building blocks, and therefore the information contained in the KII might be more effective if inseparable.

A block of minimum local information of contact details, specific cut-off time and further source of on going information about the fund should be mentioned laconically in the KII.

Consistency with both the KII's aim at addressing primarily retail investors, and the MiFID client categorisation characteristics, indicates that those investors who, under MiFID, fall into the categories of professional clients (and/or eligible counterparties), should be

granted the option of not receiving the KII, following the relevant offer for its provision from their respective distributor.

Regarding Chapter 5: describing the funds' objective and strategy.

The distinction between the fund's objective and the fund's strategy is often unclear to the retail investor, mostly due to the current structure of the SP. The proposed joint presentation of the two in the KII, where necessarily at the same time their constitutive elements (in terms of the difference between the actual objectives of the fund and the practical means to achieve them) would be clarified to the eventual investor, would serve more effectively the actual purpose of the relevant information and diminish at the same time the typical "labeled" distinctions, which rather confuse than help out retail investors.

In the some course of action, it would be of substantial practical use the modification of the Commission Recommendation 2004/382/EC in order to include and therefore explicitly highlight: a) the primarily addressed type of investor, b) the legal guarantee of the capital where there is a case, and c) the minimum investment period. The inclusion of the addressed investor type (by reference to the non-legally recognized category of "non-sophisticated investor"), would be of particular use at a first glance reading on the investor's part, while not interfering with the intermediaries' obligations towards its' client, arising from MiFID. The issue of the capital's guarantee should better define to the retail investor the distinction between the legal guarantee and the otherwise "capital protection". The latter, along with the minimum holding period, are core issues that play a decisive role to the investment decision, and should therefore be placed at the first flow of information, the KII.

Finally, the negative flagging of products, whether for reasons of minimum holding period or of addressed investor type, could be helpful in absolute cases (where there is clear case in either of these circumstances), but should be treated with great care so as not to mistreat any (or many) non-basic products. In that respect, for reasons of ease of comparability of funds, the criteria for flagging should be set on a fair and equal basis per type of fund/investor. The application of these criteria on the funds it manages would remain the responsibility of the management company drafting the KII.

In that respect, it should be further clarified whether the flagging will be at the management company's discretion or not.

Regarding Chapter 6: Risk Disclosure

The risk disclosure is an important element, which profoundly effects retail investors' investment decisions, and for that reason should be as easy to comprehend as possible. A pure narrative presentation runs the risk the investor losing himself in the reading of detailed information, to which he/she is often not accustomed. On the contrary, the synthetic risk

/reward indicator accompanied always by narrative explanatory helps obtain a first clear picture on the issue, and then further compliment it with extra explanation on the more ambiguous aspects. CESR's relevant proposal on the explanatory wordings is well structured. Still, the effectiveness of the method will in much depend on the parameters used in order to formulate it (i.e. the definition of risk and reward), as well as on the form of presentation. Both should be tested with investors, in order to establish the degree of comprehension thereto. The maximum harmonization of methodology could serve better both the comparability and the distribution across EU member states of the relevant products.

Regarding Chapter 7: Past Performance

Past performance is a useful indicator, that, when fairly presented, contributes significantly to the better judgment of the investors, and should therefore continue to be part of the KII. The further standardization of both the parameters elaborated and the presentation thereof should be actively pursued by CESR, according to its' actual proposal. The identification of the possible misleading role of the past performance indication, where a significant change concerning the investment policy or the manager has occurred since, is of particular importance.

Regarding Chapter 8: Charges

CESR's proposed Model B for charges disclosures is more of a supplement version of the Model A, due to the extra consolidated presentation of charges, which seems easier to comprehend for the average non sophisticated investor. Still, the added value of the supplement is somehow undermined by the uncertainty of the picture it passes on to the addressed investor. Therefore Model A is a preferable option for the KII disclosure of charges.

Aiming at the effectiveness of the KII, the fact that investors tend to better comprehend the cash terms should be carefully considered. Concerning the organization of charges, the distinction between those imposed on the investment and those imposed directly on the investor should be retained, even though a consolidated figure might seem simpler at first glance. In this respect, the practical ease of use of the KII should be equilibrated to the necessity for precise and transparent information.

The chance of a material change in the charges should be mentioned in the KII in terms of, for example, a maximum margin of change in an indicative set of circumstances.

Regarding Chapter 9: Benefits and Costs of KII proposal

CESR's , as well as the Commission's, commitment to testing the proposals for the KII with the consumers is of great importance, for the more reason that a majority of the

problems diagnosed with the SP relate to the investors comprehension thereof. In that aspect, the consumer testing will provide with a realistic approach of the impact to be expected.

In parallel thereto, the goal of reducing costs (one-off and on-going) for management companies relating to drawing and publishing the KII should remain a decisive factor.

The gradual introduction of the KII, in terms of introducing it initially only for certain products is a feasible option, if combined with a fixed, “binding” timetable of gradual expansion thereof to the entire field of products concerned. The classification of the products for the gradual application of the KII should be object of the stakeholders’ consultation as well.