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Bundesverband Investment
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Mr. Carlo Comporti
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**CESR Consultations on the implementation of the Key Investor
Information Document (Ref.: CESR/10-530, CESR/10-672, CESR/10-532,
CESR/10-794)**

Dear Mr. Comporti,

BVI¹ appreciates the opportunity to contribute to CESR's consultations on various issues in relation to the implementation of a Key Investor Information document (KII) in the context of the revised UCITS directive 2009/65/EC.

We welcome CESR's intention to provide the market with instructive and practical guidelines on how to draw up appropriate key investor information documents (KID), thus promoting harmonised implementation of the UCITS IV framework by EU Member States.

With regard to the proposals and questions submitted for consultation, our comments focus on issues we deem specifically important from the perspective of the German investment fund industry.

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Stefan Seip
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¹ BVI Bundesverband Investment und Asset Management e.V. represents the interests of the German investment fund and asset management industry. Its 85 members currently manage assets of nearly € 1.7 trillion, both in mutual funds and mandates. BVI's ID number in the EU register of interest representatives is 1575282143-01. For more information, please visit www.bvi.de.

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I. CESR/10-672: CESR's Guidelines for the transition from the Simplified Prospectus to the Key Investor Information document

1. Do you agree with the proposed general approach in Box 2? Are there any other matters which the guidelines should address?

BVI members welcome in principle the proposed clarification that management companies may revise and reissue SPs during the transition period if they see the need (Box 2, para. 5). This would allow them to handle events which require adjustments of the SP appropriately and at the same time stick to the original timeline for the transposition from SP to KID for the relevant fund. Management companies might also want to use such an opportunity for bringing the SP "more in line with the requirements of KII", as paragraph 8 of the explanatory text suggests.

It should be made clear, however, that such an alignment of the SP with the requirements of KID is purely optional during the transition period. The purpose of the transition period granted by the UCITS IV Directive is to allow management companies sufficient time to adapt to the new requirements for KIDs. The time granted must not even partially be curtailed due to necessary amendments to the SP. BVI members feel that the wording of Box 2, para. 5 is slightly ambiguous in this respect and suggest clarification, e.g. in the explanatory text.

2. Do you agree with the proposed treatment of cross-border notifications, fund mergers and master-feeder structures? Are there any other special circumstances which these guidelines should address?

We think that the overall approach of Box 3 para. 1, last sentence, and para. 9 of the explanatory text is too strict. The time and effort necessary for translating a KID and producing leaflets should not be underestimated. This issue is of particular relevance in cases when Member States plan to shorten or even skip the transitional period. By example, according to recent legislative proposals for implementation of the UCITS IV Directive, also the German legislator is planning to replace the SP with the KID from 1st July 2011 on – without any transitional period.

It is virtually impossible to prepare KIDs in the relevant languages of all host member states at the same time as the domestic KID, in the case of

Germany on July 1, 2011. Therefore, it should be made clear that the (translated) SP may still be used for cross-border marketing during the transitional period even if the native SP has already been replaced by a KID.

II. CESR/10-530: CESR's guidelines on the selection and presentation of performance scenarios in the Key Investor Information document (KIID) for structured UCITS

1. Do you agree with the proposals in Box 2?

The requirement to provide at least or even more than three scenarios together with narrative explanations to illustrate to which extent negative market conditions may affect the final payout of the fund is likely to cause difficulties in complying with the three-page restriction for KIDs. Thus, it should at least be optional to replace the narrative explanations with a reference to the relevant sections of the prospectus.

Furthermore, BVI members see a need for clarification of the terms „unfavourable“, „favourable“ and „medium“ market conditions. Also, it should be clarified how each single market condition should be calculated and finally categorised within the scenarios.

3. Do you agree with the proposals in Box 3?

4. Is there any other guidance which should be given about the presentation of scenarios?

The calculation of structured UCITS's performance under the respective scenarios should be based on the same method as the calculation of non-structured UCITS's past performance is to be carried out (Section 4 of Commission Regulation No 583/2010 of 1 July 2010). BVI member see no reason for different treatment in the area of structured UCITS.

Regarding **Example A** on the choice of scenarios, it remains unclear why the scenarios shall illustrate the impact of the formula if the benchmark declines or performs strongly only near maturity date and not throughout the fund's life.

III. CESR/10-532: A guide to clear language and layout for the Key Investor Information document

BVI members feel that most part of the consultation paper is redundant and confines itself to describing the problems rather than offering solutions. It is clear that the two A4 pages requirement will become challenging as a considerable part of the mandatory contents leaves only little, if any space for understandable explanations which are highly important for clear language and sufficient perceivability.

BVI's own tests summarising the required information for a realistic sample fund on two pages ended up quite disillusioning as listing only the very key characteristics took up nearly all of the available space.

We therefore strongly recommend providing practical examples for KIDs based on realistic scenarios, especially for more sophisticated products such as emerging markets or high yield funds rather than plain vanilla products.

- 1. Do you agree with the concepts in Part 2 and that they should form the basis for writing a KII?*
- 2. Do you have any alternative or additional suggestions?*

We basically agree with the concepts in Part 2. It might be worthwhile compiling sample lists of jargon which should be avoided in all official languages of EU Member States.

- 5. Do you agree with the concepts in Part 4 and that they should form the basis for assessing the content of each section of a KII?*
- 6. Do you have any alternative or additional suggestions?*

BVI members are surprised by the statement that „some emerging market risks” may not be reflected in the synthetic indicator (see page 12, 2nd paragraph). We are not aware of a legal basis for this provision in either the UCITS IV Directive or in Commission Regulation No 583/2010. Furthermore, the usual risks of emerging markets (higher volatility) would be reflected in the information on past performance for non-structured UCITS. Hence, this reference should be reconsidered or at least justified.

IV. CESR/10-794: template for the Key Investor Information Document

1. Do you find the attached template useful?

2. Do you have any other suggestions?

The template provided is not very helpful since it merely reiterates the text of Commission Regulation No 583/2010 within the layout of a KID. It does not provide concrete wording proposals for presentation of narrative information, data or values. Instead, it uses terms such as “particular”, “material” or “low level of liquidity” which are too undetermined and ambiguous in their meaning.

In terms of content and layout the template should only be understood as non-mandatory orientation. In the interest of attractiveness and memorability, more room for manoeuvre should be left in line with Commission Regulation No 583/2010.

We hope our comments prove to be useful in CESR's further Level 3 work on the key investor information document and remain at your disposal for further information.

Yours sincerely

BVI Bundesverband Investment und Asset Management e.V.

(signed)
Alexander Kestler

(signed)
Dr. Claudia Benz