

POSITION PAPER



**ESBG response to CESR on the questionnaire on
simplified prospectus for retail investors**

25 May 2007



EUROPEAN SAVINGS BANKS GROUP



The European Savings Banks Group (ESBG) welcomes this opportunity to comment on CESR's questionnaire on simplified prospectus for retail investors.

1. What information should be included?

The simplified prospectus should be short and easy to read in order to ensure that the consumers obtain the most relevant information about the product offered to them. Cross references within the document often pose difficulties to identify and understand the key information. The simplified prospectus should focus on substantive features and should include references to the full prospectus and other legal documents and specify where these can be obtained (physically or electronically).

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

The simplified prospectus should include details of the fund (its strategy, investment objectives, level of risk, if it is guaranteed or not), the targeted investors, the tax regime, and the fees and costs associated to the fund.

We believe that the key investor information (KII) should target the 'average investor'.

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

We believe that the simplified prospectus should include a synthetic risk statement, drawn from a scale ranging from "very low" to "very high" risk. In addition, the particular risks associated to the fund should be highlighted in general terms and the recommendation about the minimum investment holding period is advisable as well.

In our view, the investors should be informed about potential gains and should be provided with a description of the funds and benchmarks of past performances. In the case of new innovative funds, the results of both back-testing and simulated scenarios should also be mentioned.

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

We agree with the approach consisting in providing a brief, plain-language description of the main investment features and, if relevant, the inclusion of benchmarks.

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

Past performance information, although it may be standardised, should accommodate the UCITS features, investment objectives, strategies, etc.

Therefore, where a minimum recommended holding period exists, past performance should be adapted accordingly.

A sentence referring to the fact that past performance is no guarantee of future performance should always be recommended when providing past performance information.

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



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Following the approach taken in the MIFID, it would be advisable to disaggregate charges, and at the same time make them easily understandable by retail investors, possibly by providing examples that would provide total charges in absolute terms and not only in percentages.

The KII should include disclosure of all costs in a way that is understandable by average investors.

The term 'total expense ratio' (TER) may be misleading and should be defined in a way that clarifies its content.

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

It is not clear whether the KII should cover the wrapper as well, as it may be hard or impossible to control it.

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

The most relevant information that should always be presented in the same way is the following: classification of a fund, investment objectives, associated risks, fees and charges.

Standardisation of KII is important for enhancing investor understanding, as it enables a broader view of the funds market at the European level, allowing investors to compare similar products.

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

See above.

10. In what form should the information be delivered?

Delivery can be made through the web or through hardcopy. In both cases, fund managers and/or distributors should make sure that the investor received documentation before the investment is made.

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

The investors should be given the KII in advance, before making any investment decisions. It would be very difficult and would disturb the business to establish a minimum period of time between the moment when the documentation is provided and when the investment is executed.



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About ESBG (European Savings Banks Group)

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5215 billion (1 January 2006). It represents the interest of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. ESBG member banks have reinvested *responsibly* in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



ESBG - Association internationale sans but lucratif/Internationale vereniging zonder winstoogmerk/

International not-for-profit association

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Published by ESBG. May 2007