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CESR's Call for evidence on UCITS Distribution
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Danish Shareholders Association, DAF, is the organisation representing private investors in Denmark.

General comments and distribution

Danish UCITS are organised as associations. A large proportion of Danish UCITS have been set up by a bank or to say it more correctly: by a group of persons known to a bank. The UCITS and the bank do not form a legal group. But the UCITS and the bank work closely together based on contracts.

In Denmark UCITS are mainly distributed to private investors through banks.

Banks related to providers of UCITS tend to sell more of "own UCITS" to investors than of UCITS from other providers.

Banks distributing Danish UCITS get a "mediation provision" from the UCITS provider. This provision is intended as payment for the costs related to the marketing of the UCITS including training of the bank employees.

UCITS from foreign providers are only sold to private investors as part of special pension schemes. This is due mainly to discriminative tax regulation and administration. But some foreign UCITS providers claim it is difficult for a foreign UCITS provider to get attention from the main distributors (banks).

UCITS are increasingly sold to private investors as part of "unit link" insurance schemes.

Packaging of UCITS funds

Many banks sell UCITS as part of an investment management agreement with private clients.

As part of these agreements some banks set up a simple definition of investment types: Proportion of bonds and shares, high risk/low risk. Then the bank makes the investment choice. The clients get information about the actual investments, but the clients receive no prior information from the bank on the UCITS chosen.

After the investment taken place the clients receive information from the UCITS providers and have access to information on the websites of the bank and the UCITS providers.

Danish Shareholders Association finds that both banks and private investors need to improve this process a lot. Investors should be involved in the decisions based on prior disclosure. And this means that both private investors and bank employees need a lot of financial education.

Fund structures

UCITS distributing income and UCITS accumulating income as capital are treated differently in the Danish tax system.

Yours sincerely

Danish Shareholders Association

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