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CESR
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09 July 2004

Dear Sir,

M&G's response to CESR's Consultation on the Mandate for the Expert Group on Investment Management (CESR/04 - 160)

1. Introduction

M&G is the UK and European fund management business of the life insurer and pension provider Prudential plc. It has over £111 billion of funds under management, of which £87 billion relates to Prudential's long-term business. M&G operates in markets where it has a leading position and competitive advantage, including retail fund management, institutional fixed income, pooled life and pension funds, property and private finance. As at 31 December 2003, M&G was the third largest retail fund manager in the UK in terms of funds under management and is one of the largest fund managers in the UK.

In 2001 M&G launched M&G International, with an initial focus on the distribution of M&G branded mutual funds to institutional investors in Germany, Austria and Luxembourg. In 2002, M&G International launched its retail operation in Germany and Austria and again in 2004 it expanded by obtaining retail registration in Italy.

We welcome the opportunity to comment on the proposed CESR mandate. We have seen the submission of the UK Investment Management Association (IMA) and broadly agree with the points they make. In addition, we would like to emphasise our views on some of the key issues.

2. Areas of work for urgent priority

Transitional provisions and clarification of definitions

We broadly support the areas of work selected for urgent priority notably the transitional provisions and clarification of definitions.

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While we note that there is some legal disagreement between various Member States and the Commission on the nature of the rules governing the transition between 'old' UCITS (86/611/EEC) and the amending directives (2001/107/EC, 2001/108/EC), we hope that in the interest of promoting a single market a pragmatic solution is urgently found.

As the provisions of the new UCITS directive must be in force in all Member States from February 2004, we believe that the credibility of EU level legislation is dependent on the rapid resolution of these issues.

The ability of supervisors and the Commission to deal with practical implementation problems will be seen as an important indicator for how the "CESR system" (in particular at Level 3) is likely to be able to deal with longer term future actions affecting the asset management sector.

The interpretation of UCITS transitional and passporting issues should not introduce additional administrative burdens for the industry.

Simplified prospectus

Linked to the above is the question of the simplified prospectus. The importance of this issue is not sufficiently highlighted in the published mandate.

The simplified prospectus is potentially a key part of the UCITS package in terms of its viability as a cross border vehicle for private investment and saving. To add value as an instrument of the single market it must act as "a single marketing tool throughout the Community". We therefore suggest that, as a matter of urgency, the Expert Group bring forward work on the simplified prospectus to ensure consistency across the enlarged EU.

Registration - simplification

We welcome comments from CESR identifying simplification of the registration procedure for UCITS as an area of work to complete by the end of 2005. However, the published deadline does not reflect the commercial significance of improving this aspect of the UCITS regulatory framework and we suggest that this work be prioritised straight away.

We fully endorse the recommendations of the Commission Expert Group on Asset Management with regard to registration:

- As a first step, CESR in co-operation with the Commission should develop consistent standards for the registration requirements foreseen by the existing UCITS Directives. National authorities should commit themselves to streamline the registration process.
- As a second step, the UCITS-Directive should be amended to replace the current registration requirements with a simple notification process. Instead of a registration per Host Member State in whose territory the marketing of the units of a UCITS is intended, a UCITS should automatically be admitted for distribution in all Member States of the European Community, once it has been authorised in its Home Member State.

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The lack of consistency in registration requirements has had a major impact on the viability of the UCITS 'EU passport' concept. In theory, UCITS should more easily be traded across borders than almost any other financial product, given that they are to a large extent standardised by the relevant EC Directive. The disparate registration requirements have gone some way to nullify the benefits of product standardisation.

We believe that an early resolution of this issue would bring commercial benefits in the short term and give rise to a more fully functional single market.

Other issues

Private placement

The CESR mandate correctly seeks to promote a single market. The above comments focus mainly on obstacles that are preventing the UCITS 'product' from benefiting from its theoretical 'European Passport'.

We need also to consider other ways to achieve a single market outside the UCITS framework. We share the view, as set out in the Commission Expert group on Asset Management, that there is significant scope for cross-border distribution of a wider range of products - including non-harmonised products - through the development of a common regulatory framework for private placement. Such a framework should include a clear and appropriate definition of private placement, eligible investors, as well as a harmonisation of private-placement rules including, for example, a coherent approach to disclosure obligations.

We would welcome CESR's giving early attention to this area.

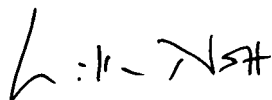
Consistency with other EU directives

While we welcomed the transfer of asset management to CESR. It is necessary for CESR to recognise the need to for differential treatment for collective investment schemes when working on the implementation of the FIM directive. This is particularly the case with respect to suitability requirements and the Execution Only business model.

We would also welcome an early resolution to the derogation from the E-commerce directive for the marketing of UCITS.

If you wish to discuss further any of the comments raised in this response, please do not hesitate to contact me on +44 20 7548 3036.

Yours faithfully,



William J Nott
Member of the Board
M&G Limited