

CESR Secretariat
11-13 Avenue de Friedland
75008
Paris
France

10 September 2010

Dear Sir/Madam

CESR 10-530: level 3 guidelines on the selection and presentation of performance scenarios in the Key Investor Information document (KII) for structured UCITS

On behalf of ILAG, I wish to submit the following comments on the above consultation paper.

ILAG is a trade body representing members from the Life Assurance and Wealth Management industries. ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

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

In broad terms, we agree with the proposals in Box 2. However, we would recommend that more guidance could be given on what level of downturn/outperformance should be shown. The Unfavourable, Favourable and Medium market conditions are somewhat ill-defined and should perhaps be more prescriptive in order to make these illustrations easier for clients to cross-reference across different providers. The current recommendations, it could be argued, would not allow clients to compare provider products in any meaningful way. A simple -5%, 0%, +5% for example for the three scenarios (plus a -20% for the extreme negative scenario) would give the customer a much clearer indication of how the product might perform when compared to similar products in the market.

If providers are expected to produce 4 scenarios (as described in the explanatory text for box 2, then this should be specified. This should be unequivocal rather than suggested, otherwise some providers will show the extreme scenario and others will not.

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2. Are there any other scenarios which these guidelines should address?

There are no other scenarios that these guidelines should address.

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

We agree with the proposals in Box 3.

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

There is no other guidance that should be given about the presentation of scenarios

We do, however, have further comments on the Annex Examples of scenario selection and presentation. **We are concerned that the examples given are not clear and may mislead the end customer. It is not clear from the examples whether it is the OUTCOME or the MARKET condition which is unfavourable, favourable or medium for the customer.** To illustrate:

In Example A, the second scenario is described as “the positive impact of the formula if the benchmark declines at the end of the fund’s life”, which is a favourable outcome to the customer. However, in Example B, the heading Unfavourable Scenario has been used to describe a situation where the market has fallen but the guarantee becomes operative, which is a positive outcome for the customer. This scenario is actually a medium or favourable outcome for the customer. A similar situation occurs in Example C where the market is down for the whole of the investment period but the guarantee operates to provide the customer with a positive outcome. This has been labelled “Unfavourable” Scenario but again, it is positive from the customer point of view.

We would strongly recommend that the terminology used to describe the Scenarios is revised and clarified. It should be made clear that Negative, Neutral and Positive Market conditions have been used to illustrate various outcomes for the customer, whether these be Favourable, Medium or Unfavourable. At present, it is not clear to the customer whether an Unfavourable scenario is merely a negative market or is an unfavourable outcome for their investment. This needs to be addressed as a matter of priority, or the illustrations could be both confusing and potentially misleading.

I hope that CESR finds these comments of value.

Yours faithfully

Doug Thow
Technical Analyst