CD /SJ – n° 2762/Div.

Committee of European Securities Regulators (CESR)
11-13, Avenue de Friedland
75008 Paris

Paris, 10 September 2010

AFG response to CESR Consultation Paper
"Template for the Key Investor Information Document"

The Association Française de la Gestion financière (AFG)[1] is grateful for the opportunity to comment on CESR consultation paper on a template for the Key Investor Information Document (KIID).

General comments

- We are grateful to CESR for proposing a template that we find very useful, as it allows people in charge of producing KIID to make sure that they have properly understood the level 1 and level 2 provisions and that they have included all the different compulsory items in their document.

- However, it may have been useful to prepare different templates to cater for the different types of UCITS (e.g. share class, feeder fund, structured fund).

[1] The Association Française de la Gestion financière (AFG) represents the France-based investment management industry, both for collective and discretionary individual portfolio managements. Our members include 413 management companies. They are entrepreneurial or belong to French or foreign asset management, banking or insurance groups. AFG members manage 2,600 billion euros in the field of investment management, making in particular the French industry the leader in Europe in terms of financial management location for collective investments (with over 1,300 billion euros managed from France, i.e. 20% of all EU assets managed in the form of investment funds), wherever the funds are domiciled in the EU, and second at worldwide level after the US. In the field of collective investment, our industry includes – beside UCITS – employee savings schemes and products such as regulated hedge funds/funds of hedge funds, private equity funds, real estate funds and socially responsible investment. AFG is of course an active member of the European Fund and Investment Management Association (EFAMA) and of the European Federation for Retirement Provision (EFRP). AFG is also an active member of the International Investment Funds Association (IIFA).

- **Moreover, the legal nature of the template needs to be clarified as soon as possible: will the provisions become compulsory or not? The wording used by CESR in this regard is unclear and management companies need to know whether the future ESMA will make the template compulsory to all Member States and / if to what extent it will be possible to tailor it at national level. In any case, if ESMA were to consider taking Binding Technical Standards, stakeholders would have to be consulted beforehand. CESR must clarify this point in its final advice.**

- We believe that it would be useful for the KIID to include a statement that **the product it describes is regulated by a European Regulation**. Indeed, if national regulators were to decide and extend the use of such document to other national products, investors should be in a position to make the difference between UCITS and nationally regulated products.

- Some AFG Members highlight the need to clarify some methodological issues in order to harmonise at European level the quantitative data shown in the KIID. For instance, a threshold should be specified in order to define what portion of the assets of a UCITS in a other UCITS or CIUs can be considered as "substantial" (cf. CESR's guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document published on 1 July 2010). Also, they feel some detailed guidance is needed on what variation of the charges would entail a revision of the KIID, as well as on the monitoring of the synthetic risk reward indicator (cf. CESR's guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the Key Investor Information Document).

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<u>Detailed comments</u>

<u>Title</u>

We believe that it would be useful for the KIID to include a statement that the product it describes is regulated by a European Regulation. Indeed, if national regulators were to decide and extend the use of such document to other national products, investors should be in a position to make the difference between UCITS and nationally regulated products.

For instance, the statement at the top of the first page of the KIID could state: "The information is required by EU Directive 2009/65/EC to help you understand the nature and the risks of investing in this fund".

We think that, if relevant, the title of the KIID should include a statement that the fund is a share class.

<u>Objectives and investment policy</u>

The proposed template does not seem to include all the compulsory items set out in the Regulation for each specific type of fund (e.g. class – please see our above comment on the title of the KIID), therefore management companies will have to refer to the Regulation to make sure they include all required items in their KIID.

We would be very grateful if CESR could adapt this template to feeder funds, at least to mention in the essential features if the relevant fund is a feeder of another fund.

We are afraid that avoiding any copy-out of the prospectus might prove difficult in view of a wording balanced and consistent.

The Regulation requires that the objectives and investment policy should indicate, if relevant, that transaction costs will have a material impact on the performance of the UCITS. However, no threshold is defined to determine whether the impact of transaction costs on the performance of the UCITS is material or not. This creates a legal risk for management companies if they omit to list a risk that is considered as material. It would therefore be helpful to receive some guidance on this.

Furthermore, we suggest that the examples given by CESR of other essential information include any guarantee attached to the fund.

<u>Risk and reward profile</u>

We believe that it would be relevant to include a statement regarding the currency exposure of investors who subscribe in funds that are in a currency different from their own.

<u>Charges</u>

We do not think that referring to a specific page of the prospectus would be wise, it would be better to refer to the prospectus or to a website address, so that any change of the format of the prospectus does not necessarily imply the update of the KIID.

<u>Past performance</u>

We understand that the template proposed by CESR is one example of KIID and that it will have to be tailored to each particular UCITS. For example, we would like to highlight that the Regulation specifies that in case a benchmark is stated in the prospectus the past performance graph should show a benchmark. We would therefore appreciate if CESR could take this into account in its proposed template.

Some AFG Members highlighted that the graph might not be easy to read, as it should show performances in percentage numbers and may have to show benchmark changes or material events.

<u>Practical information</u>

We do not have any specific comments relating to this section of the KIID.

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If you need any further information, please don't hesitate to contact myself at +33 1 44 94 94 29 (p.bollon@afg.asso.fr, our Head of International Affairs Division, Stéphane Janin, at +33 1 44 94 94 04 (s.janin@afg.asso.fr) or our Deputy Head of International Affairs Division, Carine Delfrayssi, at + 33 1 44 94 96 58 (c.delfrayssi@afg.asso.fr).

Sincerely Yours,

Pierre Bollon

(signed)