

10 September 2010

CESR
11-13 Avenue de Friedland
75008 Paris
France

Dear Sirs,

IMA response to Consultation Papers CESR/10-530, CESR/10-532, CESR/10/672 and CESR/10-794, relating to the KII document

The IMA represents the UK-based investment management industry. Our Members include independent investment managers, the investment management arms of retail banks, life insurers and investment banks, and the in-house managers of occupational pension schemes. They are responsible for the management of over 4.1 trillion Euros of funds, including authorised investment funds, institutional funds, private client accounts and a wide range of pooled investment vehicles. In particular, our Members represent 99% of funds under management in UK-authorised investment funds (i.e. authorised unit trusts and open-ended investment companies).

It is in their capacity as providers of authorised funds (and, in particular, UCITS) that our Members have a keen interest in these consultation papers and the guidance concerning the KII contained therein.

We welcome the opportunity to comment on the guidance contained in CESR's Consultation Papers. We continue to support the overall aim of producing a clear concise document that will enable investors to make informed investment decisions. It is equally important that the production of the KII is subject to maximum harmonisation so that investors can reliably compare UCITS domiciled in different Member States.

In this context we have some concerns over some aspects of the proposed guidance, which are detailed in the attached responses to the questions posed in the Consultation Papers. In summary:

- We are disappointed that CESR has not produced a mock-up of the KII document which has examples of "real" information displayed rather than a list of requirements. Our members are concerned that in order to fit in all the information, even using short form style, will necessitate the use of two columns of print (i.e. newspaper style) and small font.

- We have some concerns that translation of the KII document from English into some other European languages may result in up to a 30% increase in text.
- Additionally, in calculating the Risk Reward Indicator we note, and welcome, the change to require 5 years of data as opposed to only 3 years, but we remain concerned that the boundaries between the seven categories will lead to significant bunching of funds within only a couple of categories. The IMA has made representations to CESR and the Commission on this matter previously. We call again upon CESR to review the category boundaries sooner rather than later, and certainly before the methodology is incorporated into a binding requirement.

We welcome CESR's pragmatic approach to the transition period, post implementation, and suggest that management companies should be permitted to transfer to KIIs in a way that is most operationally efficient for their businesses.

We would be happy to discuss our response with you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Andy Maysey', with a long horizontal flourish extending to the right.

Andy Maysey
Senior Adviser, Retail Distribution

**CESR's Level 3 guidelines on the selection and presentation of
performance scenarios in the Key Investor Information document (KII) for
structured UCITS
(Ref. CESR/10-530)**

1. Do you agree with the proposals in Box 2?
2. Are there any other scenarios which these guidelines should address?
3. Do you agree with the proposals in Box 3?
4. Is there any other guidance which should be given about the presentation of scenarios?

We welcome the proposals in both Box 2 and Box 3. We do not, at this stage, have any recommendations regarding further scenarios which the guidelines should address. Structured UCITS are relatively complex investment propositions and the explanations and scenarios should be kept as simple, but as complete, as possible.

**A guide to clear language and layout for the
Key Investor Information document (KII)
(Ref. CESR/10-532)**

1. Do you agree with the concepts in Part 2 and that they should form the basis for writing a KII?
2. Do you have any alternative or additional suggestions?
3. Do you agree with the concepts in Part 3 and that they should form the basis for designing a KII?
4. Do you have any alternative or additional suggestions?
5. Do you agree with the concepts in Part 4 and that they should form the basis for assessing the content of each section of a KII?
6. Do you have any alternative or additional suggestions?

We have no particular comments to make regarding the guidance offered on clear language and layout for the KII. The UK regulator (the FSA) has recently undertaken a review of disclosure documents and communicated such guidance to all UK firms under its Treating Customers Fairly initiative. It will therefore be very familiar to UK management companies.

CESR is to be congratulated for compiling such a document, which clearly describes its expectations.

However, whilst such a guide is perfectly usable in English, we have some reservations about its use in other European languages, particularly where the length of words and sentence construction could take up more room than that available on a two page document.

Feedback from our members has indicated that translation of the KII from English into some other European languages has resulted in up to a 30% increase in text. This leads to some difficulties in accommodating all the prescribed information into the limited space available.

**CESR's guidelines for the transition from the Simplified Prospectus to the
Key Investor Information document
(Ref. CESR/10-672)**

1. Do you agree with the proposed general approach in Box 2? Are there any other matters which the guidelines should address?

We welcome CESR's recommended pragmatic approach to the introduction of the KII during the transitional period. We particularly welcome CESR's recommendation for the production of an SP where a new share class is introduced in an existing UCITS.

We also agree that management companies should consider the issue of investors being offered both an SP and a KII for different funds in the same range. However, it is inevitable that, during the transition period, investors will be offered SPs and KIIs when making comparisons of funds from different providers. There will not be full comparability until all funds produce KIIs. We suggest, therefore, that management companies should be allowed to transfer to KIIs in the way that is most operationally efficient for them. In many cases, they may choose to do so in one go, but others may not, for good reason.

2. Do you agree with the proposed treatment of cross-border notifications, fund mergers and master-feeder structures? Are there any other special circumstances which these guidelines should address?

We agree with the proposed treatment.

3. Are there any circumstances in which these guidelines could be detrimental to consumers?

We have identified none.

CESR's template for the Key Investor Information document
(Ref. CESR/10-794)

1. Do you find the attached template useful?

The template is useful in so far as it lays out what should be included in the document. However, it does not take any account of, or make allowances for, those situations where the required narrative is larger than the space available for its inclusion, for example, funds that are more complex and require additional narrative to ensure that the information provided is clear, fair and not misleading. CESR should provide clear guidance on how this additional information, which will not fit on the template, should be accommodated.

It would have been more useful had CESR included examples of "real" information in the template and, or, produced a "mock-up" of such a document, as promised in "CESR's technical advice to the European Commission on the format and content of Key Information Document disclosures for UCITS" dated 19 April 2010. Members which have tried to produce first drafts of KIIs have informed us that it is virtually impossible to fit the information into two pages, however short a sentence construction is used. It seems inevitable that many if not all KIIs will adopt the newspaper column style and the smaller font size. Worryingly, this will reduce the narrative to "small print" (with the negative connotations of that description) and make the graphs and diagrams even more prominent.

2. Do you have any other suggestions?

We note and welcome the change in the recommendation to use five years of data rather than three when calculating the fund's Risk and Reward Indicator. However, we remain concerned that the recommended positioning of the boundaries of the seven categories will lead to significant bunching of funds within certain categories.

IMA used the CESR methodology to risk-rate all UK authorised funds. Over the period 1997 to 2009, of 435 funds assessed, 85% fell most often within only two categories, with 50% of funds having a single category as their modal category. This would make it hard for consumers to evaluate the relative risks of different funds. CESR will be aware that IMA has previously made representation both to the Commission and CESR on this issue.

It is therefore our view that the boundaries (and the length of data series used) should be reviewed sooner rather than later, and certainly before the methodology is incorporated into a binding requirement by ESMA.