

Ref: CESR/07-14

Committee of European Securities Regulators
10-13 Avenue de Friedland
75008 – Paris
France

25 May 2007

Dear Sir/ Madam

**Key Investor Disclosure for UCITS - Simplified Prospectus
Specific Call for Evidence for Retail Investors & Representatives of
Retail Investors – April 2007**

I have pleasure in submitting evidence and comments on behalf of ILAG in respect of the CESR questionnaire on the above subject.

ILAG is a professional representative body in the UK concerned with the future of the investment, life assurance and pensions industry. It is led by practitioners and aims to identify and develop industry good practice. The Group currently has a growing membership of around 50 practitioner companies and associate members. In addition, a number of individual members are affiliated to the Group.

Our comments in respect of the questions listed are as follows:

1) What information should be included?

To achieve its stated purpose of providing retail customers with relevant information to enable them to make an informed decision regarding investment in a UCITS, the Simplified Prospectus needs to satisfy the usual fair, clear and not misleading requirements, and contain a balanced presentation of both the benefits and the risks of the scheme.

The most essential element of "simplification" should be brevity; cut out all extraneous information which is not likely to be understood by the retail customer (e.g. name and address of depositary, auditor, etc., portfolio turnover rate etc). Consumers just need to know the basics about what they are buying, how to invest, how to get their money back and any risks.

Legal information should be separate. Too many jurisdictions (Luxembourg in particular) think that the Simplified Prospectus should be worded in the same way as the main Prospectus and this results in a very legal document which most consumers do not understand.

2) What substantive UCITS features do consumers need to know about?

We believe that just the basics should be included - e.g. fund name, fund manager, objectives, area and/or sector in which fund invests, any limitations on asset distribution (such as cap on proportion in equities or bonds, etc.), guarantees (if any) and circumstances in which they apply, potential downside risks.

Basic tax information should also be included. The effect of tax would be better understandable for customers if disclosure were limited to the end effect it has on the individual investor, rather than technical implications for the fund itself. This would facilitate clearer disclosure about the effect of tax wrappers, where UCITS can be accessed via such mechanisms.

3) What information should be provided about risk and rewards?

Disclosure of risks should be limited to those most likely to occur, rather than every conceivable risk. The SP could just state e.g. "In addition to the risks explained here, other risks could occur in extreme circumstances; these are described in the full Prospectus."

Rewards should also be highlighted in the context of long term growth, regular income etc. An explanation of the relationship between risk and reward should certainly be helpful. Perhaps a simple chart showing, say, three possible outturns over a given period (e.g. 5 years, 10 years), negative, neutral and positive.

Detailed information about derivatives will not be understood by most consumers (see also 4).

4) What information should be provided about strategy and objectives?

Basic information about where the fund invests and what sort of stocks it will be buying. Information about bond duration is meaningless to the vast majority of consumers and should not be included. Care needs to be exercised about what information is given about derivatives. If a fund uses these for investment purposes they need to be mentioned, but it also has to be borne in mind that, again, most consumers will not understand what a derivative is.

5) How should past performance information be presented, and for what time period?

Past performance information should be included. Consumers do want to have this information however I think that the graphs that are currently shown are meaningless. We should include information in a table as is currently required by the FSA in the UK. This gets across the performance of the fund but also gives an indication of the volatility. I believe that the previous 5 years past performance should be included. Most people will be investing for this time period.

Retail customers are known (at least in the UK!) to appreciate the inclusion of past performance; this is easily understood. It should be allowed, but with the appropriate warning. If both cumulative and periodic performance is shown, customers should be better able to appreciate the effect of price movements over time.

6) How should information about charges and fees be presented?

The consumer needs to know about the initial charge and the annual charges and what this actually means for their investment. They also need to know how any other charge may affect them.

We prefer that disclosure should be restricted to one total initial charge and one total yearly charge representing the actual amounts (either in monetary terms or as a percentage) payable by the customer and leaving out measures such as TERs which are NOT in reality "total", and so likely to mislead. If TER is retained, it should have to be 100% total. Commission or other distribution costs should be shown separately.

Moreover, for wrapped products (e.g. ISA, CTF (both UK products), unit-linked life policy)) it is unlikely to help most retail customers if wrapper and underlying charges are shown separately and we would favour the wrapper provider stating its charges, which should be fully inclusive of any charges arising from the underlying that are passed on to the end customer via the wrapper provider's charges.

7) How could the packaging of funds into different end-products be handled?

Ideally, the Simplified Prospectus should live up to his name and just include information about the funds. It could include a small paragraph about how the funds can be used as underlying investments for pensions, life products etc. It would for the product provider to give details on how the underlying funds would work within their product and the impact on charges etc.

For wrapped products, disclosure should be capable of tailoring to fit the nature of the wrapper, which itself may impose specific conditions relating to e.g. access, exit, tax treatment, etc. The majority of retail customers - especially those not acting on independent advice - will perceive the wrapper to be the investment product, rather than the underlying UCITS, and their ability to understand what they are buying is threatened by over-proliferation of information about wrapper and underlying as separate entities (a differentiation which customer probably doesn't recognise). Disclosure of full SP information is of limited use to wrapper customers, and serves only to confuse.

8) How far should the information be harmonized between firms and between EU members?

It should be harmonized as much as possible; however there will always be differences. I think that the general layout should also be standardised but with colours, logo etc left to individual customers.

9) Would it be useful to specify how this information should be presented?

The format of Key Features (KEF), as used in the UK for most investment products, could be used as a template for SP. For a wrapped product both KEF and SP should be combined in the same document.

Some guidance would be recommended although I don't think that colours, spacing etc should be fixed.

10) In what form should the information be delivered?

The information should be available in whatever format suits the consumer best – hardcopy, website etc.

11) How should we ensure consumers get information in sufficient time for it to be useful for their investment decision?

The SP should always be given to the customer before an investment is made. For wrapped products if the SP information is combined with the KEF, then the customer will get all the necessary information together at one time and before the cancellation period starts.

We hope that these comments are useful to CESR in preparing the technical groundwork on revisions to the Simplified Prospectus. We have no input to make on the specific call for evidence in respect of UCITS distribution.

Yours sincerely

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