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The Committee of European Securities Regulators

Legal & General Group Plc
One Coleman Street
London
EC2R 5AA

Date: 17 December 2007

Dear Sir/Madam,

Content and form of Key Investor Information disclosures for UCITS

Here are our responses to the specific questions raised in the above Consultation Paper on behalf of the Legal & General Group of Companies.

Yours sincerely,

Steve Donnelly
Assistant Product Manager - Technical

Questions and answers for the CESR consultation

Chapter 2

1. Are respondents aware of other research which is relevant to the market and regulatory failures associated with the SP?

A: No.

2. Do respondents consider CESR's proposals would address the regulatory failures associated with the SP?

A: Yes, apart from costs and time consuming as some other "Product Guide" would still need to be produced to complement the KII and meet other regulatory requirements.

Chapter 3

3. Do respondents think that CESR has accurately described the context in which KII is likely to be used, and has correctly identified outstanding issues?

A: We believe there is still a considerable amount of investigation required into how this will work from a logistical point when a fund is sold via a platform or similar service.

Chapter 4

4. Do respondents agree with the proposed purpose and scope of KII?

A: Agree that the proposed purpose and scope should be consumer researched.

5. Should non-retail investors be permitted to opt out of receiving KII?

A: Yes

6. Do you think that CESR's proposals on general presentation are appropriate?

A: The proposals are appropriate, but we would like to see the KII researched with the other documentation that would need to be used with it. You cannot deal with this document simply in isolation.

7. Should CESR propose adopting a more prescriptive approach, for instance using detailed templates, or should it support a less prescriptive, more principles-based approach?

A: If the KII is supposed to be a tool to allow comparison across products, then there needs to be a detailed template to ensure consistency across managers.

8. In relation to the proposals on content, should Option A (with fewer items) be favoured compared to option B?

A: We favour Option A. Option B makes the document less flexible across borders and when sold via platforms.

9. How should both options best be tested with consumers?

A: The KII must be tested with the other layers of product information. This would test whether some potential investors only read the product literature and not the KII or Vice versa.

10. Has CESR correctly struck the balance between reducing the information provided and ensuring investors receive the key messages they need?

A: The right amount of fund messages are included. All detail on investment messages would have to be contained in a separate document.

11. Should the competent authority of the fund and the tax regime of the fund in its Home Member State be included?

A: The competent authority should be shown. The tax regime can be included in supporting literature.

12. Do you think other items of information are necessary? If so, which ones in particular?

A: There is a lot of extra information that a potential customer should see. It will all need to be in a separate document.

13. Do you agree that distribution costs should not be systematically 'unbundled' within KII? Should there be flexibility to allow this where appropriate?

A: Yes.

14. Does the proposed approach of local information (a harmonized section for local information within KII, that would be precisely delineated) achieves a correct balance between the need for local information and the smooth functioning of the passport ? Is a more radical approach (i.e signposting local information to a website) feasible and appropriate ?

A: If content Option A is chosen then there will not be any local information. No real opinion on this at the moment.

15. Should a 'building block' approach be permitted, whereby providers can produce different parts of the KII separately?

A: If consistency is what's being looked for, then there should be a single, prescribed document. There should be signposts though to other literature that contains more detail.

16. Do respondents agree with the proposed treatment of funds of funds?

A: Yes.

17. Should separate KII be produced for each sub-fund of an umbrella? Should providers be permitted to produce a compendium for all the sub-funds of an umbrella if they wish?

A: Whether a compendium can be produced should not be driven by the legal constitution. CESR should consider whether "families of funds" could be included in a compendium even if each one is a separate legal entity. Clear guidance would be needed to ensure that huge compendium with a wide range of funds are not produced.

18. Do respondents agree with the proposals for treatment of unit / share classes? In particular, should providers be permitted to produce KII featuring a representative class?

A: We're happy with both these proposals.

Chapter 5

19. Do you think that CESR's proposals on the presentation of the strategy and objectives of a fund is appropriate?

A: Yes.

20. In particular, is it relevant to merge strategy and objectives into one generic item?

A: Yes.

21. Is the streamlining of the current applicable Recommendation relevant for the purpose of focusing the description on key elements? Do you agree with the addition of new key items to mention within that section: guarantee, period of holding inappropriate if any, design also for retail non-sophisticated investors?

A: Yes

22. More specifically, do you agree that it should be required that in case the capital is not legally guaranteed, the term 'guaranty' should not be used in the KII, and it should be shortly mentioned to investors how the protection is achieved ? In case the capital is legally guaranteed do you agree the guarantor should be mentioned? do you agree that it is not necessary to mention explicitly that a fund is not capital guaranteed?

A: Not relevant to us.

23. Do you agree that mentioning whether it would not be appropriate for the investor to invest into the UCITS, if he anticipates the need to redeem within a defined time period to be

stated, is the appropriate way to deal with time horizon issues without leading to misunderstandings?

A: We agree with the sentiment of this proposal, but the wording is a bit negative. Clients should be given the factors to consider when contemplating an investment. Could say that we suggest that customers invest for a minimum of X years as current.

24. Do you agree that giving management companies the opportunity to flag funds that have not been designed for non-sophisticated investors, with no legal consequences, would help in preventing missellings, especially in the case of 'execution only' subscriptions?

A: No. The words 'non-sophisticated investor' should not appear on any literature. It's not a good way of describing a potential client. We think that it should be an assumption that these products are all suitable for retail clients unless stated otherwise. The distinction should be made on products that are more complicated and may need more financial knowledge.

Chapter 6

25. Do you agree that the presentation of a synthetic indicator should be favourably tested with stakeholders and consumers?

A: Yes.

26. What specific presentation (icon, wording, numeric scale...) should be favoured, and if so on what basis?

A: We would prefer a sliding scale meter rather than any of the suggested defined groupings. This could be along the lines of a thermometer which could be split into groups.

27. How prescriptive should regulators be for the choice of a methodology, given that it should take into account largely shared risk management practices and suit investors' perception of risks?

A: As with other answers, the idea is to get more consistency across managers, so the methodology needs to be completely prescriptive. It also needs to be the same for all types of similar products, such as life bonds and pensions. One particular reason for this is that in some member states there is an increasing trend towards choosing a fund first and wrapper second.

28. Are you aware of any specific existing calculation methodology that should be proposed?

A: We use a method that we are happy to share with you if needed. Please contact me and I'll send it to you, along with a sample of the meter that is subsequently produced using this methodology.

29. Is the suggested assessment grid Annex 4 for methodological and presentation issues appropriate and sufficient for identifying a relevant methodology?

A:

30. How could the potential limitations of the quantitative calculation of a synthetic risk/reward indicator be further mitigated?

A: If you use a single digit numeric scale, clients would not know where the relevant product fell within a number. A client may not invest in a '4' for example as they think it's too risky, even though the product may only be marginally more risky than a '3'. A sliding scale would show exactly where the product fell. This would also stop managers designing funds to just fit within a certain group. You could also show comparative markers on the scale, a bank account and a single share in a volatile index for example.

31. Do you agree that the possible limitations to a risk reward might be effectively communicated to consumers through textual warnings? Is the proposed wording appropriate?

A: The limitations could be communicated by text, but the wording stated would need to change. The wording used seems to be there to cover the regulator more than let the

customer know what could happen. The space could be better used explaining the risks attached to the product rather than the risks attached to the measure.

32. Which funds or which risks might not be adequately captured by a quantitative methodology?

A: No opinion until a proposed methodology is communicated.

33. Could the display of scenarios or tables illustrating the behaviour of formula funds enhance the information disclosed for those funds? **Yes.**

Do you think that such presentations should be limited to formula funds? **Yes**

Do you think that such presentations might have some misleading effects, might be manipulated, or mistaken for a guarantee? **Not if correct wording used**

How could these be addressed and reduced? Using a realistic upper limit to market growth

Do you think that such disclosure should be made in a harmonised way? **Yes**

What could be possible ways of showing prospective scenarios? **We use tables to show what could happen in monetary terms to a sample investment if the market fell or rose.**

34. On the narrative side, do you agree with the suggested high-level principles?

A: Yes.

Chapter 7

35. Is CESR correct to recommend that information about past performance be included in the KII?

A: Yes.

36. Has CESR identified the right areas and ways in which this information should be standardised?

A: No. We believe that the performance graph should show bars for the annual performance and a line for the cumulative performance. The line graphs is the best way to show the volatility of a product. Bars can mask significant intra-year or sharp short term volatility.

37. Which charges should performance figures take into account? For instance, should figures include allowance for subscription and redemption fees?

A: Figures should be shown on a bid to bid basis.

Chapter 8

38. Has CESR identified the best overall options for including information about charges in the KII?

A: Yes

39. Should a 'consolidated' charges disclosure be included, and how should it be described?

A: A consolidated charge should be included. The example table is very clear.

40. Should options for the disclosure of charges in cash terms be explored further?

A: There could be an extra column in the example table that shows the cash charge on a typical investment of £1,000.

41. Do you have any comments on how charges should be organised (e.g. between charges relating to subscribing and redeeming units, ongoing fund charges, and contingent charges), labelled (e.g. 'initial charges,' 'exit charges,' 'ongoing charges') and the accompanying narrative messages regarding what they include or exclude? How much detail is necessary in a document like the KII?

A: Could amend to 'ongoing annual charges'. The narrative isn't needed in this document, but there could be a statement that the charges could change and that the client would be informed in writing of any increases. More detail will be held in the accompanying literature.

42. In relation to the handling of ex-post and ex-ante figures, is it appropriate to include only a single figure for ongoing fund charges in the KII, and if so, on what basis? Do stakeholders have any particular views as to the handling of such information?

A: Fine to use a single figure, based on the UK model.

43. How should situations where there is a material change in charging levels be addressed?

A: With a note underneath the charges table.

44. Should portfolio transaction charges be included or excluded from the disclosure of ongoing fund charges? If they should be included, how should assets for which transaction charges are not readily available be handled?

A: Excluded.

45. Has CESR identified the best option for handling performance fees in the KII?

A: Yes. Also performance fees should not be included in the consolidated charge.

46. Do you agree that CESR should recommend that charges are disclosed on a maximum basis?

A: Yes.

47. Are there any options for providing more accurate information, in a way which consumers might understand, about charges under different distribution arrangements?

A: No. Introducing this may lead to high production costs and logistical issues of multiple versions. There would also be risks of clients receiving the wrong version.

48. Do you agree that CESR should recommend that charges for a feeder fund and its master be combined into a single disclosure in the KII?

A: Yes.

Chapter 9

49. Do respondents have any comments on the proposals for consumer testing?

A: The KII should not be tested as a stand alone item. It won't be used on it's own, so it should be tested with any example accompanying literature that may be used with.

50. Do respondents have any initial views on the one-off costs of replacing the SP with KII?

A: It would depend on when the rules came in. The cost would be less if we could bring this new literature in for a new tax year, when we usually do a literature update.

51. Do respondents have any initial views on the on-going costs of KII, compared with those currently included in producing the SP?

A: It could work out cheaper in the long run. The accompanying literature may not need to change as often.

52. What, if any, transitional arrangements should there be if the SP is replaced with KII?

A: There could be a transitional period of one year, leading up to a new tax year.

53. Is the gradual introduction of KII feasible?

A: Yes. Each EU jurisdiction could decide it's own implementation time, but all countries would need to be done by a set date.