

Answers of Proxinvest

to the CESR's questionnaire on key investor information disclosures for UCITS

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Proxinvest considers that for topic so this nature, where retail investors opinions is wanted the consultation paper should be presented in the various languages of the EU Members States.

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

AMF .Delmas-Marsalet Report ,

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

Yes we subscribe to the more appropriate concept suggested by some analysts (FEDER) of "Key Investor Document" or "KID."

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?

Proxinvest is concerned by CESR's statement according to which "within the current framework and taking into account the amendments suggested at this stage, there would be no guarantee that retail clients would receive KII in the standardized format that CESR has been working on."

Proxinvest recommends that the burden of proof or reception of the KII lies with the issuer and that his signed acknowledgment be always requested

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

Yes

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

No

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

Yes, and the two-page condition should be a strict requirement.

The possibility to provide KII in excess of 2 pages be prohibited,

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?

No

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

Proxinvest favours Option A

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

No idea

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

Yes,.

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

Yes

With regard to the fund's tax regime in its Home Member State, Proxinvest does considers that this should be included in the KII with a warning for non national check the potential tax consequences if the UCITS if domiciled in another Member State

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

No.

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

Distribution costs may vary according to the distribution networks and intermediaries. the MiFID directive clearly requires distribution costs disclosure to the retail clients, except where the UCITS are wrapped into products like unit-linked insurance contracts which are not covered by the said directive. They should be in all cases disclosed.

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

Proxinvest considers that sign posting it on the relevant website would be good.

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

No.

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

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?

YEs separate KII for each sub-fund, please. No exceptions should be allowed.

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?

Yes

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

Yes.

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

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?

Yes,. These elements might also best be presented within the risk/reward section, instead of being

part of the “strategy and objectives” section.

22. More specifically, do you agree that it should be required that in case the capital is not legally guaranteed, the term ‘guarantee’ should not be used in the KII, and it should be briefly mentioned to investors how the protection is achieved ?

The fact that no securities investments is ever guaranteed should be stressed and possibly stated: the detail of the guarantee should presented as a limitation of this guarantee : capital guaranteed up to the solvency of J.P.Morgan...

In case the capital is legally guaranteed, do you agree the guarantor should be mentioned?

Yes as a limitation of this guarantee (see above),

Do you agree that it is not necessary to mention explicitly that a fund is not capital guaranteed?

Proxinvest believes that the absence of guarantee should be , stated as such in the KII. Investors need very basic messages such as this one.

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?

Yes, Proxinvest believes that the information relating to the minimum holding time period is a useful information in the retail investors’ decision-making. The proposed wording is a good way to avoid misunderstandings.

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?

Yes

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

Yes.

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

According to Proxinvest’s experience, icons and wordings are appropriate

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

As it is impracticable to determine a common methodology, the use of slightly differing methodologies should be authorized. The proposed approach would be more appropriate for the purpose of investor protection than the use of narrative risk descriptions, given that such descriptions would not enable retail investors to compare products.

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

No.

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

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

If some risks cannot be taken into account into the calculation of the synthetic risk/reward indicator, then this should be expressly mentioned in a short explanatory text. This should be tested with retail investors in order to determine whether they can understand such limitation.

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

Yes

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

the liquidity risk and the counterpart risk of alternative multiplayer mgt

33. Could the display of scenarios or tables illustrating the behaviour of formula funds enhance the information disclosed for those funds? Do you think that such presentations should be limited to formula funds? Do you think that such presentations might have some misleading effects, might be manipulated, or mistaken for a guarantee? How could these be addressed and reduced? Do you think that such disclosure should be made in a harmonised way? What could be possible ways of showing prospective scenarios?

Formula funds and capital protected funds should be led to a specific presentation in order to help consumers understanding the real pay-off that is proposed with no need for any specific guidance to design the scenarios

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

Proxinvest's first option is the use of a synthetic indicator. then a narrative approach

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

Yes

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

Yes.

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

Performance figures should include the maximum subscription and redemption fees

As a second best, if subscription and redemption fees were not to be included, there should at least be a specific mention in relation thereto.

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

Proxinvest welcomes the proposal of a combined indicator taking into account the effect of entry or exit fees, as an extra information to the current list of fees in percentage.

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

yes

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

Yes.

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?

“initial” charges or “entry” fees the “exit” fees. “as well as pro tempore fees should be disclosed “annual” charges is better than “ongoing” charges

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?

The maximum charges (ex ante) should be used in priority.

In Proxinvest’s opinion, the most important information for the subscriber is the indication of what he will pay once he has invested, as opposed to what has been paid in the past.

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

promptly amend and update the KII in relation thereto.

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?

Portfolio transaction charges should be included in the disclosure of ongoing fund charges. Proxinvest recommends that the portfolio turnover rate and the transaction charges (when recorded) be disclosed in the UCITS full prospectus. It is further recommended that the KII (or KID) only provide that such charges do exist and are applied on top of the other charges (so that they impact negatively the performance), and refers to the full prospectus.

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

Yes.

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

Yes..

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

The European Commission and the Member States regulators must ensure that the MiFID disclosure requirement at the point of sale be thoroughly enforced.

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?

YES

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

none

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

Proxinvest observes that a single format KID will most probably dramatically reduce industry costs over time. At the same time no progress for a European, indemnification process or any collective action process has been made Do respondents have any initial views on the on-going costs of KII, compared with those currently included in producing the SP?

No

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

53. Is the gradual introduction of KII feasible?

no idea.

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