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Brussels, 6 September 2010

Dear Mr Tavares,
Dear Mr Comporti,

Consultation on CESR's level 3 guidelines on the selection and presentation of performance scenarios in the Key Investor Information document (KII) for structured UCITS

Please find enclosed the formal response of the European Structured Investment Products Association (eusipa) to your Consultation on CESR's level 3 guidelines on the selection and presentation of performance scenarios in the Key Investor Information document (KII) for structured UCITS published on 20 July 2010.

We remain at your disposal to provide additional material on these issues and look forward to discussing these matters further in the near future.

Yours sincerely

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GENERAL

The European Structured Investment Products Association (eusipa) is the voice of the structured investment products industry in Europe. It acts as a forum for the exchange of best practices, development of industry self-regulatory standards and promotion of the interests of its members. eusipa today represents the major financial institutions active in the sector across Europe organized through its national member or affiliated organizations in Austria, France, Germany, Italy, Sweden, Switzerland and the UK.

Members of eusipa have a close interest in the Commission's ongoing PRIPs initiative, which aims at introducing key investor information documents (KIDs) for the whole range of structured investment products offered to retail investors, in particular retail structured securities.

Although the proposed guidelines do not apply to structured products and although it seems clear that the specifics of structured products will need to be taken into account for a future KID and relevant guidelines for structured products, we take the liberty to raise some points which we regard as being of general concern.

Overall, eusipa believes that great care must be taken, when setting the guidelines, to combine transparency and comprehensibility for investors with accuracy and flexibility to allow tailoring the scenarios to the features of the individual product. From our perspective, some of the proposed guidelines would render the scenarios inaccurate, and even create a risk of misleading investors. We think that would particularly be the case for the structure of the performance scenarios, at least as shown in the annexed examples (based on Box 2, no. 2 to 4 and 5), and the requirement to display returns as annualised rates of growth.

DETAILED RESPONSE

Q 1: Based on the examples given in the annex, it seems that CESR expects the performance scenarios always to be given as distinct descriptions, one illustrating unfavourable, one favourable and one medium market conditions, with the potential addition of others demonstrating specific features or situations. We regard such approach as too static to adequately illustrate the impact of the relevant market conditions to investors in all cases. From our perspective, this is particularly the case for products with more complex (non-linear) structures, where there are often several positive or negative scenarios, based on different market developments. In these cases, a single table or chart setting out the outcome under the product under different market conditions is usually far better suited to illustrate the functioning of the formula.

We think that the same can be said even for products with linear structures, where a single table allows providing investors with a number of representative potential outcomes, and in any case more than one positive and negative example.

We would therefore suggest a clarification in the final version of the Guidelines that the scenarios can also be given by way of single table or chart, provided it is made sufficiently clear in which of the cases would be favourable, neutral or unfavourable for investors.

On that basis, we also do not agree with the proposed requirement always to explain the unfavourable scenario first (no. 5). If the product is, as usual, linked to the performance of an underlying index or other asset, it seems natural to start with the highest level or price of that index or asset in a performance table, independently of the effect of this on the outcome under the product - this could mean the highest payout as well as, in the case of products reversing the performance of the underlying, the lowest.

We have attached an example for a (voluntary) key information document for a structured security, as developed by our German member association DDV, which contains a table showing the payout amounts for a number of representative performance scenarios.

Finally, we also do not agree with the proposed requirement that the scenarios should have a narrative explanation of the advantage and drawbacks of the formula where these are not included in the Risk and reward section. There is no basis for such requirement in Art. 36 of the Commission Regulation, which would make it even more difficult to comply with the page limit. In addition, in our understanding an explanation of the formula will already have to be given under the general requirements for the Objectives and Investment Policy section. Interestingly, the examples given in the Annex to the Consultation Paper also do not contain such explanation.

Q3: We do not agree with the requirement that the returns in the scenarios have to be displayed as annualised rates of growth. Naturally, such rates can only be calculated based on the original offering price of the product. However, in most cases, the vast majority of clients buys the product after its original offering, and accordingly at a different price. For all such investors, the presentation of any growth rates, whether annualised or gross, would be immensely misleading. We therefore suggest presenting the returns under the different scenarios in the form of the actual payout amounts. Investors can then easily compare these amounts to the price paid when buying the product, and accordingly make their own assumptions about their return in the different scenarios.

Product Information

As at: 09 September 2010

Call warrant on Z AG shares



This document provides an overview of key product characteristics – particularly the product structure and the investment risks involved. We recommend that you read this leaflet carefully.

1. Product name / WKN / ISIN		
Call warrant on Z AG shares / XYN34R / DE000XYN34R4		
2. Issuer		
Any Bank		
3. Product description		
• Product type		
Warrant – bearer bond		
• Market view at the time of issuance (<i>optional</i>)		
A call warrant is suitable for investors expecting the price of the underlying share to rise. Given the increased risk of potential losses, this product is only suitable for experienced investors with a high propensity to accept risk.		
• General description of product mechanics		
Key parameters Please refer to www.derivateverband.de for explanations of key terms.		This call warrant allows investors to leverage their participation in the positive performance of the underlying share price. At the same time, however, investors are also exposed to a leveraged risk in the event of a negative development of the underlying price. Moreover, they are exposed to the risk of the warrant expiring worthless if the <i>Reference Price</i> is at or below the <i>Strike</i>. On the <i>Maturity Date</i>, the payout to investors is equivalent to the amount by which the <i>Reference Price</i> exceeds the <i>Strike</i>, times the <i>Multiplier</i>. If the <i>Reference Price</i> is at or below the <i>Strike</i>, there is no payout – the warrant will expire worthless. Investors will not receive any current income (such as interest or dividends) during the term of the certificate.
Underlying (WKN / ISIN)	Z AG shares (123456/DE0001234561)	
Settlement Currency	EUR	
Reference Currency	EUR	
Issue Date	23 April 2009	
Initial Issue Price	EUR 1.18	
Strike	EUR 25.00	
Underlying price at the time of issuance	EUR 24.90	
Warrant Type	Call	
Type of Exercise	American	
Exercise Period	27 April 2009 – 17 December 2010	
Reference Price	Closing price of Z shares (Xetra) on the Valuation date	
Valuation Date	Exercise Date	
Maturity Date	Three bank business days after the Valuation date	
Multiplier	1.0	
Minimum Trading Unit	1 warrant	
Minimum Exercise Quantity	1,000 warrants	
Listing	Stuttgart (EUWAX), Frankfurt (Scoach Premium)	
Last exchange Trading Day	15 December 2010	

• **Availability/tradability**

Factors determining the market price during the term

Availability/tradability

After the issue date, the warrant can generally be bought or sold on the exchange or in the over-the-counter market.

Assuming normal market conditions, the Issuer will continuously quote indicative bid and ask quotes (market-making), without being legally obliged to do so. In extraordinary market situations, or in the event of technical disruptions, it may be temporarily difficult or impossible to buy or sell the warrant.

Factors determining the market price during the term

The market price of the warrant is primarily linked to the performance of the underlying share price – however, it will usually not track the underlying share price exactly.

The following factors in particular may additionally influence the market price of the warrant (some of them significantly):

- changes in the intensity of fluctuations in the share price (volatility);
- the warrant's remaining lifetime;
- general changes in interest rates;
- developments regarding dividends distributed on the underlying share.

Whilst individual market factors may have an isolated effect, the effects of several factors may neutralise or amplify each other.

• **Product rating (optional)**

Risk: 1 2 3 4 5

ISIN: DE000XYN34R4

Date: 09/09/2010

Star rating: each product receives

a specific rating regarding each risk parameter.

☆☆☆☆☆	unsuitable
☆☆☆☆☆	hardly suitable
☆☆☆☆☆	below average
☆☆☆☆☆	average
☆☆☆☆☆	good
☆☆☆☆☆	very good

This product rating relates to the respective risk parameter indicated. Please refer to section 5 for more details.

More information regarding the product rating is available at www.derivateverband.de.

4. Potential returns / Scenario Analyses at maturity

The following examples are not indicative of actual call warrant performance data.

Reference Price	Payout to investors, per warrant:
EUR 35	EUR 10.00
EUR 30	EUR 5.00
EUR 26.18	EUR 1.18
EUR 25	EUR 0
EUR 24.00	EUR 0
EUR 10.00	EUR 0

Assuming the investor buys the call warrant at the issue price:

Development is positive for the investor

Development is neutral for the investor

Development is negative for the investor

5. Risks

General risk parameter -

DDV (optional)

1	2	3	4	5
				X

Meaning of the risk parameter / investor profile

- | | |
|-------------------------|--------------------------|
| 1 safety-oriented | 2 limited risk tolerance |
| 3 normal risk tolerance | 4 higher risk tolerance |
| 5 speculative | |

The risk parameter is an indicator for the potential performance of the warrant, and for the risk that the invested capital is exposed to. The risk profile is determined, using historical data, on the basis of the probability of falling warrant prices (losses) for the warrant. The rating figure depicted above was calculated by an independent institution, based on the prevailing market conditions prior to the issue of the warrant. Note that the risk category of the warrant is subject to change. Investors are advised to check on www.sampleURL.de whether the risk parameter has changed.

More information regarding the risk parameter is available on www.derivateverband.de.

Risks at maturity

If the Reference Price is higher than the Strike, investors will incur a loss if the payout is less than the purchase price paid for the call warrant. If the Reference Price is at or below the Strike, the **investment will be lost completely**.

Market price risk during the term of the warrant

The value of the call warrant during its term may be negatively influenced by the factors influencing market prices (as described in section 3 above) in particular, the value may be significantly lower than the purchase price.

Issuer risk / credit risk (adjust to the respective issuer)

Investors are exposed to the risk of the issuer becoming insolvent – in which case the issuer will no longer be able to meet its obligations. More information regarding the relevant issuer rating is available on www.sampleURL.de. Given its nature as a bearer bond, the warrant is not covered by any deposit protection scheme.

6. Costs / sales commissions

Costs for investors

- Investors may incur transaction costs, exchange fees and custody fees when purchasing, holding or selling warrants.

Sales commissions (paid by the issuer to the selling agent)

- Placement commission: none
- Portfolio-based commission: none

7. Additional information

• Taxation

Investors should consult a tax advisor to discuss the tax implications of purchase, ownership and sale (or repayment) of the warrant.

• Further important points to note / Disclaimer

The product information provided in this leaflet does not constitute a recommendation to buy or sell the warrant; the information cannot substitute individual advice given by the investor's bank, or other advisors.

This product information leaflet does not include all information that is relevant to the warrant. For full details, particularly regarding the product structure and the risks involved in a warrant investment, potential investors should read the securities prospectus. The prospectus, and the Final Terms and any supplements thereto, are available from XY Bank free of charge, and can be downloaded from www.xy-bank.de.

• Update

The information contained in this product information leaflet is accurate as at 09 September 2010.