



THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS

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PRESS RELEASE

CESR launches a consultation on key investor information for UCITS

CESR publishes today a consultation paper (CP) on 'content and form of Key Investor Information disclosures for UCITS' (Ref: CESR/07-669). The CP follows two calls for evidence and a questionnaire on related subjects published earlier in 2007, as well as discussion at a Retail Investor Workshop (see the Notes for Editors for further details). It is part of CESR's ongoing work in response to a request for assistance from the European Commission (Commission), and should be seen in the context of the Commission's wider work to revise the UCITS Directive by replacing the Simplified Prospectus with a document which will be more meaningful for retail investors.

The work on key investor information (KII) is split into three phases:

- Phase 1** CESR will prepare and deliver its advice to the Commission following public consultation (April 2007 to February 2008)
- Phase 2** The Commission will carry out market testing throughout 2008 on the basis of the CESR submission (for further information on this, see the Notes for Editors).
- Phase 3** CESR will then finalise its advice taking into account the results of the testing exercise and further consultation with market participants (by March 2009).

In the light of responses to the CP published today, CESR will finalise its advice to the Commission in February 2008 (marking the completion of Phase 1).

The European Commission requested assistance from CESR in April 2007 on the detailed content and form of key investor disclosures for UCITS funds, with a view to encouraging informed decision-making by potential retail investors. The request followed publication of the Commission's initial orientations outlining future possible adjustments to the EU single market framework for investment funds (for further information on this, see the Notes for Editors). One of the key areas covered in the Commission's orientations was the replacement of the Simplified Prospectus with the concept of key investor disclosures. The Commission's request to CESR is designed to facilitate the early adoption of technical implementing measures once the revised UCITS provisions enter into force.

CESR has considered the factors that are likely to make disclosures of product information useful to retail investors and, in particular, the need for such information to be short, focused, expressed in plain language and presented in a way that enables comparisons to be easily made between different offerings. CESR makes specific recommendations on a number of points, while in some areas proposes alternative options where testing on retail investors is required to understand better how retail investors react to particular approaches. In developing its proposals, CESR has paid close attention to all the available evidence relating to the failure of the Simplified Prospectus and has placed strong emphasis



on systematically analysing the pros and cons of the options it has considered (for further details, see the Notes for Editors).

A number of key points covered under the different sections of the paper are set out below.

Objectives and scope of KII: CESR recommends that KII should contain only the essential elements for making and carrying out investment decisions, which excludes information serving only legal or regulatory requirements.

Format and general content: CESR is of the view that KII should be a single document covering a maximum of two sides of A4, unless unusual features preclude this. There should be a standardised list of permitted contents in fixed order and hierarchy. The content of some elements (practical information, risk-reward and charges disclosure) should be more harmonised than others. Specific proposals are made for funds of funds, umbrella funds and multiple share classes.

Risk-reward: CESR outlines two broad options: i) the inclusion of a synthetic risk-reward indicator (SRI) or ii) improved narrative disclosure. There is support from retail investor representatives for the concept of an SRI but further work is needed on questions of format and methodology. The improved narrative disclosure would focus on material issues by applying a set of general principles.

Past performance: CESR's proposals for past performance include that the information be presented using bar charts; percentages should be preferred to cash figures; and the performance of the benchmark should be shown, if the fund is managed against one. CESR recommends using up to 10 years' data (if available) and allowing simulated performance only in specific cases.

Charges: In the light of evidence which suggests retail investors can misunderstand even relatively simple information about charges, CESR proposes two options for consumer testing – the first an improved version of the existing SP disclosure, the second supplementing this information with a single 'summary' figure.

CESR will hold an Open Hearing at its premises (11-13 avenue de Friedland, 75008 Paris) on Friday 23 November from 10.30 to 13.30. The Hearing, which is open to all interested stakeholders, will be an opportunity to discuss the issues raised in this consultation. Those wishing to attend can register via the CESR website, in the section 'Hearings'.

Readers are invited to consider the questions in the consultation paper and submit their response via the CESR website (www.cesr.eu) under the section 'Consultations'. The consultation closes on **17 December 2007**.



Notes for Editors:

1. The development of this Consultation Paper follows views gained from the public Call for evidence on UCITS distribution (Ref. CESR/07-205); a further Call for evidence on Key investor disclosures for UCITS (Ref. CESR/07-241); and a Questionnaire on simplified prospectus for retail investors (Ref. CESR/07-214).
2. For further information on the Commission's initial orientations outlining future possible adjustments to the EU single market framework for investment funds (UCITS Directive), please visit: http://www.ec.europa.eu/internal_market/investment/legal_texts/index_en.htm#ini
3. During Phase 2 of the work on KII, the Commission will carry out market testing of the possible new form and content of investor disclosures for UCITS, with a particular emphasis on retail investors. The Commission has published a Contract Notice for the call for tender for this testing, the deadline for which is 12 November 2007. The Contract Notice is available here: http://ec.europa.eu/internal_market/investment/other_docs/index_en.htm#studies
4. Preparation of CESR's consultation paper has been undertaken by the CESR Expert Group on Investment Management, which is chaired by Mr Lamberto Cardia, Chairman of the Italian securities regulator, the Commissione Nazionale per le Società e la Borsa (CONSOB). The Expert Group established a sub-group to develop a recommendation to IMEG on the content of the consultation and the final advice to the Commission. The sub-group is jointly chaired by the UK FSA and the French AMF and is composed of representatives from eight other Member States.
5. CESR has benefited in its work from the input of a range of market practitioners and retail investors, the majority of whom are members of the Investment Management Consultative Group. This group was formed to provide technical advice to the Expert Group on Investment Management. The market participants are experts in different fields of investment management drawn from across the European markets. They are not intended to represent national or specific firms' interests and do not replace the important process of full consultation with all market participants. In addition, retail investors' representatives had an early opportunity to discuss the work on the simplified prospectus at the Retail Investor Workshop that CESR hosted in February 2007.
6. In developing its proposals, CESR has paid close attention to all the available evidence relating to the failure of the simplified prospectus and, in line with the 3L3 Impact Assessment Guidelines developed jointly by CESR, CEBS and CEIOPS, has placed strong emphasis on systematically analysing the pros and cons of the options it has considered. The proposals on the joint impact assessment guidelines were published for consultation in May (Ref. CESR/07-089), and are now being finalised in the light of responses.
7. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:
 - Improve co-ordination among securities regulators;
 - Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
 - Work to ensure more consistent and timely day to day implementation of community legislation in the Member States.
 - The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the Group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European



Council and the European Parliament. The relevant documents are available on the CESR website.

8. Each Member State of the European Union has one member in the Committee. The members are nominated by the Member States and are the heads of the national public authorities competent in the field of securities. The European Commission has nominated as its representative the Director General of the DG Market. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level.
9. For further information please contact:

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