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**PRESS RELEASE**

**CESR takes steps to improve retail investor information for UCITS products**

CESR publishes today its advice to the European Commission on ‘the content and form of Key Information Document disclosures for UCITS’ (Ref. CESR/08-087), known as the KID. The new disclosure document is intended to simplify and highlight the crucial elements that a retail investor should consider when buying a UCITS. The purpose of the Key Information Document is ultimately to replace the Simplified Prospectus for Retail Investors, following further market testing to be undertaken by the European Commission in 2008. This work was launched at the request of the European Commission in April 2007, as part of its wider work to revise the UCITS Directive (see the Notes for Editors for next steps in this workstream).

CESR’s proposal was subject to significant consultation with market participants and EU retail consumer associations; the results of this are presented in the Feedback Statement (Ref. CESR/08-035) published today. In addition, a preliminary impact assessment was undertaken and is included in the advice (Ref. CESR/08-087). This marks the first application of the Impact Assessment Guidelines adopted for testing by the 3L3 Committees last year (CESR/07-089). A more detailed impact assessment will be carried out when the proposals have been market-tested and therefore narrowed down further.

***Eddy Wymeersch, Chair of CESR noted:***

*“Stakeholders agree on the need to replace the Simplified Prospectus with a set of concise, meaningful disclosures for UCITS. As regulators, we are keen to see retail investors grasping the key information which helps them make informed judgements on risk and compare products effectively. A failure to achieve this, will mean the single market in financial services for retail investors cannot advance effectively and this would be to the detriment, both of market participants, and ultimately, retail investors who too will suffer from less choice at a time when saving and investing for your future is not a luxury any of us can afford to ignore.”*

***Lamberto Cardia, Chair of the Investment Management Expert Group commented:***

*“Increasing investor confidence amongst EU citizens is a high priority for CESR. Enabling retail investors to distinguish the key information that they should consider when buying a UCITS will ensure they are better placed to make informed decisions. The delivery of this advice to the Commission, marks the culmination of the first phase in CESR’s work on key investor disclosures for UCITS and an important step forward in achieving this objective. We were delighted with the willingness of retail investor associations across the EU and market participants to invest time in providing very useful feedback as we developed this first version for testing. The next phase of wider market testing, funded by the European Commission,*



*should produce really worthwhile results and we look forward to working closely with the Commission on the outcomes of that exercise.'*

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. Taking into account stakeholders' views, CESR makes specific recommendations on a number of points, while in some areas proposes alternative options where testing on retail investors will be particularly important to understand better how consumers react to particular approaches.

A number of key points covered under the different sections of the paper are set out below. A general recommendation that should be noted at the outset is to rename the disclosure the 'Key Information Document' or 'KID'. This is in line with feedback to the consultation and reflects CESR's preference for a single, standardised disclosure document.

**Objectives and scope of KID:** CESR recommends that the KID 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 the KID should be a single document covering a maximum of two sides of A4. There should be a standardised list of permitted contents in fixed order and hierarchy. Specific recommendations are made for funds of funds, umbrella funds and multiple share classes.

**Risk-reward:** CESR outlines two broad recommendations for the testing phase: i) the inclusion of a synthetic risk-reward indicator (SRI) alongside an explanatory text or ii) improved narrative disclosure. Consultation responses were mixed in this area; there was support from retail investors' representatives for the concept of an SRI, while the majority of industry representatives expressed a preference for a narrative approach. CESR notes the need for further technical work on development of a methodology underlying the SRI. With a view to improving the narrative disclosure, CESR recommends a set of general principles designed to increase the focus on material issues.

**Past performance:** CESR's recommendations for presentation of past performance information include that the information be presented using bar charts; percentages be used rather than cash figures; and that average yearly performance be shown rather than cumulative. CESR further recommends that the performance of the benchmark should be shown if the fund is managed against one; and that simulated performance be allowed only in specific cases.

**Charges:** CESR recommends two options for consumer testing – the first an improved version of the existing Simplified Prospectus disclosure, the second supplementing this information with a single 'summary' figure.

CESR has identified a number of areas covered by the recommendations on which further technical work will be required; in particular, aspects of risk-reward disclosure, past performance information and charges. A more detailed breakdown of issues to be covered by this technical work is set out at Annex 5 of the advice.



## Notes for Editors:

1. The development of CESR's investor disclosure document follows a public consultation and increased dialogue with retail investor associations carried out towards the end of 2007, as well as two calls for evidence and a questionnaire on related subjects published earlier that year. It is part of CESR's ongoing work in response to a request for assistance from the 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 prepares 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 (spring 2009).

The delivery of this advice to the European Commission marks the completion of Phase 1.

2. The development of this advice follows views gained from the public consultation on 'content and form of Key Investor Information disclosures for UCITS' (Ref. CESR/07-669); the 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). All responses to these consultations are available on the CESR website. CESR also took account of views expressed at the Open Hearing it held on 23 November 2007, which was open to all stakeholders.
3. 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. 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.
4. In October 2007, CESR published a consultation paper on the content and form of key investor information disclosures for UCITS. There were 51 responses, from a wide range of external stakeholders; these responses are available on the CESR website. More detailed information on responses to the consultation is given in the Feedback Statement that is being published alongside CESR's advice (Ref. 08-035).
5. 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](http://www.ec.europa.eu/internal_market/investment/legal_texts/index_en.htm#ini)
6. 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. CESR has included detailed suggestions for testing at Annex 5 of its advice, and a series of illustrative ‘mock-ups’ at Annex 6 designed to give an idea of what the KID might look like under the different options proposed. CESR will continue to work closely with the Commission during the testing phase.

7. Preparation of CESR’s advice 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 advice. The sub-group is jointly chaired by the UK FSA and the French AMF and is composed of representatives from eight other Member States.
8. 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 joint impact assessment guidelines were published for consultation in May 2007 (Ref. CESR/07-089).
9. 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.
10. 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.

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