

ACU – Associazione Consumatori Utenti

Organizzazione senza scopo di lucro

Questionnaire on simplified prospectus for retail investors

Background

We, obviously, share and back your efforts to come to a more effective protection of retail investors through an as much as possible clear, complete and reliable information. At the same time we are convinced that the best solution for all parties involved can be easier reached if the consultation with consumers associations become less occasional and more systematic.

Further to this, we deem it urgent to put pressure on EU countries Parliaments in order to receive within the national law the MIFID Directive (on this subject, as you know, on April 30th 2007, 23 of them have been declared in “infraction state”). The separation, provided by the MIFID, of the consultancy market by the fund selling market could indeed be very effective for the best retail investor protection.

1. What information should be included?

Provided retail investors need clear and easy to understand information focused on risks, costs and rentability, it is, in principle, advisable to have a “Simplified Prospectus” (SP) divided in two parts, the first one being mainly devoted to these aspects, legal aspects being inserted in a second part and technical aspects in an appendix explained with standard examples.

In any case, particular attention has to be paid to the selection of “Key Investor Information” (KII), to the language used which has to be as plain as possible and to the font used for printing, which has to make the reading easier (**no fine prints**).

2. What substantive UCITS features do consumers need to know about?

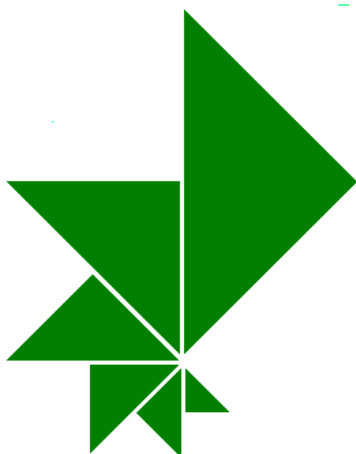
- First of all, general information might include details on financial standing of “Fund Provider” and “Depository Bank” as well as on selection criteria and

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training of financial promoters. Also information on past performance of fund provider could be very useful. Other information mentioned on your paper would be appreciated.

- **KII should target less financially capable investors** and not the “average consumer”.

3. What information should be provided about risks and rewards?

- This is at evidence the most critical item of all. As we refer to “less financially capable investor” it would be advisable to provide him with “a synthetic risk statement, drawn from a scale spanning from “very low” to “very high” risk, including a “statement of minimum recommended investment holding period”;
- Relationship between gains and risks has to be considered essential. The best approach could be “the relationship between risks and rewards, in a balanced narrative format” which wouldn’t exclude a clear and full, oral explanation.

4. What information should be provided about strategy and objectives?

Whatever the solution, “synthesis” and “**plain language**” have to be the leading criteria.

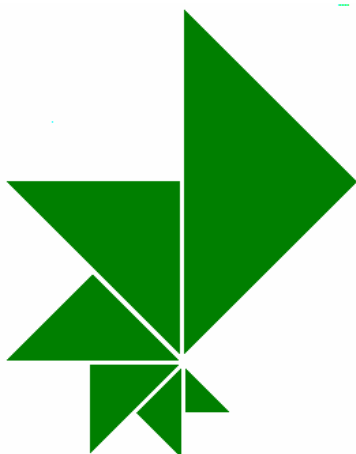
5. How should past performance information be presented, and for what time period?

Performance over short period evidenced by bar charts expressing in percentage year- to- year variations plus a warning that “**past performance is no guarantee of future performance**” plus a recommended holding period, could be the most suitable solution.

6. How should information about charges and fees be presented?

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Adopting a “TER” which includes initial, transaction and exit charges could be the most effective solution provided that

- it can be expressed as a figure in cash terms showing the effect it might have on rentability of the investment;
- it could be a “**cup**” of charges (fees and commissions) incurred by the investor.

7. How could the packaging of funds into different end-products be handled?

Charges and fiscal regime seem to be the most important features to make the investors aware of.

8. How far should the information be harmonized between firms and between EU members?

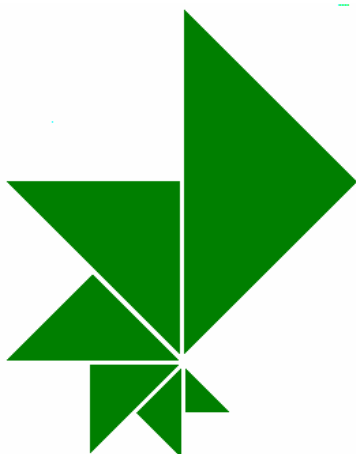
Provided that, as mentioned in the EU Commission “White Paper”, in 2005 cross-border funds selling represented 66% of the total, possibility to compare supply at European level has to be considered essential. Standardisation could make the comparison easier with particular reference to **risks, charges and expected rentability**.

9. Would it be useful to specify how this information should be presented?

Removing small prints, highlighting key elements, using standard and clear warnings has to be considered essential.

10. In what form should the information be delivered?

As far as delivery is concerned, web **and** hardcopy could be both suitable means.



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11. *How should we ensure consumers get information in sufficient time for it to be useful for their investment decision?*

All above is really meaningless if we do not provide for time enough is made available to the consumer to consider himself or to ask somebody else advice on key information. The best should be 5 working days could elapse between delivery of SP and possible signing of investment contract, provided that delivering date of SP is formally registered by the fund provider. In addition, as provided for “on-line” subscription channel, the effective execution of the investment has to be delayed of, let’s say 5 working days, also for “vis-à-vis” subscription.

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