



CD/SP/SJ – N° 4180/Div

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## **AFG comments on the Joint Forum report on Point of sale disclosure in the insurance, banking and securities sectors**

Please find below AFG<sup>1</sup> comments on the Joint Forum report on Point of sale disclosure in the insurance, banking and securities sectors.

### **General comments**

The Association Française de la Gestion financière (AFG) is grateful to have the opportunity to answer to the Joint Forum's consultative document on the Point of sale disclosure in the insurance, banking and securities sectors. We welcome the Joint Forum's initiative to increase transparency and harmonise information provided to consumers.

We generally support the 8 recommendations set out by the Joint Forum as we believe that they will improve consumer protection and enhance the level playing field among savings products/contracts.

We appreciate that these recommendations allow for enough flexibility to take into account existing regional initiatives that have similar objectives. For instance, the UCITS Key Investor Information Document (KIID), which was subject to consumer testing and research, and which has just been introduced in the European Union, should be deemed compliant with the recommendations of the Joint Forum.

However, AFG asks for a widening of the range of products/contracts in scope. We believe it should cover the whole range of "substitute" products, including all investment products to allow a full level playing field for relevant products. A too small sample of covered products would generate a lack of harmonisation and potentially create an even more unequal playing field.

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<sup>1</sup> The Association Française de la Gestion financière (AFG) represents the France-based investment management industry, both for collective and discretionary individual portfolio managements. Our members include 421 management companies as of end July 2013. They are entrepreneurial or belong to French or foreign banking or insurance groups. AFG members manage 2,900 billion euros in the field of investment management as of end December 2012, making the Paris Fund Industry the leader in Europe for the financial management of collective investments. In the field of collective investment, our industry includes – beside UCITS – employee savings schemes and products such as regulated hedge funds/funds of hedge funds, private equity funds, real estate funds and socially responsible investment. AFG is of course an active member of the European Fund and Investment Management Association (EFAMA) and of PensionsEurope. AFG is also an active member of the International Investment Funds Association (IIFA).

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## Detailed comments

### Comments on the articulation of POS initiative and regional initiatives

The European Union already started to tackle the issue of investor information and is about to adopt a regulation on Key Information Documents (KIDs) for Packaged Retail Investment Products (PRIPs), inspired from the KIID for UCITS, which will be directly applicable in the 28 EU Member States after a transition period of two years. The common rules will define POS disclosure requirements in at least part of the insurance, banking and securities sectors. Even if it will be a progress, we would have liked it to be more comprehensive as important and popular savings products or contracts will probably be unfortunately left out of scope.

In this context, we believe that the UCITS KIID, which was subject to consumer testing and research, and which was recently introduced around the European Union, should be deemed compliant to the POS initiative as it complies with the 8 principles set out by the Joint Forum. It should be the same for the Packaged Retail Investment Products (PRIPs) Key Information Document (KID) that is currently under discussion.

### Comments on the scope of the POS initiative

We believe that it is crucial to have a concise POS disclosure document for competing investment products. This will improve investor protection by making sure retail clients have access to straightforward product information and help create a level playing field.

In its response to the IOSCO consultation on Point of Sale Disclosure published in November 2009, AFG was already urging IOSCO to widen its reflections to a larger scope of products - please refer to page 2 of the enclosed document.



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IOSCO - Point of Sale

*“When a retail investor is offered a product he should be informed on the same basis and in the same way whichever the retail investment product is, since from the investor’s perspective the difference between the different types of products is not significant at first glance. As well there is no reason why similar information should not be available to an investor on all product types being offered, to permit a more informed, appropriate product choice to be made. Indeed, the vast majority of principles expressed by IOSCO in this Report could be applicable to this whole range of products and should not only target CIS”.*

In the same way, AFG believes that all investment products should be covered by the POS initiative so that all substitute products offered to investors are subject to comparable disclosure requirements. More specifically, we believe that all individual investment products

should be in the scope of the Joint Forum's initiative. For example, the conditions attached to term deposits (e.g. main features, costs, risks etc.) should be disclosed to investors in a POS in the same terms of the conditions attached to a UCITS fund, even when it is not a "structured" term deposit.

The POS initiative should cover the whole range of investment products an investor may be offered and choose from at the same point of sale, i.e. all life insurance, banking and securities products. Investors should be able to understand easily and compare meaningfully all these products. We believe that the criterion of "understanding" or risk by investors would be more relevant to define the scope of the initiative (usually, for example, shares and bonds mechanisms are not so easily understood and are risky as well).

AFG suggests that the recommendations cover the whole range of "substitute" products that may be offered to retail investors at the same point of sale (e.g. a bank counter or a financial planner).

Indeed, in practice, bank salespersons and insurance brokers may offer bank deposits, shares (in particular at issuance), bonds, life insurance contracts, structured products and investment funds. Therefore, we recommend to include all these categories of products in the scope of the Joint Forum's initiative in order to make sure that the information delivered at the point of sale is similar at least in terms of format and at best in terms of content i.e. except where the specificities of each category justifies a differentiation in content. In other words, the Joint Forum's recommendations should be proportionate and specialised to take into account the specificities of each type of product but at the same time ensuring comparability among the products.

#### Comments on the format of the POS disclosure

We think that the POS disclosure should be concise and focus on key information investors need in order to help them in the process of making an investment decision. It should also be made clear that further information is available and where to find it. We agree that the disclosure document should be provided free of charge and, in general, prior to purchase.

We believe that the POS disclosure should allow retail investors to make meaningful comparisons among investment products and should therefore be standardised. In other words, the format and level of details should be as close as possible between competing products. Product producers should be required to disclose the same type of information, e.g. fees. We however understand that POS disclosure documents may feature some content differences due to the variety of products/contracts.

#### Comments on the allocation of responsibilities

It is essential that responsibilities be clearly defined and allocated to the relevant participants involved. If the POS document is produced under the responsibility of the product producer – it should then only contain information relating to the product itself; the distributor should be responsible for providing and explaining it to consumers.

We believe that no specific authorization of the document by the national authority should be required as it might weaken the responsibility of the product producer which usually puts in place a comprehensive internal approval process.

EU legislative texts such as the draft regulation on PRIPs usually contain clear rules on sanctions for breaches. They could serve as a model for cross-sectoral approaches in an international environment.

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Would you need any further information, please do not hesitate to contact our Head of International Affairs Division, Stéphane Janin, at +33 1 44 94 94 04 ([s.janin@afg.asso.fr](mailto:s.janin@afg.asso.fr)), Servane Pfister at + 33 1 44 94 96 64 ([s.pfister@afg.asso.fr](mailto:s.pfister@afg.asso.fr)), Carine Delfrayssi at + 33 1 44 94 96 58 ([c.delfrayssi@afg.asso.fr](mailto:c.delfrayssi@afg.asso.fr)) or myself at +33 1 44 94 94 29 ([p.bollon@afg.asso.fr](mailto:p.bollon@afg.asso.fr)).

Sincerely yours,

(Signed)

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