SJ – n° 2662/Div.

Mr. Mohamed Ben Salem
Senior Policy Advisor
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

15 January, 2010

Re: ASSOCIATION FRANCAISE DE LA GESTION (AFG)'s comments on IOSCO Consultation Report regarding Principles on Point of Sale Disclosure

Dear Mr Ben Salem:

The ASSOCIATION FRANCAISE DE LA GESTION FINANCIERE (AFG) – French Asset Management Association[1] would like to thank the International Organization of Securities

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[1] 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 409 management companies and 660 investment companies. They are entrepreneurial or belong to French or foreign banking or insurance groups.

AFG members are managing more than 2600 billion euros in the field of investment management. In terms of financial management location, it makes the French industry the leader in Europe for collective investments (with more than 1300 billion euros managed by French companies, i.e. 23% of all EU investment funds assets under management, wherever the funds are domiciled in the EU) and the second at worldwide level. In terms of fund domiciliation, French funds are second in Europe and third at worldwide level. Regarding product interests, our association represents – besides UCITS – the employee saving schemes, hedge funds/funds of hedge funds as well as a significant part of private equity funds and real estate funds. AFG is of course an active member of the European Fund and Asset Management Association (EFAMA) and of the European Federation for Retirement Provision (EFRP). AFG is also an active member of the International Investment Funds Association (IIFA).

Commissions (IOSCO) for providing AFG with the opportunity to submit comments on the Consultation Report regarding '*Principles on Point of Sale Disclosure*', issued last November.

In parallel to the EFAMA response and to the joint letter of IIFA's members – to which we actively contributed - we would like to express the following comments:

1. We applaud the IOSCO Technical Committee for having approved the *Joint Project Specification on Point of Sale Disclosure to Retail Investors* in February 2007. In particular, we support the fact that both SC5 (in charge of Investment Management) and SC3 (in charge of Market Intermediaries) are working together on this topic. We also support that both product and distribution issues on the point of sale topic should be considered together since they can not be separated. Both product and distribution issues must take into account, and offer regulation that works within, all modes of product distribution.

2. Investment funds are already the most regulated retail investment products and we think that in order to ensure a better level playing field across the whole range of retail investment products, any principle regarding point of sale disclosure should apply at the onset to this whole range of products. Therefore, we are extremely surprised that the current Report submitted to *public consultation only focuses on Collective Investment Schemes (CIS)*. IOSCO mentions that '*the question of similar products may be considered at a later stage*'. <u>We urge IOSCO to commit to widen its work to these similar products as soon as possible</u>. 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.

3. While we generally support the IOSCO Principles expressed in this Report, we think that the Report may not sufficiently take into account the different distribution models which exist currently in the world. In some countries, distribution is mainly done through independent financial advisors while in other jurisdictions banking or insurance sales points are the primary or preferred channels. There are few common features between those different distribution models. Therefore the IOSCO principles on distribution should be reduced to those that are fundamental in order not to cause prejudice to any of the current distribution models.

4. We fully support IOSCO statements regarding financial education. Re-launching the work of IOSCO on this issue is crucial to enable retail investors to choose the right products or the level of service they desire. Instead of regulating more and more product manufacturers (and distributors), the main effort by IOSCO and other regulatory bodies at international, regional and local levels should be to improve investor education: although the information delivered may be right, if it is not understood because of the limits of investor financial education, no improvement will be achieved in practice. As you know, too much information kills

information: what is crucial is to deliver the right information, and for the investor to be able to understand not only this information but also all the elements surrounding this information, to make sure that it responds to his/her needs.

5. The notion of consumer testing, stressed by IOSCO, is of course laudable in principle but may lead to dangerous conclusions if it is not done appropriately and objectively. For instance, within the EU, the idea of a Synthetic Risk Reward Indicator in the UCITS simplified prospectus ("KID") was presented to consumers through testing. Of course this notion on its face was appealing for consumers! But at the time this idea was submitted, European institutions had not yet set up any relevant and non-misleading methodology for such an indicator. Now that European investors have approved the idea, the principle of a synthetic indicator, even imperfect, is unfortunately to be applied – even though European institutions are still unable to provide for an appropriate methodology... The lesson is that consumer testing must be carried out in a careful and sensible way and that regulators should work in cooperation with the industry prior to such testing. Only this will ensure that investors benefit from the best measures applied afterwards.

Once again, we would like to thank you for the opportunity to allow for the investment funds industry to be heard.

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We thank you in advance for your attention to the views expressed above.

If you wish to discuss the contents of this letter with us, please contact myself at +33 1 44 94 94 14 (e-mail: p.bollon@afg.asso.fr) or Stéphane Janin, Head of International Affairs Division, at +33 1 44 94 94 04 (e-mail: s.janin@afg.asso.fr).

Sincerely,

Pierre BOLLON