



Luxembourg, 10 September 2010

Response to CESR consultation paper 10-532 A guide to clear language and layout for the Key Investor Information document (KII)

Introduction

1. ALFI represents the Luxembourg investment management and fund industry. It counts among its membership asset management groups from various horizons and a large variety of service providers. According to the latest CSSF figures, on 31 July 2010, total net assets of undertakings for collective investment were EUR 2.019 billion.
2. There are 3,582 undertakings for collective investment in Luxembourg, of which 2,201 are multiple compartment structures containing 11,304 compartments. With the 1,381 single-compartment UCIs, there are 12,685 active compartments in Luxembourg.
3. We thank CESR for the opportunity to participate in this consultation on plain language and the layout of the KII.

Response to the consultation

4. We support CESR's objective to make the language used within retail financial services easier for customers to understand and in that respect we agree with much of what CESR has written about plain language and the layout of the KII.
5. We have two material comments:
 - a. We do not think that the KID will provide sufficient space to describe the *essential features of the UCITS* (Art 7(1) of EU Regulation 583/2010) to the standard anticipated by this guide and we are unhappy at the prospect of our members being obliged by the limited size of the KID to prioritise brevity above disclosure.
 - b. The guide implies that the industry must assume very low levels of knowledge in retail customers. For example, on page 6 of its paper CESR cites words such as "denominated", "equity", "expire" and "volatile" as words that can mislead a lay reader. That is of little practical help. Presumably "depository", "net asset value", "security" and many other words should be treated with the same caution. We accept CESR's criticism of the industry's habit of using jargon and euphemism and we endorse its call for simpler language (we agree, for example, that it is a good idea to replace "subscribe" with "buy" and "redeem" with "sell") but the opportunity for substitutions such as these is small and we think that it will be necessary to explain many words through a glossary. We therefore do not think that it would be good practice to use a graphic or other indicator to show that a term is explained in a glossary because even a few of them will distract the reader and there are likely to be many in the document. We think that it would be better to tell the reader that a glossary exists and where to find it, perhaps with a prominent statement such as, "Some of the words used in this document are explained at [this link]". We therefore hope that practitioners and regulators will work within the spirit of the guide with realistic expectations about what is possible within the limits of EU Regulation 583/2010 and the associated CESR technical advice.