ISDA®

30 June 2010

Dear Sir/Madam,

The Joint Associations Committee[1] welcomes the opportunity to make a supplementary submission in relation to the EU Commission's Packaged Retail Investment Products (**PRIPs**) initiative. This submission is supplementary to our earlier submission dated 19 November 2009 (the **JAC November Submission**[2]) and focuses specifically on the content and format of a short form disclosure Key Investor Information Document (**KID**) for PRIPs.

This submission takes the form of a pro forma template KID (the **Template KID**) with accompanying commentary and is the result of several months' collaborative work amongst JAC members. As with our earlier submission, the principal focus of our work has been in relation to the sale of structured securities to retail investors but attempts have been made to ensure that the structure and language used in the template produced could be applied across both other Contractual PRIPs and Collective Investment PRIPs. We note, however, that there are fundamental differences in the nature of the investment being offered in a Contractual PRIP as compared to a Collective Investment PRIP. As such, the KID regime in respect of these two families of PRIPs will need to be different in some respects to ensure that in each case the correct emphasis is placed on the various elements of disclosure[3]. If appropriately structured, this need not detract from the product comparison objective. Furthermore, such differences will help in emphasising to investors the distinguishing features of these families of products.

The Template KID aims to build on the work of the Commission and CESR in respect of the UCITS KID. It represents an attempt to transpose this work into the broader PRIPs field, in particular seeking to identify areas in which we feel that the UCITS proposals will require modification to work effectively with this wider range of products. In completing this work, we have also drawn on (i) the work of the Commission, the Council and the Parliament in respect of the review of Directive 2003/71/EC (the **Prospectus Directive**), (ii) the work of the regulators in Hong Kong and Singapore in relation to the short form disclosure initiatives under consideration in those jurisdictions and (iii) useful concepts raised in the Barclays Capital submission to the Commission in relation to KID of 18 December 2009 (the **Barclays Capital KID**). We hope that the Template KID will provide a useful basis for ongoing discussions between the industry and the Commission in relation to the key issues arising in respect of the PRIPs disclosure initiative.

We would very much welcome the views of Commission Services in relation to this Template KID and would be happy to meet with Commission Services to discuss these matters further.

Structure of this submission:

[1] The JAC is sponsored by multiple associations with an interest in structured products. In the first instance, queries may be addressed to rmetcalfe@isda.org.

[2] Please see www.isda.org/c_and_a/pdf/PRIPS_JAC_Response_Updated.pdf

[3] In this regard, please see paragraphs 8, 9, 16 to 18 and 33 to 37 of the JAC November Submission.

Section A introduces and provides explanatory commentary on the Template KID (attached as a separate document). **Section A.1** covers the general drafting principles applied and **Section A.2** provides section by section commentary.

Section B discusses other essential issues which we feel will need to be addressed under a PRIPs short form disclosure regime, namely:

Scope, Purpose, Responsibility, Liability, Relationship with the Prospectus Summary, Relationship with MiFID and Delivery.

SECTION A

A.1 General drafting principles

In preparing the Template KID we have sought to adhere to a number of the core principles as set out in the Issues Paper published by the Commission in relation to the PRIPs Workshop held in October of last year. Most notably, the principles that disclosure should:

- be fair, clear and not misleading;
- be expressed in short, simple and plain language;
- follow a harmonised structure and sequence of sections; and
- contain common disclosure elements and key points of comparison that must be included in all PRIPs disclosures.

Further points of note in respect of our approach are:

- **Terminology:** Terminology has been drafted to be as general as possible. This is to allow the same headings to be used for as broad a range of "PRIPs" products as possible, thereby acknowledging the PRIPs initiative's harmonisation agenda. Examples of such language include: Product Producer, Product Start Date/End Date and Final/Periodic Return.

- **Section headings:** Additional section headings have been added, or proposed UCITS headings reformulated, where this is felt to be either necessary to introduce additional disclosure required in the context of securities products or helpful to facilitate better investor understanding. The intention remains that the headings and the order of sections would be harmonised for all PRIPs KIDs. Observing UK FSA guidance in relation to investor-friendly key features disclosure, where appropriate, headings have been phrased in the form of questions that investors are likely to ask.

- **Principles v Prescription:** The template seeks to strike a balance between prescribed content and principles based prompts. A level of prescription (particularly in relation to structure) aids comparability and ensures that key messages are communicated in a consistent manner. Too much prescribed content risks detracting from clear and effective disclosure. Members agree that a harmonised structure and a requirement that certain key questions are addressed are important to facilitate comparability, but also feel that the flexibility to include certain other relevant questions, where appropriate, allows disclosure to be appropriately tailored. Where additional disclosure is included this would be subject to the overriding requirement that it should be fair, clear and not misleading.

- **Cross references to other documents:** We feel that in the structured securities sphere there is also a balance to be struck between ensuring that the KID is sufficiently comprehensive to aid an investor when considering whether to invest, while at the same time ensuring that the KID does not become over-burdened with detail which is easily accessible elsewhere. This is particularly important if the KID is to remain accessible for investors. We welcome the provisions in the draft UCITS Regulation which permit limited cross-references to the relevant Offering Document. We agree that the party compiling the KID should not use numerous lengthy and non-specific cross references as this will detract from the value of the KID and reduce accessibility. We feel, however, that targeted cross references to specific sections of the Offering Document which contain more comprehensive disclosure in relation to certain prescribed areas is a very positive development. This approach allows the KID to give the investor a flavour of the issues that should be considered whilst at the same time directly assisting the investor in locating specific and appropriate further reading. This would be of particular benefit in relation to disclosure of risk, charges and (in context of structured securities) relating to the Product Producer which are all already disclosed in an accessible format in the relevant Offering Document. To ensure optimum effectiveness, cross references should be to specific pages or sections in the relevant Offering Document.

- **Length:** We note the requirement proposed in respect of the UCITS KID that the KID be no longer than two pages for standard UCITS and three pages for structured UCITS. Members acknowledge the importance of ensuring that the KID remains a concise document but are of the opinion that an arbitrary page limit which necessitates the removal of important and useful disclosure would be counterproductive. Given the additional disclosure necessary in a KID for structured securities (e.g. more detailed disclosure in relation to return and risk and additional obligor disclosure) members feel that a target of four pages might be appropriate, but that flexibility should be allowed in the context of more complex products, particularly where more extensive disclosure in relation to the Underlying(s) of such product is essential to investor comprehension. As above, appropriate use of cross referencing (and indeed the use of a Glossary) will also be important in ensuring that the document is as concise as possible.

  We also note that the Hong Kong “Key Facts Statement” regime allows page limits to be relaxed to permit certain information to be presented in alternative formats which improve investor understanding but take up more space (e.g. graphically). IOSCO’s work in this field also supports the use of alternative formats to assist investor comprehension. We feel that it would benefit investors if a similar flexibility were permitted under the PRIPs regime.

A.2 Section commentary

The commentary below is intended to explain any key drafting features and raise any conceptual issues identified in the course of drafting. It is set out on a section by section basis.

A.2.1 Header and "Purpose" Section

This initial information sets out the product in question and the status of the KID. We note that clear signposting of this nature has been found to assist retail investor comprehension. In respect of specific content:

Product Reference Code: Any standard product identification code (for example, in the case of debt securities, this would be the ISIN and Valor/WKN/Common Code).

Glossary: A prompt has been included to allow for the use of a Glossary document to supplement the KID. Members were generally supportive of the suggestion that, for certain products, an optional Glossary document, in similar format to that proposed for the Barclays Capital KID, might be useful in assisting readability. It would allow for explanation of more specialist terms in the Glossary. This would reduce "clutter" in the KID itself and in allowing for more detailed, retail friendly explanations to be offered, it would also assist in improving the understanding of less sophisticated investors (in line with the Commission's wider investor education goals).

Such a Glossary could be prepared by Product Producers/Distributors on a house-by-house basis or subject to some form of Commission-led standardisation where appropriate. Standard form definitions could be developed for certain common terms. The JAC would be happy to work with the Commission and/or CESR on any such project.

KID validity period: To avoid an undue administrative burden being placed on the party charged with preparation of the KID, it is proposed that the duty to update the KID should be consistent with the current Prospectus Directive regime (i.e. there should be no obligation to update the KID after admission to trading, if relevant, or the end of the relevant offer period, whichever is later). Wording has been inserted in this section of the Template KID making this clear to investors.

A.2.2 Quick Facts

This section is designed to address the product comparison function of the KID. It is a feature used in both the Hong Kong SFC template Key Facts Statement and the Barclays Capital KID. The aim has been to choose headings that are generic, allowing the same headings to be used across the range of both Contractual and Collective Investment PRIPs products and thereby facilitate comparison between them. Comparability is also assisted by the easily accessible “line item” format. The intention would be that investors would become familiar with these commonly used headings which, in turn, would improve their confidence when analysing and comparing different products. There will necessarily be some overlap between this section and the following sections.

The Commission may wish to consider whether this section could be modular. For example, a series of different Quick Facts section templates might be available (one for each Product Category). Whilst the majority of headings could be common to all templates, a modular structure would allow additional headings (which apply exclusively to Contractual PRIPs or Collective Investment PRIPs or indeed only to an individual Product Category) to be included in the relevant module for the relevant Product Categories only (e.g. in the case of securities, whether or not the product is listed). This would be more efficient because where a key point of comparison applies only to certain Product Categories it need only appear in the Quick Facts section for those Product Categories to which it relates.

In respect of specific headings in the Quick Facts section:

Product Category: This is designed to place the product in a category according to its wrapper (e.g. a “structured security”). This could work alongside investor education initiatives to improve investor understanding by making clear the distinction between different product wrappers.

Product Type: This describes the more specific nature of the products within the generic "Product Category" (e.g. a note as opposed to a warrant or certificate). This may not be relevant in relation to products where the Product Category is not subdivided.

Product Start Date/Product End Date: As above, general language has been used to attempt to ensure applicability to a range of PRIPs. For example, in the context of an offering of Notes these terms would relate to the Issue Date and Maturity Date respectively.

Final Return/Periodic Return: This is a further example of using general language. In completing these prompts, the party completing the KID would stipulate the nature of the payment (e.g. “Redemption Amount” or “Interest”/“Coupon” and briefly explain how the payment is calculated (e.g. “linked to the performance of [●]”).

A.2.3 Product Description

This section would contain a more detailed narrative description of the product to assist comparability and accessibility. This section has a standardised structure using a series of prescribed headings (framed as questions). As above, the phrasing of information as questions an investor might ask is in accordance with UK FSA guidance on the preparation of key features documents, reflecting findings that this aids investor understanding. We have also provided for the inclusion of standardised prominent warnings cross-referring to the key risks section to ensure that the disclosure is suitably balanced in terms of risk and return.

A.2.4 Key Risks

In line with the desire to focus on key product specific information only, we would propose that this section contains only disclosure relating to the "key risks" of the product. Risks that would relate to all products of the relevant product category would not be included. Instead cross references would be incorporated referring investors to the disclosure relating to those more general risks set out in the relevant Offering Document. In this regard, please see our comments in relation to the use of cross references in Section A.1 above. The risk headings included are by means of example only and would be deleted (and/or additional headings added) as appropriate.

We are aware that this section is relatively "text heavy" but feel that the approach elected would offer optimum disclosure for investors, again based on a question and answer format to aid comprehension. Each risk should be explained in full in retail friendly language in the KID.

Other formulations considered include:

(i) the approach adopted in the Barclays Capital KID of a headings based risk section linking to/supported by an explanation of the relevant risk factors in an accompanying Glossary; and

(ii) a hybrid approach of disclosure based on one or two word "risk tags" (e.g. "Credit Risk"), in line with the Barclays Capital approach, but with the explanation of the tag appearing adjacent to it in the KID itself.

Both of these approaches have their merits. In particular, approach (i), which allows for a "cleaner" document which would be visually easier for investors. However, on balance, members felt that the "risk tags", whilst easily identifiable to those with investment knowledge, may not be intuitive for retail investors. As such, the preferred approach is to frame the disclosure as questions to which an investor could easily relate. We would nonetheless be happy to discuss further the most appropriate format for this section.

Further to member comment, a Synthetic Risk Reward Indicator (**SRRI**) has not been incorporated. Members strongly supported the arguments against the inclusion of such an indicator as expressed in the Barclays Capital submission to the Commission, namely that:

> *"(i) in the context of retail structured securities it would be very difficult (if not impossible) to formulate an indicator calculation methodology which would allow a meaningful comparison between such a broad range of products;*
>
> *(ii) the use of a single figure score would anyway detract from the wider risk disclosure in this section as retail investors are likely to place undue emphasis on the indicator (a similar weakness to credit ratings). This is of greater concern where the indicator is of questionable validity;*
>
> *(iii) where a risk indicator is used in respect of a retail structured security, significant space would be required to set out the explanation of the indicator, the score and the warnings in relation to its reliability. This would reduce the space available for more meaningful disclosure of the actual risks involved in the product and add unnecessary clutter to the document; …*

In addition:

(i) Investors tend to place undue emphasis on a risk indicator. This is a particular concern in the context of structured securities since the risk profile is generally more diverse than that involved in a UCITS (in particular, given the additional obligor credit risk dimension). A single figure rating discourages investors from fully engaging with the detail of this risk profile. This must surely detract from the value of the KID as an investor education document.

(ii) Diverse risk profiles often apply to structured securities and risk is often investor specific. For example, an investor investing in a product denominated in a currency other than that of his home member state takes significant foreign exchange risk which may not be factored into the indicator. Consequently, narrative risk explanations are far more useful to investors allowing them to assess the relevance of each risk factor identified in the context of their specific portfolio. As above, the incorporation of a SRRI would require reasonably significant explanatory narrative which would reduce the space available for explanation of the actual risks involved.

(iii) Computing a calculation basis for a risk indicator for products for which there is no (or limited) past performance data presents significant challenges. Given the Commission's work in the Rating Agencies sphere, it would seem odd to move towards a formulation that introduces significant new subjectivity and is more conflicted than the existing Rating Agency regime. Furthermore, any element of subjectivity introduced (as may be unavoidable), would open the party calculating the rating to liability risk in respect of investors subsequently seeking to challenge an assumption made in the course of such calculation.

(iv) Finding a common calculation methodology that could be used across the full range of PRIPs would represent an even greater challenge. The nature of structured securities (and indeed a number of the other Contractual PRIPs products) is fundamentally different to UCITS. For example, no "strategy" applies and collateral arrangements (if indeed these apply at all) are arranged on a different basis. As such, the regime applying to UCITS would not easily be transposed to other PRIPs products in a way that would allow for reliable or meaningful ratings to be produced.

Were different methodologies to be applied to different product categories, there is a significant risk that investors would nonetheless regard the index scores as comparable across product categories. This could offer an unfair advantage for certain products for which the categorisation framework was more favourable.

(v) There are concerns that, in the context of capital protected products which are highly complex but relatively low risk (e.g. complex structuring might be used to reduce risk), an inappropriately designed indicator may incorrectly score these products as higher risk due to their complexity. This potential asymmetry between complexity and risk was a theme discussed in the JAC November Submission at paragraphs 23 to 29.

We note further that it is reported that the numeric indicator was considered but then rejected by the Monetary Authority of Singapore in relation to their proposed Product Highlights Sheet.

In relation to the calculation methodologies considered by CESR in relation to the UCITS KID we note the more detailed analysis included in the JAC's response dated 10 September 2009 to the CESR Consultation Paper (09-552), together with Addendum on technical advice at level 2 on the format and content of Key Information Document (KID) disclosures for UCITS of 8 July 2009, available at www.isda.org/c_and_a/pdf/KID-disclosures-for-UCITS-JACresponse.pdf.

A.2.5 Charges and Taxes

Members were generally supportive of the approach taken to charges disclosure in the Barclays Capital KID and the rationale provided in the accompanying submission.

Excerpt from the Barclays Capital submission:

"***2.6 Charges***

- *For clarity we have split the charges up into categories.*

- *To facilitate comparison between products, the format of this section could be retained for all products. Hence where no charge relating to a particular category applies in relation to this product we have not removed the category but simply stated that no such charge applies.*

- *For transparency we have:*

  (i) disclosed the deduction of all Issuer costs as charges; and

(ii) disclosed the existence of a bid/offer spread for any secondary market sales. Even though this is not strictly a product charge, it will nonetheless act to reduce the potential return that an investor would receive.

- *In contrast to the CESR Advice in relation to UCITs, we have not included an illustration of charges in numerical tabular format. We appreciate the rationale for this requirement. However, the costs payable in respect of many retail structured securities are often based on less predictable components (for example, variable funding costs) and as such we feel the number of assumptions that are required to produce numerical data renders the data unreliable from an investor perspective. In the context of retail structured securities, such a numerical illustration of data is, therefore, more likely to mislead investors than provide useful insight. This is of particular concern given the findings of the consumer testing conducted by IFF Research and YouGov in respect of the UCITs KID (the* ***UCITS Consumer Testing****) that retail investors often treat such illustrative data as fact (i.e. a conclusive list of the actual amount of charges that they will be expected to pay).*"

In terms of the nature of Product Producer fees that should be disclosed, we refer to the JAC November Submission and in particular paragraphs 33-37 thereof which contain more detailed commentary in this regard.

A.2.6 Further Information Available To You

This section mirrors the "Documents Available To You" section incorporated into the Barclays Capital KID. Members generally agreed that a section setting out clearly what other materials were available would be very helpful in improving investors' understanding of the full range of disclosure materials available to them and in that way also further contextualising the KID.

It was felt that this section might also usefully contain reference sources for post-issuance information.

A.2.7 "How do I purchase this product….."

It is intended that this section would provide information in relation to how a prospective investor might purchase the product. It was felt that the KID was not the appropriate forum to disclose full details of the terms and conditions of the offer but that this question should be addressed in outline.

A.2.8 "Who is the Product Producer?"

In the context of structured securities specifically, and Contractual PRIPs generally, obligor credit risk is an important investment consideration. As such, it was felt that a distinct section containing stipulated Product Producer disclosure would assist with clarity. However, members would emphasise that the KID should not be required to contain detailed Product Producer disclosure. This is already set out in an accessible format in the Offering Document. As such cross-references directing investors to the specific pages of those Offering Documents upon which such information can be found would be the most effective way of ensuring that such information is made available to investors. Incorporation of such information into the KID itself would significantly lengthen the document with no apparent additional benefit to investors. Clearly, this section may not be appropriate in the context of Collective Investment PRIPs. For further discussion of the differing disclosure requirements for Collective Investment PRIPs as compared to Contractual PRIPs, please see paragraphs 16 and 17 of the JAC November Submission.

A.2.9 Annex 1 - Scenario Analysis/Historical Performance

In line with the Commission's work in relation to the UCITS KID, a Past Performance section has not been incorporated. Historical performance information is not generally available in relation to structured securities products. Instead, a prompt has been included to allow for the annexing of a scenario analysis/historical performance section.

In this regard please note:

(i) Members are generally supportive of the Commission's proposal that a low, medium and high return scenario should be included, along with appropriate warnings regarding limitations of the data used and that the scenarios were not equally probable.

(ii) This section has been included as an Annex to allow the KID producer to incorporate varying formats of information at their election without disrupting the flow, and preserving the uniformity, of the core document. Members felt that allowing the KID producer the flexibility to present scenario analyses in a variety of flexible formats would assist accessibility (e.g. numerically, graphically and/or in a chart format). Product Producers are often used to preparing marketing materials for products of this nature on a regular basis and are, therefore, familiar with what presentational approaches are generally best suited to particular product types and are expected and valued by distributors and end investors. In this regard we note that the Hong Kong SFC has allowed for flexibility to be applied to the length of its Key Facts Statement document where this would allow for the incorporation of information in alternative "investor friendly" formats.

(iii) Members feel that a degree of flexibility with regards the approach taken for the preparation of scenario analyses would improve the utility of the data prepared. However, prescribing rigid calculation methodologies may risk generating inappropriate results for certain products. A general requirement that the scenario analyses provided are prepared and presented in a manner which is fair, clear and not misleading should ensure appropriate standards are maintained.

A.2.10 Annex 2 – Information relating to the Underlying(s)

For certain structured securities an understanding of the nature and likely performance of the underlying or underlying(s) will be important to an investor’s ability to understand his possible return. Therefore, a separate Annex has been incorporated allowing for disclosure in this regard. This has been incorporated as an Annex because such disclosure will not be appropriate in relation to every product (for example, if the underlying is a specific share, this can adequately disclosed in the Quick Facts section of the KID). Using an Annex for this disclosure allows the uniformity of sections in the core document to be maintained in respect of all products, with an Annex relating to the Underlying only added where appropriate.

SECTION B

FURTHER KEY ISSUES

B.1 Scope

As set out in the JAC November Submission, the KID should only be required for products actually sold to "retail" investors (see paragraphs 4 to 6 of that document). The regime will need to be carefully crafted to ensure that products sold to "wholesale" investors are not unintentionally caught by the PRIPs KID regime. The KID document provides no investor/public policy benefit in the "wholesale" space and, as such, the significant additional cost to the KID producer cannot be justified.

Similar concerns apply in relation to "vanilla" products. We note that the currently proposed economic definition of PRIPs (as per the Commission's Update of 16 December 2009) requires that a PRIP will necessarily contain an "element of packaging". We assume that this reflects the Commission's intention that "vanilla" products will be strictly out of scope. We believe that this must be the correct outcome. The regime would seem both inappropriate and unnecessary for such products with no discernible public policy benefit.

B.2 Purpose

The purpose should be to set out certain ***key*** information in relation to the product with the goal of "aiding" a prospective investor when considering whether to invest. In this way, consistency would be ensured with the analogous Prospectus summary regime (as set out in the recently approved Directive amending the Prospectus Directive). We note further that the "key information" definition now incorporated into the Prospectus Directive is broader than the information we would expect to be required in a KID document (both in terms of content and the level of detail required, e.g. more detailed issuer disclosure and information regarding use of proceeds). We note that this definition of "key information" would only be appropriate if, in line with the Prospectus summary, the KID is only expected to provide all "key information" when read together with the Prospectus document. In this regard, please see our comments in relation to the use of cross referencing above.

The KID should not be required to contain "all" information that an investor might reasonably require. That is both unnecessary from an investor protection perspective and unrealistic from a disclosure perspective. The role of disclosing "all" information that an investor requires should remain that of the relevant Offering Document.

B.3 Responsibility for preparation

The Commission, in its December communication relating to the PRIPs initiative, discussed two possible approaches:

(i) Detailed rules setting out responsibilities for preparation of document, to generally sit with Product Producer, but, given the role of Product Distributors in relation to bringing certain PRIPs into the retail market, responsibilities also placed on Product Distributors.

(ii) A more flexible approach relying on the cooperation between Product Producer and Product Distributor.

Members feel that option (ii) must be the better approach for the reasons set out at paragraphs 19 to 21 of the JAC November Submission. Arguably, the correct approach to responsibility can only be determined once a clearer picture of required content for the document emerges. Whilst some sections of the Template KID are better suited to being completed by the Product Producer, (e.g. Quick Facts and Key Risks), others would need to be completed by the Product Distributor (e.g. Product Distributor Charges, Further Information, How do I purchase this product, Product Distributor disclosure and elements of the Product Description). More specifically, members are concerned that the extent of the information to be provided under any Product Description section is clearly limited to statements of fact. If it is not, Product Producers may find themselves in a position where the information they are required to provide risks being characterised as investment advice.

Furthermore, the Commission should consider whether the Product Description section is in fact better prepared by the Product Distributor. Product Distributor's often already prepare retail investor friendly Product Description-style summaries as part of their marketing material. As the party directly engaged with the investor, and indeed paid to manage the investor relationship, the Product Distributor is arguably better placed to understand the nature of material that investors require.

B.4 Liability

We note our comments at paragraph 14 of the JAC November Submission. We would suggest that the same level of liability as applies to the Prospectus summary under the revised Prospectus Directive regime should also apply to the KID, i.e. that that no civil liability should attach in respect of the KID unless it is misleading, inaccurate or inconsistent, when read together with the other parts of the relevant Offering Document, or it does not provide, when read together with the other parts of that Offering Document, key information in order to aid investors when considering whether to invest in such securities.

A higher level of liability is unnecessary and would likely result in an over-cautious approach being taken by the party charged with compiling the KID. Having a higher liability standard and placing strict limits on the length of the KID would also place an unacceptable risk on the party charged with preparation and is likely to result in a number of Product Producers and Product Distributors electing not to offer certain products to retail investors. This would reduce competition and investor choice.

B.5 Relationship with the Prospectus Summary

The debate as to how the requirement to produce a KID should interact with the requirement to produce a Prospectus Summary is important and a duplication of information should be avoided. We would suggest that, in the context of relevant products sold to “retail” investors, the requirement to produce a Summary should be replaced with a requirement to produce a KID. Alternatively, the two regimes could be harmonised such that the form of Summary required to be produced in these circumstances under the Prospectus Directive regime mirrors the requirements under the PRIPs KID regime. We assume that this may be the intention of Recital 19 to the amending Directive in respect of the PD (A7-0102/2010). Whilst we would welcome this outcome, further aspects which it will be important to consider are:

(i) how information that it is currently required under the Summary regime but may not be required in such detail under the KID regime should be treated (for example, Product Producer/Issuer disclosure); and

(ii) the approach that should be taken in the context of “retail” debt issuance programmes, or debt issuance programmes allowing for the issuance of securities to both “retail” and “wholesale” investors. The summary disclosure currently seen in base prospectuses for programmes is generic in nature, referring to types of issuance contemplated under the programme rather than specific issuances. This would not seem to be compatible with the product specific approach likely to be required in relation to KID. A number of suggestions have been made in relation to how this issue could be addressed. We would be happy to discuss this in more detail with the Commission if that would be of assistance.

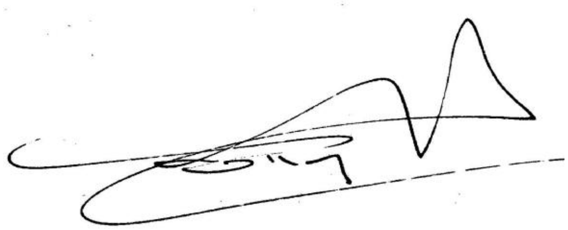
B.6 Relationship with MiFID

Whilst it would be desirable for a common approach to be taken to retail classification under the MiFID and PRIPs regimes, the current MiFID approach requires refinement. In considering any proposals for reform of the investor categorisation regime under the MiFID we would urge the Commission to consider carefully how any such changes would work in context of a future PRIPs regime. As in "Scope" above, it will be important to ensure that the scope of any definition of "retail" for investor classification purposes is carefully considered to avoid products that are essentially "wholesale" being unintentionally caught in the PRIPs regime. We would be very happy to engage in discussions on this important point.

B.7 Delivery

The KID should be designed to work equally effectively in both soft and hard copy. There should be an obligation to deliver the KID in sufficient time to allow it to inform investment decisions.

Yours sincerely,



Timothy R Hailes

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FORM OF TEMPLATE KID – *see separate document*