

18 October 2013

**UniCredit Group's reply
to the Joint Forum Consultation Report on Point of Sale disclosure
in the insurance, banking and securities sectors**

UniCredit is a major international financial institution with strong roots in 22 European countries, active in approximately 50 markets, with about 9.500 branches and more than 155.000 employees. UniCredit is among the top market players in Italy, Austria, Poland and Germany. In the CEE region, UniCredit operates the largest international banking network with around 4.000 branches and outlets, and is a market leader.

General considerations

UniCredit welcomes the opportunity to take part to a consultation dealing with a crucial issue for financial institutions operating at retail level and representing a chance to improve the client-provider relationship thus fostering confidence in the financial services industry. Moreover, UniCredit appreciates the recommendation-based approach through which participants can provide inputs by taking into account their respective regulatory frameworks, which so much vary in relation to the jurisdiction they belong to.

The position expressed in this paper is mainly based on contributions coming from the Group Compliance functions, involved according to their tasks and related responsibilities. Thus, *essentially a regulatory standpoint* has been considered in drafting this reply.

Before providing a feedback for each proposed principle, UniCredit would like to point out that is crucial that the proposed set of principles are homogeneously implemented in each country, also taking into consideration the differences of single jurisdictions' regulatory regime. Indeed, this represents a necessary assumption in order to create a single official document for financial products distributed to retail customers which should be a cross-border instrument further than an easy-to-read and cross-sectoral instrument.

In this respect, we strongly believe that a 'passport' regime for the POS disclosure document should be also recommended, by leaving sovranational and national lawmakers the appropriate allocation of tasks and related responsibilities for the passporting procedure and the supervision when a product is offered in different countries.



We strongly believe that this instrument is very likely to push the global securities markets towards a closer convergence, thus improving the market functioning itself by lowering regulatory compliance costs.

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Specific feedback to the proposed recommendations

Recommendation 1: Jurisdictions should consider implementing a concise written or electronic POS disclosure document for the product sample identified in this report, taking into account the jurisdiction’s regulatory regime.

UniCredit Feedback

UniCredit agrees with the proposed recommendation.

However, we would like to highlight the relevance of the format to be used and the necessity to avoid an overlapping between different disclosure documents having the same purpose – *i.e.* brief disclosure for retail customers only focused on key information with non-technical terms.

This is because, overlappings between similar documents usually result not only in high costs for banks and financial institutions, but also in an information overload which does not help consumers effectively understand the products’ characteristics. As far as the European regulatory framework is concerned, an existing example of this regulatory overlapping might be given by so called Prospectus Directive (2003/71/EC) and the proposed Regulation on KID (Key Information Document) for investment products (currently under discussion among European lawmakers).

More in detail, on the one hand, the prospectus available to customers for each offered product must include a summary note containing appropriate information about the fundamental characteristics of the securities; on the other hand, a new document only focused on key information shall be also delivered to customers.

Both of the documents must be drafted by the issuer and seem to share the same purpose as the regime comparison in the table below easily shows:

KID (Proposal for a Regulation)	SUMMARY NOTE (2003/71/EC Directive)
Obligation of drawing up key information only (art. 5)	<ul style="list-style-type: none"> - The prospectus shall contain all information necessary to enable investors to make an informed assessment... (art. 5.1 Dir.) - The prospectus shall contain appropriate information concerning the fundamental characteristics of the securities (art. 5.2 Dir.) - The prospectus shall also include a summary note that... conveys the essential characteristics... (art. 5.2., first part, Dir.)
The KID shall be accurate, fair, clear and not misleading (art. 6.1)	If the summary note is misleading, inaccurate or inconsistent ... the liability falls on the person responsible for the prospectus (art. 6.2 Dir.)

<p>The KID shall be a stand-alone document ... (art. 6.2)</p>	<ul style="list-style-type: none"> - The summary note may be a separate document from the prospectus (art. 5.3 Dir.) - The summary note does not contain cross-references to other parts of the prospectus (art. 24.1, second subparagraph, and Annex XXII, n. 6, Reg.)
<p>The KID shall be a short document ... (art. 6.3)</p>	<ul style="list-style-type: none"> - The length of the summary note shall take into account the complexity of the issuer and of the securities offered but does not exceed 7% of the length of the prospectus or, if less than such percentage, 15 pages (art. 24.1, second subparagraph, Reg.) - Taking into account the needs of each piece of information, the descriptions should be brief (all. XXII, n. 5, Reg.)
<p>The KID shall be presented and laid out in a way that is easy to read, using characters of readable size (art. 6.3.a)</p>	<ul style="list-style-type: none"> - The prospectus shall contain a summary note that in a brief manner and in non-technical language, convey the essential information ... (art. 5.2., first part, Dir.) - The summary note is written in clear language, so as to present key information in an easily accessible and understandable way (art. 24.1, third subparagraph, Reg.)
<p>The KID shall be clearly expressed and written in language that communicates in a way that facilitates the retail investor's understanding (art. 6.3.b)</p>	
<p>Obligation to use a clear, succinct and comprehensible language (art. 5.3.b.i)</p>	
<p>The use of jargon is avoided (art. 6.3.b.ii)</p>	
<p>Technical terms are avoided when everyday words can be used instead (art. 6.3.b.iii)</p>	
<p>The use of colours shall not diminish the comprehensibility of the information in the event that KID is printed or photocopied in black and white (art. 6.4)</p>	<p>N/A</p>
<p>Where the corporate branding or logo of the investment product manufacturer or the group to which it belongs is used in the KID, it shall not distract the retail investor from the information contained in the document or obscure the text (art. 6.5)</p>	<p>N/A</p>
<p>The title 'Key Information Document' shall appear prominently at the top of the first page of the key information document. The following explanatory statement shall appear directly underneath the title: <i>'This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature of this investment product and the risks of investing in it. You are advised to read it so that you can take an informed decision about whether to invest.'</i> (art. 8.1)</p>	<p>Minimum disclosure requirements:</p> <ul style="list-style-type: none"> - <i>[this] summary should be read as introduction to the prospectus;</i> - <i>any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor;</i> - <i>where a claim relating to the information contained in [the] prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</i> <p>(Annex XXII, Section A, Element A.1, Reg.)</p>
<p>The investment product manufacturer may only include other information where it is necessary for the retail investor to take an informed investment decision about a specific investment product (art. 8.3)</p>	<p>The issuer, the offeror or the person asking for admission to trading on a regulated market shall determine on its own the <u>detailed content</u> of the summary note... in compliance with these rules (art. 24.1 Reg.)</p>
<p>The information shall be presented in a common format including the common headings... as to allow for comparison with the KID for any other investment product (art. 8.4)</p>	<p>The summary note is drawn up in a standardised format to facilitate comparison of the summary notes of similar securities ...</p>
<p>The KID shall prominently display a common symbol to distinguish it from other documents (art. 8.4)</p>	<p>N/A</p>



Recommendation 2: The POS disclosure document should be provided to consumers free of charge, before the time of purchase.

UniCredit Feedback

UniCredit agrees with the proposed recommendation.

However, it has to be taken into account that the provision of free-of-charge disclosure documents to customers should not automatically imply that financial institutions and banks are always supposed to provide information documents for free.

Sometimes, for instance, financial services providers may offer a monitoring and additional information service of the overall financial situation of sophisticated clients (such as private banking customers) which should not be compulsorily free-of-charge, as they may be seriously expensive.

Recommendation 3: A jurisdiction considering POS disclosure should consider requiring that a POS disclosure document discloses key characteristics including costs, risks and financial benefits or other features of a given product and any underlying or referenced assets, investments or indices, irrespective of the financial sector from which the products are derived.

UniCredit Feedback

UniCredit agrees with the proposed recommendation.

We think, indeed, that it would be advisable to have a standardized template potentially applicable for all financial products, regardless of the sector to which a single product belongs to (banking – financial – insurance).

Furthermore, UniCredit highlights that this document should be so flexible to be effectively “cross-sectorial” by fitting the different features of products. In this way, the industry would have only one single pattern for all the products being sold and offered.

The crucial element of this document should then be its high-level flexibility: the same format should be able to convey, for instance, the key information concerning different products, even when a full comparative picture is, factually speaking, not fully possible.

An example of this flexibility in describing products can be given by comparing bonds vs investment funds: the former have a maturity as well as a primary market limited in time and a secondary market, with the consequence that their POS document must be kept up-to-date only during the (public) offering (with costs embedded in the overall issuance price); the latter, instead, are offered on a continuous basis without a pre-determined maturity, with the consequence that it is necessary to guarantee in any time an updated POS document to new potential underwriters (especially regarding the ongoing costs).



Recommendation 4: The POS disclosure document should be clear, fair, not misleading and written in a plain language designed to be understandable by the consumer.

UniCredit Feedback

UniCredit fully agrees with the proposed recommendation.

In general, the POS document should be short, easy-to-read, written in a concise manner and, in this respect, the use of technical jargon should be avoided so as to be understandable by an average retail investor.

Recommendation 5: The POS disclosures should include the same type of information to facilitate comparison of competing products.

UniCredit Feedback

UniCredit agrees with the proposed recommendation and highlights how far flexibility of the POS disclosure document is crucial to ensure an effective comparison between competing products (see our feedback to the proposed recommendation 3).

Using a format with mutual features would indeed enable investors to easily compare between different investment products. However, the template should be flexible enough to take into account the differences existing between various typologies of investment products, while still letting investors compare different financial solutions.

Recommendation 6: The POS disclosure document should be concise, set out key information about a product and may include, as appropriate, links or refer to other information. It should make clear that it does not provide exhaustive information.

UniCredit Feedback

UniCredit agrees with the proposed recommendation.

In particular, we support an approach which frames the POS document as an information sheet providing clients with key information about the concerned product, by warning them that for more detailed information, other documents related to the same product are also available.



Recommendation 7: Allocation of responsibility for preparing, making available and/or delivering the POS disclosure document should be clearly established, and the POS disclosure document should identify which entity is responsible for its content.

UniCredit Feedback

UniCredit believes in a plain and clear delineation of responsibilities concerning, on the one hand, the preparation, and, on other hand, the distribution of the POS disclosure document. This is because, in order to clearly establish “who does what”, a straightforward division of tasks between the product provider and the distributor is highly appropriate so that the former is called upon to draw the POS disclosure document, while the latter should more simply deliver it to customers.

In particular, contractual liability stemming from false, unclear and misleading information should be clearly borne by the subject in charge of preparing the POS disclosure document rather than the one delivering it.

Recommendation 8: A jurisdiction considering POS disclosure should consider how to use its capabilities and powers to implement these POS recommendations, taking into account the jurisdiction’s regulatory regime.

UniCredit Feedback

UniCredit is itself a cross-border financial institution and it is fully aware of the opportunities and challenges deriving from cross-jurisdiction and worldwide business activities. In this respect, it is advisable that a POS disclosure document has a cross-border validity so that a product, whose disclosure documents are drawn up according to the rules of one jurisdiction, can be easily sold in another jurisdiction without further information obligations (*i.e.* delivery to customers of a concise and easy-to-read information sheet).

This is important in order to grant consumers around the world equal treatment and the same highly accessible information. In order to achieve this aim, a very important step is to better define the linguistic regime at country level: the language used in POS disclosure document might be or the official language of the jurisdiction where the product is also offered and sold (thus requiring a translation obligation of the POS disclosure document).

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