

MEDIA STATEMENT



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
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IOSCO/MS/12/2009

Madrid, 16 November 2009

IOSCO consults on point of sale disclosure for Collective Investment Schemes

The International Organisation of Securities Commissions (IOSCO) Technical Committee has published a consultation report on [Principles on Point of Sale Disclosure](#). The Report proposes a set of principles, for the disclosure of key information relating to collective investment schemes, designed to assist markets and market authorities when considering point of sale disclosure requirements in their respective jurisdictions.

The Technical Committee is seeking input from financial services practitioners, industry participants and other relevant stakeholders.

The closing date for responses is 16 February 2010.

Summary

The Report analyzes issues relating to requiring *key information* disclosures to retail investors relating to collective investment schemes (CIS) and their distribution prior to the *point of sale* (POS). It also sets out principles to guide possible regulatory responses. The report does not examine issues relating to the suitability of CIS or similar products and does not purport to describe or address *all* disclosure obligations of the intermediary (e.g., relating to general information on the intermediary's range of services, the safeguarding of client assets, client categorization or information that needs to be disclosed in the client agreement).

Transparency in the market place, particularly disclosure of information to investors, has always been a high priority for regulators in seeking to ensure that markets run efficiently and with integrity. Enhancing POS disclosure, by helping to ensure that investors are able to consider key information about CIS products before they invest, can contribute to this goal. The recent crisis in the financial markets has highlighted the critical role that accurate, understandable and meaningful disclosure can play. This, and other IOSCO projects, can assist regulators in developing a path towards renewed investor trust in both the producers of financial products and the intermediaries that sell them.

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The Report analyzes in detail the key issues raised by POS disclosure, including:

- whether regulatory disclosures are in fact effective in addressing information asymmetries that exist between investors, producers and sellers;
- what constitutes key information;
- how information should be delivered and whether a *layered approach* should be used;
- what exactly should be understood as delivery;
- at what point in time the information should be delivered;
- use of plain language rather than technical jargon; and
- the format of disclosures.

The Proposed Principles For Disclosure of Key Information in regard to CIS Prior to the Point Of Sale are as follows:

Principle 1

Key information should include disclosures that inform the investor of the fundamental benefits, risks, terms and costs of the product and the remuneration and conflicts associated with the intermediary through which the product is sold.

Principle 2

Key information should be delivered, or made available, for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest.

Principle 3

Key information should be delivered or made available in a manner that is appropriate for the target investor.

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Principle 4

Disclosure of key information should be in plain language and in a simple, accessible and comparable format to facilitate a meaningful comparison of information disclosed for competing products.

Principle 5

Key information disclosures should be clear, accurate and not misleading to the target investor. Disclosures should be updated on a regular basis.

Principle 6

In deciding what key information disclosure to impose on intermediaries and product producers, regulators should consider who has control over the information that is to be disclosed.

In addition, the Report's examination of possible disclosure of key information has highlighted the following important points:

- No matter what disclosures are mandated, they will not have the intended effect if the investor either does not read and/or understand the information provided. Regulators should therefore consider measures to help improve retail investor education in order to enhance their financial literacy and ability to read investment documentation and make informed investment decisions;
- In general, new POS disclosure requirements should not be imposed without the benefit of consumer testing or assessment to help determine the likely effectiveness of new disclosure requirements; and
- The principles set forth in this report may also be applicable to non-retail investors.

MEDIA ENQUIRIES

David Cliffe

+ 34 91 787 0419

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: (34.91) 417.55.49 • Fax: (34.91) 555.93.68
mail@oicv.iosco.org • www.iosco.org

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Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

Outside office hours

Email:

Website:

+ 34 679 969 004

d.cliffe@iosco.org

www.iosco.org