

MEMO# 22135

January 18, 2008

ICI Comment Letter - European Commission's Call for Evidence on "Substitute" Retail Investment Products

[22135]

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TO: INTERNATIONAL COMMITTEE No. 4-08
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 1-08
SEC RULES COMMITTEE No. 6-08 RE: ICI COMMENT LETTER - EUROPEAN COMMISSION'S
CALL FOR EVIDENCE ON "SUBSTITUTE" RETAIL INVESTMENT PRODUCTS

Last October, the European Commission published a call for evidence regarding the regulation of "substitute" retail investment products that offer risk/return performance comparable to retail investment funds but are sold in a variety of forms that are subject to different levels of product and fee disclosure and different selling rules. [\[1\]](#) The ICI submitted the attached comment letter on January 17, 2008.

The letter strongly supports the Commission's efforts to examine the regulation of retail investment products in Europe. The letter generally agrees that greater product innovation benefits investors, but that regulatory innovation also must occur. The letter recommends that the Commission consider four broad principles in evaluating the relevant issues: (1) disclosure requirements should be comparable for comparable products; (2) if regulators determine that a requirement should be imposed upon funds, that requirement should be extended to "substitute" investment products; (3) if there are intentional differences among investment products, the regulatory requirements should respect those differences; and (4) differences in tax treatment should not steer an investor toward a particular investment product.

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[Attachment](#)

endnotes

[1] For a summary of the proposal see Memorandum [21912] to International Members No. 31-07, International Operations Advisory Members No. 20-07, SEC Rules Members No. 143-07, dated November 2, 1007. The Commission's Call for Evidence is available at http://ec.europa.eu/internal_market/finances/docs/cross-sector/call_en.pdf.

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