

29 September 2006

European Commission
DG Internal Market
markt-consult-july-2006expertgroups@ec.europa.eu
Brussels
Belgium

Re: Report of the Expert Group on Investment Fund Market Efficiency – Comments submitted on behalf of the Bank of America

Ladies and Gentlemen:

Introduction:

Bank of America, a large U.S. financial services provider and asset manager with more than US\$500 billion in assets under management (as of June 30, 2006), is pleased to provide the European Commission with this paper as a more formal contribution to ongoing public consultation and transatlantic dialogue.

Bank of America strongly supports the Commission's efforts to enhance the competitive appeal of UCITS on a cross-border basis and applauds the Expert Group for its report on Investment Fund Market Efficiency.

Please accept the following comments on some of the major recommendations outlined in the Report.

1. "Reduce administrative delays in getting investment funds to the market"

- A. Product Approval Deadlines. We support a recommendation to limit the time for the home regulator to approve the product, including a review of both the full and summary prospectus, to help reduce delays.
- B. Summary Prospectus. Under the proposal, a fund would be able to use the same summary prospectus in all Member States, with any additional information pertaining to an individual state permitted to be added by addendum without triggering additional review either by the home or host state.

A short form document that summarizes key information about the fund in simplified terms, and in a concise, standardized format, should allow investors to evaluate and compare various funds. The information in the profile could include the fund's investment objectives and goals; principal investment strategies; principal risks and performance data; fees and expenses; purchase and redemption procedures and other information.

- C. Access to Information. The development of ways to make the UCITS market more transparent to investors is one area that the E.U. could leverage practices that have developed in the U.S.

To increase information transparency, one initiative that could benefit efforts to reduce administrative delays and expense in bringing funds to market is to consider adoption of an online disclosure warehouse. The U.S. markets have done so for approximately ten years now. The system is called EDGAR (Electronic Data Gathering, Analysis and Retrieval system). It contains most filings (registration statements, periodic reports, and other forms) submitted to the U.S. Securities and Exchange Commission by public companies, including funds. Anyone can access and download this information. In addition to enhancing disclosure, this enables rapid assessment of industry practice. Earlier this week, the SEC announced a US\$54 million investment that will “transform the agency’s public company disclosure system from a form-based electronic filing cabinet to a dynamic real-time search tool with interactive capabilities.”

2. “Enable the rapid and efficient merger of funds”

A provision for UCITS to merge with each other on a cross-border basis would help to create an integrated market, enable economies of scale, reduce redundancy, allow funds to trim operating costs, including costs relating to fund audits and prospectuses, and could potentially lead to lower costs for investors.

At Bank of America, we have merged hundreds of funds over the last 10 years, providing fee benefits to our fund shareholders. We believe that the investment management product set should be concentrated to be made more efficient.

The E.C. may wish to consider having a more uniform standard for determining valuation issues, appropriate performance measurement, and exchange ratios, as this could make enacting fund merger provisions easier and help eliminate the tendency of the industry to “shop” for the jurisdiction permitting the perceived best performance for the surviving fund.

3. “Allow the centralized (pooled) management of assets owned by different funds”

A provision for master-feeder types of structures within the UCITS directive could greatly increase investors’ access to additional investment choices, and would foster competition with U.S. funds, increasing investor satisfaction, without the expense of setting up mirror funds.

Master-feeder structures offer many benefits to both investors and managers, including elimination of trade allocation issues among feeder funds, providing “critical mass” at the master level to reduce both startup and ongoing costs for feeders (as well as increasing access to credit lines), and facilitating creation of new feeders to accommodate demand within specific market segments (e.g., adding an institutional feeder or even a “private label” feeder).

One issue in managing a master-feeder structure is determining which fees and services go to which level. Overall fee levels must be reasonable. A fund must be careful not to overload both levels with fees. Generally, it may be more workable to assess certain fees at the feeder level to avoid inequities that can result if the fees are charged at the master level. The E.C. would be well advised to make critical decisions around permitted fee structures in advance of adopting this reform.

4. “Breathe life into the management company passport”

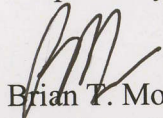
Increasing and providing clarity on the activities and services that the management company can provide on a cross-border basis could accelerate the successful development of the European investment fund market. We support this initiative to provide greater access to more managers’ capabilities and new entrants in the global asset management practice.

Conclusion:

To the extent that the proposed reforms in the Expert Group report on Investment Fund Market Efficiency make UCITS more readily accessible to investors, and increase investors’ understanding of the products, investors should benefit. We endorse your initiatives and the report.

Bank of America is thankful for the opportunity to provide input for your deliberations.

Respectfully yours,



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Bank of America