

BNP Paribas Asset Management response to the consultation on the Expert Groups reports.

We are very pleased to have the opportunity to make comments on the reports of the Expert Groups the Commission has set up during the first half of 2006, as we did after the Green Paper on Funds had been issued.

Since that time, we, as the BNPParibas arm in asset management, have become more pan European than previously, because our parent company is now the sole shareholder of Banco Nazionale del Lavoro, a major Italian banking group, itself involved in fund and asset management.

We have experienced a new face of the regulatory regimes in Europe. We also intend to develop - if feasible - more cross-border activities, and our comments are therefore made as a consequence of our new situation and expectations.

As active members of both AFG (Association Française de la Gestion) and EFAMA, we have no reasons to diverge from the comments these two industry bodies have made on the three Expert Groups reports and proposals. They have drafted very consistent and thorough letters, and we agree with the orientations, remarks, and proposals they made.

We urge the Commission to consider that we have exactly the same approach, and that we share their comments.

However, we would like to stress a few points, which are of more direct importance for us, and we would strongly appreciate that, if choices are to be made by the Commission within the different proposals issued by the Efficiency Expert Group, the following initiatives are taken:

- 1) Notification process (mainly for cross-border marketing).

We are well aware that there is a current trend within the public arena, according which it would be possible to wait to deal with this topic, and examine what will be the results of the CESR orientations.

This very conservative approach is not an efficient solution to the problems and costs faced by both the industry and the investors.

Clearly, CESR has been limited in their solutions by the wording of the UCITS directive itself, as it has been stated on various occasions, even by the authors of the CESR proposals themselves. Accordingly, it is necessary to modify the UCITS directive and to streamline the notification process by removing everything that is not useful for investors and that is harmful to efficient business. In that regard, the Expert Group has made valuable efforts which could be widely taken on board by the Commission. We do believe that a lot of regulators themselves could help to strongly improve the process.

2) Mergers.

The merger between BNP Paribas and BNL gives us the opportunity to feel how poorly the regulatory regime of funds functions in this respect.

While a merger is possible between Dublin and Luxembourg, it is impossible between Milan and Paris!

This situation, left to the discretionary powers of the different national authorities, is contrary to the notion of a level playing field.

It is necessary to clarify the situation, and to explicitly allow the mergers (domestic or cross-border). The UCITS directive needs urgent amendments to avoid such a confusing situation, allow what is commonly used in a lot of European countries, and to make the investors benefit from the economy of scale of larger funds.

We believe the practical approach of the Expert Group is very helpful in order to draft the future regime of fund mergers, and implementation measures for investors protection purposes.

3) Pooling

The same reason (being improve the size of funds without altering the investors interests regarding the investment policy or the level of risk involved) leads to allow pooling.

We have no experience in virtual pooling – and we are confident that regulators within CESR could analyse it and permit it later on if deemed acceptable- but we have experience in master-feeder structures. We know they are transparent and efficient on a national basis. We need to have them at the European level.

We are confident that the Commission, having previously analysed it and proposed it to the Council, will seek to introduce the master-feeder structure in the UCIS directive. It is a very simple modification as it needs only to open the way to a UCITS investing 100% of its assets in another UCITS (article 19).

4) Management company passport

We support the views expressed by AFG and EFAMA on this topic. We can only add that multiplying the number of management companies across Europe is not an efficient way to run a business.

We believe that problem with the management company passport –the effects of which are to be clarified to allow the management of a fund in country A by a management company in country B- is linked to the potential split of regulation. In our view, different solutions could be used to overcome this objection. First, the fact that the depositary remains in the same country as the fund is a very high level of comfort for the national authorities. Second, if the cooperation of regulators makes sense –and the common language they use is that it does

make sense - CESR would decide, on level 3, how to tackle any problems that the so-called “split of regulation” could create.

5) Funds of hedge funds.

Being involved in this activity in different countries, we strongly support the EFAMA and AFG views on the need to avoid fragmentation of the European market by a minimum of harmonised rules for these funds. The “private placement solution” would prove very shortly to be a “no-solution” in this respect, given the restrictions the insurance and pension schemes currently face.

It is a field that the European Commission cannot leave solely to national initiatives, given the increase in these investments and the appetite of retail clients for them. The same remark could be made for real estate funds and for private equity.

Our final comment, and hope, would be about the process of modification of the UCITS directive, modification we consider as unavoidable. We agree with Commissioner Mac Creevy to limit the modifications and we hope our comments show in this respect we have selected the main points for the near future. Similarly to the European Parliament report (the “Klinz report”), we suggest the modifications be limited to the strict minimum, but to they must be completely “Lamfalussy compatible” in order to provide flexibility for the future.

If you need to contact us, please do not hesitate to call François Deloos (33.1.58.97.20.50).