

19 September 2006

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### **Response to the Reports of the Expert Groups on Investment Fund Market Efficiency and the Alternative Investment Group – published July 2006**

M&G welcomes the opportunity to comment on the above papers.

M&G is the UK and European fund management business of the life insurer and pension provider Prudential plc. It has over £156 billion of funds under management, of which £115 billion relates to Prudential's long-term business. As at the end of December 2005 the combined assets under management in our retail investment funds business were £14.6 billion, making M&G the third largest retail fund manager in the UK. M&G has been looking after savers since 1931 when it launched Britain's first unit trust. We now look after investments on behalf of more than 750,000 investors.

In 2002 M&G launched its International Business and is now a major distributor of UK UCITS within the EU and more recently, in Asia. In the year to 31<sup>st</sup> December 2005 cumulative sales in Europe (ex-UK) amounted to Euros 1,528 million and assets under management at the end of 2005 stood at Euros 1,815 million.

M&G supports the Investment Management Association response to this consultation.

In particular we would like to highlight the following points.

We believe there is urgent need for action on the authorisation / notification procedure for UCITS across Europe as described in Section 4, Inefficiency 1 of the report on Efficiency. The work of CESR whilst welcomed and we hope local regulatory authorities adhere to the guidance, does not, in our view, go far enough. For the UCITS brand to continue to be a success story it is

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important for both Fund Promoters/Managers and Investors that these funds are able to be brought quickly to market. We support the proposals outlined in this paper to reduce the notification times. We also support the recommendation that regulators should work more closely together to assist this process.

We also believe urgent action is needed to simplify the Simplified Prospectus. Currently the document does not provide the service to investors that was intended and the cost to the industry is excessive in relation to the benefit to the investor. The Expert Group suggests repositioning the document and calling it a Summary Prospectus. We support this approach and in particular welcome the proposal to drop the issues around liability which have resulted in many simplified prospectuses being so lengthy. We reiterate our views that fresh agreement on the form and content of a harmonised document that provides investors with "simple reliable and comparable information" before they buy, is essential if the UCITS framework is to achieve the original aim of enhancing effective investor information.

The time to market issues arising from the current difficulties in UCITS notification and the Simplified Prospectus are such that they should be treated as a top priority. These are also two areas we believe possible early gains could be made. By isolating the resolution of these two problems the commission could take a significant step forward in its goals of achieving a more open single market.

One further point we believe should be considered in this context is that the UCITS brand is also prominent outside Europe. It is important to its success that all new legislation relating to UCITS also considers the impact outside of Europe and that, wherever possible, non-European regulatory authorities are kept well informed of developments so that the promotion of UCITS in these jurisdictions is not unnecessarily impeded.

In response to the paper from the Alternative Investment Group we would like to make the following comment.

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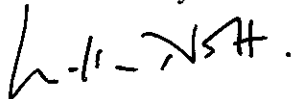
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We do not agree with their recommendation to attempt to achieve a common understanding of the parameters of private placement through non legislative means.

A clear method for distribution of non-UCITS products to non retail investors across Europe is a vital link in the distribution regime which is missing currently. Product manufacturers need to be able to open dialogue with distributors across Europe in order to market their non-UCITS products. The complexities of interpreting and monitoring the different regulatory requirements for each country makes this very difficult if not impossible in some cases. Whilst we do not believe further harmonised European product regulations for non-UCITS is needed, we do strongly recommend the Commission provides for a harmonised and practical distribution regime in legislative form that ensures institutional and professional investors have access to information on such funds. This would satisfy concerns from both product providers, who want to gain access to the institutional, pension and insurance market but also regulators on the other hand who want to see the retail investor protected such products. As it is looking less likely that MiFID will offer such a mechanism for non-UCITS product distribution<sup>1</sup>, we would encourage the Commission to make this a priority.

Should you have any questions regarding the comments made above we would be very keen to provide further information.

Yours sincerely



William Nott  
Chief Executive  
M&G Securities Limited

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<sup>1</sup>assuming the eventual interpretation of MiFID will not allow for the distribution of non-UCITS via the suitability / appropriateness test route