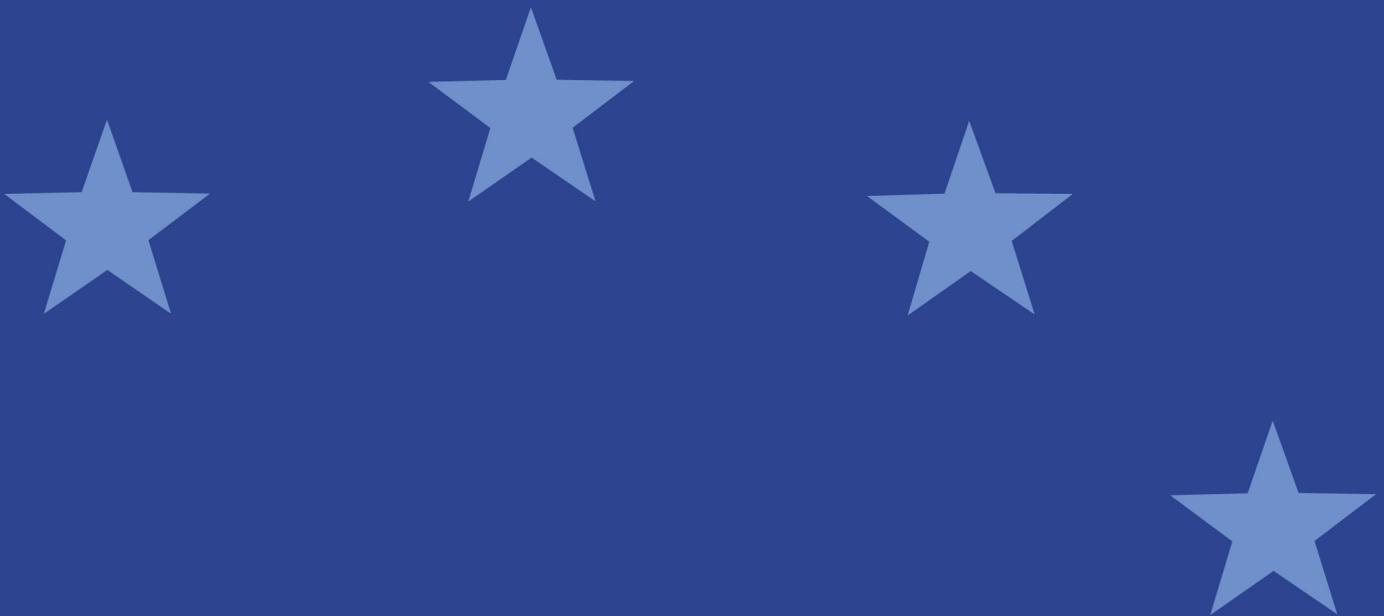




European Securities and
Markets Authority

Reply form for the Consultation Paper on draft guidelines on complex debt instruments and structured deposits



24 March 2015



Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Consultation Paper on draft guidelines on complex debt instruments and structured deposits, published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type < ESMA_QUESTION_COMPLEX_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text "TYPE YOUR TEXT HERE" between the tags.

Responses are most helpful:

- if they respond to the question stated;
- contain a clear rationale, including on any related costs and benefits; and
- describe any alternatives that ESMA should consider

Naming protocol

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA_COMPLEXPRODUCTS_NAMEOFCOMPANY_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA_COMPLEXPRODUCTS_XXXX_REPLYFORM or

ESMA_COMPLEXPRODUCTS_XXXX_ANNEX1

Deadline

Responses must reach us by **15 June 2015**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input/Consultations'.



Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and 'Data protection'.



Introduction

Please make your introductory comments below, if any:

< ESMA_COMMENT_COMPLEX_1 >

TYPE YOUR TEXT HERE

< ESMA_COMMENT_COMPLEX_1 >

Question 1: Do you agree with the examples of debt instruments that embed a derivative? If not, which examples do you not agree with, and why not?

<ESMA_QUESTION_COMPLEX_1>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_COMPLEX_1>

Question 2: Do you agree with the definition of embedded derivative proposed in the Guidelines in Annex IV? If not, why not?

<ESMA_QUESTION_COMPLEX_2>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_COMPLEX_2>

Question 3: Do you agree with the examples of debt instruments that incorporate a structure making it difficult for the client to understand the risk? If not, which examples and why not?

<ESMA_QUESTION_COMPLEX_3>

IESMA is suggesting a vast number of products to be classified as complex. For example all bonds containing an issuer call option would be deemed complex. Many corporate bonds contain some kind of issuer call through issuer's right to repay the principal before maturity if 75% of the investors claim repayment in change of control situation. It should be clarified in the final guidelines that these are not deemed as complex.

Subordinated debt instruments should be classified as complex according to ESMA. Subordination as such does not make a bond more complex, only riskier.

Both bonds containing an issuer call option and subordinated debt instruments have been presented as embedding a derivative in the draft guidelines. It is difficult to comprehend what the embedded derivative in these instruments would be.

Debt instruments with only non-complex underlying financial instruments should always be considered non-complex.

<ESMA_QUESTION_COMPLEX_3>

Question 4: Do you agree with the definition of a structure making it difficult for the client to understand the risk included in the Guidelines in Annex IV? If not, why not?

<ESMA_QUESTION_COMPLEX_4>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_COMPLEX_4>

Question 5: Do you agree with the definition of a structure making it difficult for the client to understand the risk of return of structured deposits and with the relevant examples proposed? If not, why not?

<ESMA_QUESTION_COMPLEX_5>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_COMPLEX_5>

Question 6: Do you agree with the definition of a structure making it difficult for the client to understand the cost of exiting a structured deposit before term and with the relevant examples proposed? If not, why not?

<ESMA_QUESTION_COMPLEX_6>



TYPE YOUR TEXT HERE
<ESMA_QUESTION_COMPLEX_6>

Question 7: Please provide any specific evidence or data that would further inform the analysis of the likely cost and benefit impacts of the guidelines.

<ESMA_QUESTION_COMPLEX_7>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_COMPLEX_7>