3. Section of the KID: what are the risks and what could I get in return?

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Purpose of performance scenarios

Answer the question: “What could I get in return?”

Key considerations:

- Investor understanding of what is being presented
- Provision of meaningful information that allows investor to find the right product for them (comparability both across and within different categories of products)
- Provision of meaningful information in a comprehensible manner (accessibility, understanding)

Presentation of performance scenarios

- What type of information is relevant to the potential investor?

  - ➢ Probabilistic performance scenarios
  - ➢ Display of past performance
  - ➢ Illustrative performance scenarios

- What information should be shown for probabilistic performance scenarios?

  – How many scenarios?

    - ➢ Keep 4 scenarios: Favourable, Moderate, Unfavourable, Stress
    - ➢ Reduce to 3 scenarios: Favourable, Moderate, Unfavourable (or even 2 scenarios: Favourable, Unfavourable)

  – What time intervals?

    - ➢ At maturity only
    - ➢ 1 intermediate scenario (at what time interval)
    - ➢ 2 or more intermediate scenarios (at what time intervals)?

How to determine the content of the different presentations of performance

- Probabilistic Performance Scenarios

  - ➢ Reference Rate + Asset Specific Risk Premium: All determined from market data
  - ➢ Reference Rate + Asset Class Risk Premium: market data + fixed premia from ESAs
  - ➢ Fixed returns by type of asset

- Illustrative Performance Scenarios

  - ➢ For which products are illustrative scenarios appropriate?
  - ➢ Are 3 scenarios sufficient to describe all formulas?
  - ➢ Question of how to ensure appropriate scenarios are shown?

- Display of Past-performance

  - ➢ How many years of past performance should be displayed?
  - ➢ For which products should past performance be displayed?

Questions