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| 16 October 2019 |

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| Response form for the Joint Consultation Paper concerning amendments to the PRIIPs KID |
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| Date: 16 October 2019ESMA 30-201-535 |

Responding to this paper

The European Supervisory Authorities (ESAs) welcome comments on this consultation paper setting out proposed amendments to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017[[1]](#footnote-2) (hereinafter “PRIIPs Delegated Regulation”).

The consultation package includes:

• The consultation paper

• Template for comments

The ESAs invite comments on any aspect of this paper. Comments are most helpful if they:

• contain a clear rationale; and

• describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of Regulation (EU) No 1286/2014[[2]](#footnote-3) (hereinafter “PRIIPs Regulation”).

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

* Insert your responses to the questions in the Consultation Paper in the present response form.
* Please do not remove tags of the type <ESA\_QUESTION\_PKID\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
* If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
* When you have drafted your response, name your response form according to the following convention: ESA\_PKID\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA\_PKID\_ABCD\_RESPONSEFORM.
* The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](https://www.esma.europa.eu/press-news/consultations) under the heading ‘Your input - Consultations’ by 13 January 2020.
* Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725[[3]](#footnote-4). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | FE fundinfo |
| Activity | Other Financial service providers |
| Are you representing an association? |[ ]
| Country/Region | Europe |

# Introduction

Please make your introductory comments below, if any:

<ESA\_COMMENT\_PKID\_1>

FE fundinfo is a fund data and technology leader, facilitating better, more efficient investing by connecting fund managers and fund distributors and enabling them to share and act on trusted, insightful information. We provide the data, tools, infrastructure and expertise required to research, distribute, market and invest in funds and model portfolios – maximising efficiencies for fund managers and fund distributors through our unique cloud platform.

As far as possible, we have considered the impact of the current PRIIPs KID regulation and the proposed changes on UCITS and NURS as well, as the presentation and content of PRIIPs KIDs will affect them from the end of 2021.

<ESA\_COMMENT\_PKID\_1>

1. : Are there provisions in the PRIIPs Regulation or Delegated Regulation that hinder the use of digital solutions for the KID?

<ESA\_QUESTION\_PKID\_1>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_1>

1. : Do you agree that it would be helpful if KIDs were published in a form that would allow for the information to be readily extracted using an IT tool?

<ESA\_QUESTION\_PKID\_2>

We agree with this suggestion.

<ESA\_QUESTION\_PKID\_2>

1. : Do you think that the amendments proposed in the consultation paper should be implemented for existing PRIIPs as soon as possible before the end of 2021, or only at the beginning of 2022?

<ESA\_QUESTION\_PKID\_3>

As the PRIIPs KID has been widely criticised for being misleading, we do not believe there would be any benefit from waiting until the end of the UCITS exemption to introduce any meaningful changes, unless PRIIPs KIDs are to be withdrawn in the meantime. Updating PRIIPs KIDs and ending the UCITS exemption are two separate issues. For manufacturers with both PRIIPs and UCITS, it may be easier to allocate the necessary resources if they don’t need to amend their PRIIPs KIDs and convert their UCITS KIIDs at the same time.

<ESA\_QUESTION\_PKID\_3>

1. : Do you think that a graduated approach should be considered, whereby some of the requirements would be applied in a first step, followed by a second step at the beginning of 2022?

<ESA\_QUESTION\_PKID\_4>

Applying the changes in multiple waves would mean that (a) KIDs would need to be updated multiple times in a relatively short period of time and (b) additional system development would be needed at PRIIPs manufacturers to accommodate multiple changes. Neither of these would help retail customers with their understanding and would add to the costs and resources needed to produce the KIDs. We therefore believe that all changes should be applied at the same time. We are aware, however, that some changes may require changes to the Level 1 Regulation, such as the space needed to include past performance, and that these changes may need to be delayed until the end of the UCITS exemption (see our response to Q3).

<ESA\_QUESTION\_PKID\_4>

1. : Are there material issues that are not addressed in this consultation paper that you think should be part of this review of the PRIIPs Delegated Regulation? If so, please explain the issue and how it should be addressed.

<ESA\_QUESTION\_PKID\_5>

We believe the need for a comprehension alert should be reviewed, as it should be reserved for a small number of PRIIPs, rather than for all those that do not satisfy the definition of non-complex. The current situation could either put consumers off investing in suitable products or, alternatively, dilute the message and reduce its impact.

<ESA\_QUESTION\_PKID\_5>

1. : Do you have comments on the modifications to the presentation of future performance scenarios being considered? Should other factors or changes be considered?

<ESA\_QUESTION\_PKID\_6>

We agree with the proposal to remove the stress scenario, as it currently makes the range of outcomes so broad as to be meaningless. Including a line saying that there is no minimum guaranteed return (or what the minimum guaranteed return is, if applicable) is a statement of fact and would not be seen as a likely or possible return.

We believe that removal of the intermediate periods from the performance tables reinforces the message on investing for the minimum recommended holding period.

We also support the inclusion of past performance, in addition to the future scenarios, particularly if a reference rate and risk premium are used.

<ESA\_QUESTION\_PKID\_6>

1. : If intermediate scenarios are to be included, how should they be calculated for Category 3 PRIIPs (e.g. structured products)? If intermediate scenarios are not shown in the performance section, which performance assumption should be used for the ‘What are the costs?’ section?

<ESA\_QUESTION\_PKID\_7>

We have no view on this.

<ESA\_QUESTION\_PKID\_7>

1. : If a stress scenario is included in the presentation of future performance scenarios, should the methodology be modified? If so, how?

<ESA\_QUESTION\_PKID\_8>

We believe that if the range of returns shown between the favourable and unfavourable scenarios are more realistic than at present, there is no need for a stress scenario.

<ESA\_QUESTION\_PKID\_8>

1. : Do you agree with how the reference rate is specified? If not, how should it be specified?

<ESA\_QUESTION\_PKID\_9>

Yes.

<ESA\_QUESTION\_PKID\_9>

1. : The revised methodology specifies that the risk premium is determined by future expected yields. The methodology further specifies that future expected yields should be determined by the composition of the PRIIP decomposed by asset class, country and sector or rating. Do you agree with this approach? If not, what approach would you favour?

<ESA\_QUESTION\_PKID\_10>

We agree with this approach, as it is less reliant on the recent past performance of the PRIIP, which has been shown to be pro-cyclical and negatively correlated to future returns.

It is important that the costs of producing the performance scenarios do not increase substantially, as would be the case if all manufacturers need to obtain index licences only for the dividend yield history. If the ESAs are to provide pro forma risk premium rates for each asset class by country, this would not become a problem for smaller manufacturers.

<ESA\_QUESTION\_PKID\_10>

1. : The ESAs are aware that historical dividend rates can be averaged over different time spans or that expected dividend rates can be read from market data providers or obtained from analyst reports. How should the expected dividend rates be determined?

<ESA\_QUESTION\_PKID\_11>

If this method is adopted, we believe that dividend rates should be supplied by an independent third party, or by a list of approved third parties, as this will remove the opportunity for conflicting or subjective data. The longer historical data is used, the less “noise” there is likely to be, but academic research has determined that the benefit of using 10 years’ data instead of 5 years’ is only marginal and monthly updates should be sufficient. Manufacturers should monitor the data on their KIDs and if they have reason to believe the moderate scenario may have changed by a material (definition to be determined) amount.

<ESA\_QUESTION\_PKID\_11>

1. : How should share buyback rates be estimated?

<ESA\_QUESTION\_PKID\_12>

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<ESA\_QUESTION\_PKID\_12>

1. : Do you agree with the approach for money-market funds? Are there other assets which may require a similar specific provisions?

<ESA\_QUESTION\_PKID\_13>

We agree with this approach, as long as the implied volatility of options on local sovereign bond futures is used, where they exist.

<ESA\_QUESTION\_PKID\_13>

1. : The methodology proposes that the future variance be estimated from the 5-year history of daily returns. Should the volatility implied by option prices be used instead? If so, what estimate should be used if option prices are not available for a particular asset (equities namely)?

<ESA\_QUESTION\_PKID\_14>

We agree with the proposed methodology.

<ESA\_QUESTION\_PKID\_14>

1. : Do you think compensatory mechanisms for unforeseen methodological faults are needed? If yes, please explain why.

<ESA\_QUESTION\_PKID\_15>

Criticism of the existing performance scenario methodologies has been about the pro-cyclicality of all scenarios, making them too optimistic after a period of positive returns or too pessimistic after a period of poor returns. Both of these are likely to be negatively correlated to future returns (as shown in the first chart in section 5.5.1 of the consultation). The increased (and positive) correlation between the proposed methodology and actual returns should remove the need for any compensatory mechanism.

<ESA\_QUESTION\_PKID\_15>

1. : Do you favour any of the options above? If so, which ones? How would you ensure that the information in the KID remains comparable for all products?

<ESA\_QUESTION\_PKID\_16>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_16>

1. : Are there any other compensatory mechanisms that could address unforeseen methodological faults? If yes, please explain the mechanism; explain how it ensures that scenario information in the KID allows investors to compare PRIIPs, and explain how the information for similar products from different manufacturers remains sufficiently consistent.

<ESA\_QUESTION\_PKID\_17>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_17>

1. : What are your views on the use of a simplified approach such as the one detailed above, instead of the use of probabilistic methodologies with more granular asset specific requirements?

<ESA\_QUESTION\_PKID\_18>

While this approach is likely to provide more “reasonable” projections, all products with a similar asset allocation will show very similar projections (with differences only due to costs and charges) and no account would be taken of the historical performance during different market conditions. For example, two UK equity funds with different management styles and different holdings will appear identical. Displaying past performance as well would show investors how the funds have performed in the market conditions that have prevailed over recent years, but would not make it clear that future performance will depend on stock selection.

<ESA\_QUESTION\_PKID\_18>

1. : Do you consider the use of a single table of growth rates appropriate? If no, how should the methodology be amended?

<ESA\_QUESTION\_PKID\_19>

Any table of prescribed growth rates will mean that funds with similar asset allocation will show similar “projections”. The broader the asset classes, the more funds that would appear similar. If a table of prescribed growth rates is to be used, we believe it should strike a balance between granularity and ease of operation.

<ESA\_QUESTION\_PKID\_19>

1. : More generally, do your views about the use of a probabilistic methodology vary depending on the type of product (e.g. structured products vs non-structured products, short-term vs long-term products)? For which type of products do you see more challenges to define a probabilistic methodology and to present the results to investors?

<ESA\_QUESTION\_PKID\_20>

FE fundinfo provides solutions for Category 2 PRIIPs (linear products) only.

<ESA\_QUESTION\_PKID\_20>

1. : Do you think these alternative approaches should be further assessed? If yes, what evidence can you provide to support these approaches or aspects of them?

<ESA\_QUESTION\_PKID\_21>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_21>

1. : Are there any other approaches that should be considered? What evidence are you able to provide to support these other approaches?

<ESA\_QUESTION\_PKID\_22>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_22>

1. : Do you think illustrative scenarios should be included in the KID as well as probabilistic scenarios for structured products?

<ESA\_QUESTION\_PKID\_23>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_23>

1. : If not, do you think illustrative scenarios should replace probabilistic scenarios for structured products?

<ESA\_QUESTION\_PKID\_24>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_24>

1. : Do you agree with this approach to define PRIIPs which would show illustrative performance scenarios using the existing definition of Category 3 PRIIPs? If not, why not? Where relevant, please explain why this approach would not be appropriate for certain types of Category 3 PRIIPs?

<ESA\_QUESTION\_PKID\_25>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_25>

1. : Would you be in favour of including information on past performance in the KID?

<ESA\_QUESTION\_PKID\_26>

We believe that the inclusion of past performance would be a positive change for several reasons:

* it is a widely-accepted and easily-understood way of presenting a fund’s features;
* it would facilitate the inclusion of UCITS at the end of 2021, as KIIDs currently display only past performance; and
* it would provide empirical evidence of a fund’s performance if future performance is to be based on probabilistic scenarios.

We strongly recommend that Art 6(4) of the PRIIPs Regulation is amended to permit KIDs to run to four pages, to avoid any danger of overcrowding of data, which would add to the confusion of retail customers. However, we do not see the three-page limit as a reason not to include past performance if space is made available by reducing the number of future scenarios.

<ESA\_QUESTION\_PKID\_26>

1. : Would your answer to the previous question be different if it were possible to amend Article 6(4) of the PRIIPs Regulation?

<ESA\_QUESTION\_PKID\_27>

We believe that permitting KIDs to extend to a fourth page would allow those that currently struggle to fit onto three pages to add some helpful space, making them clearer and easier for retail consumers to read. However, as we say in Q27, we do not believe that the inclusion of past performance should depend on going to four pages.

<ESA\_QUESTION\_PKID\_27>

1. : Do you think that it can be more appropriate to show past performance in the form of an average (as shown in the ESA proposal for consumer testing) for certain types of PRIIPs? If so, for exactly which types of PRIIPs?

<ESA\_QUESTION\_PKID\_28>

We believe that it is important to show discrete performance, as this illustrates the volatility of returns and how the product has performed in different market conditions, neither of which would be included if only an average were shown. However, it may be appropriate to show the average performance over the RHP, in addition to showing discrete annual performance, for products with an RHP of greater than 10 years, to illustrate the long-term returns.

<ESA\_QUESTION\_PKID\_28>

1. : Do you have any comments on the statement that would supplement the display of past performance (e.g. with regard to the presentation of costs which are not included in the net asset value (NAV))?

<ESA\_QUESTION\_PKID\_29>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_29>

1. : Are you of the opinion that an additional narrative is required to explain the relationship between past performance and future performance scenarios?

<ESA\_QUESTION\_PKID\_30>

We believe it is important to confirm that past performance is not an indicator of future performance and confirm that the future performance scenarios are not predictions of the returns that will be achieved, but are only indications of what *might* be achieved. Both of these statements already exist in fund promotion regulations, so we believe that what is required is a clear way to combine these without losing either message.

<ESA\_QUESTION\_PKID\_30>

1. : Do you see merit in further specifying the cases where the UCITS/AIF should be considered as being managed in reference to a benchmark, taking into account the provisions of the ESMA Questions and Answers on the application of the UCITS Directive[[4]](#footnote-5)?

<ESA\_QUESTION\_PKID\_31>

No. We believe that the ESMA Q&As are clear about disclosure requirements in respect of being managed in reference to a benchmark or not.

<ESA\_QUESTION\_PKID\_31>

1. : Do you see the need to add additional provisions for linear unit-linked insurance-based investment products or linear internal funds?

<ESA\_QUESTION\_PKID\_32>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_32>

1. : Do you agree that a fixed intermediate time period / exit point should be used instead of the current half the recommended holding period to better facilitate comparability?

<ESA\_QUESTION\_PKID\_33>

We believe that, while comparability between PRIIPs is important, it would be clear to a potential investor that products with significantly different RHPs cannot be directly compared on the basis of a KID alone. Given the wide range of RHPs, we cannot understand what could be a suitable fixed intermediate period. As things stand, an RHP of 5 years is also the intermediate period for a product with an RHP of 10 years. We do not, therefore, believe that it is necessary or workable to impose a fixed intermediate time period.

<ESA\_QUESTION\_PKID\_33>

1. : In this case (of a fixed intermediate time period), do you agree to show costs if the investor would exit after 5 years for all PRIIPs with a recommended holding period of at least 8 years? Or do you prefer a different approach such as:

<ESA\_QUESTION\_PKID\_34>

We do not believe that 5 years is any more relevant as an intermediate time period for a product with a longer RHP than half the RHP. The two bullet points in this question also suggest having different “fixed” intermediate points, depending on whether the RHP is over 8/10 years or over 15 years, which we believe demonstrates that this plan is unworkable.

Using the core proposal (a fixed intermediate period of 5 years for all PRIIPs with an RHP over 8 years), it could appear to suggest that 5 years is a suitable time to consider early encashment, even for a PRIIP with an RHP of 15 years or longer.

<ESA\_QUESTION\_PKID\_34>

1. : Do you think it would be relevant to either (i) use an annual average cost figure at the recommended holding period, or (ii) to present both an annual average cost figure and a total (accumulated) costs figure?

<ESA\_QUESTION\_PKID\_35>

As costs generally do not vary significantly from year to year, unlike performance – see our response to Q28 – we believe that an annual average cost figure would be appropriate.

<ESA\_QUESTION\_PKID\_35>

1. : Do you think that it would be helpful, in particular for MiFID products, to also include the total costs as a percentage of the investment amount?

<ESA\_QUESTION\_PKID\_36>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_36>

1. : In this context, are there PRIIPs for which both performance fees and carried interests are applied?

<ESA\_QUESTION\_PKID\_37>

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<ESA\_QUESTION\_PKID\_37>

1. : Do you agree with this analysis from the ESAs? If yes, what are your views on the extent to which fees related to the management of the underlying real estate assets, i.e. the properties themselves, should be taken into account in the calculation of the cost indicators?

<ESA\_QUESTION\_PKID\_38>

We agree with this analysis. Any costs incurred in managing real estate assets that have an impact on the net returns to investors are factored into the returns and should be included in the cost disclosures on a KID.

<ESA\_QUESTION\_PKID\_38>

1. : Do you agree with the ESAs’ preferred option 3 to revise the cost tables?

<ESA\_QUESTION\_PKID\_39>

The objective of a KID should be to provide the key information on a product and to enable comparison between products, without overloading retail customers with so many numbers that it detracts from their comprehension.

Option 4 would therefore be our preferred option, except that the costs over time are not defined. Of the options where the costs are defined, we agree that Option 3 is our preferred presentation, but see also our responses to Q.33 and Q.34

<ESA\_QUESTION\_PKID\_39>

1. : If not, which option do you prefer, and why?

<ESA\_QUESTION\_PKID\_40>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_40>

1. : In particular, do you think that the proposed changes to the presentation of the impact of costs on the return in percentage terms (i.e. including reduction in return before and after costs) is an improvement on the current presentation?

<ESA\_QUESTION\_PKID\_41>

We believe that adding transaction costs under the arrival price methodology could inflate the gross return figure, as they have not actually been deducted to arrive at the single price (or bid price for dual-priced funds) at which an investor may redeem units. The implicit costs include an opportunity cost that neither the manufacturer nor its market counterparties deduct from the gross amount. This is particularly relevant if the proposal to ban negative implicit costs – including for dilution adjustments – goes ahead (see Section 8.3 of this CP).

<ESA\_QUESTION\_PKID\_41>

1. : Do you have other comments on the proposed changes to the cost tables?

<ESA\_QUESTION\_PKID\_42>

We believe it is important to see what impact the new presentation may have on the three-page limit for KIDs, subject to a possible change to the Level 1 Regulation.

<ESA\_QUESTION\_PKID\_42>

1. : What are your views on the appropriate levels of these thresholds? Please provide a justification for your response.

<ESA\_QUESTION\_PKID\_43>

The first paragraph of Section 8.3.2 states that “When slippage is calculated over many transactions, this random element should average out to approximately zero”; this infers that high turnover should lead to the implicit costs being close to half the bid-ask spread, but that it could be material over a smaller number of transactions. We believe that it is counter-intuitive, therefore, to apply a simplified approach only in the case of low portfolio turnover.

Banning negative implicit costs (12.7.1.9) puts expediency above accuracy. The ESAs say cost transparency “should … encourage manufacturers to trade in a way that is in their investors’ best interests, and in particular to minimize such costs”, but not to the extent that attempts to narrow the spread lead to negative implicit costs, as these may not be shown. We fail to understand how a small positive implicit cost is deemed to be any more accurate than a small negative implicit cost, when “there needs to be a high level of assurance that the figures shown in the KID are an accurate reflection of the actual costs incurred”.

If it is felt that some results achieved from the arrival price methodology should not be shown, even if they are accurate, that removes the comparability of different products, in which case we strongly propose that the simplified approach should apply in all cases.

One specific example is the application of an anti-dilution adjustment, where an amount may be credited to the fund. We believe it is fundamentally wrong that this amount must be adjusted to ensure it does not lead to negative implicit costs if the actual amount credited results in that.

The implication that any transaction in itself can make a profit for investors in a fund must be a fallacy, but insisting on the arrival price methodology, while not permitting resultant negative implicit costs to be deducted from the explicit costs, is equally wrong. We believe the best solution would be to have a simplified approach to implicit costs (based on the bid-ask spread) in all cases.

<ESA\_QUESTION\_PKID\_43>

1. : If UCITS would fall in the scope of the PRIIPs Regulation, do you agree that the coexistence of the UCITS KII (provided to professional investors under the UCITS Directive) and the PRIIPs KID (provided to retail investors under the PRIIPs Regulation) would be a negative outcome in terms of overall clarity and understandability of the EU disclosure requirements? Are you of the view that the co-legislators should therefore reconsider the need for professional investors to receive a UCITS KII, as the coexistence of a PRIIPs KID together with a UCITS KII (even if not targeted to the same types of investors) would indeed be confusing, given the differences in the way information on costs, risks and performance are presented in the documents? Alternatively, are you of the view that professional investors under the UCITS Directive should receive a PRIIPs KID (if UCITS would fall in the scope of the PRIIPs Regulation)?

<ESA\_QUESTION\_PKID\_44>

We believe that, if UCITS fall under the PRIIPs Regulation, there must be consistency in respect of the customers for whom a KIID or KID needs to be produced.

Requiring UCITS to issue PRIIPs KIDs for retail investors and UCITS KIIDs for professional investors would be inefficient and confusing. As things stand, there are inconsistencies between UCITS KIIDs and PRIIPs KIDs, such as the scale used to present the SRI and SRRI. This would result in even more confusion if an investor were to see both documents for the same UCITS fund and find that the risk level, using very similar visuals, appears to be different.

If it is considered that professional investors need a prescribed pre-sale document with key information, we would prefer that all UCITS share classes are required to issue the same document, whether that is a UCITS KIID or a PRIIPs KID, but not both, for the sake of consistency. It should be remembered that some sections of the KID, such as the compensation arrangements, may not apply to all professional investors.

<ESA\_QUESTION\_PKID\_44>

1. : What are your views on the issue mentioned above for regular savings plans and the potential ways to address this issue?

<ESA\_QUESTION\_PKID\_45>

We believe that, as both the UCITS KIID and the PRIIPs KID are pre-contractual documents, they should be provided at the start of a contractual savings plan and only thereafter if there is a change to the contractual arrangement. We not believe that a PRIIP investor should receive an updated KID triggered by a change to the level of the SRI, the moderate performance scenario or the overall level of costs, with no change to the contractual arrangement.

There is a danger that receiving an updated KID may lead an existing PRIIP investor to take action, possibly on detrimental terms. There is unlikely to be anything the investor can do about the investment, other than encash it, in any of the above circumstances and they may be confused by receiving a pre-contractual document without having made any change to the arrangement.

It is very likely that manufacturers will not know the identity of individual investors in UCITS, so an updated KID is unlikely to reach an investor unless an obligation is placed on the investment platform or intermediary, which we do not support.

<ESA\_QUESTION\_PKID\_45>

1. : Do you agree that these requirements from Article 4 should be extended to all types of PRIIPs, or would you consider that it should be restricted to Management Company of UCITS or AIFs?

<ESA\_QUESTION\_PKID\_46>

We agree that Article 4 of EU/583/2010 (with the exception of paragraphs 7 to 11) should apply, where relevant, to all PRIIPs if UCITS are required to publish a PRIIPs KID. We note that some paragraphs of Article 4 already apply to PRIIPs KIDs.

<ESA\_QUESTION\_PKID\_46>

1. : Do you agree that this requirement should be extended to all types of PRIIPs, or would you consider that it should be restricted to Management Company of UCITS or AIF?

<ESA\_QUESTION\_PKID\_47>

We cannot see any reason why these questions should not apply to all types of PRIIPs.

<ESA\_QUESTION\_PKID\_47>

1. : Do you agree that these requirements should be extended to all types of PRIIPs, or would you consider that they should be restricted to the Management Company of the UCITS or AIF?

<ESA\_QUESTION\_PKID\_48>

We cannot see any reason why these questions should not apply to all types of PRIIPs.

<ESA\_QUESTION\_PKID\_48>

1. : Do you have any comments on the proposed approaches in relation to the analysis and proposals in this Section, and in particular on the extent to which some of the abovementioned requirements should be extended to other types of PRIIPs?

<ESA\_QUESTION\_PKID\_49>

We are not aware of any other types of PRIIP, other than NURS, that would be affected by these articles.

<ESA\_QUESTION\_PKID\_49>

1. : Do you think this proposal would be an improvement on the current approach?

<ESA\_QUESTION\_PKID\_50>

While we can see some merit in this proposal, we also have concerns.

One of the key benefits would be that, for at least some investors, all of the relevant information for product and investment option would be shown.

However, we would caution against the possibility of potential investors feeling they are being directed towards what may not be the most suitable investment options for them just because they may be popular with other investors, because the manufacturer is promoting the investment or because the investment option has the lowest costs and charges. There may be too much discretion under the options to include “those (expected to be the) most frequently selected” and the need “to enable the diversity of investment objectives or risk exposures…to be reflected”.

<ESA\_QUESTION\_PKID\_50>

1. : Do you envisage significant practical challenges to apply this approach, for example for products which allow the investor to choose between a wide range or large number of options?

<ESA\_QUESTION\_PKID\_51>

Manufacturers of open-architecture MOPs do not generally play any role in the selection of the underlying investment options, so may not have a clear idea of what is expected to be frequently selected.

<ESA\_QUESTION\_PKID\_51>

1. : Do you see any risks or issues arising from this approach in relation to consumer understanding, for instance whether the consumer will understand that other combinations of investment options are also possible?

<ESA\_QUESTION\_PKID\_52>

Please see our response to Q.50.

<ESA\_QUESTION\_PKID\_52>

1. : Do you think this proposal would be an improvement on the current approach?

<ESA\_QUESTION\_PKID\_53>

We believe that the introduction of many more figures is likely to be an overload of information that runs the risk of confusing retail investors - the example Costs over Time table in Section 11 contains 72 cost figures and the table could contain up to 84 different cost figures, so the table is likely to confuse or be ignored completely, rather than studied in detail.

<ESA\_QUESTION\_PKID\_53>

1. : Are there other approaches or revisions to the requirements for MOPs that should be considered?

<ESA\_QUESTION\_PKID\_54>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_54>

1. : Do you have any comments on the preliminary assessment of costs and benefits?

<ESA\_QUESTION\_PKID\_55>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_55>

1. : Are you able to provide information on the implementation costs of the proposed changes, in particular regarding, (1) the proposed revised methodology for performance scenarios (using a reference rate and asset specific risk premia), and (2) the overall changes to the KID template?

<ESA\_QUESTION\_PKID\_56>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_56>

1. : Are there significant benefits or costs you are aware of that have not been addressed?

<ESA\_QUESTION\_PKID\_57>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_57>

1. COMMISSION DELEGATED REGULATION (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents [↑](#footnote-ref-2)
2. Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), OJ L 352, 9.12.2014, p. 1. [↑](#footnote-ref-3)
3. Regulation (EU) 2018/1725 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC, OJ L 295, 21.11.2018, p. 39. [↑](#footnote-ref-4)
4. See “Section II – Key Investor Information Document (KIID) for UCITS” (in particular, Q&A 8) of the Q&A document available at: https://www.esma.europa.eu/sites/default/files/library/esma34-43-392\_qa\_ucits\_directive.pdf [↑](#footnote-ref-5)