

**Comments Template for Joint Consultation Paper concerning amendments to the PRIIPs KID (JC 2018 60)**

**Deadline  
6 December 2018  
23:55 CET**

Name of Company:	Spanish Banking Association	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question or a cell, leave the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-18-005@eiopa.europa.eu">CP-18-005@eiopa.europa.eu</a></b></p> <p><b>Our IT tool does not allow processing of any other formats.</b></p>		
<b>Reference</b>	<b>Comment</b>	
General Comments	<p>We agree with the proposal to replace in the future the UCITS Funds KII document with the PRIIPs KID document.</p> <p>Regarding the technical amendments included in the consultation document, there are main points to highlight:</p> <ol style="list-style-type: none"> <li>1) We are concerned that including new pieces of information in the KID is a challenge taking into account the 3-page space limitation. Any further information required would mean a change in the current information provided and may need more than 3 pages.</li> <li>2) Technological developments will be needed to adapt to the new requirements by the KID</li> </ol>	

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	<p>providers and this will imply costs.</p> <p>3) We understand that the European Parliament is considering to extend until December 31 2021, the exemption from application of the PRIIPs KID to UCITS Funds. We support this proposal because all KID manufacturers would thus have a term longer than a year to make the appropriate changes; the term of 6 months envisaged in the consultation document is clearly insufficient to adapt to changes.</p> <p>For this reason, we consider very important that the date for implementation will be the same for all products which will apply the new KID. Otherwise, It would not make any sense.</p> <p>Link: <a href="https://www.priipshub.com/latest-news/64-the-application-of-the-priips-regulation-to-ucits-will-likely-be-delayed-by-two-years">https://www.priipshub.com/latest-news/64-the-application-of-the-priips-regulation-to-ucits-will-likely-be-delayed-by-two-years</a></p>	
Q1	<p>We don't find adequate including information on past performance in the KID anyway. We consider that this additional information could lead clients to confusion instead of enabling them to better understand the range of possible returns displayed in the future performance scenarios. An excessive amount of information in the KID may cause undue misinterpretations, and given that not all products will include this information comparison between products would not always be possible.</p> <p>However, we understand the value it provides and the current use within the UCITs KII documents. Information on past performance should only be included in the KID where it is available and when it provides value to the investors. It means, to be optional.</p> <p>In our opinion, in some case the KID would be much more balanced with a better definition of future performance scenarios not taking into account historic data. However, historic information could be interesting in case of UCITs Funds.</p>	
Q2	<p>Yes, there are a number of challenges to include past performance information, such as: The existence of enough historic data, difficulties to track manager decisions on dynamic allocation</p>	

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	products, the costs of implementation and space limitation in the KID document.	
Q3	We support that in the case of UCITs funds, information on past performance be based on the approach currently used in the KII.	
Q4	No, we don't support this idea. It could be misleading for customers with the added problem of how to properly calculate it. If information on past performance is presented, it should be actual past performance, traceable and rebuildable by any customer having the data.	
Q5	We do not support that simulated past performance information be included in the KID.	
Q6	<p>Narratives help, but the problem in the scenarios does not come from narratives or the lack of them, but on the historic drift with no correction used. Also, we need to bear in mind that KIDs are already very tight in space in many cases, so the 3 pages limitation is a concern when introducing new narratives.</p> <p>In any case, improved texts are better than the current situation. The proposal to modify the narrative explanations in Annex V to stress the message that scenarios are based on simulations and do not grant future performance are positive from a client perspective and will help retail investors to manage expectations with regards to their investment returns.</p> <p>However, we consider that this modification should be implemented as an optionality for each entity.</p>	
Q7	<ul style="list-style-type: none"> <li>• <b>Future performance scenarios anchored to the Risk Free Rate of return</b> Future performance scenarios anchored in the risk-free rate of return are not a suitable option to improve this section of the KID. The scenarios should improve current situation, although they require access to the data for all manufacturers. It could still need additional changes to correctly reflect future performances, i.e by including Risk Premium per asset class / Geographic area. As a result, we welcome the inclusion in the discounting calculation of “+/- Other Factors” for which credit adjusting the intermediate holding period values best reflects the valuations customers could expect.</li> </ul>	

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- ***Amended approach and presentation for future performance scenarios to highlight the range of outcomes***  
We find it a good approach limiting the number of scenarios from 4 to 2 provided that this treatment is common for all PRIIPs to allow comparison between products. In addition, we consider that this modification should be implemented as an optionality for each entity.
  
- ***Extend the historical period used to measure performance***  
We do not support this proposal. Increasing the period for the historic data used to simulate the future scenarios could help in certain cases, but it does not solve problems. i.e, swaps in EUR or Caps would be even worse now with 10 years data, although the period for those could be even longer (15-20 years) given the nature of the asset. For many products on scope it will not provide relevant information for the investor, or the information would not be available.

Q8

The use of a pay-off structure graph to present the performance scenarios not only regarding derivatives but for all products would improve client’s understanding given that it’s a simple way to show the products’ future performance in different market conditions. A pay-off structure is comprehensible and meaningful for retail investors.

Scenarios could be easily calculated and provide more reasonable results by adding to each asset class or geographic area a drift defined by the ESA’s. It could be seen as a measure of risk premium that could be based in long term historic data or any methodology that the ESA’s could envisage. It would reduce inconsistencies in the results and would help achieve comparability between products.

However, we consider that these modifications should be implemented as optional for each entity.

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Q9

**Other specific amendments**

In relation to changes necessary in the cost information of the KID, the narrative included in Table 2 "Composition of Costs" for "One off costs" "Exit cost" is not representative of the costs that the Manufacturer has to take into account according to Annex VI paragraph 30 of the Delegated Regulation. This narrative in table 2 "Composition of costs" refers to "The impact of the cost of your investment when it matures" not in case of early redemption/cancellation of a product. Therefore the narrative has to be amended as follows: " The impact of the cost of exiting you investment when it matures or when it is early terminated"

- **MRM calculation for regular investment or premium PRIIPs**  
No comments.
- **Products with an autocallable feature**  
Regarding this proposal, we think that the narratives below the scenarios for callable products oblige to introduce logic and retrieve information on the actual year of cancellation, thus increasing costs.
- **Narratives for the Summary Risk Indicator (SRI)**  
We agree to this proposal, as its will increase the accuracy of the information provided and avoid the provision of misleading information to clients but we are concerned about the already tight 3-page space limitation for the KID.  
This modification should be implemented as an optionality for each entity.
- **Narrative for Performace Fees – composition of costs table**  
We agree to this proposal, but we are concerned about the already tight 3-page space limitation for the KID. As the previous one, this will increase the accuracy of the information provided and avoid the provision of misleading information to clients. This modification should also be implemented as optional for each entity.

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	<ul style="list-style-type: none"> <li>• <b><i>Growth assumption for the reduction in Yield (RIY) calculation</i></b> We agree to this proposal as far as it keeps optional for each entity</li> </ul>	
Q10	No comments.	
Q11	We consider that the cost-benefit analysis includes most relevant constraints to be taken into account. In particular, we find it specially relevant to consider that certain proposals will imply high technological costs to adapt tools/systems and update KID templates, as well as an important workload during 2019 to review all KIDs issued previously to the publication of this Consultation Paper.	
Q12	No without a deep analysis, but it could be material	
Q13	<p>We consider important to highlight:</p> <ul style="list-style-type: none"> <li>- The importance to implement the amendments as an optionality to each entity.</li> <li>- A challenging timing to implement the amendments will limit the possibility of entities to adapt to new requirements, approaches or new technological developments. In this sense, the implementation timing needs to be adequate.</li> </ul>	