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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 2019  ESMA 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 | cleversoft GmbH |
| 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>

*cleversoft is a leading RegTech provider who supports numerous global and local financial institutions with high expertise in the pre-trade regulatory requirements for manufacturers and distributors. cleversoft has gained excellent know-how in producing regulatory documents, especially PRIIPs KIDs and PIBs in the past nine years. cleversoft’s regulatory documents service covers the whole document generation and distribution cycle.*

*The wide variety of our customer portfolio (Banks, Insurance companies and Asset Managers as well as manufacturers and distributors) ensures our deep insight in the PRIIPs regulation from different perspectives.*

*We kindly ask you to consider our response to the Joint Consultation Paper where we have tried to carefully balance the many different aspects of both manufacturer’s and investor’s challenges with the PRIIP KIDs.*

<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>

*PRIIPs regulation has taken a great step towards enabling digital engagement, as example allowing the updates of PRIIP specific information for unit-linked funds in MOPs to be published only digitally.*

*We believe digital solutions could long term be taken further to enable the Manufacturers to publish documentation under PRIIPs (and other regulations) to be mass customized to the individual investment situation. Currently PRIIPs includes simplifications such as the standardized investment amount or non-personalized Baskets in Multi Option PRIIPs. Cloud based technology would allow to calculate ad hoc with the concrete investment amounts as well as the exact allocation of unit-link funds in the basket of funds regarding weightings.*

<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>

*Yes, KPIs like the SRI, MRM, scenario results should be embedded in a form that is easily scannable and extractable by an automated digital solution. However, it might make sense to check whether it would change anything for art. 20 of the delegated regulation (processes for periodical review of the KIDs data).* <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>

*In order to increase acceptance by consumers an improvement on the comprehensiveness of the PRIIPs KIDs is urgently needed. However, we are of the opinion that a reasonable time should be given to the stakeholders to adapt and implement the required changes. This will ensure that all stakeholders are able to adopt and apply the new changes simultaneously, ensuring that retail investors could receive consistent PRIIPs documents and information. The proposed timeframe, which suggests applying the changes together with the end of the UCITS transition period (01.01.2022) is appropriate.*

<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>

*No, at best  all required amendments are finalized and passed through the European Parliament by end of 2020 and applied simultaneously at the end of the transition period for UCITS (01.01.2022).*

<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>

*Agreeing to a common practice similar to BaFin’s recommendation of IDW PS 951 control reports for the German PIB regulation could ease the practical creation of a level playing field. This could enable manufacturers to reduce auditing efforts in outsourcing this to third party vendors, while ensuring common high standards.*

<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>

*The background idea of the stress scenario is appropriate and in our view a scenario providing PRIIPs outcome under extreme market conditions shall be kept. In our opinion, the stress scenario should however follow the same growth assumptions as the regular scenario simulations. Past performance based information could be included, and this could be extended easily even for Structured Products (SP) in the form of backward looking backtesting using the underlying historical data. Intermediate scenarios could be viable investor information, especially for products with early-exit opportunities. A consistent and reliable approach should however be found for SPs. It is however still unclear how an illustrative scenario would present appropriately future performance scenarios for complex Category 3 products that depend on a large range of observations, e.g. Autocall BRC with memory coupons, TARFs, etc.*

*An approach similar to the Solvency II regulation could be adopted where for complex products an internal model can be submitted to the regulator for approval.*

<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>

*As discussed a fully correct methodology would be a full nested calculation with 10 000 \* 10 000 samples for a single intermediate distribution. One of the solutions that have been adopted by certain manufacturers is to use regression methods for producing the intermediate distribution without doing a nested simulation. Given an appropriate regression model is used, this results in stable and reliable results that are close to the real intermediate distribution (based on full-nested scenario). In comparison to the nested simulation approach (even when only a seeding path is chosen), the regression is less computationally expensive and allows ad-hoc calculations. Regression is well understood and used in many valuation models.*

<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>

*Yes, we consider using the same growth assumptions like for the rest of the scenarios appropriate. The stress scenario could still be kept as an extreme percentile based on increased volatility, but with expected annual return for the underlyings should equal the one that is used in the rest of the scenarios.  The difference between 1 year and >1Y stress scenario calculation requirement should in our opinion be avoided, as it results in strange plunges in the stress scenario for products, which are monitored permanently. E.g. if an FX Forward has 1 year 1 day until maturity and is generated next to a product with 1 year until maturity, the difference resulting from the change of the stress volatility calculation is hardly understandable for a retail investor. A methodology could be changed to assume the same stress conditions in both scenarios.*

<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, however a clear guidance on methodology for mixed country assets and hybrid baskets shall be provided, e.g. hybrid baskets of underlyings from multiple countries.*

<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>

*Yes, however a clear guidance on methodology for mixed-assets shall be provided, e.g. hybrid baskes of underlyings for structured products. Also, the requirement should ensure that the required data is available to manufacturers (e.g. from market data providers) without significant additional costs.*

<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>

*In terms of delivering data the best option would be to use expected dividend rates from a market provider.*

*Usually analyst reports also provide valuable information about expected future movements in certain indicators and dividend rates, in particular. The point here would be whether the solution is automated or analyst reports need to be read and relevant figures extracted manually.*

<ESA\_QUESTION\_PKID\_11>

1. : How should share buyback rates be estimated?

<ESA\_QUESTION\_PKID\_12>

*Both dividend and buyback rates are components comprising risk premium of the asset, as referred to Annex IV, point 13, (b), (i) from the Joint Consultation Paper concerning amendments to the PRIIPs KID.*

*Usually companies disclose their intention to buyback shares in forthcoming periods. In case such information exists, it could supplement available historical data or used as expected levels themselves. The question of an available automated solution for that is relevant, analogous to the one referring to dividend rates.*

<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>

*The general approach makes sense and is a good proposal. Implied volatility information could be in certain cases hard to obtain for certain manufacturers, e.g. due to licensing  and/or usage of market data provider.*

<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>

*The approach of using a 5-year history of daily returns provides a simple and good estimate to base the future variance (excl. money-markets). The approach does not need to be made more complex, as this would have limited practical benefit, while increasing the complexity. It could be noted that for PRIIPs with large holding periods which exceed the length of the historical period, it might be worth to combine the immediate 5-year volatility with a more long-term view on the observed historical volatility (i.e. basing future volatility on two measures - for the immediate 5-year history and e.g. the std of the 1 year volatility for historical period equal to the PRIIPs term). Nevertheless, if such an approach is taken, the regulation shall try to have a consistent definition with a single methodology that applies to all products, without proposing multiple methodologies that are applied depending on the PRIIPs term, type, and/or other features.*

<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>

*If the approach for probabilistic scenarios is improved with a robust approach as proposed now, the compensatory mechanisms would not be required and would only bring more uncertainty and complexity to the calculation that could hinder the consistent and reliable application of the regulation across different asset classes and manufacturers.*

<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>

*If compensatory mechanisms are adopted, they should apply consistently for all products, i.e. using the same compensatory mechanism definition regardless of the asset class and product. This will ensure that the KID results are comparable and reduce the risk of inconsistent interpretations and application of the requirements, resulting in erroneous results. This obligation has to be enforced on the manufacturers then.*

<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>

*This approach oversimplifies the growth rate assumptions. A more granular definition of the rates should be ensured, taking into account at least the country of the underlying assets. Otherwise, one could just base the simulation on a risk-free simulation, similarly to VAR scenario (the current table suggestion with 5 asset classes does not provide any significant benefit over that).*

<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>

*A simple growth rate will oversimplify the representation to the investor and thus introduce the notion of false simplicity. While this might work for plain vanilla products, for most PRIIPs it does not. We believe a key purpose of the regulation is to transport to the retail investor, that products carry risks and returns can not be guaranteed.*

<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>

*A key point that we consider important is that the regulation should keep the general aim of comparability across different financial products. In that respect, it is important that the proposed technical standards follow consistent methodologies that do not vary based on the PRIIPs type, unless this is absolutely necessary. The probabilistic approach should be defined the same way for all product types and only the underlying growth and volatility assumptions shall differ depending on the underlying asset types. Additionally, if any other methodologies are used (e.g. compensatory mechanisms, past-performance, etc.), those shall be defined as consistently as possible across the full range of PRIIPs product types.*

<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>

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<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>

*A combination of illustrative scenarios and probabilistic scenarios will introduce confusion in an investor, as it is unclear how they relate to each other. Differences in the scenario values would be hard to explain and would not provide better clarity of the risks for a retail investor.*

<ESA\_QUESTION\_PKID\_23>

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

<ESA\_QUESTION\_PKID\_24>

*While illustrative scenarios would indeed simplify and naturally eliminate the concerns regarding the probabilistic scenarios, they will introduce a level of freedom that completely contradicts the core idea of the regulation (namely to assess and disclose the risk of the PRIIPs). Illustrative scenarios will be fully at the discretion of the manufacturers. From a practical perspective it is impossible to ensure consistent rules for the generation of those scenarios. In reality the disclosed scenarios would be chosen and calculated rather in respect to the features of the products than to the performance and risk in the underlying assets. This could easily result in illustrative scenarios which appear more positive for complex higher risk products than for conservative smaller risk products. It is also unclear how complex PRIIPs with multiple underlying observations could appropriately use illustrative scenarios for risk presentation.*

<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>

*As discussed in the previous question, we do not consider the approach (in the form presented in the PRIIPs performance scenario options for consumer testing) beneficial to solving the concerns related to the probabilistic scenarios. The approach eliminates the concerns by replacing them with a less representative and assumption based approach that could be completely disjointed from the underlying market risk. The results will not provide a basis for comparison across different PRIIPs. As an example consider a conditional coupon BRC on a basket of equity underlyings from a manufacturer A and  similar BRC with a guaranteed coupon for the same basket from manufacturer B. The illustrative scenarios of the respective KIDs would hardly be basis for comparison of the risk in the PRIIP. This is not consistent with the key goals of the PRIIPs Regulation.*

<ESA\_QUESTION\_PKID\_25>

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

<ESA\_QUESTION\_PKID\_26>

*The inclusion of past performance to the KID would be relevant and helpful to a retail investor. In many respects retail investors take their investment decisions based on the past performance of the market rather than probabilistic forward-looking models. Thus, we consider such information would make the KID an important and effective document for retail investors, especially if past performance accompanies the probabilistic forward looking scenarios.  In our view, however, past performance should not be limited to a particular PRIIPs type, and could be easily applied for non-linear PRIIPs in the form of backtesting based on historically observed underlying time series. While an investor could easily check past performance of a linear product, providing a backtesting result for a complex structured product could provide transparent and effective information to the retail investor. Making this information transparent over the KID would enable investors to better understand and compare PRIIPs from different manufacturers. Furthermore, most manufacturers are already performing such backward-looking validations as part of their product governance approval process.*

<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 past performance information would make the KID more transparent and retail investors will be able to use easily understandable information as a base for their investment decisions. In that sense, we see an amendment on Article 6(4) as a necessity for the introduction of past performance if material impact on the KID length is envisioned.*

*Assuming such a regulatory change could be made, it would make sense to still keep consistent KID information across all PRIIPs types, and provide past performance information not just  for UCITS, but also e.g. structured products and OTC in the form of backtesting.*

<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>

*The approach for the presentation of past performance should be standardized to enable comparison and clear understanding of the KID document across different PRIIPs types. A simplified approach with past performance on a per year basis, e.g. (minimum, maximum, average) would in our view enable investors to easily and clearly understand past performance for their products. The average across increasing periods seems less easier to understand and without significant information to a retail investor.*

<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>

*Yes, it would make sense to have narratives explaining the historical periods, which are the bases for those two, especially if they do not match. A standard disclaimer in addition that past performance is not a guarantee for future performance would also  be helpful.*

<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>

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<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>

*This approach would possibly increase comparability for some open end products with large RHPs, but would be less helpful for PRIIPs with fixed RHP, whose KIDs are regularly updated (i.e. RHP on the KID shrinks over time). In such a case, if a product has an RHP of 5 years and 1 month, and the cost over time shall be disclosed for 1-year and 5-year intermediate periods, the latter won’t bring appropriate information to the retail investor. However, in any case, our belief is that if intermediate periods should stay for performance scenarios, the period lengths for the cost over time and the performance scenarios should match one another.*

<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>

*From a retail investor perspective, it might be more helpful to understand how exit penalties or entry costs will affect their investment when an investor decides to terminate their product early. If the fixed intermediate period is close to the RHP or sufficiently large to exceed the early exit cost penalties period, the impact of both of those costs will be diminished.*

<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>

*An annual average cost figure might indeed make it visually easier for  a retail investor to understand the monetary cost values. At best, it could be included together with the total cost figure, but the requirement should be defined carefully, given the KID 3-page length requirement does not change.*

<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>

*There will be no added value in terms of comprehensibility. The investment amount is already a round number of 10 000, so an investor can easily understand and compare the total cost amount to the investment amount. A percentage cost figure based on investment amount would only add further figures on the KID, making it harder for a retail investor to locate and understand the information.*

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_38>

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

<ESA\_QUESTION\_PKID\_39>

*Yes, removing the cost composition RIYs and replacing them with monetary amounts would be a simplified approach that is easy to understand by retail investors, while still allowing them to compare the values at least to a limited extent. In our experience, individual RIYs are not fully understood and investors are confused by the fact that they do not match the contractually agreed percentages. A much more valuable RIY information is the total impact of the cost on the return of the investor in Table 1, so table 2 should only provide better overview of the nature of the cost, allowing better comparability.*

<ESA\_QUESTION\_PKID\_39>

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

<ESA\_QUESTION\_PKID\_40>

*Option 3 is preferred approach.*

<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>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_41>

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

<ESA\_QUESTION\_PKID\_42>

*We agree that some confusion is present regarding the fact that the cost composition table discloses the costs only for the RHP period. Even though there is a narrative explaining this, it is hard for investors to understand that the figures in Table 2 are only in correspondence to the last (RHP) column in Table 1. It is important to make it easier for an investor to identify this correspondence, either visually or with an  additional narrative text. If the latter approach is taken, in our opinion the text should be part of the table / column header in Table 2, such that it is not accidentally missed by a retail investor when reviewing the KID.*

<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>

TYPE YOUR TEXT HERE

<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>

*Digital services and regtech automation would allow manufacturers to continue to comply even when there is a requirement leading to a coexistence of PRIIPs KIDs and UCITS KII documents. Nevertheless,  it would be beneficial to all stakeholders if the regulatory requirements are consolidated and unified across the different regulations and enable simpler unification not only across the EU, but also across different jurisdictions (e.g. Swiss FinSA). In that respect, we are of the opinion that EU regulations should align the documentation requirements. If professional investors would need to receive an information document under the UCITS regulation, it would be of benefit if the PRIIP KID shall be recognised as equivalent replacement under the regulation.*

<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>

TYPE YOUR TEXT HERE

<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 a KID should be provided once at the beginning of the savings plan and later in case the customer makes changes to his subscription. We are of the opinion that a PRIIP KID should be sent to existing customers once there is an update in the KID, hence Article 4 should be restricted only to Management Company of UCITS or AIFs. In terms of consistency, the best option is to send a KID over all product types  as far as there is an information update.*

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_49>

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

<ESA\_QUESTION\_PKID\_50>

*Digital solutions enable option specific KID to be offered for the full domain of combinations. This would prevent situations in which an investor is interested in a KID for a particular combination, for which no KID is provided. Assuming a very large domain of combinations are present, the ad-hoc generation process (i.e. on demand over a web page) could ensure that a manufacturer only needs to produce the combinations, for which an investor is interested based on the latest market and reference data available (i.e. up to date KID).*

<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>

*A problem will arise that investors will ultimately be misinformed for any other combination than the four ‘most-relevant’ options, which were preselected by the manufacturer. The investor could then be confused and misinterpret the difference between the four full-information KIDs and a KID that is specific to an underlying investment option (e.g. a fund KID provided to the retail investor together with a MOP KID).*

<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>

*Yes, as described in 51.*

<ESA\_QUESTION\_PKID\_52>

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

<ESA\_QUESTION\_PKID\_53>

*It would clearly ease the creation process and maintenance effort on side of the manufacturers which in our opinion will be to the benefit of the customer as less administrative costs occur. However please be advised that our preference is a digital client offering process described in point 50 and 54 in further detail, which would result in a concrete investment proposal.*

<ESA\_QUESTION\_PKID\_53>

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

<ESA\_QUESTION\_PKID\_54>

*Through the use of cloud based technology a digital advisory process allows for creating a tailor made investment proposal considering the concrete selection of underlyings and allowing for an ad hoc calculation of the aggregated KPIs, thus making the requirement of a range unnecessary.*

<ESA\_QUESTION\_PKID\_54>

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

<ESA\_QUESTION\_PKID\_55>

*Potential disadvantages of the revised methodology and new approach are not transparently listed in the table but shifted to the cost assessment column. It would be important to have all pros and cons overview in the same place, near cost assessment, to offer a transparent overview to the stakeholders.*

<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)