

# 4. Section of the KID: what are the costs (Part 1) – Cost tables

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# Main challenges and considerations

- Inherent challenges of pre-contractual / forward looking cost disclosure (estimates)
- Balance between highlighting key vs. relevant information (e.g. to allow investor to apply to own situation)
- How and in what level of detail to inform about the different types of costs (breakdown)
- Relevance of showing how costs change over time (and impact of early exit)
- How to best communicate overall costs (comprehensible, comparable, “compound effect on investment”)?
- Importance of aiming for alignment (as far as practicable) with other regulatory disclosures, such as MiFID II

# Main proposals

- In order to ensure comparability between the different types of PRIIPs, reduction in yield, at least at level of overall costs, remains most relevant indicator, but presentation can be improved
- Additional explanations of different types of costs and how they apply (“description of cost”) can address feedback regarding apparent misunderstandings
- Monetary breakdown of costs may be more comprehensible
- Showing intermediate costs only for longer-term PRIIPs and at a standardised time point

# Additional discussion points

- Which is the preferred option (Option 3?) and do you consider this an improvement on current cost table?
- Implications of using different types of percentage figures?
- Average annual or total (accumulated costs)?

# Questions?

# Annex – current and options to revise cost tables

# Current KID – Table 1

Table 1

## Cost over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

| Investment [EUR 10 000]<br>Scenarios | If you cash in<br>after [1] year | If you cash in<br>after [recommend<br>holding period/2] | If you cash in [at the<br>end of the recommen-<br>ded holding period] |
|--------------------------------------|----------------------------------|---|---|
| Total costs                          | [...] %                          | [...] %   | [...] %   |
| Impact on return (RIY) per year      | [...] %                          | [...] %   | [...] %   |

Table 2

## Composition of costs

The table below shows:

- the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period;
- the meaning of the different cost categories.

# Current KID – Table 2

This table shows the impact on return per year

|                  |                             |         |  |
|------------------|-----------------------------|---------|--|
| One-off costs    | Entry costs                 | [...] % | The impact of the costs you pay when entering your investment. [This is the most you will pay, and you could pay less].<br>[AND/OR where the costs are embedded in the price, for instance in the case of PRIPs other than investment funds]<br>The impact of the costs already included in the price. [This is the most you will pay, and you could pay less].<br>[Where distribution costs are included in entry costs] This includes the costs of distribution of your product. |
|                  | Exit costs                  | [...] % | The impact of the costs of exiting your investment when it matures.  |
| Ongoing costs    | Portfolio transaction costs | [...] % | The impact of the costs of us buying and selling underlying investments for the product.   |
|                  | Other ongoing costs         | [...] % | The impact of the costs that we take each year for managing your investments and the costs presented in Section II.  |
| Incidental costs | Performance fees            | [...] % | The impact of the performance fee. We take these from your investment if the product outperforms its benchmark [y by x%].  |
|                  | Carried interests           | [...] % | The impact of carried interests. We take these when the investment has [performed better than x%]. [A payment of y% of the final return will take place subsequently to the exit of the investment.]   |



# Option 1 – Table 1

## What are the costs?

- *The total costs you pay and how they affect what you might get back depend on how long you hold the product and how well the product does*
- *[Where applicable, i.e. where possible] Be aware that the person selling you or advising you about this product may charge you additional costs*
- *You can use the reduction in return each year due to costs to compare with other products*

| <i>When you invest [10.000 / 1.000 EUR per year]<br/><br/>We have assumed the product performs as shown in the moderate performance scenario</i> | <i>If you end / exit / surrender / terminate / lapse after 1 year</i> | <i>[Only for PRIIPs with RHP 8 years or more]<br/>If you end / exit / surrender / terminate / lapse after 5 years</i> | <i>If you exit after [recommended holding period] years</i> |
|--|---|---|---|
| <b>Costs over time</b>   |   |   |   |
| <i>Total costs (EUR)</i>   | €   | €   | €   |
| <b>Impact on return over time</b>  |   |   |   |
| <i>Return per year before costs</i>  | %   | %   | %   |
| <i>Return per year after costs</i>   | %   | %   | %   |
| <i>Reduction in return each year due to costs</i>  | -%  | - %   | -%  |

# Option 1 – Table 2 (part 1)

| Type of cost  |             | Description of cost  | Only for PRIPs | Only for IBIPs |
|---------------|-------------|--|----------------|----------------|
| One-off costs | Entry costs | <p>[X% of the amount invested / premium paid] or [x% of the first Y premiums / investments]</p> <p><i>Where the costs are embedded in the price or premium:<br/>These costs are already included in the [price / premium] you pay.</i></p> <p><i>[Where distribution costs are included in entry costs] This includes [monetary amount] EUR costs of distribution of your product. [Where the manufacturer only knows the maximum distribution cost]. This is the maximum you could pay. The person selling you the product will inform you of the exact charge.</i></p> | €              | %              |
|               | Exit costs  | X% of the value of your investment at that time.   | €              | %              |

|               |                                 |  |   |  |
|---------------|---------------------------------|--|---|--|
|               |                                 | <p><i>Where the costs are embedded in the price:<br/>These costs will be included in the price you get.</i></p> <p><i>Where they apply only for disinvestment prior to the recommended holding period.<br/>These costs only apply in case of (explain circumstances or an example in max 100 characters: e.g. exit before maturity/termination of the product/exit out of the (monthly/...) liquidity windows).</i></p> <p>For details refer to section "How long should I hold it and can I take my money out early?"</p> |   | <p><i>[Where there are no exit costs at the recommended holding period a percentage figure is not shown but instead the following narrative] Exit costs do not apply at the recommended holding period</i></p> |
| Ongoing costs | Management fees and other costs | X% of (value of the investment / other basis) [per year / other time period] [where applicable] (of which % are management fees)   | € | %  |
|               | Transaction costs               | X% of (value of the investment per year)<br>This is an estimate of the costs of us buying  | € | %  |

## Option 1 – Table 2 (part 2)

|                                |   |  |   |   |
|--------------------------------|---|--|---|---|
|                                |   | and selling underlying investments for the product.  |   |   |
| <b><i>Incidental costs</i></b> | <b><i>[Performance fees / carried interest / other]</i></b> | <b><i>X% of (...describe in max 100 characters). Where applicable [cross-reference to prospectus]</i></b><br><br><b><i>[Only include row where applicable]</i></b> | € | % |

*[Where applicable]: different costs apply depending on the investment amount...[explain circumstances or use an example in maximum 100 characters]*

## Option 2 – Table 1

| <i>When you invest [10.000 / 1.000 EUR per year]</i>                                      |   | <i>[Only for PRIIPs with RHP 8 years or more]</i>                      |   |
|---|---|--|---|
| <i>We have assumed the product performs as shown in the moderate performance scenario</i> | <i>If you end / exit / surrender / terminate / lapse after 1 year</i> | <i>If you end / exit / surrender / terminate / lapse after 5 years</i> | <i>If you exit after [recommended holding period] years</i> |
| <b>Costs over time</b>  |   |  |   |
| Entry costs   | €   | €  | €   |
| Ongoing costs   | €   | €  | €   |
| Of which, transaction costs   | €   | €  | €   |
| Incidental costs [where applicable]   | €   | €  | €   |
| Exit costs  | €   | €  | €   |
| <b>Total costs</b>  | €   | €  | €   |
| <b>Impact on return over time</b>   |   |  |   |
| Return per year before costs  | %   | %  | %   |
| Return per year after costs   | %   | %  | %   |
| <b>Reduction in return each year due to costs</b>   | <b>- %</b>  | <b>- %</b>   | <b>- %</b>  |

## Option 2 – Table 2

| Type of cost            |  | Description of cost   |
|-------------------------|--|---|
| <i>One-off costs</i>    | <i>Entry costs</i>                                   | <p><b>[X% of the amount invested / premium paid] or [x% of the first Y premiums / investments]</b></p> <p><i>Where the costs are embedded in the price or premium:</i><br/> <b>These costs are already included in the [price / premium] you pay.</b></p> <p><i>[Where distribution costs are included in entry costs] This includes [monetary value] EUR costs of distribution of your product. [Where the manufacturer only knows the maximum distribution cost]. This is the maximum you could pay. The person selling you the product will inform you of the exact charge.</i></p>                              |
|                         | <i>Exit costs</i>                                    | <p><b>X% of the value of your investment at that time.</b></p> <p><i>Where the costs are embedded in the price:</i><br/>           These costs will be included in the price you get.</p> <p><i>Where they apply only for disinvestment prior to the recommended holding period.</i><br/> <b>These costs only apply in case of (explain circumstances or an example in max 100 characters: exit before maturity/termination of the product / exit out of the (monthly/....) liquidity windows).</b><br/>           For details, refer to section “How long should I hold it and can I take my money out early?”</p> |
| <i>Ongoing costs</i>    | <i>Management fees and other costs</i>               | <b>X% of (value of the investment / other basis) [per year / other time period] [where applicable] (of which % are management fees)</b>   |
|                         | <i>Transaction costs</i>                             | <b>X% of (value of the investment per year)</b><br>This is an estimate of the costs of us buying and selling underlying investments for the product.  |
| <i>Incidental costs</i> | <i>[Performance fees / carried interest / other]</i> | <b>X% of (...describe in max 100 characters). Where applicable [cross-reference to prospectus]</b><br><br><i>[Only include row where applicable]</i>  |

## Option 3 – Table 1

| <p><i>When you invest [10.000 / 1.000 EUR per year]</i></p> <p><i>We have assumed the product performs as shown in the moderate performance scenario</i></p> | <p><i>If you end / exit / surrender / terminate / lapse after 1 year</i></p> | <p><i>[Only for PRIIPs with RHP 8 years or more]</i></p> <p><i>If you end / exit / surrender / terminate / lapse after 5 years</i></p> | <p><i>If you exit after [recommended holding period] years</i></p> |
|--|--|--|--|
| <p><b>Impact on return over time</b></p>   |  |  |  |
| <p>Return per year before costs</p>  | <p>%</p>   | <p>%</p>   | <p>%</p>   |
| <p>Return per year after costs</p>   | <p>%</p>   | <p>%</p>   | <p>%</p>   |
| <p><b>Reduction in return each year due to costs</b></p>   | <p>- %</p>   | <p>- %</p>   | <p>- %</p>   |

# Option 3 – Table 2 (Part 1)

| Type of cost         |                    | Description of cost  | Costs over time   |   |   |
|----------------------|--------------------|--|---|---|---|
|                      |                    |  | <i>If you end / exit / surrender / terminate / lapse after 1 year</i> | <i>[Only for PRIIPs with RHP 8 years or more] If you end / exit / surrender / terminate / lapse after 5 years</i> | <i>If you exit after [recommended holding period] years</i> |
| <i>One-off costs</i> | <i>Entry costs</i> | <p>[X% of the amount invested / premium paid] or [x% of the first Y premiums / investments]</p> <p><i>Where the costs are embedded in the price or premium: These costs are already included in the [price / premium] you pay.</i></p> <p><i>[Where distribution costs are included in entry costs] This includes [monetary value] EUR costs of distribution of your product. [Where the manufacturer only knows the maximum distribution cost]. This is the maximum</i></p> | €   | €   | €   |

## Option 3 – Table 2 (Part 2)

|                      |  |   |   |   |   |
|----------------------|--|---|---|---|---|
|                      |  | you could pay. <b>The person selling you the product will inform you of the exact charge.</b>   |   |   |   |
|                      | <b>Exit costs</b>                      | <p><b>X% of the value of your investment at that time.</b></p> <p><i>Where the costs are embedded in the price:</i><br/>These costs will be included in the price you get.</p> <p><i>Where they apply only for disinvestment prior to the recommended holding period.</i><br/><b>These costs only apply in case of (explain circumstances or an example in max 100 characters: exit before maturity/termination of the product / exit out of the (monthly/....) liquidity windows).</b></p> <p>For details, refer to section "How long should I hold it and can I take my money out early?"</p> | € | € | € |
| <b>Ongoing costs</b> | <b>Management fees and other costs</b> | X% of (value of the investment / other basis) [per year /   | € | € | € |

|                    |                          |   |   |   |   |
|--------------------|--------------------------|---|---|---|---|
|                    |                          | other time period] [where applicable] (of which % management fees)  |   |   |   |
|                    | <b>Transaction costs</b> | <p><b>X% of (value of the investment per year)</b><br/>This is an estimate of the costs of us buying and selling underlying investments for the product.</p>  | € | € | € |
|                    | <b>Incidental costs</b>  | <p><b>[Performance fees / carried interest / other]</b></p> <p><b>X% of (...describe in max 100 characters). Where applicable [cross-reference to prospectus]</b></p> <p><i>[Only include row where applicable]</i></p> | € | € | € |
| <b>Total costs</b> |                          |   | € | € | € |

*[Where applicable]: different costs apply depending on the investment amount...[explain circumstances or use an example in maximum 100 characters]*



# Option 4

| <i>When you invest [10.000 / 1.000 EUR per year]</i>                                      | <i>If you end / exit / surrender / terminate / lapse after 1 year</i> | <i>[Only for PRIIPs with RHP 8 years or more]<br/>If you end / exit / surrender / terminate / lapse after 5 years</i> | <i>If you exit after [recommended holding period] years</i> |
|---|---|---|---|
| <i>We have assumed the product performs as shown in the moderate performance scenario</i> |   |   |   |
| <b>Costs over time</b>  |   |   |   |
| Entry costs   | €   | €   | €   |
| Ongoing costs   | €   | €   | €   |
| Of which, transaction costs   | €   | €   | €   |
| Incidental costs [where applicable]   | €   | €   | €   |
| Exit costs  | €   | €   | €   |
| <b>Total costs</b>  | €   | €   | €   |
| <b>Impact on return over time</b>   |   |   |   |
| Return per year before costs  | %   | %   | %   |
| Return per year after costs   | %   | %   | %   |
| <b>Reduction in return each year due to costs</b>   | <b>- %</b>  | <b>- %</b>  | <b>- %</b>  |

*[Where applicable]: different costs apply depending on the investment amount...[explain circumstances or use an example in maximum 100 characters]*