|  |
| --- |
| 16 October 2019 |

|  |
| --- |
| Response form for the Joint Consultation Paper concerning amendments to the PRIIPs KID |
|  |

|  |
| --- |
| 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 | European Structured Investment Products Association |
| Activity | Banking sector |
| Are you representing an association? |  |
| Country/Region | Europe |

# Introduction

Please make your introductory comments below, if any:

<ESA\_COMMENT\_PKID\_1>

As a general comment, EUSIPA takes the view that the RTS modifications proposed by way of the ESA Consultation Paper fail to address the fundamental problem posed by the fact that the PRIIPs KID is in practice, according to the experience of our members, not sufficiently or at all used for the originally intended purpose, namely providing standardised and understandable product information to retail investors for cross-asset comparison and investment purposes.

Any serious effort made to remedy identified shortcomings, in our view, would have to be preceded by a thorough and in-depth analysis of products markets and customers before (!) modification proposals are being made. It is in this context highly unfortunate that the consumer testing exercise is done only in parallel to the consultation on proposed new RTS rules and without a content-wise alignment of the two activities.

EUSIPA further is of the view that any proposed modification of the current RTS should strictly be tested on whether, beyond technically improving the correctness of numbers provided in the KID, they actually contribute to enhancing the readability and user-friendliness of the KID at the end of the retail investor.

EUSIPA finally would like to underline its discomfort with the general approach taken by the ESAs of seeking to change delegated (level 2) legislation without embedding this effort into the legally foreseen review of the level 1 text. This could lead ultimately to the introduction of changes, as an outcome of the current consultation, which at a later stage would be revoked or amended again. <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>

EUSIPA is not aware of any provisions that would hinder “digital solutions” for the KID.<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>

EUSIPA is of the opinion that such format does not add value to the marketplace in general and retail investors in particular. An isolated extraction of single content items could lead to a fragmented reading/comparison of information thereby neglecting other content of the KID of high potential relevance for the investment decision.

It is worth noting that at industry level, a standardized data exchange format relating to PRIIPs data has already been developed, adapted to local requirement where needed and is already used among manufacturers and distributors.<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>

Non-withstanding our objection of single items, EUSIPA supports the final implementation of any revised RTS at one specific date (earliest 01 Jan 2022).

EUSIPA rejects the idea of a steeped/progressive or gradual implementation. Main reason is that such a gradual implementation could distort the level playing field within the internal market as there is a danger that diverging KIDs are being used.

We also believe that a single implementation date applicable to **all PRIIPs** will be the less disruptive solution for both distributors and investors to understand the new KID.

Non-withstanding the plea for a fixed application date of new RTS provisions, EUSIPA would, in order to ensure the manageability of implementing changes in the regular workflow of banks, strongly advocate introducing a grandfathering clause for still allowing the use of KIDs established under currently applicable RTS for at least one year, starting with the enforcement date of any new RTS provisions.

<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>

EUSIPA rejects the idea of a steeped/progressive or gradual implementation. Main reason is that such a gradual implementation would very likely distort the level playing field within the internal market as there is a danger that diverging KIDs are being used.

We also believe that a single implementation date applicable to **all changes** will be the less disruptive solution for both distributors and investors to understand the new KID. A gradual approach would be more costly for manufacturers.

Non-withstanding the plea for a fixed application date of new RTS provisions, EUSIPA would, in order to ensure the manageability of implementing changes in the regular workflow of banks, strongly advocate introducing a grandfathering clause for still allowing the use of KIDs established under currently applicable RTS for at least one year, starting with the enforcement date of any new RTS provisions.<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>

EUSIPA stresses the need to finally clarify the many fundamental and detailed issues which have arisen so far under the PRIIPs regulation’s application. Such broader clarification effort should include a review of the legislative level (“one”) text as well as the delegated acts. The question of the PRIIPs scope (in terms of debt and derivative instruments covered) falls into the remit of these open issues.

The review should further incorporate important adjustments made so far only in the Q&A document relating to the RTS, such as, for example, the (only) Q&A-wise confirmed absence of an “annualization” requirement for performance scenarios and costs in KIDs for products with a maturity below one year., or the narrative adaptation applicable to OTC derivatives <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>

EUSIPA is opposed to the idea of introducing illustrative performance scenarios in either of the possible constellations suggested by the ESAs in the Consultation Paper (as replacement of probabilistic scenarios or as completing information provided next to probabilistic performance scenarios). The EUSIPA position is based on the concern that in case illustrative performance scenarios are being used there is a great danger of inconsistent KIDs on the EU level as the assumptions on which illustrative scenarios are being established are likely to deviate enormously between issuers, jurisdictions and asset classes. An EU-wide level playing field would thus be even more unlikely to come about than in the current situation.

<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>

EUSIPA does not take a position with regard to whether IHPs are to be taken out altogether. Whilst some EUSIPA members are clearly in favour of eliminating intermediate scenarios as they pose challenging technical issues and are very incomprehensible for retail investors, other EUSIPA members would prefer to keep one IHP calculation point as being useful in terms of indicating the performance before end of maturity of a given product and, therefore, would rather keep the 1Y IHP as it is already implemented.

EUSIPA further is opposed to using a performance assumption for the cost calculation, as was proposed by the ESAs, for the situation that the moderate scenario shows a total loss of capital invested.

More generally but also within the context of the before, EUSIPA insists that the cost information used for the KID is to be made finally completely consistent with the relevant rules under the MiFID (II) directive and delegated acts, with the latter being the origin of the numeric values.

Using a performance assumption for recalibrating cost values under PRIIPs would only increase the highly undesirable methodological inconsistencies between the two rulesets (of MIFID II and PRIIPs).<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>

EUSIPA is neutral about the stress scenario deletion.

EUSIPA is of the opinion that if the stress scenario continues to be part of the methodology, the methodology should be adapted in a way that the negative growth assumptions for regular scenarios do not exceed the negative growth assumption of the stress one (thus resulting in the stress scenario performance never looking better than regular 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>

Independent of our objections to the currently used methodology as such, EUSIPA speaks out against using country-specific risk free rates.

EUSIPA instead supports currency area-specific risk free rates based on interest rate futures / swap curves. The reason for this position is that implementation efforts and costs for underlyings with a multi-country background (indices, mixed baskets etc.) are huge, if any implementation (data source-wise) would be feasible at all.<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>

EUSIPA members clearly reject the approach of a dividend-based methodology as a basis for establishing risk premiums for equity underlyings.

The reasons for rejecting the dividend-based methodology are as follows: Using dividends to forecast performance could create highly biased results tweaked to the benefit of high dividend-paying underlyings (for call option based products) as the majority of structured products is based on price-return underlyings (where the investor is not entitled to receive dividends). Since call options on high-dividend underlyings are cheaper, the terms (e.g. participation rate) of structured products on those underlyings will be better than structured products on low/no-dividend underlyings. Assuming same growth rates for both will, according to the CP’s methodology, show misleadingly better scenarios for structured products on high-dividend underlyings.

Moreover, for structured products on “price-return” underlyings, a risk premia of zero plus a negative Eurozone interest rate would mean a negative growth rate for the scenario calculation.

While EUSIPA supports asset class-specific risk premia, EUSIPA is opposed to risk premia linked to countries, sectors or single asset ratings.

With its 2018 expert group conclusions, EUSIPA supports the establishment of fixed risk premia for equity underlyings. In establishing a simplified risk premium for single asset classes, e.g. equities, EUSIPA supports the use of a simplified methodology which minimizes deviations across applicants/markets. As the industry is very critical of applying the dividend-based methodology suggested by the ESAs in the CP, we encourage the ESAs to look into alternative methodologies, instead. Any such alternative methodology should extensively be tested on market adequacy, sufficient asset coverage and easiness of implementation. EUSIPA has taken note that there are currently already expert discussions in the marketplace on such alternative methodologies and would be very willing to engage in analysing those with the ESAs.

<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>

EUSIPA’s rejects the dividend-based approach. (see above answer to Q10). However, should the ESA decide to use a dividend-based approach as a methodology, EUSIPA would favour using historical dividends.<ESA\_QUESTION\_PKID\_11>

1. : How should share buyback rates be estimated?

<ESA\_QUESTION\_PKID\_12>

As stated above, EUSIPA rejects the dividend-based methodology and would consequently abstain from commenting on whether buy-back estimates are feasible at all or, if so, how they could be forecasted or considered.<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>

TYPE YOUR TEXT HERE

<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>

Without changing any statements made before on currently used methodologies or their suggested changes, EUSIPA would, within the technical context of the KID calculations, support using historical returns for calculating future variances.<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>

Without changing any statements made before on currently used methodologies or their suggested changes, EUSIPA would, within the technical context of the KID calculations, clearly take a position against introducing compensatory mechanisms. At the very essence of such mechanisms lies the admission that the used methodology for calculating numerical values did not yield the intended results or is, in other words, flawed. Hence, instead of introducing compensatory tools, the methodology should rather be amended (in a way that compensating becomes unnecessary).<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>

EUSIPA refers to the statement made in answering Q8 and Q15.<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>

Reference is made to the answer provided in Q10.<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>

Reference is made to the answer provided in Q10.<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>

EUSIPA is of the conviction that any approach finally chosen needs to be applicable for all PRIIPs product categories and independent of the product’s maturity.<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>

EUSIPA would, as stated before in our answer to question 10 and in line with the findings of the EUSIPA 2018 Technical Working Group, support simple, e.g. fixed risk, premia for specific classes of underlying assets. Further reference is made to EUSIPA’s statement in answering Q10. <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>

EUSIPA does not see other alternative approaches.<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>

EUSIPA is opposed to the idea of introducing illustrative performance scenarios in either of the possible constellations suggested by the ESAs in the Consultation Paper (replacement of probabilistic scenarios or completing information provided next to probabilistic performance scenarios). The EUSIPA position is based on the concern that in case illustrative performance scenarios are being used there is a great danger of inconsistent KIDs on the EU level as the assumptions on which illustrative scenarios are being established are likely to deviate enormously between issuers, jurisdictions and asset classes. An EU-wide level playing field would thus be even more unlikely to come about than in the current situation.

Secondly, there is no evidence that the use of illustrative scenarios would substantially improve the KID to an extent that justifies the immense costs in modifying IT systems and retraining salesforce when changing to new performance scenarios.<ESA\_QUESTION\_PKID\_23>

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

<ESA\_QUESTION\_PKID\_24>

EUSIPA does not support this idea. Reference is made to the answer provided to Q23.

Beyond the rejection of illustrative performance scenarios in the format proposed in the CP, EUSIPA is further opposed to the idea of having unique approaches for specific asset classes, as this severely impacts the comparability of KIDs.<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>

EUSIPA does not support this idea. Reference is made to the answer provided to Q23.

Beyond the rejection of illustrative performance scenarios in the format proposed in the CP, EUSIPA is further opposed to the idea of having unique approaches for specific asset classes, as this severely impacts the comparability of KIDs.<ESA\_QUESTION\_PKID\_25>

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

<ESA\_QUESTION\_PKID\_26>

In line with previous findings of its technical experts EUSIPA takes the opportunity of these questions to underline again that **past performance does not exist for structured products**. Extending the KID information to past performance only for some asset classes, such as funds, would add specific content to KIDs for these assets, rendering the KIDs fundamentally different from each other. It should further be borne in mind that this additional information is currently already provided outside the KID.

Simulated past performance which has been consulted upon previously by the ESAs already, is not acceptable as a solution for structured products. **There is no solid methodological (empirical/mathematical) basis on which to run past performance simulations for structured products.**<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>

In line with previous findings of its technical experts EUSIPA takes the opportunity of these questions to underline again that **past performance does not exist for structured products**. Extending the KID information to past performance only for some asset classes, such as funds, would add specific content to KIDs for these assets, rendering the KIDs fundamentally different from each other. It should further be borne in mind that this additional information is currently already provided outside the KID.

Simulated past performance which has been consulted upon previously by the ESAs already, is not acceptable as a solution for structured products. **There is no solid methodological (empirical/mathematical) basis on which to run past performance simulations for structured products.**<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>

In line with previous findings of its technical experts EUSIPA takes the opportunity of these questions to underline again that **past performance does not exist for structured products**. Extending the KID information to past performance only for some asset classes, such as funds, would add specific content to KIDs for these assets, rendering the KIDs fundamentally different from each other. It should further be borne in mind that this additional information is currently already provided outside the KID.

Simulated past performance which has been consulted upon previously by the ESAs already, is not acceptable as a solution for structured products. **There is no solid methodological (empirical/mathematical) basis on which to run past performance simulations for structured products.**<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>

In line with previous findings of its technical experts EUSIPA takes the opportunity of these questions to underline again that **past performance does not exist for structured products**. Extending the KID information to past performance only for some asset classes, such as funds, would add specific content to KIDs for these assets, rendering the KIDs fundamentally different from each other. It should further be borne in mind that this additional information is currently already provided outside the KID.

Simulated past performance which has been consulted upon previously by the ESAs already, is not acceptable as a solution for structured products. **There is no solid methodological (empirical/mathematical) basis on which to run past performance simulations for structured products.**<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>

In line with previous findings of its technical experts EUSIPA takes the opportunity of these questions to underline again that **past performance does not exist for structured products**. Extending the KID information to past performance only for some asset classes, such as funds, would add specific content to KIDs for these assets, rendering the KIDs fundamentally different from each other. It should further be borne in mind that this additional information is currently already provided outside the KID.

Simulated past performance which has been consulted upon previously by the ESAs already, is not acceptable as a solution for structured products. **There is no solid methodological (empirical/mathematical) basis on which to run past performance simulations for structured products.**<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>

In line with previous findings of its technical experts EUSIPA takes the opportunity of these questions to underline again that **past performance does not exist for structured products**. Extending the KID information to past performance only for some asset classes, such as funds, would add specific content to KIDs for these assets, rendering the KIDs fundamentally different from each other. It should further be borne in mind that this additional information is currently already provided outside the KID.

Simulated past performance which has been consulted upon previously by the ESAs already, is not acceptable as a solution for structured products. **There is no solid methodological (empirical/mathematical) basis on which to run past performance simulations for structured products.**<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>

In line with previous findings of its technical experts EUSIPA takes the opportunity of these questions to underline again that **past performance does not exist for structured products**. Extending the KID information to past performance only for some asset classes, such as funds, would add specific content to KIDs for these assets, rendering the KIDs fundamentally different from each other. It should further be borne in mind that this additional information is currently already provided outside the KID.

Simulated past performance which has been consulted upon previously by the ESAs already, is not acceptable as a solution for structured products. **There is no solid methodological (empirical/mathematical) basis on which to run past performance simulations for structured products.**<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>

EUSIPA assumes, that if in the cost calculation section, IHPs continue to be used for performance scenarios (of products having an RHP of more than 1 year), taking (only) one IHP calculation point would be most useful in terms of indicating the costs before maturity or RHP.

More generally, keeping the 1 year IHP within the cost section also seems to be the easiest solution as this approach is already implemented in practice. Prescribing this same IHP for the cost sections of all PRIIPs surely would also enhance the KID’s overall comparability.

<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>

EUSIPA is of the view that both are feasible. As mentioned in our answer to question 33, EUSIPA would recommend for the cost section to keep a 1-year IHP calculation point for all products having an RHP of more than 1-year. <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>

EUSIPA would support showing, independently of the finally chosen value (average or accumulated total) only one cost figure in the KID.<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>

EUSIPA strongly urges that any modification to the costs displayed in the KID leads to a coherence of cost indications provided under PRIIPs and MIFID II, with the MiFID cost methodology being the origin of values.<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>

EUSIPA does not agree with the provided suggestion of option 3 as it fails to address the need to modify the costs displayed in the KID in a way that a coherence of cost indications provided under PRIIPs and MIFID II is achieved.

The 1st table of option 3 only displays costs as RYI in percentage: this is not easily understandable for retail investor and not consistent with MIFID.

As for the 2nd table, it is overly complex with different holding periods within the table and there is no obvious link with the figures displayed in table 1, which will be confusing for investors.

Generally, EUSIPA is of the view that Option 3 will fail to improve the cost disclosure for the average retail investor, but would rather create an unnecessary overflow of information.,

In general, EUSIPA would strongly advocate **testing any intended change to the cost section thoroughly with retail investors** so to assure that a future methodology with which the cost values are established and the format in which they are being presented can realistically (expected to) be understood by average retail investors.

The currently used RIY format seems not fit for this purpose.

<ESA\_QUESTION\_PKID\_39>

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

<ESA\_QUESTION\_PKID\_40>

Please see the answer provided to question 39.

<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>

Reference is made to the answer provided to question 39.

EUSIPA hints again at the need to extensively test any cost presentation method with retail investors before implementing it, and would rather look into replace the RIY by a Total Expense Ratio, at least for products with an RHP greater than 1 year.

<ESA\_QUESTION\_PKID\_41>

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

<ESA\_QUESTION\_PKID\_42>

EUSIPA wishes to emphasize again that generally consistency between the performance and cost table information is a major concern to the industry.

<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>

TYPE YOUR TEXT HERE

<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>

EUSIPA does not support extending asset specific-requirements from other regulatory sources such as the EU UCITs directive to PRIIPs.<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_52>

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

<ESA\_QUESTION\_PKID\_53>

TYPE YOUR TEXT HERE

<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)