|  |
| --- |
| 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 | Invesco |
| Activity | Investment Services |
| Are you representing an association? |  |
| Country/Region | Europe |

# Introduction

Please make your introductory comments below, if any:

<ESA\_COMMENT\_PKID\_1>

Invesco recognises that transparency plays an important function in delivering better financial futures for Europe’s investors by helping they make a more informed choice. While many of the questions contained in this consultation are of a very technical nature and primarily concerned with correcting issues with the current methodology, we believe it is important to restate the purpose of the PRIIPs KID and the qualities necessary to help deliver the objective of “fair, clear and not misleading” disclosure to retail clients.

Behavioural economics tells us that retail disclosures should not aim to be comprehensive and all-encompassing documents but rather serve to focus the attention of investors on the core pieces of information that will help them make a more informed decision. Therefore, documents should focus on:

* Simplicity
* Clarity
* Decision-useful

While we welcome the recognition by the ESAs of the current flaws of the current methodology, we fear that the proposal contained in this consultation serve merely to patch over the deficiencies of the current regime rather than taking a fresh look at how the PRIIPs KID could be reviewed to better achieve the above criteria. In many cases, we believe that the proposal currently on the table take us further away from our shared objective and therefore we urgently call on the ESAs to work with the European Commission and the industry to go back to first principles to redesign the PRIIPs KID in a way that would genuinely assist Europe’s investors to make more informed decisions as part of a broader package of measures under the revamped Capital Markets Union to promote retail investing.

While the overarching focus of the PRIIPS debate to date has been on comparability, consumers today increasingly want customized products that meet their needs and this is increasingly spreading to financial services where an increasing focus on a “solution” approach to developing tailored products to meet clients needs. We believe that transparency requirements should accompany this change of approach. While we welcome the focus on standardised methodologies to ensure that the information presented, we believe that, similar to MiFID costs and charges disclosures, client disclosures should be done by those closest to the clients and on the basis of aggregated disclosures of the entire package of products and services provided to the client, rather than for individual products. Furthermore, we believe that there is less need to be overly prescriptive about the presentation of this data. Digital solutions, in particular, open the door to much more personalised disclosures, which behavioural economics shows is important to assist investors’ understanding of the information provided, as well as enabling more interactive way of presenting the information.

We recognise that no standardised methodology will ever be perfect but any proposal needs to be assessed against the ultimate goal of the PRIIPs KID – to ensure that investors can make an informed decision about the likely risks, performance and costs of a product before investing. While we recognise than any standardised methodology will have certain limitations, we need to ensure that the outputs are not misleading and therefore the new proposals need to be tested robustly in a number of different market conditions to ensure that the results are not misleading but also subject to robust consumer testing to ensure that investors can make sense of the information. It is particularly important that such robust testing is undertaken before the new regime is rolled out to UCITS funds, as this could damage the UCITS brand, which accounts for €14 trillion of assets under management.

Given the limited time to respond, we have found it challenging to undertake detailed analysis and testing of the proposals put forward by the ESAs, particularly with regards to the performance scenarios and therefore have limited our comments to more high-level remarks.

Our initial assessment of the proposed dividend yield methodology is that not only would the methodology be overly complex to compute but, more importantly, we believe that the results would likely be skewed for anything other than “vanilla” funds with a reasonably static allocation, since the measurement is based on a snapshot of the portfolio.

In respect of transaction costs, we believe that both of the options presented are sup-optimal. Option 1 fails to address the underlying issues of the current methodology. While in principle we would support the of principle option 2, we believe that as currently drafted, option 2 remains too ambiguous and could result in unequal results being produced for similar funds, leading to confusion for investors. We would therefore support further clarifications, preferably based on the use of half spreads.

We refer to the EFAMA response, which we support regarding the more detailed technical questions.

<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>

There are many elements in both the PRIIPs Regulation and the Delegated Regulation that hinder the use of digital solutions for the KID. While the requirements for the KID to fit on 3 sides of A4 is the most obvious example of the fact that the KID was designed for a paper-based world rather than a digital and even less a mobile world, the Delegated Regulation, by tightly prescribing the format and presentation of the information to be provided severely limits the ability to present information in a digital way, and particularly on a mobile phone.

One of the biggest benefits of digital solutions is the ability to personalise the information provided to clients to make it meaningful to them. For example, instead of requiring the presentation of information based on a 10,000 EUR investment, digital solutions would allow clients to show the information based on the amount of money that they wish to invest. Digital solutions also allow clients to choose the presentation method that makes the most sense to them, as well as make them interactive. For example, the ESAs own consumer testing for the KID showed that only a small majority of consumers prefer the table presentation for future performance, whereas a large minority of those tested would prefer a graph. In a digital world, there is no either or but rather both options are possible for clients to select the one that they understand the best.

We would urge the ESAs to leverage best practice from MiFID costs and charges disclosures, which, given that the presentation is not prescribed, has allowed for innovation from firms to develop new ways to engage clients in a more interactive way – examples of this include cost calculators that allow individuals to understand how costs will impact their returns or videos that provide explanations to clients (see FCA best practices on MiFID costs and charges disclosures).

Another important aspect of digital solutions is the ability to not only provide product information in isolation, but to provide a more comprehensive view of a person’s finances. For example, many online tools today, such as Intelliflo’s Personal Finance portal, not only show investors their investments but also allows them to include information about their bank accounts and other financial data to give them a more complete understanding of their financial wellbeing. Increasingly, clients and advisers are thinking in terms of “solutions”, i.e. using individual funds as building blocks to create a more tailored investment to meet their needs. As this approach becomes more commonplace, one could imagine that in the future, investors may want to not only compare individual products but also compare different constellations of products to see how, together, these products can help them achieve their goals. Digital solutions could enable the aggregation and customization of the data, so that investors can get a more holistic view of the risk, performance and costs of a suite of products taken together rather than on a siloed basis. However, the PRIIPs KID does not currently allow for this.

We believe that the focus of PRIIPs should be on ensuring that the methodology to calculate the data to be presented to clients is standardised to help comparability, but there should be less focus on the presentation of the information, which would enable innovation in digital solutions.

<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>

This question underscores that the current PRIIPS Regulation (but not the KID) currently serves two distinct purposes:

1. To allow product manufacturers and product distributors to share product information to comply with regulatory disclosure obligations through common methodologies to calculate data; and
2. To disclosure key information to investors that is simple, clear and decision-useful through the presentation of the KID.

We believe that these two issues should be disentangled from one another. As per our response to question 1 above, we believe that the PRIIPs KID should focus on ensuring that the data that should be disclosed, including the methodology for calculating the data, is standardised rather than on the presentation of the data, where more flexibility could spur innovation and allow the information to be tailored to individual clients circumstances. In this regard, the European PRIIPs Template, developed by the industry, already serves to allow product manufacturers and product distributors to share this information in a machine-readable format.

<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>

We believe there is a need to strike a balance between fixing the issues identified that currently give rise to misleading information being disclosed to clients with the desire to avoid the mistakes of the past by introducing methodologies that have not been fully tested and also to avoid repeated changes to the KID which risks confusing investors

Some of the changes proposed, such as those relating to the transaction cost methodology, are fairly straightforward to implement and therefore could be implemented in a shorter timeframe. However, the proposed changes to the performance scenarios still do not achieve the desired outcome and therefore require more thought and testing before being finalised. As proposed, the dividend yield methodology is very data-intensive and would require significant lead in time in order to implement.

In addition, given that the full review of the Level 1 Regulation is due to be completed within the 2022 timeframe and could lead to further changes to the PRIIPs KID, we believe that questions of timeline can only be finalised once the full package of changes is understood and therefore a proper sequencing for changes can be ensured.

<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>

As per our response to question 3, we recognise the need to strike a balance between fixing the issues identified that are currently leading to misleading information being disclosed to clients with the desire to avoid the mistakes of the past by introducing methodologies that have not been fully tested and also to avoid repeated changes to the KID which risks confusing investors

Some of the changes proposed, such as those relating to the transaction cost methodology, are fairly straightforward to implement and therefore could be implemented in a shorter timeframe. However, the proposed changes to the performance scenarios still do not achieve the desire outcome and therefore require more thought and testing before being finalised. As proposed, the dividend yield methodology is very data-intensive and would require significant lead in time in order to implement.

In addition, given that the full review of the Level 1 Regulation is due to be completed within the 2022 timeframe that could lead to further changes to the PRIIPs KID, we believe that questions of timeline can only be finalised once the full package of changes is understood and therefore a proper sequencing for changes can be ensured.

<ESA\_QUESTION\_PKID\_4>

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

<ESA\_QUESTION\_PKID\_5>

We believe that the risk indicator should also be reviewed. As with other elements of the PRIIPS KID, we have identified some areas where the current methodology is delivering outcomes that we feel are misleading to clients, but we believe that a more wholesale review of the risk indicator is also warranted.

We believe that the current MRM methodology, is, in some instances, understating the risk of certain funds and fails to show a full range of risk categories. For example, we offer a range of risk-targeted products, which target between 30-90% of the risk of the MSCI ACWI index. While the lowest risk fund currently has an SRI of 2, the highest risk fund only has an SRI of 3 (whereas we would typically expect an equities fund to have a UCITS SRRI of 5 or 6).

More broadly, we believe that the ESAs should consider whether other risk parameters should be considered in the calculation of the risk indicator. For example, liquidity risk for funds is increasingly seen as an important risk factor for investors that is currently not factored in to the SRI (in fact, illiquidity is rewarded as less liquid assets are less volatile).

We also believe that the ESAs should revisit the use of the Reduction-in-Yield methodology for disclosing costs. Not only are such figures hard for investors to understand, but also relies on the performance scenarios which can be highly misleading.

<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>

As per our introductory comments, we would urge the ESAs to undertake a thorough consumer testing exercise, given that only certain performance scenarios have been consumer tested. This will ensure that any changes introduced achieve the ultimate goal of the PRIIPs KID, which is to ensure that retail investors are better informed.

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

While we appreciate the ESAs’ efforts to address the issues of pro-cyclicality in the current methodology, the dividend yield methodology not only suffers from being overly complex and data intensive but also risks producing skewed results.

Given the short-time frame, we have not been able to undertake our own detailed testing of the proposed methodology but our initial assessment would lead us to believe that it has the potential to lead to skewed results for funds other than “plain vanilla” funds with reasonably static allocations, given that the measurement is based on a snapshot of the portfolio.

We would therefore urge the ESAs to explore simplified alternatives as set out in the EFAMA response and and undertake in-depth testing before any final decision is made.

For more detailed comments, we refer you to the response by EFAMA.

<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>

As per our comments above, given the short-time frame, we have not been able to undertake our own detailed testing of the proposed methodology and we believe that more in-depth testing and simplified alternative should be explored before any final decision is made. For more detailed comments, we refer you to the response by EFAMA.

<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>

As per our comments above, given the short-time frame, we have not been able to undertake our own detailed testing of the proposed methodology and we believe that more in-depth testing is needed. That said, our initial assessment is that the proposed methodology is very complex and data-intensive, requiring the average dividend yield for assets broken down by country and sector, and therefore we would urge the ESAs to explore simplified alternatives before any final decision is made.

For more detailed comments, we refer you to the response by EFAMA.

<ESA\_QUESTION\_PKID\_11>

1. : How should share buyback rates be estimated?

<ESA\_QUESTION\_PKID\_12>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

As per our comments above, we believe that the first step must be full and proper testing of the methodology to ensure that it is fit for purpose and that any methodological faults can be identified and addressed rather than considering compensatory mechanisms at this early stage.

<ESA\_QUESTION\_PKID\_15>

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

<ESA\_QUESTION\_PKID\_16>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_16>

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

<ESA\_QUESTION\_PKID\_17>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_17>

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

<ESA\_QUESTION\_PKID\_18>

We believe that a simplified methodology would be preferable but have not had sufficient time to adequately test the ESAs proposals.

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_20>

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

<ESA\_QUESTION\_PKID\_21>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_21>

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

<ESA\_QUESTION\_PKID\_22>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_22>

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

<ESA\_QUESTION\_PKID\_23>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_23>

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

<ESA\_QUESTION\_PKID\_24>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_24>

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

<ESA\_QUESTION\_PKID\_25>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_25>

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

<ESA\_QUESTION\_PKID\_26>

Yes, we believe that past performance information remains valuable for investors in order to understand how the product has performed in the past and also how it has performed against its benchmark. However, we would highlight that having two different performance presentations in two different formats could be confusing for investors, who may not be able to understand how the two sets of information (one a graph and one a table) inter-relate. This would need to be properly tested with consumers.

As regards the scope of application, we share the ESAs proposal that seems do not require the inclusion of past performance for AIFs that are classified under Category 1 PRIIPs (for example some real estate funds). It should be clarified if such information should be requested also for closed-ended fund, that fall outside Category 1 PRIIPs, if they re-open their subscription, in some point in time of their life.

<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 we need to go back to first principles to consider what the purpose of the performance scenarios are, which is to help understand how a given product, or suite of products, can help an investor meet their investment goals. We would urge the ESAs to undertake much more in-depth research, using the latest behavioural economic theory, to understand what performance information would best help investors achieve this goal.

<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>

TYPE YOUR TEXT HERE

<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>

The only costs that are not included in the past performance presentation (based on NAV) are the entry or exit costs that an investor may pay. If a statement is necessary, it should directly address this issue as a generic statement could be misleading.

<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>

As per our response above, we foresee that investors will struggle to understand how the past performance and future performance scenarios relate to one another and additional narrative to help them understand will almost certainly be necessary.

<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>

While we recognise the need to ensure consistency and clarity across the industry about when a product should show its performance against the relevant benchmark, we believe that the ESMA Q&A will only create confusion for investors as the rules could lead to multiple benchmarks being disclosed. The PRIIPs KID is not supposed to be a comprehensive document (which is the role of the Prospectus) but rather a simple and clear document to help investors make an informed choice. We believe that any clarification should focus on identifying circumstances where a product refers to a benchmark as part of its core investment objective and, where this could lead to more than one, clarity as to how the most relevant one should be selected.

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

As per our response above, we feel that the RIY methodology does not facilitate simple, clear and meaningful disclosure to retail investors. In addition, we strongly believe that ensuring consistency of cost disclosures between different regulatory regimes is essential. Therefore, we believe that for MiFID products, the costs should **only** be presented as a percentage of the investment amount, not in addition to the RIY.

<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>

As per our introductory comments, we would like to see the PRIIPs KID become simpler and clearer for clients. We do not believe that any of the proposed options deliver this objective.

<ESA\_QUESTION\_PKID\_39>

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

<ESA\_QUESTION\_PKID\_40>

We refer you to the EFAMA response for a more detailed answer.

<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>

TYPE YOUR TEXT HERE

<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>

We believe that the focus should on developing a methodology to calculate transactions costs that is fair and produces reliable results for all funds, rather than merely introducing derogations and thresholds, which risks further complication the PRIIPs KID and confusing investors.

We believe that both of the options presented are sup-optimal. Option 1 fails to address the underlying issues of the current methodology – the current methodology not produces negative transaction costs but also can lead to significantly overstating transactions costs as well. Simply not disclosing the negative transactions costs simply masks the symptoms of the methodology rather than addressing the root cause of the issue arising from the arrival price methodology.

While in principle we would support the principle of option 2, we believe that as currently drafted, option 2 remains too ambiguous and could result in unequal results being produced for similar funds, leading to confusion for investors. We would therefore support further clarifications, preferably based on the use of half spreads.

<ESA\_QUESTION\_PKID\_43>

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

<ESA\_QUESTION\_PKID\_44>

We agree that there should be no need for a UCITS KII just for professional investors. Professional investors have expressed little interest in the information contained in the UCITS KII and have other means to gather the data they require for their investment purposes.

<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>

TYPE YOUR TEXT HERE

<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>

As per our response to previous sections, we do not believe that the proposals consulted on have been sufficiently well tested to order to undertake a proper cost/benefit analysis. In particular, it has been challenging to gather the necessary data to undertake a proper evaluation of the dividend yield methodology and therefore this raises the risk that the changes could entail significant costs without achieving any significant benefits for investors in terms of improved disclosures.

<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>

It is not easy to assess implementation costs for the performance and cost methodology changes, however we estimate that the data costs for the proposed performance scenarios would be significant. We do not currently believe that the suggested change to the performance methodology provides a reasonable improvement considering the additional costs and uncertainty.

<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)