Comments Template for Joint Consultation Paper concerning amendments to the PRIIPs KID (JC 2018 60)		Deadline 6 December 2018 23:55 CET
Name of Company:	Association of Investment Companies	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ <u>Do **not** change the numbering</u> in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column <u>empty</u>. ⇨ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question or a cell, leave the row <u>empty</u>. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, <u>in Word Format</u>, to CP-18-005@eiopa.europa.eu** **Our IT tool does not allow processing of any other formats.**	
Reference	**Comment**	
General Comments	It is disappointing that this consultation does not include an explicit request for comments. It is a significant omission that there is no invitation for views on concerns the KID raises. There should be no presumption that the ESAs have identified all the problems. Also, there is no request for other solutions. Given the complex nature of KIDs and the underlying methodology and the range of products these rules cover, this is a major flaw in the consultation. Not making a clear invitation of this nature may limit the scope of contributions and reduce the ability of the ESAs to take an informed view of what is required to resolve problems with the KID. The problem will no doubt be made worse because of the limited time	

	allowed for responses. The AIC **recommends** that any general comments provided on issues with the KID, and alternative solutions, are properly registered and considered by the ESAs in developing any proposed remedies and in considering options for a future review and broader process of reform. The AIC **recommends** that all future consultations include an explicit invitation for general comments. In this context, the AIC wishes to make clear that the reforms proposed (whether adopted in full or in part) will not resolve the problems with KIDs. With or without adopting the reforms proposed, consumers will still be at risk of harm because the information provided in KIDs is misleading. Adopting the proposals set out in the consultation (in whole or in part) could make the position for investors worse. Policymakers may consider that adopting the proposed changes will somehow ‘mend’ the KIDs rules. They may then not take further steps to reform the KID. This would prolong the period during which misleading information is provided and investors are misled into making purchasing decisions which harm their interests. The AIC is concerned that the ESAs have limited their proposals to changes that can be made at Level 2. Even if there are constraints on making Level 1 changes, the ESAs should be seeking views to inform an early and comprehensive debate on the future of KIDs. Focussing solely on Level 2 is a missed opportunity and ignores some of the fundamental problems with KIDs.	

Protecting all consumers and facilitating a comprehensive review process

It is likely that the application of the PRIIPs KIID to UCITS will be postponed for a further two years (implying that they will be required at the start of 2022).

The only realistic justification for this delay is that UCITS consumers are at risk from the KID in its current format. Were the real concern 'duplication' (where consumers receive both the KID and the UCITS KIID) the obvious solution would be to 'switch off' the KIID and apply the PRIIPs KID. This approach is unlikely to be adopted. Therefore, the only realistic conclusion for the market to draw is that the co-legislators understand that the KID itself is flawed. Also, that the authorities recognise that the reforms proposed in the consultation will not resolve those flaws sufficiently to protect retail investors in UCITS (or, indeed, PRIIPs).

Even if the consultation results in reforms being brought forward, PRIIPs investors will continue to be at risk from misleading KIDs. It is unacceptable for the co-legislators to protect one group of consumers (buyers of UCITS) but not another (investors in PRIIPs).

It is not the case that it is better for purchasers of PRIIPs to receive the KID than to receive no EU mandated disclosure at all. Consumers are more at risk because they are being given KIDs which are actively misleading. Too often they overstate potential performance and understate risks (see discussion below for more detail).

If the application of the PRIIPs rules to UCITS is to be delayed, the AIC **recommends** immediate steps should be taken to amend Article 32 of the PRIIPs regulation along the following lines:

- To allow individual Member States to suspend obligations to prepare and provide a KID where the Member State has identified a risk of consumer harm.

	▪ The suspension would be limited to the period that UCITS are not required to be sold with a KID. ▪ Where the KID has been suspended, PRIIPs could not be marketed to retail investors across Member State borders. ▪ The Member State would be required to inform the Commission of the suspension and the reasons. This would provide the Commission with information to facilitate a full review of the PRIIPs legislation and for an appropriate solution to be implemented. ▪ Member States would be responsible for ensuring proper consumer protection during the period of the suspension. Aligning the suspension with the delay in applying the KID to the UCITS market would ensure all consumers are suitably protected from misleading disclosures while creating a clear timeline for amendments to the PRIIPs legislation to be introduced. This approach would protect the integrity of the internal market and the broader objective of harmonisation. If steps are not taken to protect consumers, the harmonisation objective may be irreparably damaged. Consumers will, because of EU regulation, receive misleading information which may, particularly if market conditions change, cause them significant financial harm. They will, justifiably, criticise the EU authorities for prioritising short-term harmonisation over investor protection. Condemnation may be particularly strong when it is appreciated that the co-legislators decided to protect one group of investors over another.	

| Q1 | Including past performance as an additional disclosure will not reduce the harm of providing misleading performance scenarios. Disclosure of past performance should not be included alongside performance scenarios. Disclosing both items of information will make KIDs misleading in a different way. KIDs may become more confusing. It will make a poor document worse.

Including past performance disclosures without removing scenarios may also provide misguided assurance to policymakers that the problems of performance projections have been resolved. This will not be the case. It does not offer an interim or permanent solution if performance scenarios are not removed entirely from the KID.

The proposal published for consultation has been made because feedback to the ESAs has indicated that KIDs provide consumers with '*inappropriate expectations*' about possible returns. This is a very real and serious problem. Piecemeal reforms, such as those set out in the consultation, are not sufficient to protect consumers.

The performance scenarios for many investment companies are far too optimistic. For example:

▪ 51% of investment company KIDs indicate annual returns over the recommended holding period of between 0% and 10% in unfavourable markets.

▪ 11% of investment company KIDs indicate annual returns over the recommended holding period of between 10% and 20% in unfavourable markets.

Consumers will be misled about the likely performance of investments. No professional advisor would consider these returns likely or suggest that their clients should expect returns of this nature in poor market conditions. Including scenarios which suggest that these outcomes might be deliverable is irresponsible. They are not acceptable regulated | |

disclosures.

The danger to retail investors is made worse as overly optimistic performance scenarios are often presented alongside Summary Risk Indicators (SRIs) which present a lower level of risk than is realistic. For example:

- 36 investment companies with equity portfolios have risk indicators of 3 (that is, less than half-way on the 1-7 SRI score).

- 7 of these show that, in unfavourable market conditions, investors might receive annualised returns of between 10% and 20%.

An investor using the SRI to filter for less risky products would then be seriously misled about what is likely to happen to the value of their investment in adverse market conditions. The SRI, combined with flawed performance scenario disclosures, are potentially toxic for retail investors. Investors using the KID to understand performance and risk are likely to buy products which do not suit their needs and could suffer significant financial harm as result. This is not an acceptable outcome of a regulated disclosure.

Also, including past performance data alongside performance scenarios is impractical. The PRIIPs rules limit KIDs to no more than 3 pages. It will not be possible to include a table setting out past performance as well as scenarios without preparers having to breach the 3-page limit. This is not a minor consideration or inconvenience. Preparers should not be placed in a position where they must choose to breach incompatible regulatory obligations and face the risk of supervisory action.

The AIC **recommends** including past performance in the KID only following a full review of the rules. In the proper context, that is once performance scenarios have been removed,

	including past performance information in the KID will provide better information to consumers.	
Q2	There is nothing inherently problematic with a requirement to include past performance data for investment companies. An approach based upon the current UCITS requirements would be appropriate. However, some changes to the methodology will be required to accommodate the specific features of investment companies. Investment company shares are traded on a public stock market. The return to the investor reflects the market price of the shares, rather than the NAV of the underlying portfolio. The AIC **recommends** that the past performance of investment company shares should be presented in share price (rather than NAV) terms. This will provide an accurate view of the return the investor would have recieved. If this approach is not taken for investment companies, and other PRIIPs which are traded on public stock markets, then users of the KID will be given a misleading account of the past performance. Also, the AIC **recommends** that preparers should be allowed a suitable transition period before past performance information must be included in the KID. The AIC **recommends** that, once the transition period has passed, preparers be obliged to include the past performance data at the next periodic review of the KID or if the KID is updated because a material change in the position of the PRIIP.	
Q3	As explained in response to Q2., returns received by those holding investment company shares are based on the quoted share price, not NAV. Past performance should be presented in relation to share price return instead of NAV.	
Q4	No. Simulated past performance cannot replicate with any certainty how a PRIIP would have performed. Simulated past performance is potentially misleading.	

	UCITS without a sufficient track record are not required to simulate past performance in the KIID. This approach is correct. It should be adopted when/if past performance disclosures are included in the PRIIPs KID. Additional issues arise for PRIIPs. 45% of the investment company sector holds portfolios of 'alternative' assets. These do not have true benchmarks. This will make simulating past performance complicated and compound the issues that otherwise arise for calculating past performance. Overall, the process of simulating past performance is complex, costly and unlikely to provide meaningful information. The AIC **recommends** that simulated past performance is not included in the KID. KIDs without past performance disclosures will not be comparable with those that do include this information. This is acceptable. It is preferable to provide documents which appear different rather than include information which provides a spurious or misleading comparison.	
Q5	Simulated past performance should not be included in the presentation of performance in the KID (see response to Q4.). If the ESAs take a different view, and decide that past performance should be simulated, this is not an issue that can be resolved without a full public consultation. The issues arising are very complex. Implementing fundamental changes to the KIDs rules should not be rushed. The PRIIPs KID in its current form took years to agree. Resolving the issues which have emerged will take longer than the few weeks envisaged for this consultation process. Policymakers should allow time for an orderly process to develop and agree reforms. They should do this by allowing the PRIIPs rules to be suspended by Member States where KIDs create the potential for consumer detriment. These suspensions should be limited to	

	the period that UCITS do not provide KIDs. This will protect consumers and support the EU's longer-term goal of harmonising the rules and developing the internal market (see response to Q1. for further discussion).	
Q6	Stronger warnings about the performance scenarios will not stop some consumers placing undue reliance on them. It remains likely that warnings will not be read or properly considered. Even with better warnings, misleading numbers will still capture investors' attention. These consumers will be misled. However, making the warnings clearer and more prominent may help reduce this risk. If some consumers can be protected this will be better than the current situation. The AIC supports enhanced warnings, including mandating a shorter, more prominent statement. The AIC **<u>recommends</u>** describing the scenarios as "*Simulated future performance*". This is a better description than is currently required. The consultation proposes some new text above the table to describe the performance scenarios. The AIC **<u>recommends</u>** amending the proposed text as follows: "~~Market developments in the f~~ <u>F</u>uture performance cannot be ~~accurately~~ predicted. These scenarios are only an indication of the range of possible returns. <u>Do **NOT** rely on this information when making an investment decision</u>" (~~Strikethrough~~ to be deleted. <u>Underlining</u> to be added). The AIC has no specific drafting comments on the narrative explanation following the table of "*Simulated future performance*".	
Q7	<u>*Risk-free rate of return*</u>	

| | The AIC's view on this proposal is expressed with a degree of caution because the information provided in relation to it is limited. This makes it difficult to fully understand and respond definitively. This proposal seems to be that the performance scenarios would report a return based on interest rates with any revenues (presumably from non-investment activities such as stock lending) added and costs deducted.

If this is the basis of the proposal, then the AIC **recommends** that it should not be adopted. It is difficult to see any merits in this approach at all.

This approach was originally discarded because it offers a meaningless representation of possible future performance. It makes no distinction between asset classes nor investment strategies. Notwithstanding the consultation paper's contention that there is a correlation between the risk-free rate and 'several major indices', this approach will not provide any helpful information about the likely performance of PRIIPs exposed to assets such as publicly traded or private equity, property or venture capital.

Assuming we have understood the proposal, that it has been advanced at all demonstrates the problems of limiting reforms to what is possible at Level 2. Instead, proper consideration should be given to making changes at Level 1 to remove the performance scenarios. This is the only way to eliminate the consumer risks created by including them in the KID.

Reducing range of outcomes included

Reducing the number of scenarios has superficial attractions as some of the most misleading performance scenarios shown for investment companies relate to the 'unfavourable' scenario (see response to Q1.).

However, this approach does not resolve the fundamental problem. Presenting | |

performance scenarios based on the current methodology in any format is misleading. The investor cannot make any positive use of this information. In some cases, removing information from the current presentation will make things worse for investors. This arises as there are some KIDs where the most realistic information is presented in the 'moderate' scenarios. This does not mean that the moderate scenario methodology is sound. It is a coincidence. Even a stopped clock is right twice a day.

Including just two scenarios increases the risk that consumers will place more emphasis on the extreme ranges of the presentation. That is favourable scenarios which are far too optimistic and stress scenarios unlikely to ever arise. Changing the emphasis in this way is not helpful.

The AIC is also concerned that making a limited change will be seen as addressing the problem when, in reality, consumers are in as poor a position (or potentially worse) as they would be without any reform.

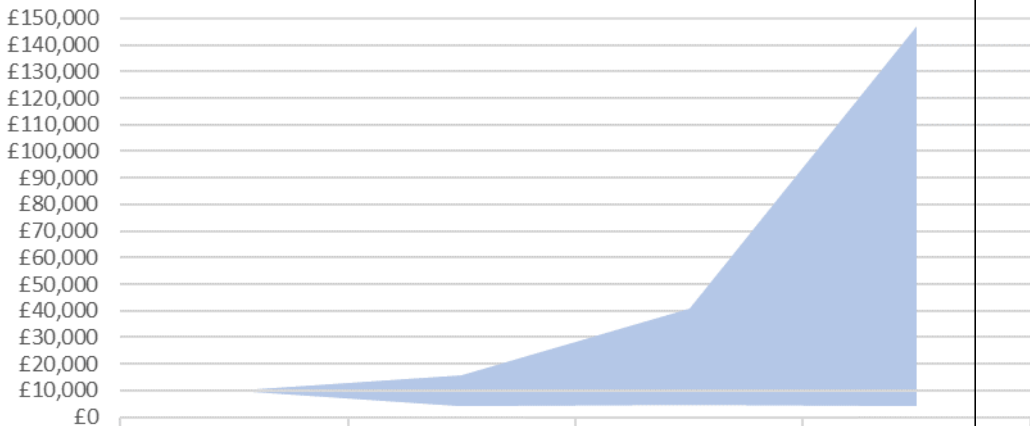
The AIC **recommends** that no changes be made to the number of scenarios presented.

Replacing the table of scenarios with a graphical presentation

The table of scenarios should not be replaced by a graphical presentation. The consultation paper suggests graphical presentation based on only the stress and favourable scenarios. This approach has significant drawbacks and could be more misleading than a table.

- **Emphasis on overly optimistic data:** Fig: 1. charts the 'favourable' and 'stress' scenarios from an investment company KID currently being provided to retail investors. It demonstrates that a graphical presentation has the potential to give investors a very favourable view of potential returns. The impression of the potential gains of the product is very pronounced. The possible losses look relatively understated (in fact, after five years, they are over half of the initial amount invested). There is no indication of the probability of where actual returns might lie between the two extremes. It is easy to see how an investor might be misled by this information (arguably even more so than presenting this data in a table). It is not easy to see that this provides a helpful perspective.

Fig: 1. Presentation showing 'wide range' return

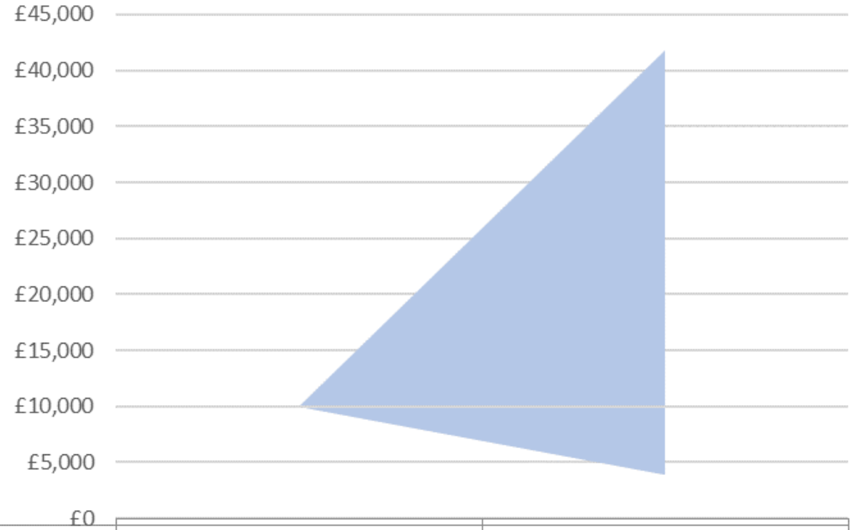


		1	3	5
KID Favourable Scenario	£10,000	£15,928	£40,674	£146,990
KID Stress Scenario	£10,000	£4,352	£4,454	£4,157

The problem identified in Fig: 1. is not unique to this investment company. It will arise in a substantial proportion of cases as many companies are showing strong performance because of recent market conditions.

Fig: 2. shows the average stress and favourable performance scenario after five years for half of the equity investment company sector. The companies included in the sample are those with the greatest range (between the stress and favourable scenario).

Fig 2: Presentation of equity investment company scenarios (showing average of 50% of companies with the widest spread between stress and favourable)



Average Favourable return	£10,000	£41,783
Average Stress return	£10,000	£3,857

Fig: 2. This shows a significant emphasis on the upside, with the presentation of possible poor outcomes as being far less significant. Using this sample of companies illustrates that the overall ‘shape’ of a graphical presentation will commonly give this impression. Using this approach is likely to encourage investors to downplay the chance of losses. They are also at risk of overestimating the probability of achieving high returns (even if they ignore the very top of the positive range).

A similar overall impression is provided when other types of PRIIP are charted in a similar manner. For example, when the performance scenarios of investment companies holding portfolios of 'alternative' assets are shown on the same basis the same impression is given.

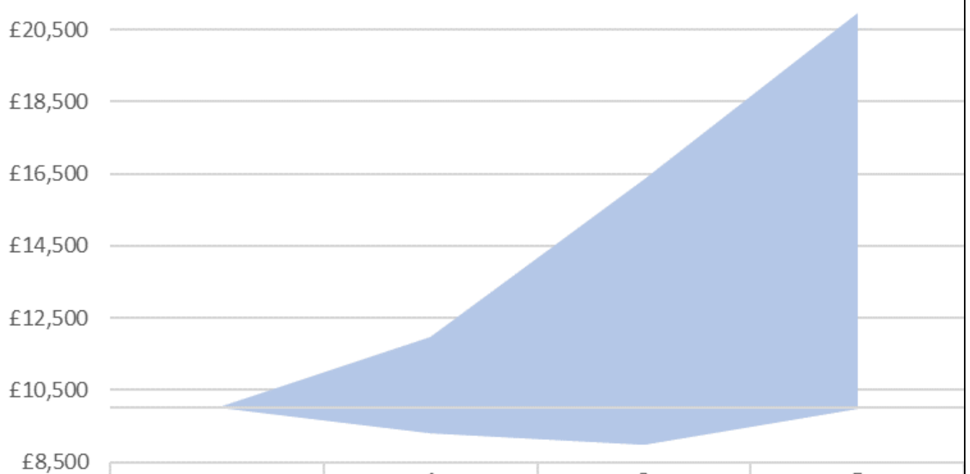
- **Achieving a comparable presentation:** KIDs are intended to help investors compare different types of product. It is difficult to design a graphical presentation which achieves this and does not create the potential for investors to be misled.

  One question would be how the Y axis is presented. If the data can be fitted to the individual fund, then the shape of returns may look very similar at first glance. For example, Fig 3 charts the 'stress' and 'favourable' scenario for an existing KID. It shows, broadly speaking, a similar return profile to that shown in Fig 1. That is, a substantial positive upside, with a more limited downside.

  There is a material risk that readers will not pay sufficient attention to the Y axis.

  While the shape of this graph is similar to Fig: 1, the maximum return is only just over £20,000, in comparison with a return of nearly £150,000. Investors may not fully appreciate how different the charted returns are.

Fig 3: Presentation of a 'narrow range' return

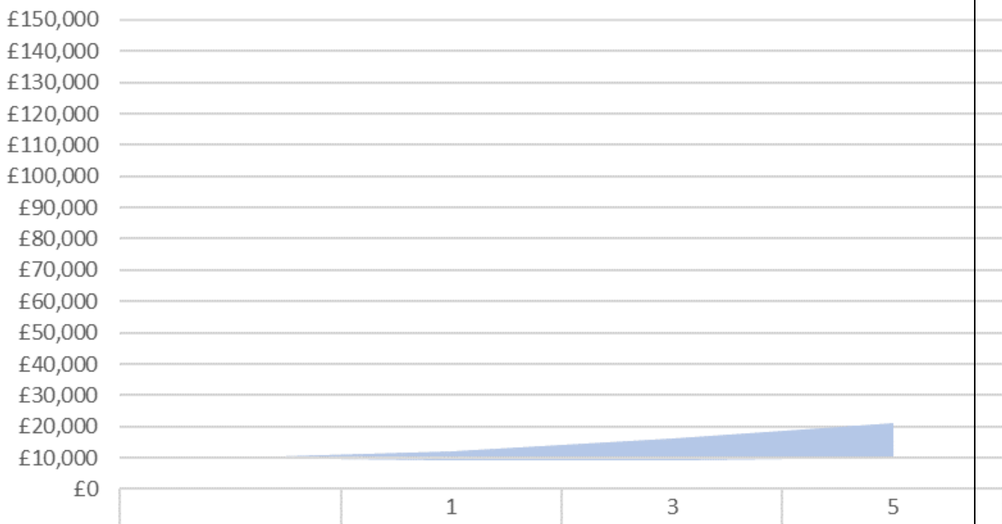


		1	3	5
KID Favourable Scenario	£10,000	£11,957	£16,333	£20,962
KID Stress Scenario	£10,000	£9,308	£8,998	£9,983

Were the information shown in Fig: 3. charted on the same scale as Fig 1, the impression given to the investor would be very different.

Fig: 4 gives an impression of a much smaller range of potential positive performance. This gives a very different message to an investor to the data shown in Fig: 1.

Fig: 4. Presentation of a ‘narrow range’ return on ‘wide range’ Y axis



		1	3	5
KID Favourable Scenario	£10,000	£11,957	£16,333	£20,962
KID Stress Scenario	£10,000	£9,308	£8,998	£9,983

It would be a significant point of debate as to which presentation, if either, was the most helpful for consumers. Manufacturers would have strong views on which they would prefer. It would not be possible to leave the decision to the market.

This is a highly complicated question which needs serious consideration. It cannot be resolved in a consultation lasting a matter of weeks then rushed through the formal legislative process.

	Problems with how the data is represented will also arise when there are differences in the recommended holding period. The charts above are all based on a five-year recommended holding period. Other complications, and potentially misleading presentation, will arise when holding periods are significantly different for different PRIIPs. The AIC **recommends** that the performance scenarios should not be presented graphically. The AIC **recommends** that any options which might be put forward to change the way in which information is presented in the KID should be tested with consumers to establish how different presentations are perceived and how they might inform investment decisions. *Extending historical period used* The AIC agrees that extending the historical period used to calculate performance scenarios will not address the fundamental problems with the methodology. Were the period to be extended (from five years to ten years), KIDs prepared in 2019 for PRIIPs holding equity could show even more misleading scenarios than those already published because the starting point of the 10-year period would be at the low point of the last bear market following the financial crisis. Lengthening the period does not remove the risk that overly optimistic scenarios will be included. Nor will this approach address problems of presenting ‘pro-cyclical’ information. Lengthening the period will also increase the number of PRIIPs where performance scenarios will have to be calculated on synthetic data. For as long as the performance scenarios are included in the KID, the current requirement to use data from the previous 5 years should be retained as the methodology.	

Q8	See response to Q7.	
Q9	The response to this question addresses only those proposals which affect the preparation and presentation of investment company KIDs. *<u>Narratives for the Summary Risk Indicator (SRI)</u>* The consultation paper notes concern about the SRI. The problems with the SRI are significant and cannot be fully resolved by changing the SRI narratives. The AIC does not consider that the KID should seek to provide an overall impression of a product's risk through a single number. It expressed this view consistently in responses to the consultations before the KID was introduced. A single number does not give sufficiently meaningful information. Consumers have no frame of reference as to what a single number represents. The AIC **<u>recommends</u>** that a full review of the KID risk warnings should be undertaken. Consideration should be given to straightforward narrative explanations of risk. This might involve replacing the SRI with series of short questions. For example, "*Can I lose money*?", "*How much might I lose if things go wrong?*" etc. These example questions explore the broad approach that might be adopted. They are not specific recommendations at this time. The priority should be to understand how consumers view risk and design an approach which addresses this in a clear and understandable way. In the absence of a fundamental change of approach, the current SRI is very misleading. Its capacity to mislead consumers will be exacerbated if, as expected, the application of the PRIIPs KID rules to UCITS is delayed. UCITS do not provide risk warnings on the same	

	basis as PRIIPs. However, to the investor these disclosures look almost identical. The serious problem this creates is demonstrated when considering 'sister funds'. Sister funds are pairs of investment companies that have UCITS counterparts. These pairs of funds have the same investment manager, similar investment mandates and a significant overlap of underlying portfolio holdings. While they are similar, features inherent in the structure of these products mean that the investment company would tend to be riskier than the open-ended alternative. A review of 56 'sister' fund pairs found that: ▪ No investment company had a higher-risk SRI than its UCITS counterpart. ▪ Just 3 investment companies had the same SRI as their UCITS counterpart. ▪ 40 investment companies had an SRI one point lower than the UCITS counterpart. ▪ 13 investment companies had an SRI two points lower than the UCITS counterpart. Comparing the risk indicators for UCITS KIIDs and PRIIPs KIDs is likely to mislead investors. However, investors are unlikely to understand this as the disclosures look identical and differences in methodology are not explained. This misleading situation will persist for longer than was originally envisaged if the UCITS exemption from providing a KID is extended. The PRIIPs SRI is also misleading in its own right. It fails to properly account for situations where there are potentially infrequent, but large, changes in the price of a product.	

	The SRI does not capture the full risks of a product. For example, Venture Capital Trusts (VCTs) invest in a portfolio of smaller unquoted companies. They are traditionally understood to be higher risk products. Were the risk indicator to adequately capture the risks of VCTs they might reasonably be expected to rank, say, 5 or 6 on the scale. The SRIs for VCTs gives a very different impression. 70% of all VCT KIDs show a risk indicator of 3. This is significantly below what might be considered their true level of risk. It is a fundamental flaw that the historical volatility of a PRIIP is quantified but the other risks described in the narrative are not. This makes it impossible for a retail investor to quantify those other risks and take an informed view of the risks inherent in the product. The SRI is not a 'summary' of all the risks. It is a description of one aspect of risk – historical volatility. In the absence of wider changes, the AIC **recommends** that the SRI be re-labelled to accurately describe what it is. This might involve, for example, including a sentence below a new title telling consumers that the indicator only describes historical price changes. The text should also say that the PRIIPs SRI is not comparable with UCITS Key Investor Information Document risk warnings. These are complicated questions. This supports the AIC's **recommendation** that provision should be made to allow Member States to temporarily suspend the PRIIPs KID to allow time for a full review and orderly process of fixing these flaws (see response to Q1. for a full discussion). In the absence of necessary, broader, reform, the AIC **recommends** that additional characters be allowed to describe risk. This may allow some of the drawbacks of the SRI as currently presented to be moderated. The AIC **recommends** consideration also be given to changing some of the required narrative. This could potentially involve adjustments to the current text or inserting new	

	options (for example, specific wording where a PRIIP is traded on a public stock market). Changes to the required text might help ameliorate the fundamental problems with providing a single number, prominently displayed, which could be misleading. Again, changing the required text is a complicated matter. Consideration of these issues should involve a proper process of consultation. This issue should not be dealt with via a significantly foreshortened process, as is currently the intention. *Narrative for performance fees* The AIC agrees that the current narrative text for describing performance fees is too restrictive. The AIC **recommends** that more flexibility is given. However, it considers that a 100-character limit is arbitrary. Instead it recommends the requirement be changed to allow for a short description in plain language, with no character limit. However, those producing explanations will be mindful of the overall restriction on length. *Growth assumption for cost-disclosure* The consultation paper identifies a problem in that the reduction in yield approach sometimes shows 'very low costs' future costs. It proposes using 3% where the moderate scenario shows low costs. It is not possible to evaluate this proposal in the absence of more information. For example, there is no indication of what 'very low' costs are. It is unclear when a 3% assumption of growth should be applied. The consultation paper notes that, were this approach applied, the cost disclosures would be less dependent on performance 'estimations'. This points to wider problems with the overall methodology for cost disclosure which is broadly based upon using past	

	performance to provide estimates of the future. This approach has the potential to be misleading. This consultation does not raise other significant issues with KIDs cost disclosure. For example, the ‘slippage’ methodology creates situations where the KID includes ‘negative’ costs. Disclosing negative costs implies that there are no costs to transacting in the portfolio or that the process of buying investments is a source of revenue. 10% of investment companies invested in equities have KIDs showing total transaction costs of nothing or which are negative (that is, ‘less than’ no costs). This is confusing and misleading. Any methodology which results in these disclosures is inherently flawed and should be reviewed. The AIC **recommends** that the KID approach to calculating and presenting costs should be comprehensively reviewed.	
Q10	This section discusses including parts of the UCITS regulation in the PRIIPs delegated legislation. None of these proposals fix the fundamental flaws of the PRIIPs KID. The focus of the co-legislators should be on targeting and fixing the current problems. The AIC **recommends** that none of these changes should be introduced in advance of fixing the fundamental problems with the existing KID rules. To facilitate this, the PRIIPs rules should allow Member States to suspend the KID requirements. This would allow the full range of problems to be identified and suitable solutions to be introduced (see response to Q1. for full discussion).	
Q11	The reforms suggested in the consultation do not fully address the fundamental flaws with the KID. This is a major cost which is not recognised. A ‘cost’ of requiring past performance alongside performance scenarios is identified as it being “*more challenging for certain PRIIP manufacturers to comply with the three-page*	

	limit on the length of the KID". This is not a correct description. A more accurate estimate is that preparers including the past performance disclosure would be forced to breach the 3-page limit if they are also to make the disclosure of past performance clearly legible. This is not an acceptable outcome.	
Q12	Providing past performance information where the PRIIP has a sufficiently long track record is straightforward. This is not a costly exercise. This data is already commonly published. Providing simulated past performance is likely to be complicated and expensive. This may particularly be the case for 'alternative' asset classes. The information provided is of limited, if any, benefit.	
Q13	The KID in its current form is misleading. It provides a too optimistic view of potential performance and understates the risk of PRIIPs. KIDs are not comparable in critical areas with the UCITS KIID, but this is not clear to retail investors. The proposals set out in the consultation are inadequate. They will not protect consumers. KIDs will still be harmful as they allow fundamental problems to persist. Retail investors will continue to be misled where they use KIDs to assess or compare products. This is a significant regulatory failure which has not been addressed. Not taking steps to suspend and fix KIDs also threatens to undermine confidence in the regulatory system and efforts to achieve market integration. The consultation does not identify the cost to consumers if they rely on KIDs and lose money as a result. Nor does it recognise that consumers are unlikely to be able to receive compensation if the KID they used was prepared correctly. These costs are potentially huge and are being ignored, whereas they should outweigh all other cost considerations.	

Template comments