

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:	Riskconcile	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering 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. <p>Please send the completed template, in Word Format, to CP-18-005@eiopa.europa.eu</p> <p>Our IT tool does not allow processing of any other formats.</p>		
Reference	Comment	
General Comments		
Q1		
Q2		
Q3		
Q4		
Q5		
Q6		

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Q7

Q8

Q9

Given the activity and involvement of RiskConcile in the calculation of performance and risk scenarios for category 3 & 1, priips, we would like to respond to your consultation paper. More in particular we would like to respond to section 4.2.2 dealing with the products with an unspecified maturity period such as autocallables.

Your proposed approach refers to situations where the product is called or cancelled before the end of the recommended holding period. According to the simulation, performance would only be shown at the intermediate holding periods up to the call or cancellation and the effective holding period should be used to calculate the average annual return.

Using the category 3 framework where 10.000 risk-neutral paths are generated for the underlying equity or index of the auto-callable, will lead to a different and conflicting result. Each of the simulated paths will be evaluated given the defined payoffs. Some paths result in an early redemption (auto-call), some paths continue with or without coupon cancellation. It is indeed possible to find in those paths with a better final payoff than the favourable scenario, all kinds of possibilities: situations where the product was stopped prematurely as well as situations where the product remained in existence till the final maturity date.

Our suggestion to this consultation would be to keep the approach unchanged but to

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elaborate more in detail how the intermediate scenarios are to be calculated for complex and path-dependent structured products. We have observed different practices at different Priip manufacturers. A very common approach is for example the application of the Longstaff-Schwartz method for the calculation of these intermediate scenarios.

Q10

Q11

Q12

Q13