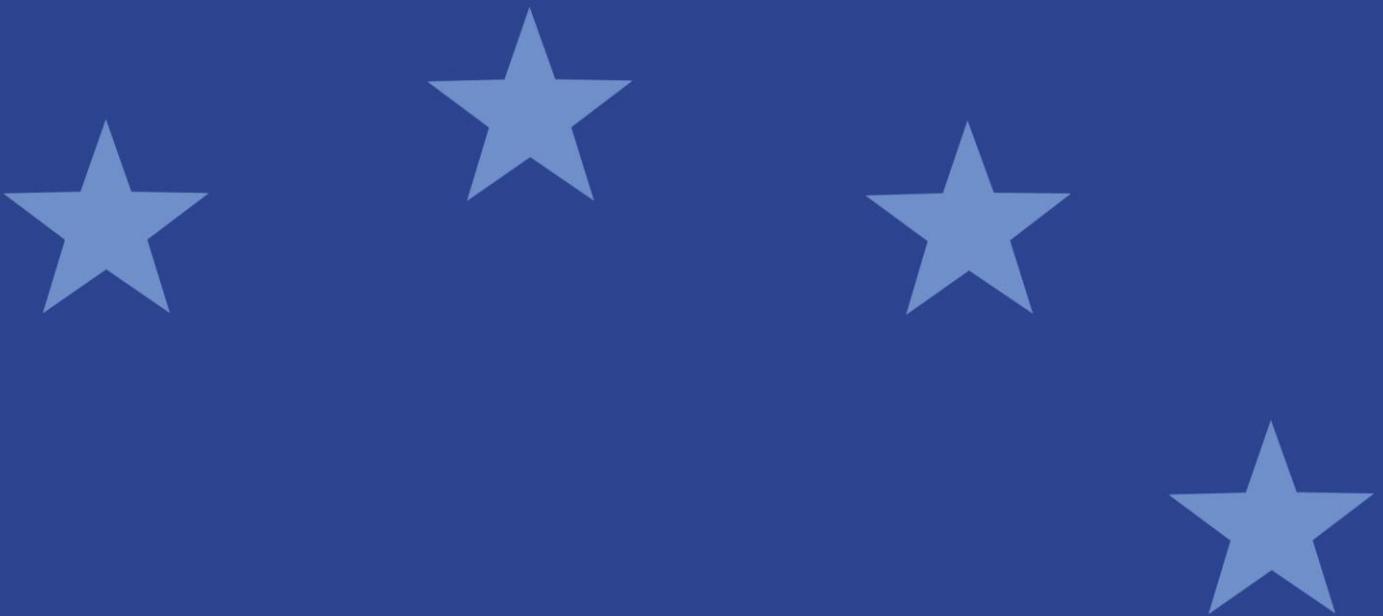


Response form for the Joint Consultation Paper concerning amendments to the PRIIPs KID





JOINT COMMITTEE OF THE EUROPEAN
SUPERVISORY AUTHORITIES

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 2017¹ (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 1286/2014² (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.

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

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.

- 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](#) 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) 2018/1725³. Further information on data protection can be found under the [Legal notice](#) section of the EBA website and under the [Legal notice](#) section of the EIOPA website and under the [Legal notice](#) section of the ESMA website.

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.

General information about respondent

Name of the company / organisation	Austrian Insurance Association VVO
Activity	Insurance and Pension
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Austria

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_PKID_1>

The VVO welcomes the opportunity to comment on the ESAs consultation paper regarding proposals for changes to the PRIIPs Delegated Regulation complementing the PRIIPs Regulation. Before commenting in detail on some of the questions in the consultation paper the VVO would like to take the opportunity to make some general comments:

The VVO strongly calls on the ESAs to assess properly whether the proposed changes would lead to legal uncertainty for providers. Especially insurance contracts are very long-term contracts. Unclear provisions that are not tested properly for all products and providers would expose insurance companies to a very high level of legal risks.

The VVO would also like to draw the attention to the fact that, the more information requirements are standardised across all financial products and all financial providers, the more the offer for customers will be limited. Standardisation of information would lead to a standardisation of products that will not meet customers' needs and thus is not in the interest of consumers.

<ESA_COMMENT_PKID_1>

Q1 : Are there provisions in the PRIIPs Regulation or Delegated Regulation that hinder the use of digital solutions for the KID?

<ESA_QUESTION_PKID_1>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_1>

Q2 : 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>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_2>

Q3 : 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>
The ESAs should take the necessary time to develop sound, meaningful and workable solutions and methodologies that are proven to improve consumer understanding effectively and to fit the diverse PRIIPs.

At the same time, the VVO does not support interim solutions. Interim solutions would increase legal uncertainty for companies and create additional compliance costs, without giving consumers a substantially better understanding of the products.

In any case, the deadline for the implementation by the industry should be dynamic, as in the PEPP Regulation. This means that the deadline for the implementation by the industry should be 12 months from the publication of the targeted changes in the Official Journal. Changes to the PRIIPs Delegated Regulation complementing the PRIIPs regulation should be only effective at the time when the exemption for UCITS funds from the application of the PRIIPs Regulation expires.

<ESA_QUESTION_PKID_3>

Q4 : 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>
No. See answer to question 3.
<ESA_QUESTION_PKID_4>

Q5 : 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>

Flexibility regarding terms that have to be used in the PRIIPs KID

The PRIIPs Delegated Regulation give a very tight legal framework for drafting the KID. Therefore, in many cases terms have to be used that are not suitable for IBIPs in national markets. On the one hand this causes legal uncertainty, on the other hand it is very much misleading for customers because some terms in the PRIIPs KID might not go along with pre-contractual and contractual terms required by national laws. Therefore, we urge ESAs to introduce more flexibility in order to use terms that are more common to IBIPs and to customers and that go along with national legal requirements. Example: early exit penalties (in German

“Vertragsstrafen”): In Austria the term “Vertragsstrafen” has a different legal meaning than the meaning foreseen in the context of the PRIIPs KID. Thus, insurance companies have to use a term that has a complete different legal meaning. In this case, surrender fee (in German “Rückkaufsabschlag”) would be the right term.

Improving the information about insurance benefits

According to Art. 2 (4) of the Delegated Act 2017/653 insurers have to show the overall premium, the biometric risk premium that forms part of that overall premium and either the impact of the biometric risk premium on the investment return at the end of the recommended holding period or the impact of the cost part of the biometric risk premium taken into account in the recurring costs of the ‘Costs over the time table’ calculated in accordance with Annex VII. Where the premium is paid in the form of a single lump sum, the details shall include the amount invested. Where the premium is paid periodically, the number of periodic payments, an estimation of the average biometric risk premium as a percentage of the annual premium and an estimation of the average amount invested shall be included in the information.

This leads to an overload of information with regard to the risk premium which makes the disclosure intransparent for customers and difficult to understand.

In addition, the VVO calls for disclosing whether the PRIIP offers insurance benefits and if so, details of those insurance benefits, including the circumstances that would trigger them in all KIDs of all financial providers. The facultative option to inform about insurance benefits disables a direct comparison of PRIIPs with and without insurance benefits, as the KID of the latter won’t contain any information on it. Only a permanent information section allows for a direct product comparison.

<ESA_QUESTION_PKID_5>

Q6 : 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>

Regarding the additional columns in the proposed performance scenarios table on page 67 of the consultation paper, the VVO does not see any benefit in including a column on the “estimated chance that [the] scenario occurs”. On the contrary, this is indeed a totally artificial forecast and the concept of probability might be misinterpreted by consumers, thus raising unnecessary legal and a high litigation risks for product manufacturers. It is also not clear how a consumer is expected to act on this information, given that the likelihood of a particular scenario occurring is entirely unknown.

<ESA_QUESTION_PKID_6>

Q7 : 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>

The VVO welcomes the deletion of intermediate performance scenarios for any category of PRIIPs. For the sake of consistency, the costs tables and MOPs tables should be amended accordingly, by removing references to intermediate time periods and showing costs only at the end of the recommended holding period (RHP). From a consumer perspective this would lead to a simplification of the PRIIPs KID and eliminates an overload of information improving the overall understanding of the KID.

Consequences of early surrenders are shown in the section “How long should I hold it and can I take money out early” of the PRIIPs KID.

<ESA_QUESTION_PKID_7>

Q8 : 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>

The VVO welcomes the elimination of the stress scenario. The introduction of the additional information about a minimum guaranteed return as it is suggested in the consultation paper on page 68 is welcomed. It clearly enables the customer to get aware whether the product contains a certain level of guarantee.

<ESA_QUESTION_PKID_8>

Q9 : Do you agree with how the reference rate is specified? If not, how should it be specified?

<ESA_QUESTION_PKID_9>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_9>

Q10 : 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>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_10>

Q11 : 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>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_11>

Q12 : How should share buyback rates be estimated?

<ESA_QUESTION_PKID_12>

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<ESA_QUESTION_PKID_12>

Q13 : 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>

Q14 : 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>

Q15 : Do you think compensatory mechanisms for unforeseen methodological faults are needed? If yes, please explain why.

<ESA_QUESTION_PKID_15>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_15>

Q16 : 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>
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<ESA_QUESTION_PKID_16>

Q17 : 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>
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<ESA_QUESTION_PKID_17>

Q18 : 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>
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<ESA_QUESTION_PKID_18>

Q19 : 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>
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<ESA_QUESTION_PKID_19>

Q20 : 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>
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<ESA_QUESTION_PKID_20>

Q21 : 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>

Q22 : 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>

The current discussions in the framework of the review of the PRIIPs Delegated Regulation and the EIOPA report on costs and performance show, that it is difficult to align information requirements EU-wide across all products. The products are very different, customized and adapted to national needs over decades. Thus it is hardly possible to define calculation methods for performance scenarios that are suitable for all financial products across the EU. The VVO would welcome the introduction of a simple, transparent and comparable approach that works for the whole financial industry. Therefore “what if”-performance scenarios should be introduced. There should be fixed performance percentages defined by the ESAs that vary according to the risk class of a PRIIP. Showing the performance of 0% for all products would lead to very a high level of transparency and comparability since clients might be directly aware of the impact that costs have on the contract of a product.

Example:

Investment of 1000 Euros per year	performance: 6%	performance: 3%	performance 0%	performance: -3%
End of contract periode	xx Euros	xx Euros	xx Euros	xx Euros

The table should be accompanied by narrative explanations that these are sample calculations and that the results are not binding.

<ESA_QUESTION_PKID_22>

Q23 : 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>

Q24 : If not, do you think illustrative scenarios should replace probabilistic scenarios for structured products?

<ESA_QUESTION_PKID_24>
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<ESA_QUESTION_PKID_24>

Q25 : 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>
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<ESA_QUESTION_PKID_25>

Q26 : Would you be in favour of including information on past performance in the KID?

<ESA_QUESTION_PKID_26>

In general, it should be avoided that the client is confronted with an overload of information in die PRIIPs KID. There is the danger that customers get confused by two different types of performance scenarios. Therefore, the VVO in general calls for a simplification of the presentation and calculation of performance scenarios. (See answer to question 18).

Regarding the ESAs proposal for including past performance for certain IBIPs it is not clear how the proposals starting from page 76 in the consultation paper should be applied to certain IBIPs since contract terms differ between funds and IBIPs.

As noted by the ESAs, it is also not clear how two different performance scenarios will fit in with the requirement that PRIIPs KIDs do not exceed 3 pages in length.

<ESA_QUESTION_PKID_26>

Q27 : 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>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_27>

Q28 : 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>

Q29 : 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>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_29>

Q30 : 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>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_30>

Q31 : 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 Directive⁴?

<ESA_QUESTION_PKID_31>
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<ESA_QUESTION_PKID_31>

Q32 : 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>

Q33 : 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>

The VVO does not see any benefit in including intermediate time periods for presenting costs. We would welcome an approach to introduce more simplicity by removing the intermediate time periods also from the cost section.

The most relevant information for customers is about cost over the whole contract period of a product. Presenting information on costs before the end of the contract period runs the risk that customers surrender early. In addition, information on the risks of early redemption is already included in the separate section on “How long should I hold it and can I take money out early?”. This enables PRIIPs manufacturers to give fuller details of any fees incurred for early exits.

In addition, fixing intermediate time periods runs the risk that the fixed time periods are not suitable for different products since the recommend investment horizons are very different across all financial products of all providers.

<ESA_QUESTION_PKID_33>

Q34 : 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>

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

Q35 : 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>

Q36 : 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>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_36>

Q37 : 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>

Q38 : 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>

Q39 : Do you agree with the ESAs' preferred option 3 to revise the cost tables?

<ESA_QUESTION_PKID_39>

The VVO does not believe that option 3 is an improvement on the current presentation of costs in the PRIIPs KID.

It is true that RIY is a cost indicator that is applicable to all PRIIPs. It takes into account the impact of i) cost structure, ii) cost timing, iii) product duration on the internal rate of return (yield). Furthermore, RIY works for single and regular premium payments.

However, it would not make sense to use RIY in KID table 1 and a different cost indicator in KID table 2 as proposed, as there would be no correspondence between the 2 tables. The costs will not add up to the total costs in table 1 potentially confusing consumers as they would not understand the relation between the aggregated cost and the breakdown.

We also have concerns regarding the level of granularity in the proposed second table. This approach will overload consumers with information as they will receive 18 values in monetary terms and six percentage values.

<ESA_QUESTION_PKID_39>

Q40 : If not, which option do you prefer, and why?

<ESA_QUESTION_PKID_40>

According to the VVO the proposed options do not lead to an improvement of the current cost disclosure in the PRIIPs KID. On the contrary, disclosing more and more figures related to costs would lead to high degree of complexity generating confusion and misunderstanding by customers as well as legal uncertainty for providers. Therefore, the ESAs should rather aim to simplify the presentation of costs in order to enhance comprehensibility.

In addition, we would like to draw the attention to the fact that in all three options the description of transaction costs in the tables doesn't fit to unit-linked life insurance products since in that case transactions costs might not be caused by the insurance companies. Thus the term "costs of us" is not appropriate.

<ESA_QUESTION_PKID_40>

Q41 : 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>

Q42 : 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>

Q43 : 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>

Q44 : 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>

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<ESA_QUESTION_PKID_44>

Q45 : 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>
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<ESA_QUESTION_PKID_45>

Q46 : 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>
The VVO calls for not extending UCITS requirements to all type of PRIIPs as this might imply unnecessary implementation efforts or compliance risks.
<ESA_QUESTION_PKID_46>

Q47 : 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>
The VVO calls for not extending UCITS requirements to all type of PRIIPs as this might imply unnecessary implementation efforts or compliance risks.
<ESA_QUESTION_PKID_47>

Q48 : 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>
The VVO calls for not extending UCITS requirements to all type of PRIIPs as this might imply unnecessary implementation efforts or compliance risks.
<ESA_QUESTION_PKID_48>

Q49 : 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>
The VVO calls for not extending UCITS requirements to all type of PRIIPs as this might imply unnecessary implementation efforts or compliance risks.
<ESA_QUESTION_PKID_49>

Q50 : Do you think this proposal would be an improvement on the current approach?

<ESA_QUESTION_PKID_50>
The proposal to provide complete information for the 4 most commonly selected options would be burdensome and complex to implement.

The assumptions to be used to identify the 4 most commonly selected options are not clear and in any case consumers' preferences can change over time (e.g. based on market developments and new trends). This would require insurers to keep monitoring, expanding and updating the information provided, while exposing them to legal risks as in any case the assumptions used would be arbitrary.

Moreover, consumers might have the wrong perception that the 4 most commonly selected options are the most recommended, even if they are not the most suitable for his specific needs and objectives. In this respect, it is not clear how this requirement would match with the suitability test in IDD.

Also the proposal to link this new requirement to the POG provisions is not clear and would imply additional burdens (e.g. in terms of continuous updates) and legal risks (e.g. when a new product is set up it is not possible to predict which four funds will be the most commonly selected). The VVO believes that if a product is considered to be appropriate for a certain target market when insurers apply the POG provisions, then all the underlying options have been selected accordingly.

The VVO would also like to note that the methodologies and conditions for the production of the complete information for the 4 most commonly selected options are not specified in the consultation paper.

In addition, the VVO would welcome if the ESAs further clarified in Art. 14 of the PRIIPs Delegated Regulation that PRIIP manufacturers may use the PRIIPs KID provided by UCITS funds as specific information on the underlying investment option under Art. 10 (b) of the PRIIPs Delegated Regulation after the expiry of the exemption of UCITS funds from the PRIIPs Regulation.

<ESA_QUESTION_PKID_50>

Q51 : 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>

Q52 : 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>

Q53 : Do you think this proposal would be an improvement on the current approach?

<ESA_QUESTION_PKID_53>

According to the illustration provided by the ESAs in the consultation paper, the new presentation format could include more than 70 figures, which would overload consumers with information without improving their understanding.

Moreover, the risk class is not necessarily linked to different costs, so the split by risk class would not be an appropriate methodology, as it may imply a non-existent link to consumers.

<ESA_QUESTION_PKID_53>

Q54 : Are there other approaches or revisions to the requirements for MOPs that should be considered?

<ESA_QUESTION_PKID_54>

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<ESA_QUESTION_PKID_54>

Q55 : Do you have any comments on the preliminary assessment of costs and benefits?

<ESA_QUESTION_PKID_55>

The VVO welcomes the ESAs acknowledgement that any changes to the PRIIPs KID will result in significant costs for PRIIPs manufacturers.

Such costs include:

- Cross-functional work to interpret the new requirements
- New data to be gathered
- Actuarial and financial calculations
- IT software changes
- Re-design of the PRIIPs KID template
- Tests of calculation and design
- Legal assessment of texts and figures
- Re-design of the PRIIPs KID template
- Potential translation into different languages
- New documents to be drafted and distributed to agents and customers
- Training for distributors
- Data exchange with funds on MOPs
- Update of the website
- etc.

<ESA_QUESTION_PKID_55>

Q56 : 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>

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Q57 : Are there significant benefits or costs you are aware of that have not been addressed?

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If the PRIIPs methodology is changed too often, consumers may lose trust in the information contained in the PRIIPs KID. We urge the ESAs not to introduce any interim solutions and encourage the ESAs to conduct an in-depth review at a later stage that is preceded by a consumer testing and thorough consultations with expert groups and stakeholders.

According to the PRIIPs Regulation, manufacturers must review the KID every year, in compliance with the already consolidated rules. This causes already a high administrative burden and a high level of costs for providers. The introduction of subsequent new legal provisions and methodologies at EU level implies increases the administrative burden and compliance cost without having a proven improvement for customers.

Moreover, companies usually perform the periodic review of the KID every 12 months after the date of initial publication of the PRIIPs KID, so there can be a misalignment between the date of internal review and the date of application of the new requirements (with potentially 2 or more reviews in the same year).

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