	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:	Aberdeen Standard Investments	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ 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 empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a question or a cell, leave the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-18-005@eiopa.europa.eu** **Our IT tool does not allow processing of any other formats.**	
Reference	**Comment**	
General Comments	Aberdeen Standard Investments ("ASI") support the aim of the PRIIPs regulation in seeking to achieve greater transparency in the investment market for retail investors, but are deeply concerned with how some of the technical requirements can lead to outcomes which may in fact mislead end investors. Therefore, whilst we welcome a review of the PRIIPS KID, the extremely tight time scale and limited nature of the review risk the ability to fully address issues with the current technical requirements. The fact that the full review of the KID has been delayed until some future point has to be a worry too, given the flawed nature of the transaction cost calculation methodology. There is also a serious concern that consumers will be easily confused with consistent changing of the KID layout. In light of this and and given the European Commission has expressed its willingness to agree to a possible delay of the application of the	

	regulation to UCITS funds for two years, we would urge that a full review of the KID is required as soon as reasonably possible since some of the flaws can only be dealt with by changes of level 1 legislation. On a purely practical note the targeted review followed by a wider review will mean two sets of costs of system changes for firms as well as potential confusion on the side of consumers confronted with constantly changing pre-sale documents. Given the time line and the amount of change required it would be more beneficial for businesses and easier for Consumers to grasp by having one single change. It is of concern that the changes being considered will receive no consumer testing due to the tight timescale set. As such, ASI consider it would be worth delaying the implementation bringing the UCITs within the KID regime until such time as a full review of the KID has been undertaken. This would also enable full consumer testing to be undertaken prior to implementation. The risk is with the short time scale that the best solution will not be put in place. There is also a considerable risk that the system changes required for production of the revised KID will not be in place in time for implementation given that ASI, as do many other firms, use a third party for the production of the KID. Any system changes would need to be in place by the end of Q3 at the latest for testing in Q4 prior to the live date in January 2020. There also has to be a significant question mark over the capacity of third party providers to make the changes in time given the bottle neck which would occur. ASI is currently in the process of obtaining quotes from its providers for the production of the KIDs for UCITS funds which amount to some 8,000. Changes in the first quarter of 2019 will mean amendments to these quotes and a serious risk that delivery will not be in time for the end of 2019. There is disappointment that an opportunity has been missed to review the transaction costs methodology. Thus, our concern that the current slippage methodology of calculating implicit transaction costs, together with the effect of discounting for dilution adjustments, can lead to negative costs – something we have experienced for our existing products in scope – remains valid. ASI believe that this should be changed to have increased granularity of PRIIPS asset classes	

	(including property, alternatives and funds) with a standard spread table for each asset class for everyone. This would provide consumers with a more level playing field and reduce any variation in cost calculation.	
Q1	The inclusion of past performance is welcomed as an established method of providing an illustration of factual historical volatility is an improvement upon the current forward looking performance measure and basing it on the current UCITS KIID makes a great deal of sense as this is well understood by investors. However, we remain concerned that future performance scenarios, and more so if juxtaposed against past performance, are confusing for investors and it would make more sense to remove the future performance, at least for non-structured collective investment schemes, if past performance is to be included. Inclusion of the past performance also raises a considerable challenge if the document is to remain at 3 pages maximum especially since, in the example provided on page 17 of the consultation, the past performance graph takes a third of a page. This would mean that other descriptions are either truncated to meet the 3 page limit to the detriment of consumer understanding, or the typeface becomes so small that it would cause problems with legibility and consequently causing firms to fail to meet clear, fair and not misleading requirements and ultimately causing the regulation to fail to deliver on the key objective of increased transparency in the investment market for retail investors and hindering their ability to make informed investment decisions.	
Q2	It would be helpful to have some guidance as regarding the approach to be taken in the event that an existing PRIIP materially changes its strategy or where there is a material event such as a fund merger. Can the existing past performance be retained? Or in what circumstances should it change? Would it work in a similar way to the current UCITS regime?	
Q3	We would agree that it makes sense to use a format which is already tried and tested for a considerable length of time such as the UCITS methodology and approach.	
Q4	We believe that simulated past performance should not be included. Consumers will not differentiate between simulated past and real past performance. Therefore there should be no performance stated where the product has less than one calendar year's performance history.	

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Q5	We do not believe this should be included.	
Q6	Yes we would agree that the amendments to the narrative explanations provide better clarity for end investors. However, we would echo previous views that we believe performance scenarios should be removed for non-structured collective investment schemes when past performance is introduced.	
Q7	Reducing the future performance scenarios to two will, in our view, make no discernible difference to consumer understanding as consumers tend to ask which is the most likely scenario in our experience. It would be better if future performance scenarios are removed and replaced by the past performance which is clearly understood and less open to manipulation or misinterpretation.	
Q8	Standardised scales for use in performance scenarios would provide better comparisons. As previously stated, we believe performance scenarios should be removed for collective investment schemes when past performance is introduced.	
Q9	Providing additional wording for the description of risk is a good idea, however, it will still remain challenging in the case of some funds to ensure all the relevant risks are adequately described within 300 characters. An analysis of material risks not captured by the SRRI and consequently described in UCITS KIIDs demonstrates the number of material risks and length of descriptions. An alternative strategies fund may have, for example, up to 10 risks. From our own consumer research, we understand clients value these key risk descriptions and these aid their decision making. If we also factor in translations, any character limit below 1,500 characters will mean that valid risks will not be addressed for the customer for example, ASI have funds which have the minium risks on the current UCITS KIID of 293 words and 1,483 characters which excludes spaces. It also has the drawback highlighted above if the KID remains at 3 pages, as to how all the information can be contained within those constraints.	
Q10	It seems slightly self defeating to indicate that UCITs KIID may still be provided to professional investors after moving retail share classes to the PRIIPs KID and will cause serious confusion given the closeness in format of the two documents and the nature of intermediated distribution channels. It is also worth noting that MiFID II recently expanded the scope of existing communication disclosure requirements to professional investors with a view to a level playing	

	field and ensuring appropriate disclosure. We believe either everyone should receive a PRIIPs KID or a UCITs KIID.	
Q11	The cost benefit analysis takes no account of costs in relation to UCITS manufacturers moving from KIIDs to KIDs, over and above costs in relation to performance data e.g. the costs of obtaining transaction cost data from market data providers which most companies will have as well as in house costs for calculating these figures. Given that ASI have approximately 8,000 UCITs KIIDs which will convert to KIDs it gives some idea of the multiplication of cost.	
Q12	No additional comments	
Q13	No additional comments	