	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:	CFA Institute	
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	In the August 2000 Financial Services Authority (FSA) paper "Past imperfect? The performance of UK equity managed funds", Mark Rhodes concluded that retail investors could not usefully exploit information on past performance, and that in general such information would not help them make investment decisions and his research and findings in the financial literature did not warrant the inclusion of past performance in comparative tables that the FSA had committed to publish. However FSA market research indicated that consumers sought past performance information and, ideally, like to see indicators of past and future performance in comparative tables. Other commissioned research relating to past performance found that consumers expressed strong interest in past performance information, they had some confidence	

in the past performance figures (partly because they assumed regulatory control exists around this information) and, despite their interest in past performance, the consumers were aware that past performance was no guarantee of the future.
Research confirmed that investor decisions are influenced by many factors with brand reputation and returns (performance) playing a key role for all consumers. Past performance was seen as a fundamental requirement by consumers and, if not present, they would seek the information elsewhere.

Following these findings, in 2001 the FSA set up a Task Force on Past Performance, which recommended the raising of standards around the use of past performance with:

- past performance not being the main message of an advertisement;
- inclusion of a past performance warning;
- prohibiting the re-construction of hypothetical past performance unless based on the actual performance of the relevant fund;
- standardisation of the content and presentation of statements of past performance in advertising;
- discrete or cumulative periods and additional periods being addressed;
- consumer advertising only featuring actual investment returns net of charges;
- past performance being put "in context"with reference to a benchmark or peer group;
- information regarding the risk of the sector in which the fund operates being included and
- inclusion of a price indicator.

Recently the UK Competition and Market Authority (CMA) looked into the investment consultancy and fiduciary duty services provided in the UK. In its Investment Consultants Market Investigation Provisional Decision report of 18 July 2018, the CMA stated that "prospective fiduciary management customers find it difficult to compare quality across providers due to the nature and variety of the methods used by firms to calculate investment track records. The different methods used to show performance of recommended asset management products makes this information difficult to interpret and compare".

	Both of these examples, though 20 years apart, indicate the continued need for standardised past performance information presented in its correct context to inform the decisions that prospective investors make regarding their potential investments. If such data and control is not part of the KID, investors will seek it elsewhere and in that case the information is unlikely to be presented in a controlled, comparable, full and fair basis. CFA Institute developed the Global Investment Performance Standards (GIPS®) initially from the coming together of several countries to agreeing a single standard for the calculation and presentation of ex-post performance information. They are voluntary standards to be adopted by asset management firms that are based on the ethical principles of fair representation and full disclosure. Including actual performance history in the KID would ensure that there is a standardised approach to the presentation of past performance, and facilitate comparability and better understanding of what investors are purchasing.	
Q1	Do you agree that information on past performance should be included in the KID where it is available? Yes, past performance should always be included in the KID where it is available, with proper guidance on the interpretation of such information.	
Q2	Are there challenges to include past performance information for certain types of PRIIPs? The main challenge is how to set robust standards of performance measurement. CFA Institute developed Global Investment Performance Standards (GIPS®), which ensure the calculation and presentation of performance information in a full, fair and comparable fashion across time periods. The GIPS methodologies allow comparison both within an investment management firm and across different investment management firms.	
Q3		

Q4	Do you think that information on simulated past performance should be included in the KID where actual past performance is not available? If not, please explain your reasons. It can be included but only when accompanied by clear disclosures and presented distinctly from all actual past performance. The CFA Institute GIPS standards prohibit firms from linking performance of simulated or model portfolios with actual performance of the composite when presenting results. Composites must include only actual assets managed by the firm. Simulated results can be provided only if they are clearly labelled as supplemental information. In 2017, CFA Institute and State Street co-authored a paper which offers guidance for appropriate and consistent presentation of firms' model performance results. While focussing exclusively on model portfolios, some tenets apply as guidance for the presentation of other types of non-actual information. These are just few of the recommendations included in the paper: - Simulated performance must be calculated using the same methodology as actual information and must not be presented in a false or misleading manner. Such data and actual information must not be shown consecutively in the same column because it may be misleading. Simulated and actual performance could be presented separately in the same page, but each must be clearly identified. - Firms must disclose that simulated performance does not represent actual returns, and the interpretation of this data should take into consideration the limitations of the model used. - Investors must be presented with a basic description of models, assumptions, inputs and quantitative parameters necessary to interpret the simulated performance results.	
Q5		
Q6	Do you consider these amendments to the narrative explanations to be an improvement on the current performance scenario approach? Scenarios should not be based on simulations. Please, see answer to Q4.	

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Q7		
Q8		
Q9		
Q10		
Q11		
Q12		
Q13	Are there significant benefits or costs you are aware of that have not been addressed? Past performance provides evidence of the ability of the manager to meet its stated investment objective. It is the only indicator of how the asset manager, during the specific periods, has generated return and navigated the investment environment while managing the particular strategy. Comparison of managers that have managed the same strategy during the same periods using a standardised approach enables the prospective client to compare the ability of the managers during those periods. In addition, investors can better understand and interpret actual performance data than hypothetical data based on future performance scenarios. Hence, the inclusion of past performance information in the PRIIPs KID would provide investors of important information when making investment decisions.	