

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





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:

- Q1** Insert your responses to the questions in the Consultation Paper in the present response form.
- Q2** 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.
- Q3** 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.
- Q4** 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.

- Q5** 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**.
- Q6** 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	FRENCH BANKING FEDERATION
Activity	Banking sector
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	France

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_PKID_1>

It is important for the ESAs to bear in mind the primary objective assigned to the Key Information Document. It should be a simple document, easy to read and understand by the layperson, allowing any investor to compare different financial products prior to subscribing, and transparently indicating the risks and costs that will be incurred, thus insuring that an informed investment decision can be made.

To that end, for the purposes of this PRIIPs Regulation review, it is important for the ESAs to ensure that the guidelines and provisions contained in the various European texts governing the distribution of financial products (IDD and MiFID II) converge on the points related to “performance scenarios” and the disclosure of costs and associated charges.

Practically speaking, this convergence should not see industry professionals required to rework their existing documentation to comply with the provisions of the various European texts, but should instead see the same calculation and disclosure methodologies being used and shared between the different texts (PRIIPs Regulation, IDD and MiFID II). Aside from being inherently time-consuming, amendments to PRIIPs documents are difficult to understand for the very retail clients they were designed to inform, clients who receive different documents containing differing information - particularly in terms of costs - depending on which regulation the information was intended to observe.

Accordingly, it is imperative for the ESAs and European institutions (EC, EP) to consider a Level 1 review of the PRIIPs Regulation in order to make the necessary changes to the regulation to achieve the sought-after objective. The ESAs should in particular conduct the necessary Level 1 and 2 reviews simultaneously, so that after the Level 2 changes have been integrated, industry professionals will not have to re-open new projects a few months later to address Level 1 changes.

In France, industry professionals distribute financial products to clients both directly through vehicles such as securities accounts, PEA (personal equity plan) accounts and PEA-PME (SME personal equity plan) accounts, and indirectly via unit-linked life insurance contracts. To that end, French distributors have to apply either MiFID II obligations or IDD obligations for identical products. As a result, investors carrying out an investment via their bank advisor in both a life insurance contract and a securities account may receive different information for the same financial product, invested in two different vehicles, particularly concerning costs and associated charges, depending on the text (PRIIPs Regulation, MiFID II, IDD) referred to by the distributor to meet its obligations.

These difficulties have also been exacerbated at the national level in France due to the provisions introduced by the PACTE Act, specifically because of the clarifications added on the obligations that life insurance product manufacturers/distributors are required to meet in terms of pre-contractual information disclosed to investors on gross performances net of fees and rebates (Article L 522-5).

In that sense, better convergence and interaction of European texts would help limit the problems faced by French industry professionals in balancing French legislative provisions and European regulatory provisions.

<ESA_COMMENT_PKID_1>

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

<ESA_QUESTION_PKID_1>

The French industry recognises the importance of providing all investors with sufficient information to be able to make an informed decision. That being said, it is also important to factor in the changes in terms of practices and preferences regarding information distribution channels, expectations over the relevance of information received and incorporation of clients' environmental, social and governance (ESG) concerns.

The French industry recommends prioritising the disclosure of information on a durable medium other than paper, where the client has been given the choice between paper and another durable medium and did not opt for paper ("opt-in" principle), as opposed to current disclosure practices.

Similarly, the French industry would like to prioritise the possibility of providing pre-contractual information via website, based on the same paper opt-in principle where the client is given a choice between paper and another durable medium.

This regulatory change should be made for the purpose of converging with the MiFID II review.

In addition, the French industry would also like to stress the persistent problem of clients being able to seek out/obtain KIDs from any manufacturers, which places investment service providers at a major disadvantage in an open-architecture environment.

<ESA_QUESTION_PKID_1>

- **: 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>

The manufacturer should maintain responsibility for the preparation and provision of KIDs. However, French manufacturers consider it necessary for all the data contained in the various KIDs to be available in electronic form, as that would allow the data to be used in other applications, such as automation tools used by distributors to calculate and disclose costs and associated charges. In addition, it would contribute to the convergence of data extracted from KIDs and provided by manufacturers with the data extracted from European templates exchanged between manufacturers and distributors (EMT/EPT).

<ESA_QUESTION_PKID_2>

- **: 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 French industry does not believe the implementation date in itself is the main issue, although naturally a sufficient implementation period should be established. The main issue is to make sure the changes are launched and completed once all the clarifications have been made and all the provisions to be implemented have been stabilised between the different texts (IDD, MiFID II, PRIIPs Regulation), in the interest of avoiding recurring changes that are as costly for providers as they are confusing for clients.

That said, an effect date of 1 January 2022 (see answer to Q 57) would be fine, because it would allow for simultaneous application to products newly subject to the KID obligation (funds) and to PRIIPs products

already subject to the KID obligation, making it easier for investors to understand because they would receive comparable documents for both types of products.

<ESA_QUESTION_PKID_3>

- : **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>

See answer provided above.

Given the importance of making product information easier to read and understand both for clients and for advisors called on to provide pre-contractual information, French manufacturers believe it is necessary to set a single implementation date covering both the format and content of pre-contractual information for all products. These provisions should also apply to existing products and products still being marketed at the effective date of the provisions associated with the review of the PRIIPs Regulation. For said products, the provisions could be applied at the same time as the annual review of the KID is performed.

However, there is no need to update existing pre-contractual information, at the effective date of the new provisions, concerning financial products no longer marketed at the effective date of the revised PRIIPs Regulation.

<ESA_QUESTION_PKID_4>

- : **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>

Although the issue is complex, the French industry believes it is necessary to address the problem concerning life insurance contracts, i.e. how to make a KID for life insurance contracts that will allow investors to compare contracts in terms of coverage and in terms of risks, costs and associated charges.

Similarly, it is necessary to add clarifications on the scope of application of the PRIIPs Regulation by re-opening Level 1 texts or, at the very least, including in the Level 2 texts the welcome clarifications made by the ESAs on the scope of application.

<ESA_QUESTION_PKID_5>

- : **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>

The French industry distributes financial products to its clients that have been manufactured by asset management companies manufacturing mutual funds and by companies specialising in the manufacture of structured products.

It is challenging as a distributor, and we would go as far as to say it is outside our scope of analysis, to take a position on the various assumptions proposed during this consultation.

French distributors would nevertheless like to stress that any presentation of information should be easy to understand. The wording used should not be misleading for clients or lead them to believe that the performances disclosed in the document are the performances they can expect for their own investment. The volume of information provided should also be limited enough to avoid discouraging clients while also giving them sufficient understanding of the product.

To that end, French distributors recommend limiting the quantity of figures disclosed, and giving a description of the methodologies used to calculate and determine performances that can be easily understood by the layman.

The data currently contained in PRIIPs KIDs are easily understood by neither sales staff nor investors. The French industry believes it is necessary, before making any choices as to the content or format of information, for the various proposals to be submitted for consumer testing to a panel that is representative of the existing disparities in terms of financial education between the Member States. Such tests should also address the compatibility of formats proposed by the ESAs with the new means of communication used by clients in their relations with distributors (mobile phones, tablets, etc.).

It is also important for the choices ultimately made are not arbitrable, and for a PRIIPs glossary to be created, providing retail clients with the definitions of all terms used.

<ESA_QUESTION_PKID_6>

- **: 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>

Same as Question 6.

The inclusion of intermediate scenarios should be assessed according to whether or not the scenarios improve the client’s understanding of the product.

<ESA_QUESTION_PKID_7>

- **: 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>

Same as Question 6.

The inclusion of stress scenarios should be assessed according to whether or not the scenarios improve the client’s understanding of the product.

<ESA_QUESTION_PKID_8>

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

<ESA_QUESTION_PKID_9>

Same as Question 6.

<ESA_QUESTION_PKID_9>

- : **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>

Same as Question 6.

<ESA_QUESTION_PKID_10>

- : **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>

Same as Question 6.

<ESA_QUESTION_PKID_11>

- : **How should share buyback rates be estimated?**

<ESA_QUESTION_PKID_12>

Same as Question 6.

<ESA_QUESTION_PKID_12>

- : **Do you agree with the approach for money-market funds? Are there other assets which may require similar specific provisions?**

<ESA_QUESTION_PKID_13>

Same as Question 6.

<ESA_QUESTION_PKID_13>

- : **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>

Same as Question 6.

<ESA_QUESTION_PKID_14>

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

<ESA_QUESTION_PKID_15>

Same as Question 6.

<ESA_QUESTION_PKID_15>

- : **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>

Same as Question 6.

<ESA_QUESTION_PKID_16>

- : **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>

Same as Question 6.

<ESA_QUESTION_PKID_17>

- : **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>

Same as Question 6.

<ESA_QUESTION_PKID_18>

- : **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>

Same as Question 6.

<ESA_QUESTION_PKID_19>

- **: 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>

Same as Question 6.

<ESA_QUESTION_PKID_20>

- **: 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>

Same as Question 6.

<ESA_QUESTION_PKID_21>

- **: 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>

Same as Question 6.

<ESA_QUESTION_PKID_22>

- **: Do you think illustrative scenarios should be included in the KID as well as probabilistic scenarios for structured products?**

<ESA_QUESTION_PKID_23>

No Comment

<ESA_QUESTION_PKID_23>

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

<ESA_QUESTION_PKID_24>

No Comment

<ESA_QUESTION_PKID_24>

- **: 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>

No Comment

<ESA_QUESTION_PKID_25>

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

<ESA_QUESTION_PKID_26>

For Category 2 PRIIPs, past performance is the only information that is real and factual, where historical data is available for a given product.

This type of information, already familiar to the general public - which is accustomed to using this information to compare products and discuss investments with their advisors - is likely to reassure and help investors to better understand the potential behaviour they can expect from financial products in which they are interested in investing. Furthermore, being able to compare, for example, the historical performance of an index fund to the performance of the index itself, is the clearest way for the client to visualise and understand the impact of the associated costs (considering tracking error to be non-material).

As for the format in which past performances should be presented, investors have grown accustomed over the last several years to the presentation used in KIIDs for investment funds. Accordingly, and to prevent clients from having to familiarise themselves with a new format, it would probably be best to continue using the existing format. However, it may be advisable to submit the choice of format to a consumer panel, which would be better suited to determining what is most appropriate.

Where past performances are not available/relevant, as is the case for structured products (Category 3 PRIIPs), probabilistic scenarios are the most appropriate.

<ESA_QUESTION_PKID_26>

- **: 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>

In the interest of facilitating the client's understanding and comparability between different products, it is important for the Key Information Document to be simple, easy to read, concise and short. Too much information, requiring clients to spend more time reading and familiarising themselves with the product, could discourage many retail clients from investing in financial products due to the apparent complexity conveyed by the KID. For that reason, the French industry believes it is important not to amend Article 6(4).

However, it considers it equally important for the ESAs to ensure that not only the information contained in the PRIIPs KIDs, but also the methodologies used to define said information, are easy for clients to grasp. After all, the use of complex methodologies calls for more extensive explanations, which is incompatible with the provisions of Article 6(4).

<ESA_QUESTION_PKID_27>

- : **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>

Because the information contained in the KID is intended for future investors, it is appropriate to ask a retail investor panel to decide on which presentation format should be used, with the same goal of making the information provided in the KID easy to read and understand for the client.

<ESA_QUESTION_PKID_28>

- : **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>

As stated in its answer to Question 27, the French industry finds that an over-abundance of information can make it difficult for investors - particularly less experienced investors - to understand the document. Since this information is given to the investor, the French industry is against adding this statement because the addition of too many disclaimers makes the document harder to read.

On the whole, where a choice has to be made between clear, non-misleading, yet slightly inaccurate information and information that is mathematically more accurate but incomprehensible for a retail client, it is our view that, as long as approximate information will not bias the investor's decision, it is better than erring on the side of excessive complexity.

<ESA_QUESTION_PKID_29>

- : **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>

In order to limit the possibilities of incorrect interpretations or misunderstandings by clients and advisors, the French industry agrees with the ESAs that it is necessary to include a narrative explaining the relationship between past performance and future performance scenarios.

That said, the ESAs need to vigilantly ensure that the format of the narrative is concise and uses simple terms. Such a narrative should be easy to understand by the layperson and leave no room for varying interpretations.

Given the existing disparities in terms of financial education between the different Member States, the French industry would like the wording of this information to be submitted to the Member States for their approval via a consultation conducted by the European institution representing the different federations of distributors in the different Member States (i.e. EBF).

<ESA_QUESTION_PKID_30>

- : **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>

In the interest of transparency for the client and convergence between the provisions of the various texts, the French industry believes it is important for this information to be included in order to specify the fund's investment objective in the KID.

<ESA_QUESTION_PKID_31>

- : **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>

The French industry would like to stress that any information aimed at improving transparency and providing greater protection for investors should also be assessed from the standpoint of how easy it is for such information to be read and understood by investors and by advisors required to provide and explain the information in accordance with their advisory duties.

If both criteria cannot be met, the relevance of including any additional information should be reconsidered, even if it means leaving information out.

<ESA_QUESTION_PKID_32>

- : **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 French industry agrees with the ESAs on the positive impacts of standardising the time periods included in KIDs. This would improve product comparability for investors (particularly in terms of costs incurred). That said, the French industry would like to stress the importance of limiting the amount of information provided to investors, so as not to overwhelm them with too much data, making it difficult to compare different products.

To that end, it recommends only using the “one year” period and the “recommended holding period” (RHP) in the presentation of costs.

<ESA_QUESTION_PKID_33>

- : **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>

See Question 32.

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

In any event, the ESAs should consider the importance of ensuring that the information provided meets the top three criteria: short, simple and easy to understand.

<ESA_QUESTION_PKID_34>

- : **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>

The French industry would like to again stress that it is important for investors to receive a limited number of relevant data allowing them to make informed investment decisions.

To that end, the “total (accumulated) costs” figure, which depends significantly on the RHP, does not meet that criterion. It is, after all, difficult to compare products with vastly different RHPs based on the total cost incurred by the investor.

The French industry is of the opinion that the annual average cost calculated relative to the RHP, which is already familiar to investors, is a figure that helps them analyse the comparability of different products of the same category/type, regardless of their respective RHP.

<ESA_QUESTION_PKID_35>

- : **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>

The provisions of the other texts dealing with the distribution of financial and life insurance products (MiFID II and IDD) call for information to be provided to investors on the costs they will incur, both in terms of amount and percentage. Accordingly, in the interest of converging the different texts, the same approach should be used in texts related to the PRIIPs Regulation.

Furthermore, the French industry would like to stress that it is also every bit as necessary, if not absolutely imperative, to converge the calculation methodologies used by the different texts, in order to make it easier for investors to understand the information provided.

Regarding that point in particular, in the opinion of the French industry, the PRIIPs Regulation texts should converge towards the methodological approach used in MiFID II.

<ESA_QUESTION_PKID_36>

- : **In this context, are there PRIIPs for which both performance fees and carried interests are applied?**

<ESA_QUESTION_PKID_37>

No Comment

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_37>

- **: 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>

The French industry would like to stress the importance of limiting the information provided to investors in the interest of allowing them to understand the costs they will incur and to compare different products.

It is also important for the ESAs to take into consideration that investors use comparisons mainly to finalise their choice between products belonging to the same investment category. For example, a comparison of costs associated with a subscription for a structured fund, as opposed to a unit of an FCPI (real estate investment fund), is not useful in helping investors choose between either product insofar as each product is designed to meet vastly different needs or objectives.

<ESA_QUESTION_PKID_38>

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

<ESA_QUESTION_PKID_39>

Investors want to receive information that is easy to grasp. The French industry finds that option 3 does not meet investor expectations because Table 1 only covers Reduction In Yield, which is either poorly understood – or not understood at all – by investors as well as sales staff due to the assumptions used to calculate RIY. Similarly, all the information provided in the table makes it too complex to be intrinsically understood, and does not allow a straightforward comparison of different products.

If the ESAs choose to keep the RIY figure, a short explanation of what it represents should be added to ensure that the concept is understood by professionals and clients alike.

<ESA_QUESTION_PKID_39>

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

<ESA_QUESTION_PKID_40>

The French industry is of the opinion that the combination of Table 1 (option 1) and Table 2 (option 2) is the best in meeting expectations in terms of simplicity, transparency and clarity for investors as well as advisors.

This combination shows the highest convergence between MiFID II guidelines, facilitates understanding of the relationship between the two tables for investors and advisors, and limits the number of data presented (17 vs. 12 today).

However, Table 1 (option 1) still uses RIY, which is too complex and abstract for retail clients to read and understand. For that reason, the French industry recommends replacing RIY with TCR for funds and with TER for structured products, as this approach is more consistent with the MiFID II approach.

<ESA_QUESTION_PKID_40>

- **: 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>

The French industry believes the RIY approach should be discontinued. That said, if the ESAs decide to continue using RIY, the French industry agrees that it makes sense to add these two lines. Although they weigh the table down, they help make the concept easier to understand and should thus be kept.

<ESA_QUESTION_PKID_41>

- **: Do you have other comments on the proposed changes to the cost tables?**

<ESA_QUESTION_PKID_42>

The French industry stresses that it is important for the ESAs, during the review of the PRIIPs Regulation, not to lose sight of the initial goal of the European texts governing the manufacture and distribution of financial and life insurance products.

Namely, to ensure, in the interest of investor protection, that investors are provided with simple, easy to read and understand information for the purposes of comparing products and making an informed investment decision.

<ESA_QUESTION_PKID_42>

- **: What are your views on the appropriate levels of these thresholds? Please provide a justification for your response.**

<ESA_QUESTION_PKID_43>

The methodologies used to calculate these costs are not understood by retail investors due to the complexity of the rules and assumptions used to determine them. Not to mention, the methods used by professionals to determine them are still being debated.

For these reasons, the French industry recommends against including them in the tables provided to investors or in the footnotes for that matter.

<ESA_QUESTION_PKID_43>

- **: 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 is 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>

In the interest of clarity for investors and advisors required to provide information in accordance with their professional duties, it is important for a single key information document to exist for each product. This will prevent misunderstandings and confusion arising from different information being given to investors on the same product.

Regarding that point, the French industry would like to stress that it is necessary for changes to be carried out once all the clarifications have been made and the provisions to be implemented have been stabilised between the different texts (IDD, MiFID II, PRIIPs).

It would be better for all affected products to make the switch at the same date to avoid the co-existence of different documents, potentially generating confusion for investors if different information were provided on the same types of products, subject to PRIIPs, but where the KID for some products fails to meet the new requirements.

For products already marketed at the effective date of the changes, the French industry believes that only **products in stock and still being marketed** should be subject to a new KID.

1) Should professionals receive a PRIIPs KID if UCITS fall under the scope of the PRIIPs Regulation?

No Comment

2) Should we take advantage of the review to call for KIDs to no longer be provided to professionals (position taken by the EBF)?

No Comment

<ESA_QUESTION_PKID_44>

- **: 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>

The French industry finds that the provisions of the UCITS Directive should be aligned with the PRIIPs texts.

<ESA_QUESTION_PKID_45>

- **: 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 the Management Company of the UCITS or AIFs?**

<ESA_QUESTION_PKID_46>

The French industry believes that, in the interest of convergence between texts and standardisation of practices, these items should be added but limited to UCITS only.

<ESA_QUESTION_PKID_46>

- : **Do you agree that this requirement should be extended to all types of PRIIPs, or would you consider that it should be restricted to the Management Company of the UCITS or AIF?**

<ESA_QUESTION_PKID_47>

The French industry believes that, in the interest of convergence between texts and standardisation of practices, these items should be added.

<ESA_QUESTION_PKID_47>

- : **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 French industry believes that, in the interest of convergence between texts and standardisation of practices, these items should be added.

<ESA_QUESTION_PKID_48>

- : **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 above-mentioned requirements should be extended to other types of PRIIPs?**

<ESA_QUESTION_PKID_49>

The French industry believes that, in the interest of convergence between texts and standardisation of practices, these items should be added.

<ESA_QUESTION_PKID_49>

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

<ESA_QUESTION_PKID_50>

In France, life insurance products may only be distributed in accordance with advisory duties. The more restrictive transposition of IDD by the legislator introduced an obligation for distributors to adopt an advisory approach similar to that of MiFID II, in addition to an obligation to justify the suitability of the product advised with respect to the client's needs, objectives and risk profile.

As a result, the allocation proposed to the client is personalised and in no way matches the description of practices presented by the ESAs during the consultation.

The French industry does not support the approach proposed by the ESAs, which does not give investors visibility on the costs associated with their investment (the major goal of the Directive). This approach may also generate complaints for professionals in the event of a major discrepancy between the performance of the allocation ultimately proposed by the advisor versus the allocation template (presenting the top-selling funds) presented to the investor.

It also supports the development of an offer of closed-end contracts for investors (limited number of unit-linked vehicles and limited allocation options), which fails to meet their expectations in terms of the personalisation of their investment.

This approach also fails to take into consideration the digital changes to come in support of simulations, incorporating the data collected from clients via questionnaires provided for by IDD, which will make it possible to meet investor expectations on a more detailed level by offering them underlyings that most closely meet their expectations, objectives and risk profile.

Lastly, as standard allocation proposals vary from one company to another (which are still only examples that usually fail to match the allocation ultimately chosen by the client), the initial product comparability objective may not be met, which could once again prove misleading for the client.

<ESA_QUESTION_PKID_50>

- : **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>

See answer to question 50.

In any event, in the future the use of robo-advisors will make it possible to offer contracts containing personalised allocations suited to investor objectives, needs and non-financial data preferences.

<ESA_QUESTION_PKID_51>

- : **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>

See answer to question 50.

This approach may also generate complaints for professionals in the event of a major discrepancy between the performance of the allocation ultimately proposed by the advisor versus the allocation template (presenting the top-selling funds) presented to the investor.

<ESA_QUESTION_PKID_52>

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

<ESA_QUESTION_PKID_53>

The proposed solution calls for a large number of figures and makes it difficult for retail investors to understand how incurred costs are determined. Furthermore, the interaction between the two tables is not easy to understand.

As for the narrative, although it facilitates the relationship with the provision of specific KIDs, it does nothing to eliminate the irritation that comes with trying to wade through the massive pile of pre-contractual documents investors are given.

<ESA_QUESTION_PKID_53>

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

<ESA_QUESTION_PKID_54>

See answer to question 50.

In France, life insurance products may only be distributed in accordance with advisory duties. The more restrictive transposition of IDD by the legislator introduced an obligation for distributors to adopt an advisory approach similar to that of MiFID II, in addition to an obligation to justify the suitability of the product advised with respect to the client's needs, objectives and risk profile.

As a result, the allocation proposed to the client is personalised and in no way matches the description of practices presented by the ESAs during the consultation.

The French industry does not support the approach proposed by the ESAs, which does not give investors visibility on the costs associated with their investment (the major goal of the Directive).

Furthermore, the fact that a given allocation is a top-seller does not mean that it is suitable to all investors in the same category. This information is not likely to help investors make their choice and may even prove misleading to their situation.

<ESA_QUESTION_PKID_54>

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

<ESA_QUESTION_PKID_55>

No Comment

<ESA_QUESTION_PKID_55>

- : **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>

No Comment

<ESA_QUESTION_PKID_56>

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

<ESA_QUESTION_PKID_57>

The changes made by the review will lead to significant IT investments (data collection and integration, review of client procedures and interaction with MiFID II/IDD provisions already implemented), as well as investments for the purpose of training and guiding advisors (review of training programmes, development and updating of training tools and materials).



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For that reason, the French industry would like for the changes to be implemented all at once, with an effective date of 1 January 2022, giving the ESAs enough time to make the necessary clarifications and ensure the stability of the texts over time.

<ESA_QUESTION_PKID_57>