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| 10 November 2015 |

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| Reply form for the Consultation Paper on PRIIPs Key Information Documents |
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| Date: 10 November 2015 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Consultation Paper on PRIIPs Key Information Documents, published on the ESMA website.

*Instructions*

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

* use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
* do not remove the tags of type <ESMA\_QUESTION\_PRIIPS\_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
* if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

* if they respond to the question stated;
* contain a clear rationale, including on any related costs and benefits; and
* describe any alternatives that ESMA should consider

**Naming protocol**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA\_ PRIIPS \_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA\_ PRIIPS\_XXXX\_REPLYFORM or

ESMA\_ PRIIPS\_XXXX\_ANNEX1

To help you navigate this document more easily, bookmarks are available in “Navigation Pane” for Word 2010 and in “Document Map” for Word 2007.

***Deadline***

Responses must reach us by **29 January 2016.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.

***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the headings ‘Legal notice’ and ‘Data protection’.

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_PRIIPS\_1>

Euronext is the primary exchange in the Euro zone with more than 1 300 listed issuers worth more than €3.0 trillion in market capitalization as of end December 2015, an unmatched blue chip franchise consisting of 25 issuers in the EURO STOXX 50® benchmark and a strong diverse domestic and international client base.

Euronext operates regulated and transparent equity and derivatives markets. Its total product offering includes Equities, Exchange Traded Funds, Warrants & Certificates, Bonds, Derivatives, Commodities and Indices. Euronext also leverages its expertise in running markets by providing technology and managed services to third parties. Euronext operates regulated markets, Alternext and the Free Market; in addition it offers EnterNext, which facilitates SMEs’ access to capital markets.

Euronext welcomes the opportunity to respond to the joint consultation on ‘PRIIPS Key Information Documents’. In this response we will address the scope and the applications of PRIIPS to listed derivatives, the fact that the proposed set up for a Key Information document does not fit the structure of listed options and futures traded on the Euronext markets and we will make recommendations for a tailored approach for listed options and futures.

1. **The proposed set up of a Key Information Document (“KID”) and its application on listed derivatives**

With the introduction of the PRIIPs Regulation, legislators are seeking to introduce a coordinated set of transparency rules for these products when offered to retail investors. This is to ensure that investors are able to understand and compare the products they are being offered. While we fully support such approach in principle (for packaged products), we fear that the framework currently suggested by Regulators is proving too strict and uniform. As proposed, this will lead to rules that would have to be applied to products that do not fit properly into the PRIIPs framework, **leading to these products being potentially misrepresented to the retail investor audience.**

From a principle point of view, we are of the opinion that listed (exchange traded) derivatives such as options and futures are not in scope of the PRIIPS Regulation. The PRIP is described as an **investment with an amount repayable to the retail investor**. It is important to recognise that derivatives such as listed options and futures are financial **instruments** but are not **investments** – they are designed for risk management purposes and speculation but not “investment” in the generally understood meaning of the word. Listed derivatives such as options and futures do not match this description and therefore do not fulfil the criteria established in the PRIIPs Regulation. They are contracts, the conditions of which are designed by regulated markets. Regulated markets publish the conditions for their contracts on their website (which lists all of the information on the products and is available for everyone to read) and the traders (be it professionals or brokers acting on behalf of their clients) buy and sell these products.

Another key difference between listed derivatives and ‘packaged products’ in the traditional sense of the word is that **listed derivatives are not issued by regulated markets**. Moreover, the regulated markets **do not become a counterparty to the retail investor** (or anyone for that matter) committing to any pay-outs. In reality, regulated markets have no relation at all with the end investor as trading in the products occurs between members of the regulated market, i.e. MiFID licensed investment firms. These firms entertain the relationship with the end investor. This difference leads to the **inability of regulated markets to complete a KID according to the proposed set of rules**. When drafting an example KID based on the proposed set of rules, we encounter a number of practical problems preventing us, as a regulated market, from fully complying with the set of requirements.

In addition, we have concerns about the **positioning of these products in comparison to other products**. The rules around the KID imply that packaged products can be seen as single products which in fact they are not. This does not reflect the nature of listed derivatives as truly single, transparent products by their very nature.

In this paper, we will focus on listed individual equity options, index options, individual equity futures and index futures that are traded on regulated markets and which are fully pre- and post-trade transparent.

**The KID does not allow for an informed decision regarding standard listed derivatives:**

The rules around the KID are very much designed to clarify the working, associated risks, issue price, disinvestment procedure, performance scenarios and costs of packaged products: in the case of a packaged products this has added value. However, while applying these rules to listed options & futures it might give the impression to add clarity and help to compare listed options & futures with packaged products, in practice it does not. This is because:

* Listed options & futures are fully transparent in design, in trading costs and in pricing;
* The regulated market is not a counterparty to a trade, so the regulated market does not profit from the trading price of listed options & futures;
* No counterparty to a trade can benefit at the cost of another because of an unbalanced relation between buyer and seller; and,
* Every investor can create a long or a short position and therefore every counterparty is equal.

Below we will address the challenges of a KID particularly for listed options and futures.

**2. An example of a Key Information Document**

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| **KID FOR A SINGLE STOCK OPTION/FUTURE** |
| **1.** | **Purpose** | **Could be provided by a regulated market** |
| **2.** | **Product** | **Could be provided by a regulated market** |
| **3.** | **What is this product?** |
| **3.A** | **Type** | **Could be provided by a regulated market** |
| **3.B** | **Purpose** | **Cannot be provided by a regulated market**An option or future serves a range of purposes and strategies, all of which cannot be described in the given format of a KID. We refer to paragraph (3.2) below. |
| **3.C** | **Intended market** | **Cannot be provided by a regulated market**For listed options and futures, no intended market exists – trading is open to all that wish to trade in the product. **The product is not designed specifically for a target audience.** If investment firms decide to market these products to specific audiences, regulated markets would not be involved in that process and therefore regulated markets cannot include any information on this. |
| **4.** | **What are the risks and what could I get in return?** |
| **4.A** | **Risk indicator** | **Cannot be provided by a regulated market** The risk indicator as suggested by ESMA focuses on the individual product. As listed options and futures are often part of a hedging strategy, the risk is low. However, ESMA suggests that listed derivatives should be based in the highest risk category. **This would not do justice to the nature of the product or to the trading environment of the product.** Also, during the financial crisis, no issues have arisen in and around the trading of listed derivatives that have continuously been traded and have not been under regulatory scrutiny. We will provide further details about this below under paragraph (3). |
| **4.B** | **Performance scenarios** | **Cannot be provided by a regulated market** The performance scenarios required in the draft regulation are not compatible with the practice of listed options and futures and, if provided, **will provide meaningless information.** A performance scenario differs **per individual trade.** More information on this under paragraph (3.2). |
| **5** | **What happens if XYZ Asset Management is unable to pay out** | **Cannot be provided by a regulated market** Regulated markets are not issuing these products and furthermore are not selling these products to investors. |
| **6** | **What are the costs** |
| **6.1** | **Costs over time** | **Cannot be provided by a regulated market**The costs over time cannot be predicted by regulated markets as further explained under (4). |
| **6.2** | **Composition of costs** | **Cannot be provided by a regulated market**A number of the costs detailed are not produced by or available to regulated markets. **Regulated markets are unable to comply with these requirements as they have no knowledge of or influence over costs in the chain of trading a listed derivative and should not be required to do so from a competition perspective.** |
| 7. | **How long should I hold it and can I take money out early?** | **Cannot be provided by a regulated market**Regulated markets have no relationship with the end investor nor are they MiFID licensed investment firms. For that reason it is not possible for regulated markets to provide this information. Listed derivatives are available for trading on every trading day so positions can always be closed against the market price. |
| 8. | **How can I complain** | **Cannot be provided by a regulated market**We can provide this only to the extent of providing details of the regulated market launching the contract provisions. In essence an investor has a relationship with its broker, the investment firm. Any complaints should first and foremost be addressed to that investment firm. We cannot predict which firm will sell which product to investors so are not able to provide the full extent of this information. |
| 9. | **Other relevant information** | **Could be provided by a regulated market** |
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**3. Overview of risks**

**3.1 Risk overview - Practical challenge of providing a fitting risk overview**

From the consultation document it appears that listed derivatives are placed in the highest risk category. That does not do justice to the products and the variety of uses made of them.

**Too many different types of usage lead to a variety of possible risk profiles:**

In essence, there are two types of listed options, calls and puts. For both types a range of exercise prices are listed with various lifetimes. An example:

*For standard monthly options on Heineken shares, 11 expiry months are listed with a lifetime ranging from 1 month to 5 years. On any day between 140 and 180 calls and between 140 and 180 puts with a different maturity and exercise price are listed.*

Depending on whether the exercise price is *in-the-money* or *out-of-the-money* and depending on the remaining lifetime, the risk is different: this changes every day when the price of the underlying value changes. Investors can create a position by buying an option (*long position*) or selling an option (*short position*). **When an option is bought, the investors can lose no more than the investment**. When an option is sold to create a short position, the loss of the investor is not limited unless the investor is hedged: **in that case the risk to lose money can be zero.** Creating a long position or a short position in an option has a certain pay-off structure. In addition to single positions, when positions are combined (call/put, long/short) the pay-off structure is adjusted. This allows the investor to create the pay-off structure he wants, and therewith choose the maximum level of risk he wants to create.

The points mentioned above show that a KID with one SRI does not do justice to listed options, especially when the purpose of a KID - to give retail investors the opportunity to compare products - is taken into account. If, alternatively, we were to differentiate between all different calls/puts per strike price, that would lead to an unacceptable amount of KIDs: **comparing 180 KIDs for call options and 180 KIDs for put options on one underlying value is unfeasible**, especially when taken into account the fact that KIDs could change regularly after a certain underlying price movement. **This would result in the regulated market having to produce hundreds of KIDS** **per individual product** **that need to be updated continuously throughout the day** which would be practically impossible to comply with.

**The assigned Market Risk Measurement does not do justice to the type of product:**

* **One size fits not all:**

From the Consultation it appears that listed options are qualitatively assigned to Market Risk Measure (MRM) 7. Given the differences in the usage/pay-off structures/many series of options, we feel this could misrepresent the product and the use of this product in different strategies and scenarios. **From our point of view, the retail investor would not receive the correct information on the option by applying a one size fits all risk category to this product.** When a VaR is calculated instead of assigning options to a risk category, the same problem arises: one VaR for all individual series does not reflect the general usage of options and one VaR per individual series will create too many MRMs for a meaningful comparison of KIDs. All of this is subject to change so a KID has a potential short lifetime and will require many updates.

* **The KID does not correct for trading on regulated markets:**

According to the Joint Consultation Paper standard derivatives are qualitatively assigned to the highest risk category. The KID rules only seem to take into account the structure of the product and ignore the trading environment. **We believe that the trading environment has a bearing on the risk profile of the products and should be included in the risk profile.** Exchange traded derivatives are traded on a regulated market and are fully transparent: transparent in construction and in trading. **Derivatives traded on regulated markets benefit from a highly liquid market which allows for the disposal of the products at any given time.** Furthermore, as clearing and settlement is guaranteed, payment and settlement risk are sufficiently addressed. Comparing this to packaged products that can also be traded - and are traded - on non-regulated markets or OTC, we believe that these differences in the trading environment are relevant for the assessments included in the KID and thus to the end investor. For this reason we believe the trading environment should be an element of the risk assessment. The KID does not take this into account: packaged products can have an equal or lower SRI than exchange traded derivatives while the risk of trading against prices that originate from less liquid or less transparent markets is much higher.

* **Credit risk mitigation:**

Suggestion - An open position in listed options & futures is guaranteed by the clearing house to cover counterparty risk. The mitigation of the credit risk is addressed in the Joint Consultation Paper, Annex II, paragraph 65(a). Listed options and futures traded on regulated markets have a guaranteed clearing and settlement system that should lead to the conclusion that the credit risk exposure for these products can be deemed immaterial and should therefore be allocated to credit risk class 1.

* **VAR calculation:**

The regulated market is not in the position to execute VaR calculations. All market risk and credit risk calculations are outsourced to the CCP.

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| **Proposal:** instead ofassigning a Summary Risk Indicator to derivatives, we suggest a more in-depth explanation of the workings of a listed derivative (see for example the attached explanatory memorandum – options and futures). If an SRI is required, we would suggest not assigning a single SRI category to derivatives, but rather assign a range of SRI categories and explain the rationale behind this.  |

**3.2 Performance scenario**

* **To do justice to the reality of possible performances an unrealistic amount of scenarios will need to be produced:**

When an investor buys a single listed call or put, he can choose from various strike prices which all behave differently on underlying price movements. **Creating one KID per option series will result in an unmanageable number of KIDs** which will also need to be updated regularly after underlying price changes. Creating one general KID for all option series will include performance scenarios that would be meaningless or even misleading.

* **An alternative could be provided:**

A KID requires performance scenarios defined to represent an unfavourable, moderate and favourable scenario. Performance should be presented in monetary units and in percentage terms. Normally for listed options and futures a pay-off graph is used to show performance for all scenarios. The graph below shows a generic example of the pay-off structure of a long call option (this example uses a strike price of 64). The horizontal axis shows the various possible prices of the underlying value and the vertical axis shows the profit or loss. The graph clearly shows what the pay-off is of the call option for different levels of the underlying value.



**For listed options & futures this graph contains much more valuable informative than selecting three subjective scenarios.**

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| **Proposal:** we would suggest creating a performance scenario in line with the graph above where the investor can see, for every price of the underlying value, what the resulting profit or loss will be and at which price of the underlying value the profit or loss will be zero. |

**4. Costs**

The overview of costs is very specific to firms creating, issuing, marketing and managing PRIIPS. The requirements do not match the reality of listed option and future trading. Below a specification per item. We believe that for trading of listed options and futures there are a number of costs that arise which do not necessarily align with the tables presented by the ESAs. The costs are:

* **Trading costs charged by the regulated market**:

We are able to provide a general overview of the costs per contract. Depending on the number of trades a retail investor conducts, costs can be calculated accordingly.

* **Trading costs charged by the broker (or brokers where applicable)**:

This depends on the type of broker and the relationship with the end investor. Regulated markets have no access to this information and are not able to specify this as it differs per investor.

* **Clearing and settlement costs:**

These costs are charged by the CCP and CSD and should be provided by those entities. As CCPs and different CSDs act in our markets, regulated markets cannot provide a comprehensive overview of all those costs. Furthermore, the chain of clearing costs will differ depending on the number of clearing members and brokers that an investor has to go through.

* **Margin requirements:**

These requirements are set by the CCP and will depend on the type of clearing account and clearing member. Regulated markets have no insight to this.

Below an overview of the cost items required to be included in a KID and an explanation (in as far possible) as to why this does not match the structure of listed derivatives.

**One-off costs:**

* **Sales commissions:**

Regulated markets do not have that information

* **Structuring costs:**

Regulated markets do not have that information, market-making costs are at the expense of the individual market maker that chooses to take a position in this contract and regulated markets have no prior information on that. Settlement costs depend on the costs by the clearing and settlement organisations and the investors’ relationship with its broker. Regulated markets are not a party to this.

* **Hedging costs:**

N/A as there is a public market, regulated markets do not hedge anything.

* **Legal fees:**

N/A

* **Costs for capital guarantee:**

N/A. Any capital guarantee would be required by the investment firm and not by regulated markets. Additionally the CCP will ensure these guarantees are taken care of.

* **Implicit premium paid to the issuer:**

N/A as there is no issuer.

* **Proportional fees:**

Not clear what is meant by this.

* **Bid-mid spread:**

Any spread is maintained by individual market makers and brokers in accordance with our market rules. In addition to this, listed derivatives are traded via a public market where anyone can send buy or sell orders to the market. The result is that the spread is often reduced due to resting orders in the order book.

**Recurring costs**

N/A

**Implicit costs**

Implicit costs embedded in the PRIIP are not applicable to listed derivatives. Firstly, the issue price is relevant; it must be noted that **a listed option or future does not have an issue price as the contract is not issued.** Contract terms are designed and contracts are only created when they are traded by the two counterparties. The first trades in the book mark the market price of that moment. The regulated markets have no influence over or involvement with the first price in the order book. **Secondly, the price available to purchase or sell a listed option or future is established in the public market;** if the available price in the public market would deviate from the fair value it will immediately be corrected via the arbitrage mechanism which is not something that can be predicted or pre-estimated.

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| **Proposal:** we suggestallowing the regulated markets an exemption from providing a cost overview as they are unable to provide it. |

**5. Investment advice**

Regulated markets are not investment firms and as such cannot be required to provide any investment advice (no matter how general). In addition, there are some practical objections. When a KID is required for each individual option series, the documents could be regarded as investment advice because investors could select a certain option series based on the performance scenarios of all option series. Mentioning a recommended holding period can also be considered to be investment advice. A regulated market is not supposed to recommend an investment or a holding period.

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| **Proposal:** we suggestallowing the regulated markets an exemption from providing this information as they are unable to provide it and not licensed to. |

**6. Complaints**

In essence, a retail investor has a contractual relationship with its broker and is the first point of contact. We feel it would be justified to include a language to that extent in the KID. Should there be any complaints about contract terms, brokers (i.e. members of the regulated market) can direct their complaints to the regulated market. This is part of the regulatory framework of regulated market memberships. Regulated market rulebooks establish that members act always in their own name even on behalf of third parties and in many jurisdictions this principle is also vindicated by the statutory environment or case law.

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| **Proposal:** we suggestit should be confirmed by regulators that a retail investor should in any case address its investment firm or adviser in case of complaints as regulated markets have no contractual relationships with end investors. |

**7. Alternative proposal**

Regulated markets do provide general information about the listed options and futures which should be fitting to the need of investors. We feel a standard document that presents the general elements of options and futures could be – in combination with the specific contract specs of the product– an alternative KID.

<ESMA\_COMMENT\_ PRIIPS\_1>

***Question 1***

*Would you see merit in the ESAs clarifying further the criteria set out in Recital 18 mentioned above by way of guidelines?*

<ESMA\_QUESTION\_PRIIPS\_1>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_1>

***Question 2***

1. *Would you agree with the assumptions used for the proposed default amounts? Are you of the opinion that these prescribed amounts should be amended? If yes, how and why?*
2. *Would you favour an approach in which the prescribed standardised amount is the default option, unless the PRIIP has a known required investment amount and price which can be used instead?*

<ESMA\_QUESTION\_PRIIPS\_2>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_2>

***Question 3***

*For PRIIPs that fall into category II and for which the Cornish Fisher expansion is used as a methodology to compute the VaR equivalent Volatility do you think a bootstrapping approach should be used instead? Please explain the reasons for your opinion?*

<ESMA\_QUESTION\_PRIIPS\_3>

The regulated market is not in the position to execute VaR calculations. All market risk and credit risk calculations are outsourced to CCPs.

<ESMA\_QUESTION\_PRIIPS\_3>

***Question 4***

*Would you favour a different confidence interval to compute the VaR? If so, please explain which confidence interval you would use and state your reasons why.*

<ESMA\_QUESTION\_PRIIPS\_4>

<ESMA\_QUESTION\_PRIIPS\_4>

***Question 5***

*Are you of the view that the existence of a compensation or guarantee scheme should be taken into account in the credit risk assessment of a PRIIP? And if you agree, how would you propose to do so?*

<ESMA\_QUESTION\_PRIIPS\_5>

We believe that listed options and derivatives are standard by nature and could benefit from a ‘one size fits all’ KID. Including different overviews of compensation or guarantee schemes would not benefit the intended clarity of the KID as this will differ per products, per EU member state and possibly per type of investor. It would add a layer of complexity which PRIIPS aims to avoid.

<ESMA\_QUESTION\_PRIIPS\_5>

***Question 6***

*Would you favour PRIIP manufacturers having the option to voluntarily increase the disclosed SRI? In which circumstances? Would such an approach entail unintended consequences?*

<ESMA\_QUESTION\_PRIIPS\_6>

We do not agree with the indicator that has been set for listed derivatives. We would certainly not call for a higher category and would not volunteer this. Please refer to the general introduction under 3.1 (Question 1).

<ESMA\_QUESTION\_PRIIPS\_6>

***Question 7***

*Do you agree with an adjustment of the credit risk for the tenor, and how would you propose to make such an adjustment?*

<ESMA\_QUESTION\_PRIIPS\_7>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_7>

***Question 8***

*Do you agree with the scales of the classes MRM, CRM and SRI? If not, please specify your alternative proposal and include your reasoning.*

<ESMA\_QUESTION\_PRIIPS\_8>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_8>

***Question 9***

*Are you of the opinion that for PRIIPs that offer a capital protection during their whole lifespan and can be redeemed against their initial investment at any time over the life of the PRIIP a qualitatively assessment and automatic allocation to MRM class 1 should be permitted?*

*Are you of the opinion that the criteria of the 5 year tenor is relevant, irrespective of the redemption characteristics?*

<ESMA\_QUESTION\_PRIIPS\_9>

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<ESMA\_QUESTION\_PRIIPS\_9>

***Question 10***

*Are you aware of other circumstances in which the credit risk assessment should be assumed to be mitigated? If so, please explain why and to what degree it should be assumed to be mitigated?*

<ESMA\_QUESTION\_PRIIPS\_10>

We agree with the possibility for mitigation, especially in the context of trading listed derivatives that are cleared when traded on regulated markets. The CCP safeguards the counterparty risk and as described in the general introduction under paragraph 3.1 (Question 1), that should be a significant mitigating factor.

<ESMA\_QUESTION\_PRIIPS\_10>

***Question 11***

*Do you think that the look through approach to the assessment of credit risk for a PRIIP packaged into another PRIIP is appropriate?*

<ESMA\_QUESTION\_PRIIPS\_11>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_11>

***Question 12***

*Do you think the risk indicator should take into account currency risk when there is a difference between the currency of the PRIIP and the national currency of the investor targeted by the PRIIP manufacturer, even though this risk is not intrinsic to the PRIIP itself, but relates to the typical situation of the targeted investor?*

<ESMA\_QUESTION\_PRIIPS\_12>

We believe the currency should not be taken into account when drafting a KID as the decision to invest in a different currency is often **not product related by investment related**. There is no specific link to the products when offered in a different currency. Investing in multiple currencies is a choice by the investor regardless and should be addressed in the advice relationship he or she has with his or her advisor.

<ESMA\_QUESTION\_PRIIPS\_12>

***Question 13***

*Are you of the opinion that the current Consultation Paper sufficiently addresses this issue? Do you it is made sufficiently clear that the value of a PRIIP could be significantly less compared to the guaranteed value during the life of the PRIIP? Several alternatives are analysed in the Impact Assessment under policy option 5: do you see any additional analysis for these assessment?*

<ESMA\_QUESTION\_PRIIPS\_13>

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<ESMA\_QUESTION\_PRIIPS\_13>

***Question 14***

*Do you agree to use the performance fee, as prescribed in the cost section, as a basis for the calculations in the performance section (i.e. calculate the return of the benchmark for the moderate scenario in such a way that the return generates the performance fee as prescribed in the cost section)? Do you agree the same benchmark return should be used for calculating performance fees for the unfavourable and favourable scenarios, or would you propose another approach, for instance automatically setting the performance fees to zero for the unfavourable scenario? Please justify your proposal.*

<ESMA\_QUESTION\_PRIIPS\_14>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_14>

***Question 15***

*Given the number of tables displayed in the KID and the to a degree mixed consumer testing results on whether presentation of performance scenarios as a table or a graph would be most effective, do you think a presentation of the performance scenarios in the form of a graph should be preferred, or both a table and a graph?*

<ESMA\_QUESTION\_PRIIPS\_15>

Please refer to our general introduction under paragraph 3.2 (under Question 1) where we suggest an alternative scenario for listed derivatives.

<ESMA\_QUESTION\_PRIIPS\_15>

***Question 16***

*Do you agree with the scope of the assets mentioned in paragraph 25 of Annex VI on transaction costs for which this methodology is prescribed? If not, what alternative scope would you recommend?*

<ESMA\_QUESTION\_PRIIPS\_16>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_16>

***Question 17***

*Do you agree with the values of the figures included in this table? If not, which values would you suggest? (please note that this table could as well be included in guidelines, to allow for more flexibility in the revision of the figures)*

<ESMA\_QUESTION\_PRIIPS\_17>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_17>

***Question 18***

*Do you agree that the monetary values indicated in the first table are a sum of costs over the respective holding periods? Or should the values reflect annualized amounts? If you prefer annualized amounts, which method for annualisation should be used (e.g. arithmetic average or methods that consider discounting effects)?*

<ESMA\_QUESTION\_PRIIPS\_18>

For listed derivatives the regulated market only charges a trading fee per contract when the contract is traded, **these costs are not impacted by the holding period.** Listed derivatives have a range of different lifetimes. Providing an annualised trading fee figure would give meaningless information because it will not reflect the actual cost of the specific contract. Next to this mentioning a recommended holding period can also be considered to be investment advice. A regulated market is not supposed to recommend an investment or a holding period.

<ESMA\_QUESTION\_PRIIPS\_18>

***Question 19***

*Do you think that estimating the fair value of biometric risk premiums as stated in paragraph 55(b) of Annex VI would raise any technical or practical difficulties?*

<ESMA\_QUESTION\_PRIIPS\_19>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_19>

***Question 20***

*Knowing that the cost element of the biometric risk premium is included in the total costs calculation, how do you think the investor might be most efficiently informed about the other part of the biometric risk premium (i.e. the fair value), and/or the size of biometric risk premium overall? Do you consider it useful to include the fair value in a separate line in the first table, potentially below the RIY? Or should information on the fair value be disclosed in another part of the KID (for instance, the “What is this product?” section, where the draft RTS currently disclose biometric risk premiums in total, and/or in the performance section)? What accompanying narrative text do you think is needed, and where should this be placed, including specifically narrative text in the cost section?*

<ESMA\_QUESTION\_PRIIPS\_20>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPS\_20>

***Question 21***

*Given evidence as to the difficulties consumers may have using percentage figures, would you prefer an alternative presentation of the second table, solely using monetary values instead? As with the first table, please also explain what difficulties you think might arise from calculating monetary values, and whether this should be on an annualized basis, and if so, how?*

<ESMA\_QUESTION\_PRIIPS\_21>

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***Question 22***

*Given the number of tables shown in the KID, do you think a more graphic presentation of the breakout table should be preferred?*

<ESMA\_QUESTION\_PRIIPS\_22>

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<ESMA\_QUESTION\_PRIIPS\_22>

***Question 23***

*The example presented above includes a possible way of showing the variability of performance fees, by showing the level for all three performance scenarios in the KID, highlighting the ‘moderate‘ scenario, which would be used for the calculation of the total costs. Do you believe that this additional information should be included in the KID?*

<ESMA\_QUESTION\_PRIIPS\_23>

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***Question 24***

*To reduce the volume of information, should the first and the second table of Annex VII be combined in one table? Should this be supplemented with a breakdown of costs as suggested in the graphic above?*

<ESMA\_QUESTION\_PRIIPS\_24>

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<ESMA\_QUESTION\_PRIIPS\_24>

***Question 25***

*In relation to paragraph 68 a) of Annex VI: Shall the RTS specify that for structured products calculations for the cost free scenario have always to be based on an adjustment of the payments by the investor?*

<ESMA\_QUESTION\_PRIIPS\_25>

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<ESMA\_QUESTION\_PRIIPS\_25>

***Question 26***

*Regarding the first table of the cost section presented in Annex VII, would you favour a detailed presentation of the different types of costs, as suggested in the Annex, including a split between one-off, recurring and incidental costs? Alternatively, would you favour a shorter presentation of costs showing only the total costs and the RIY?*

<ESMA\_QUESTION\_PRIIPS\_26>

Please refer to our input under the general introduction under paragraph 4 (Question 1).

The overview of costs is very specific to firms creating, issuing, marketing and managing PRIIPS. The requirements do not match the reality of listed option and future trading. Below a specification per item. We believe that for trading of listed options and futures there are a number of costs that arise which do not necessarily align with the tables presented by the ESAs. The costs are:

* **Trading costs charged by the regulated market**. We are able to provide a general overview of the costs per contract. Depending on the number of trades a retail investor conducts, costs can be calculated accordingly.
* **Trading costs charged by the broker (or brokers where applicable)**. This depends on the type of broker and the relationship with the end investor. Regulated markets have no access to this information and are not able to specify this as it differs per investor.
* **Clearing and settlement costs.** These costs are charged by the CCP and CSD and should be provided by those entities. As CCPs and different CSDs act in our markets, regulated markets cannot provide a comprehensive overview of all those costs. Furthermore, the chain of clearing costs will differ depending on the number of clearing members and brokers that an investor has to go through.
* **Margin requirements.** These requirements are set by the CCP and will depend on the type of clearing account and clearing member. Regulated markets have no insight to this.

<ESMA\_QUESTION\_PRIIPS\_26>

***Question 27***

*Regarding the second table of the cost section presented in Annex VII, would you favour a presentation of the different types of costs showing RIY figures, as suggested in the Annex, or would you favour a presentation of costs under which each type of costs line would be expressed differently, and not as a RIY figure -expressed as a percentage of the initial invested amount, NAV, etc.?*

<ESMA\_QUESTION\_PRIIPS\_27>

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<ESMA\_QUESTION\_PRIIPS\_27>

***Question 28***

*Do you have any comments on the problem definition provided in the Impact Assessment?*

*Are the policy issues that have been highlighted, in your view, the correct ones? If not, what issues would you highlight?*

*Do you have any views on the identified benefits and costs associated with each policy option?*

*Is there data or evidence on the highlighted impacts that you believe needs to be taken into account?*

*Do you have any views on the possible impacts for providers of underlying investments for multi-option products, and in particular indirect impacts for manufacturers of underlying investments used by these products, including where these manufacturers benefit from the arrangements foreseen until the end of 2019 under Article 32 of the PRIIPs Regulation?*

*Are there significant impacts you are aware of that have not been addressed in the Impact Assessment? Please provide data on their scale and extent as far as possible.*

<ESMA\_QUESTION\_PRIIPS\_28>

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<ESMA\_QUESTION\_PRIIPS\_28>