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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>

FECIF welcomes the work done by the ESA’s so far. Nevertheless, FECIF remarks that the heterogeneity of PRIIPs, and their sectors and features, should still be taken into account. The members of FECIF represent the industry in various Member States, and we would like you to also take into consideration the variety of local markets. Nevertheless, it is also worthy to support the objective of creating a level playing field for all participants in the market and to strengthen consumer protection at the same time.

The balance between the right amount of comparable information and overload of information, that scares and confuses consumers, is hard to find. Moreover, it always depends on the specific circumstances. That is why FECIF is in favour of a short and simple solution: in fact, we believe that the average consumer will hardly be able to compare all the PRIIPs available and he will need advice in this regard.

With respect to the previous ones, FECIF also underlines that the current PRIIPs initiative, that aims to prescribe almost every single aspect of a KID document, contains overly complex details. As with any plan, this lowers the risk of unexpected regulatory problems, but amplifies its impact. Therefore, FECIF prefers a more general approach, where only general obligations are set and market subjects dispose of a greater degree of flexibility and responsibility.

Finally, FECIF notes that its response is linked to issues affecting provisions of independent financial advice and the impact of individual obligations on the IFA and their interaction with customers. This is the primary focus and purpose of our response.

<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>

Yes, we agree with this proposal. We also consider that the comprehension alert (Article 8(3)(b) of the PRIIPs Regulation) is too short and vague and it does not aid retail investors in understanding the product: the content of this alert should be expanded and clarified.<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>

FECIF feels that “one size of default amount definitely does not fit all”, as there are great differences in this regard between e.g. Western and Eastern Member States. FECIF suggests that this value should be set or at least advised by individual NCAs (note: we understand that proposed regular payments are monthly).

Regarding specific PRIIPs with a required investment amount, FECIF agrees that an individual regime is appropriate.

Furthermore, as already explained in the previous consultation (JC DP 2015 01), in order to avoid the impact of fixed costs being incorrectly overestimated, NCAs should take into account a higher initial investment amount (specifically, 10 000 euros) for investment funds and PRIIPs, other than insurance-based investment products. It is necessary to have a higher default amount, especially if we consider that some investment funds require a minimum investment amount (e.g. 5,000 or 10,000 euros).

<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>

We believe that the methodology to compute the VaR equivalent Volatility and the bootstrapping approach are two recognized methods that can be used. However, these methods generate a control problem.

<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>

We believe that NCAs must be in charge of this and should work in a close relationship with professionals

<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>

FECIF believes this is not necessary and only specific information (text passage) is required. Otherwise, the CRM computation method might get overly complicated and its representativeness could be limited.

<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>

FECIF agrees that PRIIP manufacturers could be empowered to voluntarily increase the SRI under the following conditions: i) the increase should be properly justified; ii) both indicators have to be disclosed in the KID (i.e. the SRI resulting from the application of the official methodology and the SRI as voluntarily increased by the manufacturers) iii) the increased SRI must not change the validity of other elements of the KID or the overall significance of the KID at all because this would generate new risks for consumers. If the above-mentioned conditions are met, FECIF considers no significant risks are related to such qualified decisions of the PRIIPS’ manufacturers, at least from the distribution perspective.

<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>

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<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>

FECIF states that an average customer would find any of the forms proposed difficult to understand. Our extensive experience clearly suggests that any non-understandable information will not be taken into account by the customer. With respect to this, we strongly recommend to simplify the layout and the amount of information available in the KID. The tables (scales) proposed here are a prime choice for this action.

<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>

Yes, FECIF agrees with the fact that a qualitative assessment and automatic allocation to MRM class 1 should be permitted 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.

With regard to the 5 year tenor, we find this criteria highly arbitrary and we do not agree with the proposal.

<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>

TYPE YOUR TEXT HERE

<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>

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<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>

FECIF does not agree with the idea of incorporating the sale currency risk into SRI. This information should be provided separately and should be judged by the consumers. Any other solution would incur a fatal administrative burden at the point of sale, which would undoubtedly sap the resources needed for the provision of proper advice. Moreover, it may cause an additional burden for the companies that operate cross border who may need to calculate different SRI’s for the currencies of each Member State into which they offer their services. Finally, and perhaps most importantly, it could be misleading to many consumers who increasingly have cross-currency needs or situations.

<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>

FECIF agrees with the description provided in the accompanying text on p. 11. If the product is sold “to maturity”, the SRI should reflect this and it should model the situation at the maturity point. A separate text disclaimer is enough. Conversely, we do not agree with the proposed selection of the Synthetic Risk Indicator (SRI) time frame, i.e. we do not agree with the presentation of a single time frame. On the contrary, we support Option 5.2., i.e. multiple time frames, in order to give investors a full picture of the risk throughout the PRIIP’s life. Specifically, the SRI should be presented for several time horizons (1, 3, 5 years) implementing the same solution already established for performance scenarios.

<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>

FECIF agrees with the accompanying text, i.e. with the fact that the performance scenarios should be provided net of all costs, including performance fees.

On the contrary, we do not agree to use the same benchmark return for both the unfavourable and favourable scenarios: this approach is not consistent with the assumptions which shall be used to generate the scenarios (Annex IV of the proposed Regulation, par. 8-10). The alternative approach, i.e. automatically setting the performance fees to zero for the unfavourable scenario, may represent a viable solution.

Moreover, we point out that the proposed presentation of performance scenarios (Appendix 1, letters [d], [e] and [f]) is not clear. For instance, regarding the favourable scenario, letter [d], the most favourable cases are not included in the proposed presentation. Therefore, we propose:

*[d] So if the market goes up by […]% the money you may get back will [rise equally with the market / rise more than the market / rise less than the market/ not rise any longer/ be cancelled].*

The same applies to letters [e] and [f].

<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>

We believe that graphical presentation is more understandable, but, once again, we urge that the document, and all of its components, must be made as simple as possible. FECIF really cannot imagine an average customer going through all of the graphs, tables and text passages in detail. Only the most important information should be provided and highlighted. Moreover, it would be useful to have a large-scale testing in partnership with authorities beforehand.

<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>

Since the basis for calculation of transaction costs is too generic, we consider it should be calculated individually by the product provider, as soon as customers decide to leave the product, before this decision takes effect.

<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>

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<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>

First of all, FECIF does not understand why in Annex VII the comparison of product information works on the one hand with 1,000 EUR for investments and on the other hand with 15,000 EUR for insurance PRIIPs. We believe an equal amount would work better in this regard, so we suggest an amount of 10,000 EUR for every kind of product.

Having said this, we agree with the fact that the monetary value should reflect the sum of the costs over the respective holding period. This is because products like insurance PRIIPs generate their revenues only after a full (multi-year) holding period, and an annualized amount would lead to deviant results.

The EC preliminary Impact Assessments clearly outline the key problem driver of retail products and FECIF is aware that the KID for PRIIPs is an attempt to compare incommensurable investment products. <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>

FECIF asks for a clear notion of the technical term “fair value” of an insurance policy. Without such a definition, the concept seems a soft return to central planning, where some sort of “fair value” or “fair pricing” rules substitute market forces. We are strongly against depriving customers of their rights to choose from differently priced and constructed products, introduced within a highly competitive market. Under the condition that a workable solution for insurance products is found, this figure could be included in a separate line in the cost table, with a brief explanation of the notion of fair value

<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>

FECIF considers that absolute (monetary) values are unacceptable, they seem highly misleading (typically when compared to a relatively low regular payment). The risk is that retail investors are biased as much as they perceive monetary values as fixed amounts, without realizing that the amount they will actually pay may be different from the one shown, because the real costs depend on contractual terms and the amount invested. Relative (percentage) figures are appropriate and sufficient, as they give customers a clear idea of what share of their money is taken away by the product costs.

Note: Any consumer not able to work with simple mathematics and percentages should not be allowed to contract any other product than a simple bank account (ad. appropriateness test).

<ESMA\_QUESTION\_PRIIPS\_21>

***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>

No, we do not, even if any graphic presentation would be helpful with regard to the general consumer understanding. There should be a wise choice of the data, taking into account that there will always be a weighing of interests if these improve consumer assessments. FECIF believes that the proposed breakout table does not provide consumers with a better overview. On the contrary, it is possible to have an opposite outcome: the consumer could be overwhelmed by the sheer amount of information (see previous questions).

<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>

FECIF does not feel that providing such information would be a real additional benefit for the average retail consumer. At the same time, it would not outweigh the deterrent created by overwhelming information. Therefore, FECIF opts for a single obligatory “moderate” scenario.

Moreover, we support policy Option 2.3: performance fees should be shown separately from the total cost indicator, because the actual value of performance fees will be known only on an ex-post basis. A separate presentation of performance fees is needed to enable investors to realize that performance fees differ from all the other costs (performance fees are incidental costs which cannot exactly be known from the start).

<ESMA\_QUESTION\_PRIIPS\_23>

***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>

Yes, FECIF would prefer a combination of table 1 and 2, because the given, combined information is more detailed, mainly due to the explanation of table 2 and the timeline of table 1, and more revealing for the retail consumer. Specifically, costs should be shown in percentage figures, split between one-off, recurring and incidental costs and calculated as a percentage of the NAV. This presentation would be complete and easy to understand by investors.

<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>

In general, retail investors may find difficult to understand the meaning of RIY figures. Expressing costs as a percentage of the NAV might be an easier alternative in order to allow them to understand. As with Q23, FECIF does not feel that providing more information would be a real additional benefit to the average retail consumer, or that it would outweigh the confusion created by information overload. Against this background, FECIF is in favour of single, synthetic and clear information on costs.

For experienced consumers, detailed information should be provided in the supplementary documents.

<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>

FECIF is in favour of showing a single RIY figure as suggested in Annex VII; even though the RIY is not the perfect solution due to its high complexity. Retail investors may find it easier to understand costs expressed as a percentage of the NAV. However, FECIF believes that efficient decision-making needs one key figure as a reliable basis. Therefore this key figure has to include all costs of an investment so that in addition with the risk indicator, retail investors are really able to compare products. For experienced consumers, further presentation of costs should be provided in the supplementary documents

<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>

We wish to stress once again the risks associated with the overly detailed regulation and overwhelming information prescribed to the KID form. These are not only related to the product manufacturers and distributors (admin. burden), but also to the customer, who would not take the excessive information into account, including the crucial passages.

Although we appreciate the possibility to submit our view on this, we believe that ESMA can do much more in mitigating these fundamental risks.

Moreover, we would like to express our view on the timing of delivery of the KID (Article 20 of the proposed Regulation, “Conditions on good time”). Considering that the active model is likely to be costly to implement, we propose to adopt the passive model, to be complemented by tools (such as mailing lists or email alerts) which enable existing retail investors to locate the new KID. The alert should give prominence to the information which has been revised.

We agree with Recital 25 of the proposed Regulation, i.e. the need to consider the urgency of the situation (“for instance where it is important for a retail investor to buy a PRIIP at a given price where the price is sensitive to the timing of the transaction”). We also agree with the proposal to build on the standard set in MiFID II Recital 83: i.e. the requirement to take into account the client’s need for sufficient time to read and understand the KID before taking an investment decision, considering that a client is likely to require more time to review information given on a complex or unfamiliar product or service (with this respect, it is also important to consider the role of financial advisors in helping retail investors to understand the content of the KID). It is also important to take into account that national laws and regulations may provide retail investors with withdrawal rights and they can require the initial suspension of the enforceability of contracts.

<ESMA\_QUESTION\_PRIIPS\_28>