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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>

**Introduction**

Before proceeding to comment on specific items on the Consultation Paper, we feel it must be highlighted that the PRIIPS Regulation Level 1 has raised many doubts both in terms of the products to be considered in scope and in terms of required behaviour by manufacturers and distributors.Therefore it is pressingly urgent that the European Commission and the Joint Committee of the European Supervisory Authorities provide greater clarity on the following aspects through the final version of the RTS and specific “Questions and answers (Q&A)”.

1. **L1 PRIIPS Regulation: scope**

1. Will the Regulation requirements apply only to those PRIIPs that are issued on or after the date of its application (i.e. PRIIPs issued on or after December 31, 2016)? It is our expectation that particularly PRIIPS with a fixed tenor issued prior to December 31, 2016 can be exempted from having the KID.

2. Will the Regulation only apply to PRIIPs manufactured by EU entities, or are its requirements intended to be binding also on products manufactured by third-country firms and distributed/traded in the EU, as well? In this latter case will it be mandatory to arrive at a written agreement between the third-country PRIIP manufacturer and the EU distributor, especially when distributing products devoid of reliable and publicly available information? [As suggested by the ESMA’s Final Report: Technical Advice to the commission on MiFID II and MiFIR, which requires distributors to set a written agreement with non-MiFID entities (third country issuers) specifying that the manufacturer will provide all relevant information)?”

3. It is our expectation that floating rate bonds which do not not embed any derivative component but that are linked directly to interest rate such as Libor and Euribor fall out of the Regulation scope. Therefore we feel that some form of clarification on this point is necessary and useful.

4. Bearing in mind the fact that in defining its scope of application PRIIPS Regulation refers to the PRIIP as an investment, it is our expectation that derivatives for hedging purposes fall out of the Regulation scope; we feel that some form of clarification on this point is both necessary and useful.

5. Does the Regulation only apply to standardized financial derivative instruments? How should standardized KID be reconciled with the OTC derivatives nature strictly based on customized, bilateral agreements? We fear that imposing a KID for OTC derivatives will simply not be a workable, practical solution.

6. We expect FX forward contracts to be kept out of the PRIIPs regulation scope given that these instruments are not considered as derivative contracts under EMIR; we feel therefore that some form of clarification on this point is both necessary and useful.

7. Is securities lending considered to be an activity out of the scope of the PRIIPs Regulation?

8. Is it mandatory to draw up a KID whenever the issuance of bonds or the structuring of certificates, addresses a specific client, either upon request of the client himself (reverse inquiry) or upon initiative of the intermediary (private placement)?

9. In the case of financial or insurance-based products whose features match those of a PRIIP but which are intended for initial distribution to professional investors and only subsequently accepted for trading on a secondary market and offered to retail clients as well, are we correct assuming that the PRIIPs Regulation requirements will only start to apply from the moment the product is offered for trading on the secondary market?

10. In the event that manufacturers designate a third entity to structure a product, and whenever the latter is a person other than the issuer, who is to be considered PRIIP’s manufacturer and who in under the obligation to comply with the relevant requirements on key information documents? To this regard, it must be noted that ESMA Opinion on “Structured Retail Products - Good practices for product governance arrangements”, dated 27 March 2014, within footnote n. 8 states that “It should be noted that where the wrapper is a bond, its issuer may be a third party, which receives the ultimate cash and where the credit risk lies. However, for the purpose of this document, ESMA considers the role of such a third party issuer in the product governance arrangements to be a passive one and therefore we will not further address it in this opinion”.

11. In case of regulated derivatives not represented by transferable securities who is to be considered the manufacturer obliged to draw up the KID?

12. As the PRIIPs definition is sufficiently large in scope to leave PRIIPs manufacturers with a certain level of discretion when evaluating whether a specific product be defined a PRIIP or not, to what extent are manufacturers and distributors held legally responsible for the assessment?

13. Will distributors incur any liability for the distribution of a PRIIP devoid of a KID? Are distributors required to abstain from distributing such PRIIPs to clients?

14. Who is under the obligation to translate the KID as per article 7 of the PRIIPS Regulation? We feel the manufacturer should be obliged to translate the KID. In order to comprehend the full scope of manufacturer obligation with regard to the translation of the KID it must be considered that PRIIPS can be distributed not only on the primary market (either directly by the manufacturer itself or by intermediaries appointed through distribution agreements or sometimes by direct listing) but also on the secondary market through negotiations on trading venues. Therefore it is essential to formulate in detail the expected behavior from manufacturers with regard to the translation of the KID bearing in mind the myriad ways that PRIIPS can be distributed on the primary and secondary markets.

1. **Interaction of PRIIPS with MiFID**

1. Should investment firms be exempted from providing clients with the KID when offering individual portfolio management service given that investment decisions are entirely taken by investment firms and bearing in mind that an investment service, and not a product, is on offer?

2. It should be considered that intermediaries might prove unable to meet their obligation to provide retail clients with the KID (PRIIPS purchased on the secondary market by the clients in the context of reception and transmission of orders, ~~or~~ execution of orders on behalf of clients or execution of orders on behalf of clients through dealing on own account) because of a lack of proactive initiative towards clients and/or distribution agreements with the product manufacturer. In such circumstances, due to the huge number of financial instruments which the clients could potentially require to trade (generally in a range between 2.000-4.000 ISIN, in some cases not listed on regulated markets/MTF but only OTC like Bloomberg) and the massive and disproportionate potential effort expended by the distributor to collect and deliver the KID to the clients, it would be fairer and more efficient to require the KID to be made available by the trading/execution venues where the PRIIPS are traded or, alternatively, to refer to the KID available on the manufacturer‘s internet site without directly providing the KID to retail investors.

3. It must likewise be considered that clients might spontaneously decide to invest in PRIIPS traded in foreign trading/execution venues and might transmit their orders to intermediaries for order reception and transmission, execution of orders on clients behalf through dealing on own account. In such circumstances the proposal to make the KID available on the trading venues where the PRIIPS are traded could lead to the KID being translated in the official language of the clients’ Member State; on the other hand the proposal of referring to the KID available on the manufacturer’s internet site (as mentioned in previous point 2), could be a better solution because manufacturer would be obliged to publish the KID in a range of EU languages on their internet site.

If we are to plot and maintain a workable and consistent course of action, it is fundamental to work through all issues and obtain the clarifications on requested in point 2 and 3, and to simplify distributors' duty to provide investors with the KID in the various possible scenarios (e.g. products non traded in regulated market/MTF, foreign products, products required by the clients) it is fundamental to ensure a consistent and feasible approach.

1. **Considerations and suggestions on the risk model**

The proposed framework to model PRIIPS risk is a good and intelligent way to evaluate risk for this product class. However when we look at the model closely some questions come to mind.

The Draft RTS indicate a cut-off limit (5 year) for applying the Cornish Fisher or Bootstrap approach to classify PRIIPS products. This limit could lead to some distortion in the RSI, when using bootstrapping approach. Now, if we consider that payoff on time horizon is discounted back to the risk free rate (annex II, Part 1, 32), when we have two products which are equal, in terms of protection level (for example, 100% of the notional) but different maturity (almost 5 year and 5 year and one day), the one over the limit will be discounted to the risk free rate, so the protection of 100% to the maturity will be reduced to present by discounting. This will generate an artificial risk as compared to the initial investment.

With very low rates such as our current ones, there would be a marginal effect, but with rates such as we have had in the past the difference would be anything but residual. Here are three possible solutions two of which present some flaws:

1. Reduce the threshold to a shorter horizon (to 2 years, for instance). This would not overcome the problem but would alleviate its negative consequences to an extent.
2. Eliminate the threshold, which would lead to an increase in manufacturers computational costs.
3. Eliminate any discounting in the bootstrapping model (annex II, Part 1, 32), thus removing the source of distortion. In addition product maturity (duration) would enter into the RSI as a source of risk. This would bea desirable result, seeing that longer deals involve greater risk than shorter ones. Maturity should be considered for credit risk too.

Draft RTS specify that it is necessary to use return for rate model (see annex II, Part 1, 38-41). Still it is not clear how to handle negative rates. Therefore the Draft RTS  should integrate the model with:

* + Absolute and relative return, based on a cut off level (1%, is a limit, empirically tested which works fine, for example) or
	+ A shifted lognormal approach (as in pricing world) to manage negative rate level.
	+ Another drastic solution could be to set negative rate to zero, but we do not like this because for the real world is too much simplified.

The Draft RTS indicate PCA as a model to ensure a consistent curve over long simulated period. This is definitely a desirable result, but PRIIPS products (such as certificate or structured bond) often insist on a single tenor or at least on a couple. A direct approach could be sufficient (as the one described from 30 to 34) in which Draft RTS do not regulate the use of any model to simulate a rate curve, but rather model single tenors maintaining historical correlations via date sampling. Each Rate would evolve on a Forward drift (along spot curve) and if Draft RTS were to relax discounting condition (as previously suggested), the impact of this simplification would be reduced furthermore. This way, a single model for all risk factors could be used.

As detailed in the paragraph below, the bootstrapping approach could be used to fix the performance scenario. Given that these scenarios must be calculated for each PRIIPS category, we suggest bootstrapping (relaxing discounting conditions with some adjustments, as suggested) as the main model for risk and performance and for all PRIIPS categories, whether they fall under the Cornish Fisher approach or not.

1. **Clarifications and suggestion regarding performance scenarios**

We believe Draft RTS should clarify the conditions under which manufacturers implement paragraphs 13 of the Annex IV of Draft RTS and consequently assess that “the possibilities to disinvest during the life of the product are expected to be very limited”, which allows performance scenarios to be presented only at maturity thus avoiding false investor expectations (bypassing scenario presentation at an the intermediate stage).

As for the insurance sector, we believe that intermediate stage presentation could be avoided. This would be particularly fitting for lifetime products where the investment has no deadline and disinvestment takes place either via redemption or by death event.

In view of this we request that express clarification be made in the Draft RTS as to whether this assessment should be carried out by manufacturers in keeping with the criteria set forth in paragraph 76 of the Annex II and relating to the classification of an illiquid product, or with materially relevant liquidity risk. If it is not possible, which other specific criteria must be to complied with?

With reference to paragraph 14 of annex IV, we highly recommend the provision of additional indications as to the pertinence of providing intermediate stage performance scenarios for structured PRIIPS so as to “reflect the estimated exit price of the instrument” given the risk of investors misunderstanding the data and in view of the difficulties in estimating all required repricing parameters (i.e. volatility, skew, dividends, interest rate curve and credit spread curve).

With reference to scenarios on time horizon (last column), we propose the following approach.

On the bootstrapped empirical density function of the underline (see annex II, Part 1, 30-37):

* Select a percentile (25° as unfavorable, 75° as favorable, 1° as stressed),
* Select mean as moderate,
* Apply product RiY (or payoff) to scenarios as in 1) and 2) in order to estimate Priips ones.

On point 1), if you wish Draft RTS to be conservative, you could opt for a lower/higher percentile. On point 2), in accordance with ESMA’s advice, a central scenario should be a “no return” scenario, so the bootstrapped empirical density function could be centered around zero. This way, drift (mean) impact would be removed from percentile selection (remember that performance scenario, should describe a product in a given scenario and be not a view of the future). Alternatively, you could maintain risk free drift as described in the document.

As emphasized, when you are dealing with a basket, you should work at basket level to fix scenarios (and to perform a simulation). Alternatively, you could define a hierarchy between drivers based on the volatility level, for example. Scenarios for factors other than the selected one, will be derived as a result. They will be jointly simulated scenarios keeping with the percentile identified for the driver and estimated via multivariate bootstrapping simulations.

**This approach suggests bootstrapping as a general method to determine performance scenarios.**

1. **Clarifications regarding products to be considered being offered in a continuous manner**

It is necessary to confirm and clarify whether products considered as being offered in a continuous manner include products (such as bonds and certificates) characterized by a limited offer time and subsequently traded on the secondary markets. It is our understanding that Recital 20 of the Draft RTS is intended to cover this point in the part where it states “Where a PRIIP is not currently available for retail investors, the continued review and revision of the key information document for that PRIIP would be disproportionate, however a review and revision of the key information document should be undertaken if such a PRIIP is to become available to retail investors again. The trading of a PRIIP on a secondary market however would not exempt the PRIIP manufacturer from the obligation to continue to review and revise the key information document for that PRIIP”.

But we believe might be clearer to recall the contents of Recital 20 within Article 20 of the Draft RTS so as to quash any doubts on the circumstances in which PRIIPS are considered to be offered in a continuous manner.

1. **Comments on the calculation of implicit costs of PRIIPs other than investment funds**

It is our duty to voice our concern on the proposed methodology for calculating implicit costs for structured products. Our worries stem from the fact that:

* Annex VI of the Draft RTS fails to clearly identify fair value. Such a failure is rather significant bearing in mind the fact paragraph 41 a) odds with the manufacturers’ legitimate right to record the amortized cost instead of the fair value on their balance sheet;
* There is an inconsistency between paragraph 39, where the fair value is proposed as the exit price, and paragraph 41, where it is prosed as the fair value recorded by the manufacturer on its balance sheet;
* Entry costs and one-off costs and implicit costs seem to be overlapping;
* Exit costs seem to come under the calculation of both fair value and implicit costs.
1. **List of costs of the different PRIIPS types**

Annex VI of Drat RTS should clarify whether:

* The proposed list of costs and charges is meant to be all-encompassing and valid with the passage of time regardless of investment product innovation;
* Manufacturers should.only indicate the costs and charges relevant for specific PRIIPS in the KID (i.e. one-off costs and exit costs are not relevant for structured Products with a fixed tenor as these costs are typical of open ended products).

Paragraph Annex VI, 36 of Explanatory text on the Draft RTS reads that only the amount captured by the manufacturer should be included in the Entry costs.Why then in paragraph 32 of Annex VI does it read that hedging costs, that “ensure that the manufacturer can replicate the performance of the derivative component”, that is “ provide a return for the retail investor” are to be included in the Entry Costs?

Paragraph Annex VI, 36 of Explanatory text on the Draft RTS reads that hedging costs for certain products that may not be individually hedged (i.e. exotic payoffs) are not necessarily “unitized”. It is not clear what the regulatory provisions are in this case.

Paragraph 37 of Annex VI reads that for the implicit costs calculation, after the subscription period, the manufacturer shall refer to the price of the product on a secondary market. Does the KID need to be revised after the subscription period in the event of changes to implicit costs?

1. **Comments on conditions on good time**

In our view the contents of Recitals N. 23-24 (“what might be good time for the retail investor to understand and take into account the information may vary, because different retail investors have different needs, experience and knowledge. The person advising on, or selling, a PRIIP should therefore take into account these factors to determine the extent of the good time criterion in relation to individual retail investors. Where a person is advising on, or selling, a complex PRIIP or a PRIIP that is unknown to a retail investor, more time may need to be provided for the retail investor to familiarize itself with the PRIIP in question”) and Article 20 of the Draft RTS does not identify the criteria that should be taken into account to evaluate the level of experience and knowledge of the different clients, in order to determine the specific extent of the good time. Moreover Article 20 does not take into account the new regulatory framework of product governance within MiFID II, requiring distributors to:

* have in place adequate product governance arrangements to ensure that products and services they intend to offer or sell are compatible with the needs, characteristics, and objectives of an identified target market and that the intended distribution strategy is consistent with the identified target market;
* appropriately identify and assess the circumstances and needs of the clients they intend to focus on, so as to ensure that clients’ interests are not compromised as a result of commercial or funding pressures. As part of this process, firms shall identify any groups of clients for whose needs, characteristics and objectives the product or service is not compatible.

We therefore believe that Recitals N. 23-24 and Article 20 overlap with MiFID II provisions on product governance obligations for distributors, which regulate more adequately the whole matter of targeting clients and the proper distribution strategy according to the features of each single investment product.

<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>

We do not feel it is necessary to further clarify the criteria set out in Recital 18 of PRIIPS Regulation Level 1, as such criteria should be interpreted as being complementary to those set out by ESMA Opinion on “MiFID practices for firms selling complex products”, dated 7 February 2014, and by ESMA Guidelines on complex debt instruments and structured deposits, dated 26 November 2015.

<ESMA\_QUESTION\_PRIIPS\_1>

***Question 2***

* *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?*
* *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>

We agree with the proposed standard amounts, unless – for insurance based products – a product requires a higher amount than the standard one. In such circumstances, it should be possible to use this higher amount, or an amount which is deemed more representative of the product.

<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>

In our view the bootstrapping approach should also be used for PRIIPS falling under category II and for which the Cornish Fisher expansion model is used as a method to compute the VaR equivalent Volatility. Our grounds for this opinion can be summed up thus:

* It is preferable to assess all PRIIPS using the same methodology;
* We do not see how this would increase implementation costs (especially if performance scenarios are selected, as we suggested in our initial comments).

<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 would tend to favor a different confidence interval to compute the VaR. We suggest two alternatives:

* 1% confidence interval, which is more prudential and able to capture differences between PRIIPS with various payoff or barrier levels. Even if VaR is traced back to a volatility level, volatilities will be higher or lower with respect to different VaR level, giving rise to a clearer distinction between products. Besides, in literature and in practice, the 1% VaR is the level mostly used, for risk analyses at product or portfolio level;
* 5% confidence interval, which is less dependent on the risk factor tail distribution, will lead to a VaR behavior more akin to pure volatility, which is the measure already adopted by ESMA for UCITS, it must also be considered that the final SRI goal is to provide an ordinal ranking of products (assuming that this will be more understandable to retail investors), rather than a precise measure of risk over a specific time interval.

<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 reiterate our approval for the adoption of a qualitative measure of credit risk and, notably, for credit rating.

We agree with the proposed methodology contained in paragraphs 55 to 58 of the document. However, an absence of credit rating does not entail a greater credit risk is higher as compared to a rated issuer.

Indeed, when a compensation or guarantee scheme exists, we believe a credit risk assessment should be taken into consideration. Otherwise, unrated issuers belonging to a protection scheme could be (erroneously) considered as risky.

Generally speaking, small banks are not listed on the capital markets. It follows that they are not rated by a Credit Rating Agency. However, in many cases, they have developed a Guarantee scheme (such as the Italian co-operative “Bondholders Protection Scheme”) which is expressly intended to protect investors from credit risk.

In such a light, we feel it to be inappropriate to attribute Category V to this kind of PRIIPs. The presence of this guarantee should be regarded as a risk factor mitigant. For example, a letter to paragraph 66 could be included stating that in the event of guarantee scheme the credit risk should be decreased by 2 notches.

<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>

A voluntary increase of the SRI does not find favour with us because it might hamper the level playing field and fair comparison of similar bank products.

Discretionality should be kept to a minimum if we wish to reduce (i) differences between product manufacturers and (ii) keep SRI calculations simple. Furthermore, if we allow for more disclosure, this will lead to the KID being less standardized between manufacturers and more difficult to understand.

Moreover, what would happen if (and where would responsibility lie?) a product manufacturer voluntarily opted not increase the disclosed SRI.

<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>

In our view, a reasonable proposal could be to introduce a credit risk adjustment for the tenor, by adopting a ballpark solution, for instance.

<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>

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<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>

 If feasible, we prefer the option of assigning a qualitative assessment and automatic allocation to MRM class 1 for PRIIPS that offer a capital protection during their entire lifespan and which are redeemable against their initial investment at any given time in the PRIIP's lifespan.

This consideration should be extended to all financial products offering a total guarantee.

Clarification is also needed on how to consider multiple option products in the circumstances where one of the options offers protection and the other ones do not.

<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>

Whenever a privilege is regulated for credits claimed by investors against insurance companies (related to the subscribed contracts) as compared to other creditors against insurance companies, it seems only right to take (ii) into account for credit risk mitigation.

<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>

In our view, the look-through approach for credit risk assessment of a PRIIP packaged into another PRIIP is appropriate and reasonable.

<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>

In our opinion, currency risk is not intrinsic to the product therefore we do not feel it needs to be taken into account by the SRI. It could be an idea to add a narrative alert in order to provide investors with information about this kind of risk.

However, it must be emphasised that the choice of issuing/structuring products in a currency other than the local one usually stems from an intention to render coupon structured products more attractive. In the light of this, an accurate disclosure of the product’s risk/return profile should take existing currency risks into due consideration and include them in the SRI.

<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>

In our view, the current Consultation Paper addresses this issue sufficiently.

<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>

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<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>

 The presentation of the performance scenarios in table form is preferable. We feel it would be more comprehensible to investors, especially for insurance-based product scenarios involving insurance coverage.

<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>

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<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>

We concur that the monetary values indicated in the first table summarise the costs over the respective holding periods. This presentation seems more consistent with the benefit values on the same dates. But it must not be forgotten that the RIY is the annual internal rate of return referring to the three different dates indicated in the “Costs over time” table presented in pag. 73 of the Consultation Paper.

<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>

Estimating the fair value of the biometric risk premium could lead to technical and practical difficulties, especially for products where the insured biometric risk is small in comparison with the investment amount.

<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>

If the RYI refers to the scenario in which the biometric risk is absent, the overall costs of the insurance coverage from the indicator could be omitted, especially if the biometric risk is small. This way the consumer would be provided with a cost indication only relating to the financial product outcome.

The investor could be informed about the overall biometric risk premium in a separate line. It could figure as an additional cost referring to the scenario where the insurance coverage is present.

<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>

This point deserves careful deliberation and the following aspects must be attentively weighed up:

* The fact that MiFID II draft Delegated Acts require distributors to provide investors with information on the total aggregated costs of the product and the services as well as cash amounts and percentages;
* The close connection to the product price calculation methods at the intermediate stage when presenting performance scenarios.

<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>

In our opinion, it would be clearer to retail investors if we adopted a table format.

<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>

This additional information seem reasonable, but its impact must be carefully contemplated.

<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>

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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>

This question is not clear: we do not understand whether it refers to the first or second approach set out in paragraph 68a) of pag. 70 of the Consultation Paper. In our opinion, the first approach is more coherent. Details can be found at pag. 82.

<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>

We would prefer a more concise cost presentation only displaying total costs and the RIY. This seems to us more consistent with MiFID II provisions on ex-ante information on costs and charges.

<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>

Regarding the second table of the cost section presented in Annex VII, we would favour a presentation of the different cost types displaying RIY figures, as suggested in the Annex.

<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>