Response to ESA Consultation Paper

FundAssist is a leading service provider for the preparation and production of UCITS KIID since its inception. FundAssist helped a significant number of fund providers prepare for the initial introduction of the KIID in July 2012 and continue to provide an end-to-end service including plain text drafting, SRRI, Past Performance and OGC calculations, ongoing monitoring of SRRI, OGC and portfolio composition. The KIID documents are produced in multiple languages using a highly automated and integrated solution. The published documents are filed and noted with regulators, hosted for web publication and disseminated as needed.

FundAssist are now engaging widely with clients, prospective clients, industry bodies and consultants to help with the introduction of PRIIPS KID.

We welcome the opportunity to respond to this Consultation Paper. We broadly welcome the concept of the KID and efforts by the ESA's to introduce a standard document across a wider range of investment products.

However we have some concerns. From our experience with KIID we are concerned that the implementation and maintenance costs for KID may be higher. We are particularly concerned with the availability of suitable data to carry out the calculations envisaged. The licensing costs of third party market data can be considerable and may not be available in a timely manner. These costs and the practical aspects of KID preparation, production, review and update within the timescales envisaged should be carefully considered in the final RTS.

Q1

There is definitely merit in the ESA clarifying further the criteria for the comprehension alert by way of guidelines. A common approach is particularly important if the comprehension alert triggers a mandatory requirement to allow a longer period for deliberations by retail investors.

Q2

The proposed default amounts appear reasonable for most products and the use of same goes a long way to achieve comparability between products. However, we are concerned that distortion may arise for products which have a minimum investment that far exceeds the proposed amounts, particularly in the cases of unique individually tailored products with fixed launch fees which are irrespective of the investment amount. In such circumstances, we feel that it would be appropriate to permit the use of both the minimum investment amount and the default amount and allow for the inclusion of figures in the default disclosure which are based on a direct pro-rata vis a vis the minimum investment amount.

Q3

We find the categorisation guidelines to be confusing and unclear. A lot more clarity and guidance with specific examples as to categorisation is required before the RTS as it stand could be implemented. In addition, specific worked examples of each calculation type would allow manufacturers to better review and comment on the different methodologies. We are of the view that funds should be allowed to use Cornish Fisher for both Category 2 and 3 and feel that the bootstrapping approach only adds unnecessary complexity and cost to the process.

DUBLIN
No.5 Dundrum Business Park
Dundrum, Dublin 14
Ireland
Tel: +353 -1-2079700

LONDON
23 Austin Friars
London EC2N 2QP
United Kingdom
Tel: +44-203-0264615

LUXEMBOURG
2 rue des Bleuets
L-1242
Luxembourg
Tel: +352-278-60498

Q4

As long as there is a pre-defined confidence level applied then we have no issues. It would be useful though to correlate with the limit used in the UCITS KIID calculations as end users will undoubtedly compare the KID and KIID risk classifications even though they are not based off the same calculation.

Q5

Given the complexities, nuances and uncertainties of different guarantee schemes relating to scope, exclusions, limits, etc. it is not realistic to include them in the CRM. In particular these schemes would then have to be monitored as to their reliability and confidence to meet all potential claims. In reality, the robustness of these schemes are only tested in extreme situations as experienced in 2007/2008.

Q6

We would strongly advocate the introduction of a true and fair override only in cases where the manufacturer felt its risks were being portrayed as too low. We would also see merit in permitting early amendment of KIDs in cases where the SRI figure moves upwards by more than one bucket from the published figure.

Q7

While it is reasonable to adjust the credit risk for tenor the adjustment methodology should be clearly defined.

Q8

We would propose the addition of a class 8 for those products where the possibility exists that an investor may lose more than their initial investment. We believe that this is required to distinguish between normal products such as emerging market equities which are generally a 7 where it would not be possible to lose more than your investment.

Q9

We agree with this proposal but further guidance and definition of "capital protection" would be useful.

Q10

We are not aware of any such circumstances were a risk measurement could or should be lowered.

Q11

We feel it would be more appropriate to weight the SRI of the underlying PRIIPs into the overall calculation where known. We would propose that this would work in a similar fashion to including underlying funds OGCs in the case of the current UCITS KIIDs.

Q12

No. This consideration is outside of the product itself and is more appropriate to MiFID II. It may be more appropriate to include a warning on each PRIIP advising that if the investor's currency of economic exposure is different than that of the product then that risk has not been factored into the risk calculation.

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Q13

Yes, including text warning of the consequences of early redemption is adequate.

Q14

We are extremely concerned that past performance is not shown in the KID. From our experience, a standardised presentation of past performance as presently shown in the UCITS

KIID is a key to its success as it provides a meaningful way for retail investors to compare the performance of investment managers. In addition, it is based on readily available factual historical data that cannot be distorted to mislead investors.

We believe past performance should be shown alongside future performance scenarios.

The suggested approach to performance fees is reasonable.

Q15

We prefer a graphical presentation of future performance scenarios and a graphical presentation of past performance as shown on the current UCITS KIID.

We are also concerned at the lack of guidance currently available as to how to calculate the various scenarios. We believe that it is imperative that this guidance be released in tandem with the RTS and that a consultation is undertaken similar to the content of the current draft RTS.

Q16

We have serious concerns with the proposed methodology for calculating transaction costs.

It is likely to be onerous and costly to implement across all asset classes and instruments. The necessary data may not be readily available and may be expensive to source.

We would urge a re-think in this area to ensure the practical implication are fully explored before finalising the RTS.

An alternative suggestion would be to permit the optional use of the table for a period of 3 years in order to review the experience of calculating same within the industry as part of the overall review due to commence end 2018.

Q17

We feel that the values should be included in a Guideline which would be reviewed and kept up to date on an annual basis by the supervisory authorities.

Q18

The presentation of costs over holding periods should be in line with the presentation of future performance scenarios.

Q19

No comment

DUBLIN
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Q20

We believe that it is fair to allow for the separate disclosure of the risk premium so that the investment elements of each product may be compared.

Q21

It may be best to present both numeric and percentage figures. We would prefer to show an annualised actual cost structure as opposed to RIY. It works well for the current UCITS KIID and is more relevant for MIFID II disclosures. We feel that the use of RIY may necessitate the generation of a separate MIFID II disclosure document specifically to cover this point.

Q22

The graphical approach is preferable.

Q23

There is a risk of presenting too much information and hence making it difficult to assimilate.

The simpler approach is preferable.

Q24

No comment.

Q25

No comment

Q26

We prefer the detailed presentation of the different types of costs as it provides for more comparability across products.

Q27

The suggested approach is reasonable.

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Q28

As stated previously, we are concerned that the practical implementation issues and costs have not been fully considered, particularly in relation to the availability of guidelines as to how to calculate the performance scenarios and availability of data to support the calculations.

UCITS will also be placed into the unfortunate position of having to prepare UCITS KIIDs and providing information to structured product and insurance product manufacturers so that they may prepare their PRIIPs KIDs.

It would be useful to provide guidance as to best practice in this area. Options would include:

i) UCITS manufacturers to prepare and circulate a PRIIPs KID in addition to a UCITS KIID until the UCITS mandatory opt-out period ends. Consideration to be given to permit early adoption of the PRIIPS KID in replacing the UCITS KIID.

ii) The creation of a standardised template whereby the required information would be provided to the PRIIP manufacturer to allow for preparation of their KID.

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