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| 16 October 2019 |

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| Response form for the Joint Consultation Paper concerning amendments to the PRIIPs KID |
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| Date: 16 October 2019ESMA 30-201-535 |

Responding to this paper

The European Supervisory Authorities (ESAs) welcome comments on this consultation paper setting out proposed amendments to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017[[1]](#footnote-2) (hereinafter “PRIIPs Delegated Regulation”).

The consultation package includes:

• The consultation paper

• Template for comments

The ESAs invite comments on any aspect of this paper. Comments are most helpful if they:

• contain a clear rationale; and

• describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of Regulation (EU) No 1286/2014[[2]](#footnote-3) (hereinafter “PRIIPs Regulation”).

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Please do not remove tags of the type <ESA\_QUESTION\_PKID\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESA\_PKID\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA\_PKID\_ABCD\_RESPONSEFORM.
5. The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](https://www.esma.europa.eu/press-news/consultations) under the heading ‘Your input - Consultations’ by 13 January 2020.
6. Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725[[3]](#footnote-4). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | Allianz Group |
| Activity | Insurance and Pension |
| Are you representing an association? |[ ]
| Country/Region | International |

# Introduction

Please make your introductory comments below, if any:

<ESA\_COMMENT\_PKID\_1>

Allianz supports the overarching PRIIPs objectives of promoting transparency, comparability and comprehensibility. Allianz also welcomes the review of the PRIIPs Level 2 Regulation as an opportunity to address shortcomings of the KIDs on a technical level. However, to make the review an effective and efficient exercise, the Level 2 review should be performed in sync with the planned Level 1 review allowing for:

- A holistic assessment of whether the overarching objectives of the KIDs are actually achieved in practical application.

- A long-term solution for UCITS (duplicate information requirements) beyond temporary exemptions until end of 2021.

Basically, we propose to start a holistic review in 2020 so that sufficient practical experience is available. Any regulatory linkage between different financial products must sufficiently take account of their differences in the interests of the customers and the product providers.

Allianz recognizes the challenge, which is imposed by the wide variety of products in the PRIIPs scope. It is important that the methodology works for the whole range of products. Solutions should be preferred which work across the product scope. In the best case, the chosen methodology works for the whole range of products. The methodology has to be versatile enough to yield meaningful results for long term as well as for short term products; for single payments as well as regular payments; market traded products as well as products where the retail investor is only indirectly exposed to the market. A fully consistent approach and presentation of risk indicator, performance scenarios and costs is essential to enhance comprehensibility and comparability for retail customers.

Besides transparency and comprehensibility for consumers, comparability of all products is one of the cornerstones of the PRIIP regulation. However, past performance (which observes only one scenario) may not be available and suitable for many of the products in scope. To evaluate potential product features it may be necessary to look at many different possible scenarios. This allows assessing how products could cope with and behave in diverse market scenarios. Provided comparability between all products remains one of the basic principles of the KID then past performance may not be a suitable indicator. Hence, a holistic review will be required.

<ESA\_COMMENT\_PKID\_1>

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

<ESA\_QUESTION\_PKID\_1>

Indirectly – the KID has to be presented in paper to the consumer. Thus any digital presentation can only be an add on but cannot replace a KID on paper.

<ESA\_QUESTION\_PKID\_1>

1. : Do you agree that it would be helpful if KIDs were published in a form that would allow for the information to be readily extracted using an IT tool?

<ESA\_QUESTION\_PKID\_2>

That depends what this is used for. A simplistic comparison just based on a few indicators cannot replace advice and a deeper understanding of product features.

Using an IT tool would entail that all KIDs are available centrally. Also tables and such could not be integrated as a graphic into the PDFs any longer. This would require a high degree of standardisation for the PDF generation in the future.

<ESA\_QUESTION\_PKID\_2>

1. : Do you think that the amendments proposed in the consultation paper should be implemented for existing PRIIPs as soon as possible before the end of 2021, or only at the beginning of 2022?

<ESA\_QUESTION\_PKID\_3>

It is important that there is enough time to analyse and implement the changes. Therefore it is better to use the latest date possible.

<ESA\_QUESTION\_PKID\_3>

1. : Do you think that a graduated approach should be considered, whereby some of the requirements would be applied in a first step, followed by a second step at the beginning of 2022?

<ESA\_QUESTION\_PKID\_4>

A graduated approach will increase the implementation costs significantly. More importantly changing the KID in short intervals is confusing for intermediaries and for those consumers who buy products in consecutive years. Every change makes it harder to comprehend the KID and to compare to KIDs from previous years. Customers and intermediaries will find it difficult to differentiate between changes in the products themselves and changes in methodology. Therefore we favour one holistic review instead of a graduated approach.

<ESA\_QUESTION\_PKID\_4>

1. : Are there material issues that are not addressed in this consultation paper that you think should be part of this review of the PRIIPs Delegated Regulation? If so, please explain the issue and how it should be addressed.

<ESA\_QUESTION\_PKID\_5>

Allianz proposes to determine the return based on the average long-term historical risk/reward trade-off. Ideal would be using a mapping to risk factors which are calibrated on long term market data.

We propose the use of just one methodology for all products as far as possible in order to provide consumers with meaningful information and ensure proper comparability of different products. Forward-looking stochastic modelling is the most suitable option for determining the risk/reward indicator for such a broad range of products from different sectors. When establishing uniform rules, it is important that all details are prescribed on the EU level as far as possible, including models and parameters. This would enhance the comparability of the PRIIPs and lead to legal certainty. The forward-looking stochastic modelling approach was already suggested in the Technical Discussion Paper (see consultation paper from 10th November 2015). Standard textbook methodology should be preferred instead of the current methodology which is in many places not consistent, like e.g. the requirement for discounting with the risk free rate which does not reflect market risk.

While stochastic modelling is very well suited to derive a risk indicator it cannot be used to make absolute long term predictions for future performance. Any system that gives the impression on predicting the future is not well suited for performance scenarios. What-if scenarios with prescribed scenarios are much better suited for retail investors. It is important that the retail investors understand the limitations of performance scenarios. Therefore, deterministic modelling with a selection of suitable scenarios is preferable to illustrate possible pay-outs. It is important not to give the impression that the performance scenarios can predict the future. We consider it misleading to label them. It is better to give a range of scenarios without assigning probabilities to them. The higher the MRM the broader the range of scenarios should be to illustrate the higher uncertainty for customers. Also the connection between risk and reward can be illustrated.

<ESA\_QUESTION\_PKID\_5>

1. : Do you have comments on the modifications to the presentation of future performance scenarios being considered? Should other factors or changes be considered?

<ESA\_QUESTION\_PKID\_6>

No probabilities should be given for performance scenarios. No one can attach definite probabilities to future events. The probabilities strongly depend on the model used and its parameters.

<ESA\_QUESTION\_PKID\_6>

1. : If intermediate scenarios are to be included, how should they be calculated for Category 3 PRIIPs (e.g. structured products)? If intermediate scenarios are not shown in the performance section, which performance assumption should be used for the ‘What are the costs?’ section?

<ESA\_QUESTION\_PKID\_7>

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<ESA\_QUESTION\_PKID\_7>

1. : If a stress scenario is included in the presentation of future performance scenarios, should the methodology be modified? If so, how?

<ESA\_QUESTION\_PKID\_8>

<ESA\_QUESTION\_PKID\_8>

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

<ESA\_QUESTION\_PKID\_9>

The methodology yields different results for countries inside the Eurozone. That does not appear to be consistent. Most of the methodologies discussed in the consultation paper depend on data on single instrument level or at least on some kind of bucketing.

 This leads to a significant increase in operational complexity:

• How to deal with instruments for which no sufficient data are available, or which cannot be properly classified?

• Generally, how to deal with derivatives?

• For market funds which more or less follow a benchmark, data on benchmark level might be used; but what would be reasonable data for other funds (Absolute Return or Total Return Funds in the UCITS KIID world)?

These effects do not only increase complexity, but might also lead to inconsistent results when comparing different manufacturers.

Furthermore the methodology does not appear to take into account that investments are made worldwide.

<ESA\_QUESTION\_PKID\_9>

1. : The revised methodology specifies that the risk premium is determined by future expected yields. The methodology further specifies that future expected yields should be determined by the composition of the PRIIP decomposed by asset class, country and sector or rating. Do you agree with this approach? If not, what approach would you favour?

<ESA\_QUESTION\_PKID\_10>

It is not clear that the described approach delivers consistent results for all products. Especially combining Cornish-Fisher and the new risk premium approach could not be found in academic literature. Is this approach well understood? The graph on page 22 suggest that for instance volatility is altered significantly giving a false impression of a low risk.

High granularity seems to yield spurious results and high implementation and ongoing costs.

It seems that to apply the proposed methodology a look-though on single investment level is necessary.

There will be a huge effort necessary to gather all relevant information: The more detailed the method, the more data is needed – problem: look-through may not be feasible easily – how to apply derivatives and hedging instruments. What happens in case of not listed investments, derivatives is not specified.

There will be difficulty to establish and gather (update) information about risk premia (central organization determining figures valid for all countries, country specific)

The general question is: has the proposed methodology the necessary power that the benefit justifies the effort?

Furthermore, market data is required – so license agreements with external market data provider need to be in place: Possible license issues (major increase in costs  such as license costs, implementation  and maintenance costs, dependencies, …) need to be taken into account.

The degree of granularity would need be defined by regulators to ensure comparability; it should not be too granular to minimize complexity and data issues.

It is unclear how funds which are not Market Funds but Absolute or Total Return Funds (in the sense of the UCITS KIID) should be treated, e.g. so-called “liquid alternatives” such as long-short strategies.

It is necessary to establish a central provider of unique figures to be used (otherwise comparability is not granted)

<ESA\_QUESTION\_PKID\_10>

1. : The ESAs are aware that historical dividend rates can be averaged over different time spans or that expected dividend rates can be read from market data providers or obtained from analyst reports. How should the expected dividend rates be determined?

<ESA\_QUESTION\_PKID\_11>

We are not in favour of the dividend approach as it does not seem fit for this purpose.

<ESA\_QUESTION\_PKID\_11>

1. : How should share buyback rates be estimated?

<ESA\_QUESTION\_PKID\_12>

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<ESA\_QUESTION\_PKID\_12>

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

<ESA\_QUESTION\_PKID\_13>

A more detailed guideline would be required here.

<ESA\_QUESTION\_PKID\_13>

1. : The methodology proposes that the future variance be estimated from the 5-year history of daily returns. Should the volatility implied by option prices be used instead? If so, what estimate should be used if option prices are not available for a particular asset (equities namely)?

<ESA\_QUESTION\_PKID\_14>

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<ESA\_QUESTION\_PKID\_14>

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

<ESA\_QUESTION\_PKID\_15>

We would prefer better tested methodology altogether. It remains unclear why this methodology is considered to be fitting for this purpose. It is not clear how unforeseen problems can be compensated for ex ante.

<ESA\_QUESTION\_PKID\_15>

1. : Do you favour any of the options above? If so, which ones? How would you ensure that the information in the KID remains comparable for all products?

<ESA\_QUESTION\_PKID\_16>

We have severe doubts that the options allow for comparability.

<ESA\_QUESTION\_PKID\_16>

1. : Are there any other compensatory mechanisms that could address unforeseen methodological faults? If yes, please explain the mechanism; explain how it ensures that scenario information in the KID allows investors to compare PRIIPs, and explain how the information for similar products from different manufacturers remains sufficiently consistent.

<ESA\_QUESTION\_PKID\_17>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_17>

1. : What are your views on the use of a simplified approach such as the one detailed above, instead of the use of probabilistic methodologies with more granular asset specific requirements?

<ESA\_QUESTION\_PKID\_18>

The description of the approach is too vague to give an assessment. What are the growth rate being used for? How to you get probabilistic results from fixed growth rates?

<ESA\_QUESTION\_PKID\_18>

1. : Do you consider the use of a single table of growth rates appropriate? If no, how should the methodology be amended?

<ESA\_QUESTION\_PKID\_19>

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<ESA\_QUESTION\_PKID\_19>

1. : More generally, do your views about the use of a probabilistic methodology vary depending on the type of product (e.g. structured products vs non-structured products, short-term vs long-term products)? For which type of products do you see more challenges to define a probabilistic methodology and to present the results to investors?

<ESA\_QUESTION\_PKID\_20>

We propose the use of just one methodology for all products as far as possible in order to provide consumers with meaningful information and ensure proper comparability of different products.

<ESA\_QUESTION\_PKID\_20>

1. : Do you think these alternative approaches should be further assessed? If yes, what evidence can you provide to support these approaches or aspects of them?

<ESA\_QUESTION\_PKID\_21>

No, we would prefer an approach which works better across the broad scope of PRIIPs.

<ESA\_QUESTION\_PKID\_21>

1. : Are there any other approaches that should be considered? What evidence are you able to provide to support these other approaches?

<ESA\_QUESTION\_PKID\_22>

Forward-looking stochastic modelling is the most suitable option for determining the risk/reward indicator for such a broad range of products from different sectors. When establishing uniform rules, it is important that all details are prescribed on the EU level as far as possible, including models and parameters. This would enhance the comparability of the PRIIPs and lead to legal certainty. The forward-looking stochastic modelling approach was already suggested in the Technical Discussion Paper (see consultation paper from 10th November 2015). Standard textbook methodology should be preferred instead of the current methodology which is in many places not consistent, like e.g. the requirement for discounting with the risk free rate which does not reflect market risk.

While stochastic modelling is very well suited to derive a risk indicator it cannot be used to make absolute long term predictions for future performance. Any system that gives the impression on predicting the future is not well suited for performance scenarios. What-if scenarios with prescribed scenarios are much better suited for retail investors. It is important that the retail investors understand the limitations of performance scenarios. Therefore, deterministic modelling with a selection of suitable scenarios is preferable to illustrate possible pay-outs. It is important not to give the impression that the performance scenarios can predict the future. We consider it misleading to label them. It is better to give a range of scenarios without assigning probabilities to them. The higher the MRM the broader the range of scenarios should be to illustrate the higher uncertainty for customers. Also the connection between risk and reward can be illustrated.

<ESA\_QUESTION\_PKID\_22>

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

<ESA\_QUESTION\_PKID\_23>

They should replace probabilistic scenarios for all products. Any system that gives the impression on predicting the future is not well suited for performance scenarios. What-if scenarios with prescribed scenarios are much better suited for retail investors. It is important that the retail investors understand the limitations of performance scenarios. Therefore, deterministic modelling with a selection of suitable scenarios is preferable to illustrate possible pay-outs. It is important not to give the impression that the performance scenarios can predict the future. We consider it misleading to label them. It is better to give a range of scenarios without assigning probabilities to them. The higher the MRM the broader the range of scenarios should be to illustrate the higher uncertainty for customers.

<ESA\_QUESTION\_PKID\_23>

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

<ESA\_QUESTION\_PKID\_24>

Not only for structured products but consistently across the whole scope.

<ESA\_QUESTION\_PKID\_24>

1. : Do you agree with this approach to define PRIIPs which would show illustrative performance scenarios using the existing definition of Category 3 PRIIPs? If not, why not? Where relevant, please explain why this approach would not be appropriate for certain types of Category 3 PRIIPs?

<ESA\_QUESTION\_PKID\_25>

We generally oppose the idea of different methodology for different products. Comparability and consistency across the whole scope is a cornerstone of PRIIPs regulation.

<ESA\_QUESTION\_PKID\_25>

1. : Would you be in favour of including information on past performance in the KID?

<ESA\_QUESTION\_PKID\_26>

Besides transparency and comprehensibility for consumers, comparability of all products is one of the cornerstones of the PRIIP regulation. However, past performance (which observes only one scenario) may not be available and suitable for many of the products in scope. Adding information that is not available in meaningful way for all products in scope contradicts the idea of a uniform information document.

Furthermore, the combination of forward looking methodology with past performance is difficult to interpret for consumers.

<ESA\_QUESTION\_PKID\_26>

1. : Would your answer to the previous question be different if it were possible to amend Article 6(4) of the PRIIPs Regulation?

<ESA\_QUESTION\_PKID\_27>

No, we would prefer a comprehensive review to quick-changes of single Articles.

<ESA\_QUESTION\_PKID\_27>

1. : Do you think that it can be more appropriate to show past performance in the form of an average (as shown in the ESA proposal for consumer testing) for certain types of PRIIPs? If so, for exactly which types of PRIIPs?

<ESA\_QUESTION\_PKID\_28>

Why would this be an improvement? The information on the volatility in the past would be lost.

<ESA\_QUESTION\_PKID\_28>

1. : Do you have any comments on the statement that would supplement the display of past performance (e.g. with regard to the presentation of costs which are not included in the net asset value (NAV))?

<ESA\_QUESTION\_PKID\_29>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_29>

1. : Are you of the opinion that an additional narrative is required to explain the relationship between past performance and future performance scenarios?

<ESA\_QUESTION\_PKID\_30>

Past performance and future performance should not be displayed together. This would be confusing for many consumers.

<ESA\_QUESTION\_PKID\_30>

1. : Do you see merit in further specifying the cases where the UCITS/AIF should be considered as being managed in reference to a benchmark, taking into account the provisions of the ESMA Questions and Answers on the application of the UCITS Directive[[4]](#footnote-5)?

<ESA\_QUESTION\_PKID\_31>

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<ESA\_QUESTION\_PKID\_31>

1. : Do you see the need to add additional provisions for linear unit-linked insurance-based investment products or linear internal funds?

<ESA\_QUESTION\_PKID\_32>

We prefer a fully consistent and comparable approach across all products.

<ESA\_QUESTION\_PKID\_32>

1. : Do you agree that a fixed intermediate time period / exit point should be used instead of the current half the recommended holding period to better facilitate comparability?

<ESA\_QUESTION\_PKID\_33>

- The value of intermediate scenarios for consumers is not clear. Intermediate scenarios do not yield the same values as a product with that term. E.g. for a product with a term of 20 years the costs at year 10 are not necessarily the same as for a product with a term of 10 years

- As the RHP is not the same for different products people will be tempted to compare via the intermediate scenarios if those are fixed. That can be quite misleading.

<ESA\_QUESTION\_PKID\_33>

1. : In this case (of a fixed intermediate time period), do you agree to show costs if the investor would exit after 5 years for all PRIIPs with a recommended holding period of at least 8 years? Or do you prefer a different approach such as:

<ESA\_QUESTION\_PKID\_34>

5 years seems rather short for some products. It is doubtful whether a fixed period can be found which makes sense for all products. Also cf. Q33

<ESA\_QUESTION\_PKID\_34>

1. : Do you think it would be relevant to either (i) use an annual average cost figure at the recommended holding period, or (ii) to present both an annual average cost figure and a total (accumulated) costs figure?

<ESA\_QUESTION\_PKID\_35>

- An annual average costs figure like RIY is easier to interpret for consumers. Since the KID is on the product level and not on an individual contract level an accumulated costs figure will almost never fit for the individual contract. It is almost impossible for customers to correctly convert an accumulated figure when the cost structure is not linear.

- With accumulated costs figures products with longer RHP automatically appear more expensive. Comparing costs between products with different holding periods becomes very difficult for consumers.

- Considering total costs (if defined as difference of gross and net returns), the average costs of a long-term product would be higher than those of a short-term product, all else equal. Effects like that can be misleading for consumers.

<ESA\_QUESTION\_PKID\_35>

1. : Do you think that it would be helpful, in particular for MiFID products, to also include the total costs as a percentage of the investment amount?

<ESA\_QUESTION\_PKID\_36>

In terms of comparability it is not helpful for consumers if different figures are used for different products. A consistent approach across all products in scope is preferable. Furthermore RIY is also compatible with MiFID II requirements.

The total costs in percent of the invested amount can be very high and even exceed 100% for long RHPs, which is absurd.

Even if we consider accrued costs (i.e. the amount actually paid), then the average in Q.35 would just be [RIY]\*[invested amount] (which provides no new information), and we’d also have the effect that total costs in percent of invested amount can be very high.

<ESA\_QUESTION\_PKID\_36>

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

<ESA\_QUESTION\_PKID\_37>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_37>

1. : Do you agree with this analysis from the ESAs? If yes, what are your views on the extent to which fees related to the management of the underlying real estate assets, i.e. the properties themselves, should be taken into account in the calculation of the cost indicators?

<ESA\_QUESTION\_PKID\_38>

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<ESA\_QUESTION\_PKID\_38>

1. : Do you agree with the ESAs’ preferred option 3 to revise the cost tables?

<ESA\_QUESTION\_PKID\_39>

No, it does not appear like an improvement of the current version. Many insurance products have several different reference values for costs (e.g. premiums, sum of premiums, AuM, fixed). This would make the table very long and difficult to comprehend for consumers. In our experience consumers are often unable to calculate with several reference values.

<ESA\_QUESTION\_PKID\_39>

1. : If not, which option do you prefer, and why?

<ESA\_QUESTION\_PKID\_40>

None of the four options is an improvement. We prefer the current methodology with RIY in both tables, as it is more comprehensible and comparable than any of the new options.

A real improvement would be to make the tables less complex. The impact of the costs on the return is enough for most customers. The monetary amounts are often hard to interpret because the neither fit the premiums nor the holdings periods that the consumers are planning. The breakdown in table 2 is often seen as too detailed. Consumers find it hard to make sense and to appropriately priories the significance of the many different costs figures presented. Less is more in this context.

<ESA\_QUESTION\_PKID\_40>

1. : In particular, do you think that the proposed changes to the presentation of the impact of costs on the return in percentage terms (i.e. including reduction in return before and after costs) is an improvement on the current presentation?

<ESA\_QUESTION\_PKID\_41>

Generally it is a good idea to improve the explanation of RIY. Overall the costs disclosure should rather be simplified. The impact of the costs on the return is enough for most customers. The monetary amounts are often hard to interpret because they neither fit the premiums nor the holding periods that the consumers are planning. The breakdown in table 2 is often seen as too detailed. Consumers find it hard to make sense of and to appropriately prioritise the significance of the many different costs figures presented. Less is more in this context.

<ESA\_QUESTION\_PKID\_41>

1. : Do you have other comments on the proposed changes to the cost tables?

<ESA\_QUESTION\_PKID\_42>

Changes to the tables have to fit for all products. Changes that fit only for part of the scope limit comparability.

<ESA\_QUESTION\_PKID\_42>

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

<ESA\_QUESTION\_PKID\_43>

On transaction costs, we would like to comment broader than just to the point of this single question.

We welcome providing transparency of costs to investors and the inclusion of transaction

costs into the total cost figure. However, different to other costs being disclosed, transaction

costs contain an implicit cost factor that is neither invoiced nor reflected in any accounting

records. Further, given the nature of this implicit cost factor and the present calculation

method, it may be highly volatile and lead to incorrect distortions of the total cost figure.

Therefore, we recommend to re-think the presentation of transaction costs and to only

include explicit transaction costs (e.g. broker commissions, stamp duty, which are invoiced,

accounted for and audited) into the total cost figure, while we would recommend to display

the implicit costs separately with a respective explanation that allows retail clients to

comprehend this disclosure.
On the arrival price methodology, we still believe that the slippage method presents challenges to provide reasonable and meaningful results as it still captures market movements and is incorrect for certain trading strategies. In order to minimize before mentioned challenges, the arrival price should

rather be determined by referring to half the bid/ask spread at the point in time of order

execution than the point in time of order submission to the broker.

For real assets, we appreciate the suggested approach on taking into account explicit costs only.

<ESA\_QUESTION\_PKID\_43>

1. : If UCITS would fall in the scope of the PRIIPs Regulation, do you agree that the coexistence of the UCITS KII (provided to professional investors under the UCITS Directive) and the PRIIPs KID (provided to retail investors under the PRIIPs Regulation) would be a negative outcome in terms of overall clarity and understandability of the EU disclosure requirements? Are you of the view that the co-legislators should therefore reconsider the need for professional investors to receive a UCITS KII, as the coexistence of a PRIIPs KID together with a UCITS KII (even if not targeted to the same types of investors) would indeed be confusing, given the differences in the way information on costs, risks and performance are presented in the documents? Alternatively, are you of the view that professional investors under the UCITS Directive should receive a PRIIPs KID (if UCITS would fall in the scope of the PRIIPs Regulation)?

<ESA\_QUESTION\_PKID\_44>

We don’t see any merit in maintaining the UCITS KII beside the PRIIPs KID. Once UCITS managers need to provide the PRIIPs KID to retail investors, the UCITS KII should be abolished. In addition both MIFID and AIFMD have led to complaints from professional investors about the amount of information they have to receive and cannot waive to receive. Since both the UCITS KII and the PRIIPs KID were invented for retail investors, it should therefore suffice that PRIIPs providers are required to publish the PRIIPs KID on their website.

<ESA\_QUESTION\_PKID\_44>

1. : What are your views on the issue mentioned above for regular savings plans and the potential ways to address this issue?

<ESA\_QUESTION\_PKID\_45>

We strongly support and would welcome an adjustment of the PRIIPs Level 2 Regulation in line with the existing UCITS requirements. Payments which are already an element of a contract should not trigger a new KID. This is especially true for regular premiums. The KID is designed as a pre-contractual document. Further premiums do not constitute a new contract. The is no pre-contractual element here. The KID is not suitable as an ongoing information document.

Furthermore, a significant number of retail investors is still only be reachable via postal mail, i.e. sending PRIIPs updates at the very least yearly will not only be costly but will also harm the environment due to the paper which would be used.

<ESA\_QUESTION\_PKID\_45>

1. : Do you agree that these requirements from Article 4 should be extended to all types of PRIIPs, or would you consider that it should be restricted to Management Company of UCITS or AIFs?

<ESA\_QUESTION\_PKID\_46>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_46>

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

<ESA\_QUESTION\_PKID\_47>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_47>

1. : Do you agree that these requirements should be extended to all types of PRIIPs, or would you consider that they should be restricted to the Management Company of the UCITS or AIF?

<ESA\_QUESTION\_PKID\_48>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_48>

1. : Do you have any comments on the proposed approaches in relation to the analysis and proposals in this Section, and in particular on the extent to which some of the abovementioned requirements should be extended to other types of PRIIPs?

<ESA\_QUESTION\_PKID\_49>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_49>

1. : Do you think this proposal would be an improvement on the current approach?

<ESA\_QUESTION\_PKID\_50>

While it might be an improvement for some products it does not appear to be an improvement in general. On the contrary the proposal for commonly selected options introduces another type of information document, the “total” information. Thus the 10a and 10b approaches would be mixed. The customers would have to understand the differences and the significance of the generic KID, the specific information and the total information. Furthermore the most common option will usually be different depending on sales channel. Also customers might mistake the focus on the most common options as a recommendation. Providing detailed information on and producing PRIIPs KIDs for some specific investment options or some combinations could be seen as a recommendation from the PRIIPs manufacturer to the client to invest in this option or combination (which should be depending on the risk appetite of the client).

Clients will most probably choose the highlighted combinations and thus limiting the client to certain investments/investment combinations. Additionally some PRIIP manufacturers might be tempted to choose only the options where they would benefit the most.

<ESA\_QUESTION\_PKID\_50>

1. : Do you envisage significant practical challenges to apply this approach, for example for products which allow the investor to choose between a wide range or large number of options?

<ESA\_QUESTION\_PKID\_51>

Yes, the numbers of KIDs increases. Especially in the case where a product manufacturer offers several KIDs per product with different RHPs or types of premium payment this number quickly multiplies. If different common options for different distributions channels have to be taken into account the number increases again.

Also the use of the UCITS exception becomes very difficult for the common options as the information from the product level calculated via PRIIPs methodology would have to be inserted into the UCITS information.

<ESA\_QUESTION\_PKID\_51>

1. : Do you see any risks or issues arising from this approach in relation to consumer understanding, for instance whether the consumer will understand that other combinations of investment options are also possible?

<ESA\_QUESTION\_PKID\_52>

Yes, as already indicated in the question the consumer misinterpret the additional information. Consumers might wrongly assume that the highlighted options are recommendations although they might not be a good fit for everyone.

Furthermore the proposal for commonly selected options introduces another type of information document, the “total” information. Thus the 10a and 10b approaches would be mixed. The customers would have to understand the differences and the significance of the generic KID, the specific information and the total information. This adds an additional level of complexity.

<ESA\_QUESTION\_PKID\_52>

1. : Do you think this proposal would be an improvement on the current approach?

<ESA\_QUESTION\_PKID\_53>

The idea of costs ranges within the generic KID is not necessarily an improvement. The cost of a fund often depends more on the level of management (e.g. ETF vs. fully managed) than the risk class. Therefore the ranges do not necessarily become significantly smaller with this approach. But the consumers have the added burden to make sense of the clustering. This approach would create a lot of information (maybe also seen as an overload of information) risking to exceed the 3 DIN A4 pages, but it might be useful for customers who select their product by SRI.

<ESA\_QUESTION\_PKID\_53>

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

<ESA\_QUESTION\_PKID\_54>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_54>

1. : Do you have any comments on the preliminary assessment of costs and benefits?

<ESA\_QUESTION\_PKID\_55>

Due to the fact that methodologies are quite indefinite, it is currently not possible to estimate efforts and costs in detail. Although some changes appear minor a lot of systems have to be changed to implement these changes. This can be both internal as well as external systems. Before these changes stand the analysis how the changes fit into the existing systems. Furthermore intermediaries will have to be advised on the changes. Materials for customers have to be updated. Altogether the implementation costs will be rather significant. Additionally there will be an increase in ongoing costs. Some examples are:

•Look-Through on single assets/ allocation significantly increases complexity. (implementation, operating)

•Additional information needs to be added to EPTs. (implementation)

•Usage of market data (e.g. reference indices) increases license costs.

<ESA\_QUESTION\_PKID\_55>

1. : Are you able to provide information on the implementation costs of the proposed changes, in particular regarding, (1) the proposed revised methodology for performance scenarios (using a reference rate and asset specific risk premia), and (2) the overall changes to the KID template?

<ESA\_QUESTION\_PKID\_56>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_56>

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

<ESA\_QUESTION\_PKID\_57>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_57>

1. COMMISSION DELEGATED REGULATION (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents [↑](#footnote-ref-2)
2. Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), OJ L 352, 9.12.2014, p. 1. [↑](#footnote-ref-3)
3. Regulation (EU) 2018/1725 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC, OJ L 295, 21.11.2018, p. 39. [↑](#footnote-ref-4)
4. See “Section II – Key Investor Information Document (KIID) for UCITS” (in particular, Q&A 8) of the Q&A document available at: https://www.esma.europa.eu/sites/default/files/library/esma34-43-392\_qa\_ucits\_directive.pdf [↑](#footnote-ref-5)