

**BETTER FINANCE analysis - 28 November 2017****REQUEST TO THE EUROPEAN SUPERVISORY AUTHORITIES TO REPORT ON THE COST AND PAST PERFORMANCE OF THE MAIN CATEGORIES OF RETAIL INVESTMENT, INSURANCE AND PENSION PRODUCTS**

Guillaume Prache, Managing director of BETTER FINANCE, has been asked by EIOPA to contribute to the discussion on this issue. He was the rapporteur of the recently adopted OPSG (EIOPA Occupational Pensions Stakeholder Group) position paper on this topic.

EIOPA asked to focus on methodology and sources only (therefore no comment on **the scope**, see the [BETTER FINANCE press release on this issue](#)).

**Methodology & Sources**

BETTER FINANCE has hand-on experience in this area, as it has been doing it for the last five years and the only one at European level to our knowledge (see for example [our 2017 research report on the real returns of long term and pension savings in Europe](#)).

And it is BETTER FINANCE who raised the issue with the EC back in early 2015 and asked the EC at that time for this CMU Action to be included in the September 2015 CMU Action Plan (see for example [BETTER FINANCE April 2015 Briefing Paper on the CMU](#)).

**Methodology**

BF follows OECD methodology, the only other entity publishing data (but only basically for non-insurance-based occ. pension funds stricto sensu and only for some countries, and not taking into account all costs and fees)

Upstream, most asset managers use GIPS (Global Investment Performance Standards) managed by BETTER FINANCE Member CFAI

But GIPS are for the upstream investment performance of asset managers, not for other financial institutions and for pension funds or products. And we have no assurance that their national trade associations are following the GIPS when they disclose aggregated performance data. Plus as GIPS deal only with "investment" performance (not net performance at saver level), they do not take into account all costs and fees other than investment-related ones: entry/exit fees; account fees, etc.

**Sources**

*"The reporting should be based on data and information originating from disclosures and reporting already required by Union law (e.g. UCITS, MiFID/MiFIR, IDD, IORP and PRIIPs.)"*

*"UCITS KIID could serve as source of information about the past performance for UCITS and AIFs to which KIID rules are applicable at national level."*

However standardized / comparable disclosures required by EU Law will in reality be soon of no help, as – although it asks the ESAs to use it; the EC has just eliminated its only mandatory and standardized data source for past performance: the UCITS fund KIID, which will be replaced

latest end of 2019 by the PRIIPs KID which excludes any product and benchmark past performance disclosures.

**Mandatory standardized past performance and cost disclosure for long term and pension savings in EU Law**

Products	EU rule date	Document	Past performance	Total cost borne by savers
UCITS Investment funds	2010 (abrogated by PRIIPs Regulation)	KIID	> 10 years + benchmark	TER / total ongoing charges
PRIIPs	2014	KID	NONE	Reduction in yield (RIY) on one of the 4 future scenarios**
Occ. pension funds (IORPs)	2016	PBS	NONE	NONE*
Insurance-based occ. pensions	NONE	NONE	NONE	NONE
PEPP	2017 Proposal	KID	5 years - no benchmark	NONE*
Other PPPs	NONE	NONE	NONE	NONE

\* only the disclosure of the “structure” (PEPP art. 23.6) or of the “breakdown” (IORP II art. 39) of costs is required, and not standardised for IORPs.

\*\* therefore no direct disclosure/reading of standardized/ comparable cost data.

MiFID/MIFIR and IDD do not include any provision for mandatory and standardized past performance and cost disclosures.

Therefore data must be sourced from elsewhere:

- **EC** request:

*“The reports may be based on already available but potentially incomplete databases. Alternatively, collection of limited sample of data from the product manufacturers may be foreseen.”*

- **OECD** accesses national government data only
- **BF** accesses these plus those of national trade associations (not a “*limited sample of data from the product manufacturers*»), and all other sources its researchers can find, including private commercial product databases (but this applies more to ESMA – investment funds – than to EIOPA).  
But national trade associations - when they disclose aggregate performance data - typically do not disclose their methodology.
- Contrary to BF, **EIOPA** and NCAs will and should have access to these methodologies, and should be able to check their consistency.

## **Granularity**

Not at individual product level (an immense task for EIOPA, already existing from a commercial vendor for ESMA).

EC request rightly states that the « *appropriate level of granularity* » is « *categories comprising products with broadly homogenous characteristics* », as BF is doing in its own research.

Also this must be done by Member State given the national specificities of long term and pension saving products markets.