European Securities and Markets Authority

Reply form for the Consultation Paper on PRIIPs Key Information Documents

10 November 2015

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 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 under the headings 'Legal notice' and 'Data protection'.

Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_PRIIPS_1>

Feedback from the responses to the last technical discussion paper on PRIIPs.

Better Finance, the European Federation of Investors and Financial Services Users is the only dedicated representative of financial services users at European level. It counts more than fifty national and international members and sub-member organizations in turn comprising about 4.5 million individual members. Better Finance acts as an independent financial expertise center to the direct benefit of the European financial services users (shareholders, other investors, savers, pension fund participants, life insurance policy holders, borrowers, etc.) and other stakeholders of the European financial services who are independent from the financial industry.
Better Finance is the most involved European end user and civil society organisation in the EU Authorities' financial advisory groups, with experts participating in the Securities & Markets, the Banking, the Occupational Pensions and Insurance and Reinsurance Stakeholder Groups of the European Supervisory Authorities; as well as in in the EC Financial Services User Group. Its national members also participate in national financial regulators and supervisors bodies when allowed. For further details please see our website: www.betterfinance.eu

Better Finance welcomes this Consultation following the previous inquiries of stakeholders by the ESAs which enabled us to previously express our views on the KIDs from the retail investor point of view. We are thankful for the opportunity to provide our views at this key moment since we believe there are many important issues that need to be addressed by the ESAs.

Better Finance and other individual investors' expert bodies made a lot of efforts to respond to last year's 128 pages technical discussion paper made available only in English, a language not understood by the vast majority of EU individual investors.

Better Finance is quite disappointed by the "provisional feedback" provided by the ESAs from page 85 on:

- The Consultation Paper mentions 67 responses but does not provide the breakdown between industry and individual investor ones. We suspect that the industry ones are overwhelming in numbers. For transparency and democracy sakes, we ask the ESAs to disclose this breakdown of responses.
- The Consultation Paper very often refers to industry side responses on specific issues, but rarely, if at all, does it refer to those from individual investors, the user side.

For example, the feedback on the "*Cost disclosure issues in relation to the choice of the summary cost indicator* » states that a majority of responses were in favour of the RIY approach versus the TCR (Total Cost Ratio) one, and that this preference was expressed across all industry sectors. There is no mention of the investors' position, and to the fact that most individual investors (often labelled « consumers » by the ESAs) favoured the TCR approach, that has proven effective for decades for mutual funds in the USA.

Similarly, on the key issue of future performance scenarios, the CP states that « only a minority of respondents favours the consistent use of probabilistic scenarios », not mentioning the interest of the use of probabilistic scenarios to better inform individual investors for whom the use of non probability weighted future performance scenarios could prove to be very misleading. Therefore this «majority» of respondents that is said to be against the use of probabilities of occurrence of future scenarios are most likely from the industry only. There is also no disclosure of the strong warning issued by many stakeholders of the very misleading nature of non probability weighted future performance scenarios.

Also, there is not any mention of the very strong and key warning from major user side respondents but also from the whole ESMA Securities & Markets Stakeholder Group and from the European Commission's FSUG (Financial Services User Group) about the severe drawbacks of eliminating all disclosure of historical performance. We know that this is a level 1 measure but **we feel it is necessary for the sake of investor protection in the EU to reiterate that the elimination of the disclosure of standardised (comparable) past performance of the PRIIP and its benchmark (and its replacement by non probability weighted future performance scenarios) constitutes a huge step backwards in investor protection.** Therefore:

- We find that most of the positions and demands from EU citizens as users of the PRIIPs have not only been ignored in this subsequent CP, but the EU Authorities will not even let us know why. We really hope that this time our analysis and the work we put into this reply will be more respected. We also hope that in the future, the use of "majority" of respondents comes with the disclosure of which kinds of stakeholders constitute these majorities. As the examples above show, we strongly suspect they are made of mostly, if not entirely, industry respondents, introducing a very concerning bias in the consultation process.

- Lastly, we kindly ask the ESAs why this feedback is only "provisional", and when will the "final" feedback be made available to us?

Before answering to the questions listed in the CP, let us express our views on some proposals on the RTS that appear to us to have been amended if not entirely redrafted.

Article 6

We already drew attention to the huge mistake of not allowing the disclosure of past performance of the PRIIP in the KID, contrary to what is done in the KID for UCITS.

Concerning the performance scenarios, as the raison d'être of the PRIIPs regulation is to facilitate comprehension and comparison of different PRIIPs by investors, it is essential that all scenarios used by the different producers, especially when referring to a benchmark, be the same or at least be based on the same economic and financial assumptions. This is not required in the current drafting of the RTS. On the contrary, Art 17 of Annex IV states that the return of the benchmark should be set up at a level which will depend mainly on the formula giving the performance related fee (in case there is one of course). This would be against the spirit of the regulation and, worst, totally misleading. Then we urge the ESAs to remove this proposal and work on a more precise definition of the design of performance scenarios which then will have to be necessarily used by producers.

Article 8

Without entering into exceedingly technical details we would like to draw the attention to the way transactions will have to be calculated following the current RTS drafting.

In Art 14 nothing is said about the way to calculate the transaction costs as being the difference between the purchase price and the market price or the market price and the sale price, the market price (curiously named "arrival price" – a denomination which is commonly used in algorithmic trading!!!), being the mid-market price when it exists. The problem arises when there is no mid market at the time the order has been initiated, then the arrival price shall be calculated on the opening price on the day of the transaction or if not available at the previous closing price. In very volatile markets this could lead to disproportionately high or low and even negative transaction costs! So we would recommend to use standardized percentages in these extreme cases, as mentionned in the table of §25 utilized for new PRIIPs.

<ESMA_COMMENT_ PRIIPS_1>

Question 1
Would you see merit in the ESAs clarifying further the criteria set out in Recital 18 mentioned above by way of guidelines?

<ESMA_QUESTION_PRIIPS_1>
Yes, a guideline clarifying the criteria set out in Recital 18 of the Discussion Paper published on 17 Nov 2014 (JC/DP/2014/02, p74-76) could be very useful in order to identify more precisely all the products and the mechanisms concerned that may be difficult to understand by the investor and then lead to investor detriment.

<ESMA_QUESTION_PRIIPS_1>

Question 2
(i) 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?
(ii) 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 would recommend having a standardized amount whatever the product, namely 10,000 euros.
In case the PRIIP has a known required investment amount higher than the standardized one, then obviously this amount should be used instead.
We wish to remind European regulators that the default investment amount that has been used for decades for the US mutual funds summary prospectus is $ 10000. We do not see any valid reason to try to make it too different for European domiciled investment products.
<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>
No opinion.
<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>
It seem strange to use different VaR depending on the EU regulation. Why not use the 99,5% VAR used in Solvency II?
<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>
Better Finance strongly believes that the existence of a compensation scheme should not be taken into account in the CRM as these schemes are too diverse and it is extremely difficult to assess the quality of the actual “guarantee” provided: is it backed by a fully funded independent structure for instance? Besides, if the question refers to the EU wide bank deposit guarantee schemes, the KID cannot assume that the investor has deposits above or below the maximum amount “guaranteed” (typically € 100,000).
The KID may well mention narratively whether the PRIIP is covered by a guarantee scheme and which one.
<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>
Yes, especially if we keep the proposed method for calculating the SRI (see answer Q8 below)
<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>
Better Finance agrees with an adjustment of the credit risk for the tenor. According to the table of Annex II page 43 the credit risk for a CCC rated PRIIP is already close to 60% total loss probability for a five year tenor. Not adjusting for higher credit risk for a longer tenor would actually discriminate equity based PRIIPS versus fixed income ones.
We suggest adding a CRM 7 level for CCC rated PRIIPs with a tenor longer than 10 years.

<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>

The current allocation of PRIIPs products to the 7 MR measures is not at all satisfactory because some PRIIP products maybe much more risky and volatile than UCITS. If we take some CFDs or other highly leveraged products it is evident that the MR of these products is directly related to the leverage ratio, bringing volatility to very high levels. So to mix in the same class share portfolios composed of small stocks with a volatility level of let’s say 27 and a CFD on large stock with a volatility of 50 will be extremely misleading for the investor, not only the individual one! Clearly it is necessary to add one or two more classes to cope with this problem.
Likewise, the use of only 6 classes of CRM, as indicated in the table § 67 Annex II, may lead to strange categorizations as can be seen in the SRI table § 69 Annex II. In this table the highest SRI -7- , which in our view should be given to the more risky products, correspond to products having the highest market risks -7- but not necessarily the highest credit risks. Yet the CR6 class, the highest, corresponds to a risk of default of 28% at 1 year and 59% at 5 year. Whatever the market risk, it is clear that most, if not all CR6

products should have the highest SRI, namely 7 in the RTS methodology. Therefore we would like to propose two alternatives:

- one is to increase the credit risk classes to the number of MR classes (as mentioned above on Q7) and use the same composition formula,
- the other one would be to use a table like the one below :

CRM Class\MRM Class	MR1	MR2	MR3	MR4	MR5	MR6	MR7
CR1	1	2	3	4	5	6	7
CR2	1	2	3	4	5	6	7
CR3	3	3	3	4	5	6	7
CR4	5	5	5	5	5	6	7
CR5	6	6	6	6	6	6	7
CR6	7	7	7	7	7	7	7

(Of course we will not dwell on the strange case of “junk” Priips for individual investors, while all the ESAs, including EIOPA through this PRIIPs regulation, have now the duty to intervene when there is a significant investor protection concern (Article 16, regulation 1286/2014 on KID for PRIIPs). We expect them to act in favour of investor protection.)

Also, MRM and SRI scales are not appropriate for long term PRIIPs as they unduly penalise broad equity based PRIIPs. Indeed the volatility of long term (10, 20, 30 years and longer) returns is often not higher for equity portfolios than for fixed income ones, and the returns themselves are most often higher. Therefore, for long term and pension PRIIPS (like certain life cycle funds for example which can have an up to 50 year RHP), the maximum MRM of 7 may be inappropriate.
This problem will occur even more acutely when designing a market risk measure for PEPPs (Pan European Personal Pensions). As we replied to the EIOPA PEPP recent consultation, the MRM should be not a scale but a matrix adding the dimension of time horizon of the investment.

<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>
Better Finance is of the strong opinion that there is no justification for products that offer a nominal capital protection during their whole life span to be automatically allocated to MRM class 1. OECD, Better Finance and others have published more than enough evidence to demonstrate that a nominal capital protection has very little value over the mid and long term and is even quite misleading for the average investor who is subject to “monetary illusion” (looking only at nominal returns not the real returns – after inflation).
The criteria of the 5 year tenor is irrelevant in our view, as entry fees plus high inflation periods could also generate a very significant loss for investors in PRIIPs that offer so-called “capital protection” (in reality only nominal and excluding entry fees). The market risk has to be measured as well for tenor shorter than 5 years.

<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>

Better Finance is not aware of any such circumstances. More specifically, prudential regimes specifically applicable to sectors of the financial industry (i.e. CRD for banks, or Solvency II for insurers) should not in any way justify any mitigation of their credit risk assessment, as these prudential regime features are already taken into account in credit ratings.

<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>
Yes, we believe it is appropriate. In particular, in a multi-layer PRIIP, the highest credit risk assessment must be selected.

<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>
No, because the SRI is a characteristic of the product not related to the investor. But a caveat could be included bringing to light the currency risk added.
<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>
No. Some examples should be given showing the possible loss in case of early surrender or sale of the product. This raises the question of using the RHP or the maturity as reference to calculate the risk. This method is clearly not sufficient because it will show that for products like the one described in the CP p11, the MRM is very low (depending only upon the ability to repay the bond), whereas there are many occasions during 30 years that could force the investor to resell the bond: today a 30 year zero coupon French

government bond is quoting 1,86%. In five years from now it could quote 5%, therefore leading to a loss of more that 48% of the initial investment!

<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>

It seems to be contradictory to describe the intermediate performance scenario, now called moderate (!?), "*as reflecting the expected outcome of the PRIIP under normal market circumstances that can reasonably be expected for the term of the PRIIP*" (Annex IV § 9) and at the same time say that "*where the calculation of performance fees requires an assumption to be made about the return of a benchmark, the return of the benchmark shall be calculated in such a way that the return on the PRIIP generates the performance fee as prescribed in the cost section on performance fee. This return of the benchmark shall also be used to calculate the performance fee (if any) for the unfavourable and favourable scenarios*." (Annex IV § 17). This means clearly that the scenarios are designed only to show the impact of performance related fees (if any) and not to illustrate the functioning of the PRIIP under different market conditions (favourable, moderate or unfavourable) (Annex IV § 4). See our comments on Article 6 in our introductory comments
<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 main problem is not the display, but the way scenarios are calculated and selected (see above).
A graph may be more intelligible as long as key numbers are still mentioned on it to allow comparison between several PRIIPS (and provided scenarios used are the same).
<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>
No opinion, seems to be exhaustive.
<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>
No opinion. This has to be checked with the product producers.
<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 think that both figures should be given and, for annualized amounts, we favour arithmetic average.
<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>
Any actuarial trainee could do it easily.
<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>

Better Finance does not consider it useful to include the fair value component of any biometric risk premium in the cost section below the RIY. As we replied to the recent TDP, if optional, the biometric risk coverage should be priced separately as a non-mandatory option. If it is, on the contrary, imbedded in the product, then there should be a narrative included in the « What is this product » section.

<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>
The first table in Annex VII should include a column showing the total costs over the recommended holding period or until maturity.
<ESMA_QUESTION_PRIIPS_21>

Question 22
Given the number of tables shown in the KID, do you think a more graphic presentation of the breakout table should be preferred?

<ESMA_QUESTION_PRIIPS_22>
No, a graphic presentation would be, in our views, more difficult to understand by the average investor.
<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>
Not in this way : what is important to show is the way the performance related fee will diminish the total performance of the product and this depends mainly on the extra performance over the benchmark . Then, the different "scenarios" used to calculate the recurring costs should be based on different scenarios of overperformance.
<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>
No, there is need of these two tables.
<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>
Yes.
<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>
Yes, it is very important to draw investor’s attention to the different elements of costs and to their total.
<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>
Both figures should be given as in the first table.
<ESMA_QUESTION_PRIIPS_27>

Question 28
Do you have any comments on the problem definition provided in the Impact Assessment?

Are the policy issues that have been highlighted, in your view, the correct ones? If not, what issues would you highlight?

Do you have any views on the identified benefits and costs associated with each policy option?

Is there data or evidence on the highlighted impacts that you believe needs to be taken into account?

Do you have any views on the possible impacts for providers of underlying investments for multi-option products, and in particular indirect impacts for manufacturers of underlying investments used by these products, including where these manufacturers benefit from the arrangements foreseen until the end of 2019 under Article 32 of the PRIIPs Regulation?

Are there significant impacts you are aware of that have not been addressed in the Impact Assessment? Please provide data on their scale and extent as far as possible.

<ESMA_QUESTION_PRIIPS_28>

We agree with the problem definition and the policy issues.
One impact has to be examined in detail, namely the one resulting from the application of Article 15-2. Manufacturers of UCITS proposed as underlying investments will have consequently to implement the PRIIP KID de facto at the end of 2016. This goes against the level 1 exemption for UCITS and will force them to produce simultaneously KID and KIID-compliant information, which will not necessarily be compatible. That's why we would recommend authorizing the use of the UCITS KIID until 2020, when the exemption will stop.

We also strongly ask the ESAs to apply for a delay of at least one year for the implementation of the PRIIP regulation, because we consider that there will not be enough time until the end of this year to redraft the RTS and submit them to the EC, due to the many problems that are raised and remain unsolved.

<ESMA_QUESTION_PRIIPS_28>