

Ref: European Supervisory Authorities Call for Evidence on the PRIIPs Regulation

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EXECUTIVE SUMMARY

General survey on the use of the KID

BETTER FINANCE's survey with individual, non-professional investors and member organisations on the experience with the PRIIPs framework showed that only 31% of respondents felt better informed by the PRIIPs KID, 78% were less than satisfied (score lower than 8 on a scale from 1 to 10) about the information on costs, and 86% were less than satisfied about the information on performance and about the risk information.

BETTER FINANCE is of the view that the PRIIPs reform must start with the Level 1 Regulation, where key provisions on the content of the document must be amended. The PRIIPs KID must deliver key, simple, fair, clear, and not misleading information on the actual costs and performance of the product.

General survey on the operation of the comprehension alert

Input from BETTER FINANCE member organisations shows that there seems to be sufficient use of the comprehension alert, in particular for insurance-based investment products (IBIPs).

Survey on the practical application of the rules

N/A

Use of digital media

It is difficult to find statistical data on the use of digital media for the PRIIPs KID. However, BETTER FINANCE member organisations believe that while the PRIIPs KID should still be delivered in paper format, digital solutions may help in making the KID more accessible for non-professional investors by incorporating features such as layering or nudging. BETTER FINANCE advises the ESAs to consider the lessons learned from the PEPP KID and the individual pension tracking systems for digital solutions on the PRIIPs KID.

Scope of the PRIIPs Regulation

In BETTER FINANCE's view, the scope of the PRIIPs Regulation is fit-for-purpose with the exception of personal pension products, which should be included. Examples from Germany show that the same product can qualify as four different pension products – which mandates different product information sheets – and thus we highlight the need to harmonise and include these vehicles in the scope of the PRIIPs as well.

Differentiation between different types of PRIIPs

N/A

Complexity and readability of the KID

The PRIIPs KID, although designed to be accessible for the non-professional reader, is difficult to understand and use due to its content. BETTER FINANCE has pointed out on many occasions the necessary amendments to Art. 8(3) of the PRIIPs Regulation.

Performance scenarios and past performance

The proposal of the ESAs to include a cross-reference to past performance is suitable only for the short-term, as a "quick fix". BETTER FINANCE's view is that the contents of the PRIIPs KID must be addressed through a Level 1 review and re-include actual cost and past performance information.

PRIIPs offering a range of options for investment (Multi-Option Products ("MOPs"))

We believe that segregating the information would certainly not help non-professional investors and would deviate the KID from its purpose. The key pre-contractual information must be found in a single format and easily accessible for the client, rather than having to aggregate different documents. Indeed, the cost of the wrapper or insurance contract should be disclosed separately in the breakdown of costs table in the KID, the same for the underlying investment options, and then calculated as a total.

Alignment between the information on costs in the PRIIPs KID and other disclosures

Yes, there are still inconsistencies and overlaps between the MiFID II and IDD-warranted ex-ante and ex-post performance and cost disclosures – see the comments provided for Q40 in terms of the inconsistency of the ex-ante cost disclosure.

Other issues

The provisions on updating and making available the KID (general) and KIS (specific) should be clarified as, for several examples of products, it is difficult to find the latest versions (2020 and 2021) of the pre-contractual disclosure documents.

About BETTER FINANCE

BETTER FINANCE, the European Federation of Investors and Financial Services Users, is the public interest non-governmental organisation advocating and defending the interests of European citizens as financial services users at the European level to lawmakers and the public in order to promote research, information and training on investments, savings and personal finances. It is the one and only European-level organisation solely dedicated to the representation of individual investors, savers and other financial services users.

BETTER FINANCE acts as an independent financial expertise and advocacy centre to the direct benefit of European financial services users. Since the BETTER FINANCE constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other stakeholders who are independent from the financial industry, it has the best interests of all European citizens at heart. As such its activities are supported by the European Union since 2012.

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INTRODUCTORY EXPLANATIONS (for non-professional readers)

European Union (EU) law harmonised the pre-contractual disclosure documents delivered to individual, non-professional investors before acquiring investment products, such as insurance-based investment products, alternative investment funds, derivative products etc. With the exception of traditional mutual funds (UCITS), which will keep the previous disclosure documents until the 1st of January 2023, all other “retail” investment products must deliver the *Key Information Document*,¹ which summarises the characteristics of the product in four different sections:²

- *What is this product?* where the characteristics, objective and target market (intended retail investor) are mentioned;
- *What are the risks and what could I get in return?* where the risk profile (on a scale from 1 to 7) and the performance projections are presented;
- *What happens if [manufacturer] is unable to pay out?* where a statement whether the potential loss would be covered by a compensation or guarantee scheme is included;
- *What are the costs?* where the summary cost indicator and a table with the breakdown of costs are included;
- *How long should I hold it and can I take the money out early?* Information about the recommended holding period and pay-out options; and
- *Other relevant information.*

The Key Information Document (KID) for these Packaged Retail and Insurance-based Investment Products (PRIIPs) replaced other pre-contractual disclosures since the 1st of January 2018.

In light of a general review of the implementation of this framework, the European Commission asked the European Supervisory Authorities (ESAs, namely the European Securities and Markets Authority, the European Insurance and Occupational Pensions Authority, and the European Banking Authority) to survey stakeholders, issuers and beneficiaries of the PRIIPs KIDF about the implementation of this pre-contractual document.

This survey, a *Call for Evidence*, analyses different aspects of the PRIIPs KID, such as the experience with the *comprehension alert*, views on the *use of digital media* or the scope of the Regulation.

BETTER FINANCE, as a representative of beneficiaries of the PRIIPs KID, uses three sources to respond to this call for evidence:

- Its own survey on the Implementation of the MiFID II and PRIIPs frameworks;
- Input from member organisations, and
- Its own research.

The questions and section names are reiterated verbatim as in the consultation paper. The actual, formal response form for the ESAs is available here,³ as this document is the stylised version of our input.

¹ Based on the Regulation (EU) 1284/2014 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) <http://data.europa.eu/eli/reg/2014/1286/oj>.

² The information is summarised and simplified for explanatory purposes; all disclosure requirements are to be found in Art. 8(3) of the PRIIPs Regulation.

³ Link to formal response form to the PRIIPs CfE.

General comment

Q1: Please provide any general observations or comments that you would like to make on this call for evidence, including any relevant information on you/your organisation and why the topics covered by this call for evidence are relevant for you/your organisation.

BETTER FINANCE's survey with individual, non-professional investors and member organisations on the experience with the PRIIPs framework showed that, on the key aspects of the KID, the level of satisfaction was very low.

Generally, only 31% of respondents felt better informed by the PRIIPs KID, 78% were less than satisfied (score lower than 8 on a scale from 1 to 10) about the information on costs, 86% were less than satisfied about the information on performance and about the risk information.

As BETTER FINANCE highlighted on numerous occasions so far, the PRIIPs initiative meant an important step ahead for EU "retail" investor protection as the purpose was, and still is, to ensure comparability across investment products and enable the client to make an informed decision. However, due to policy choices on the design and content of the KID, this project fell short of reaching its purpose since it created more confusion and did not help non-professional clients better understand investment products.

While the European Commission, together with the ESAs, did attempt on finding amendments to the implementing regulations for the PRIIPs KID, BETTER FINANCE is of the view that the reform must start with the PRIIPs Level 1 Regulation, where key provisions on the content of the document must be amended.

The PRIIPs KID must deliver key, simple, fair, clear, and not misleading information on the actual costs and performance of the product.

General survey on the use of the KID

Q2: Do you have, or are you aware of the existence of, data on the number, type and market share of different types of PRIIPs? If you have such data, would you be in a position to share it with the ESAs?

BETTER FINANCE uses data from national statistical institutes and Eurostat on the financial balance sheets of EU27 households to determine, at a general level, the market share of types of PRIIPs. However, more granular statistics could be published at national level, albeit infrequently. For instance, in Germany, input from BETTER FINANCE's member organisation defending insurance policy holders (BdV) points to a report of 2019 published by BaFin:

https://www.bafin.de/SharedDocs/Downloads/DE/dl_Umfrageergebnisse_MiFIDII.html

In their experience, the narrow majority of answers approved the new information requirements and representations, about a quarter said the opposite. With regard to IBIPs the results are unfortunately quite opposite: the narrow majority did not see any improvement of information and nearly two thirds had not even read the KID.

Q3: In your position as product distributor or financial advisor, to what extent do you make use of KIDs to choose or compare between the products you offer to your clients? In case of trading online, does your platform offer an automatised tool that can help the retail investor in making comparisons among products, for instance using KIDs?

Not applicable to BETTER FINANCE.

Q4: If this is the case, what is preventing distributors or financial advisors from using the KID when they choose a product for a client?

Not applicable to BETTER FINANCE.

Q5: In your experience, e.g. as a retail investor or association representing retail investors, to what extent are KIDs used by distributors or financial advisors to support the investment process? Is marketing material used instead or given greater emphasis?

We are not aware of clear evidence of distributors of PRIIPs not delivering or disclosing the KID to clients or potential clients, which would represent a breach of EU law. Input from BdV presumes that the KID is given to the customers by the intermediaries just among many other documents (terms and conditions of the contract, data protection rules, etc.), in consequence the KID cannot fulfill its primordial pre-contractual information task.

Q6: What are your experiences regarding the extent of the differences between marketing information and the information in the KID? What types of differences do you consider to be the most material or relevant in terms of completeness, plain language, accuracy and clarity? What do you think might be the reason(s) for these differences?

Marketing communication materials are designed to emphasise key selling points or advantages of a product and leverage behavioural research to guide the cognitive process of the client into a certain direction, whereas the KID – as a regulatory reporting document – must be objective and present key information neither as an advantage or disadvantage. In terms of language, our research shows that marketing information uses varied terms or expressions, which are not necessarily clearer or simpler than the KID.

Most importantly, we believe that the KID delivers better outcomes for individual investors due to the fact that it's a unique document and shorter (compared to the various leaflets, brochures etc) used in marketing information and because it's complete in terms of the information disclosed to the client, in theory allowing the latter to understand and make an informed decision without any further information or reading.

For these reasons, we believe that customers are able to discern the differences between marketing information and the KID.

General survey on the operation of the comprehension alert

Q7: What are your experiences regarding the types of products that include a comprehension alert?

Input from the German market reveals that insurance product manufacturers do not make enough use of comprehension alerts. There are two main reasons why comprehension alerts are necessary: IBIPs are per se “complex products”, because they combine risk coverage and long-term savings / investments. Usually it is not clearly disclosed what is the amount of the investment part of the total premium to be invested. Additionally it is usually not disclosed that entry / distribution costs are relatively high during the first five years of the contract duration, in consequence the investment part of the total premium is relatively low just at the beginning of the accumulation phase. It is obvious that in case of early cancellation the detrimental impacts on consumers are particularly high. Comprehension alerts should therefore include this double information.

Q8: Do you have or are you aware of the existence of data on the number and type of products that include a comprehension alert? If you have such data, would you be in a position to share it with the ESAs?

No, we do not have data on this topic.

Q9: What are your experiences regarding the extent to which retail investors take into account the inclusion of the comprehension alert?

We do not have data on this topic.

Q10: As a retail investor or association representing retail investors, are you aware of the existence of a comprehension alert for some PRIIPs?

Input from BdV highlights the following:

- In September 2020 Allianz launched a new IBIP (“Allianz Allvest”) offering three types of capital return guarantees (100%, 80% or 60% of minimum return of gross premiums at maturity). In cases of 60% and 80% return guarantee the general KID comprehension alert of “*complex product which is difficult to understand*” is given, but not in the case of 100% return guarantee. The only difference is that in case of the latter there is no “*risk of loss*” as Allianz points out in the KID. But this assessment is only true, if there is no early cancellation (cf. our comment on Q7).
- Another example is given by Debeka and its IBIP “Chance Invest Plus”, which is a unit-linked product. If the policyholder chooses a contract duration (RHP) of 12 years, the Summary Risk Indicator is 4, if he chooses a contract duration (RHP) of 20, 30 or 40 years, the SRI is 2. The policyholder is not allowed to choose by himself the UCITs to be taken for the investment part, but it is invested in a fund under the management of the insurer himself. Despite the fact that no capital guarantees are given, Debeka does not include any comprehension alert in the KID (version of 01 January 2021). We consider this as a severe mistake.

Q11: What are your experiences regarding the extent to which financial advisors consider the comprehension alert?

We do not have information on this topic.

Survey on the practical application of the rules

Q12: For PRIIP manufacturers or sellers:

- ~~(a) Please describe the different types of costs incurred to comply with the PRIIPs Regulation.~~
~~(b) Can you provide an estimate of the average costs per PRIIP of complying with the requirements of the PRIIPs Regulation? Where possible, please provide a breakdown between the main types of costs, e.g. manufacturing, reviewing, publishing, etc.~~
~~(c) Can you provide an estimate of what proportion of the total costs for the product are represented by the costs of complying with the PRIIPs Regulation?~~

Not applicable to BETTER FINANCE.

Q13: What are your experiences regarding the extent to which the PRIIPs Regulation is applied in a consistent manner across the EU for the most commonly sold types of PRIIPs? What are the main areas of inconsistencies?

We do not have sufficient information or research to aggregate an analysis on this topic.

Use of digital media

Q14: Do you have or are you aware of the existence of data on the use of different media? If you have such data, would you be in a position to share it with the ESAs?

Input from the German market helps clarifying this topic. To begin with, it is difficult to find “neutral” data on this issue. For instance, the Association of German Insurers (GDV) publishes annual statistics on distribution channels (“Vertriebswegestatistik”: brokers, tied agents, bancassurance, etc.), but they are not differentiated with regard to online or classical face-to-face channels (GDV-Website: <https://www.gdv.de/de/themen/news/vermittler-sind-wichtige-saeule-fuer-die-verbrei-terung-der-riester-rente-61548>).

They are many additional studies published on online distribution channels for insurances, but more or less they aim at incentivizing distribution activities of brokers or other intermediaries like these ones (in German):

- *Bewegung im Onlinevertrieb: Wie Versicherer den Anschluss finden*
<https://versicherungswirtschaft-heute.de/schlaglicht/2020-10-06/bewegung-im-onlinevertrieb-wie-versicherer-den-anchluss-finden/>
- *Mythen über digitale Kunden von Versicherungen*
<https://www.dasinvestment.com/online-vertrieb-4-mythen-ueber-digitale-kunden-von-versicherungen/>
- *Versicherung 2030: Vertrieb ist digital*
<https://www.versicherungsmagazin.de/rubriken/branche/versicherung-2030-vertrieb-ist-digital-2668015.html>
- *Neue Ordnung: Wie Corona den Versicherungsvertrieb verändert.*
<https://versicherungswirtschaft-heute.de/unternehmen-und-management/2021-01-14/neue-ordnung-wie-corona-den-versicherungsvertrieb-veraendert/>
- *Versicherungsvertrieb: Der Digitalisierungsturbo mischt die Karten neu.*
<https://www.cash-online.de/digitalisierung/2021/versicherungsvertrieb-der-digitalisierungsturbo-mischt-die-karten-neu/572876>
- *Die Digitalisierung des Versicherungsvertriebs – Modelle der Zukunft*
<https://www.grandega.de/die-digitalisierung-des-versicherungsvertriebs-modelle-der-zukunft/>
- *Accenture Studie zum Vertriebs- und Agenturmanagement. Versicherungsvertrieb neu gedacht.* Accenture-

But there are studies as well which clearly criticize this “hype” on online distribution channels for insurances:

Versicherungen: Warum das Internet den Berater nicht ersetzen kann. Oliver Lang, Chef des Digitalversicherers One, erklärt, warum im Zeitalter von Insurtechs Makler auch künftig ihre Daseinsberechtigung behalten.

<https://www.handelsblatt.com/finanzen/vorsorge/versicherung/versicherungen-warum-das-internet-den-berater-nicht-ersetzen-kann/26048160.html?ticket=ST-70217-OZ2FVF4fSV2et39eu2Xv-cas01.example.org>

Q15: What are your experiences as a product manufacturer or product distributor or financial advisor regarding the preferred media for retail investors to access or read the KID? Are there challenges for retail investors to receive the KID in their preferred media, such as due to a certain medium not being offered by the distributor?

Not applicable to BETTER FINANCE.

Q16: How do you as a retail investor, or association representing retail investors, prefer to receive or view the KID?

Both digital and paper-based dissemination should be allowed. However, digital tools can bring several benefits for those who can access them, such as layering of information, nudging, explanations etc.

Q17: What are your experiences regarding the preferred media for product distributors and financial advisors when using the KID?

No data.

Q18: Should changes be made to the PRIIPs Regulation so that the KID is better adapted to use on different types of media?

The ESAs should consult on different digital formats that would allow a better accessibility and engagement with the KID, but the flow of information and actual content must remain the same regardless of the support.

Q19: Do you think it would be appropriate to apply the approach taken in the PEPP Regulation 2019/1238 (highlighted above) to the PRIIPs KID?

Yes, we agree: the PEPP KID was designed to accommodate both digital and paper-based distribution, and we believe that the result takes into account many findings and the experience with the other key information documents (UCITS, PRIIPs).

Scope of the PRIIPs Regulation

Q20: Do you think that the scope of the PRIIPs Regulation should be extended to any of the products referred to in Article 2(2), points (d), (e) and (g)? Please explain your reasoning.

Yes, particularly since pension products should not be approached as “extraordinary” to mandate a different regulatory framework, more particularly since many products in the scope of the PRIIPs Regulation are used for retirement purposes. For example, in Germany the same pension product of a life insurer may be offered as a regular personal pension product (IBIP), as a Riester product, as a Rürup product, as an occupational pension or as a forthcoming PEPP (following to EU/2019/1238). Currently, for each of these pension offers a different KID (based on European as well as on national regulations) has to be prepared for the potential customers. It is obvious that any comparison of performance scenarios or of calculated costs is not possible for the average customer, and this accrued variety of KIDs hinders understandability due to the complexity of texts and figures.

Of course product design differences and their legal background must not be omitted, but at least design and major categories like summary risk indicator, performance scenarios, costs over time and composition of costs should be aligned as much as possible.

Q21: Do you think that the scope of the PRIIPs Regulation should be changed with respect to other specific types of products and if so, how?

No, besides what was mentioned for Q20.

Q22: Do you think changes should be made to specify more precisely which types of financial instruments fall within the scope of the PRIIPs Regulation? Please specify the amendments that you think are necessary to the Regulation.

Yes, in BETTER FINANCE’s view, annuities should fall within the scope of the PRIIPs regulation, even the so-called “immediate annuities” (offering only the payout-phase based on a lump sum one-off contribution). Even if the contribution phase is not included in these “immediate annuities” (like in Germany “Sofortrente”), the decumulation or payout phase is calculated exactly in the same way as for PPP-IBIPs (ongoing administration costs, use of mortality tables, profit sharing mechanisms, etc.). Additionally high entry or distribution fees are deducted (from the original lump sum) in the same way as for PPP-IBIPs (at the start of the contribution phase). These additional entry fees considerably reduce the lump sum which will be used for the calculation of the life-long pay-outs.

Q23: Do you have specific suggestions regarding how to ensure that the scope of the PRIIPs Regulation captures packaged or wrapped products that provide an indirect exposure to assets or reference values, rather than assets which are held directly?

BETTERFINANCE does not have evidence from different markets suggesting that certain products that should be captured by the PRIIPs scope are not.

Q24: Do you agree with the ESA Supervisory Statement relating to bonds and what are your experiences regarding the application of the Statement?

Yes, we agree.

Q25: Do you think that the definitions in the PRIIPs Regulation relating to the scope should take into account other elements or criteria, e.g. relating to the maturity of the product, or relating to a product only having a decumulation objective, or where there is not active enrolment⁴?

No, we do not believe the definition needs to be amended.

Q26: Do you think that the concept of products being “made available to retail investors” (Article 5(1) of the PRIIPs Regulation) should be clarified, and if so, how?

Yes, the wording of the PRIIPs Regulation should be aligned with the wording of article 20 of IDD. From the perspective of the product providers and distributors the objective is “sale”. The sale can be executed with or without advice. In consequence the wording should be: “products sold with or without advice to the investors/policyholders”.

Q27: Do you think it would be beneficial to develop a taxonomy of PRIIPs, that is, a standardised classification of types of PRIIPs to facilitate understanding of the scope and that could also be used as a basis for the information on the “type of the PRIIP” in the ‘What is this product?’ section of the KID (Article 8(3)(c)(i) of the PRIIPs Regulation)? If yes, do you have suggestions for how this could be done?

No, we do not think that this standardised classification would bring additional clarification. Very probably strong discussions would emerge about the categories of this classification for already existing products and even more for any product innovations (cf. our comment on Q28). Instead of this additional classification we urge for “intensified supervision” by NCAs and EIOPA by using the already existing rather powerful means (product testing and monitoring by POG, intervention powers etc.).

Differentiation between different types of PRIIPs

Q28: Do you think that the current degree of standardisation of the KID is detrimental to the proper understanding and comparison of certain types of PRIIPs? If so, which products are concerned?

No, in line with the general comment provided, the aim should be to even further extend the PRIIPs scope and standardise the key pre-contractual disclosure

Q29: Do you think that greater differentiation based on the approaches highlighted above, is needed within the PRIIPs Regulation? If so what type of approach would you favour or do you have alternative suggestions?

No.

Q30: Do you have suggestions for how a product grouping or product buckets could be defined?

No.

Complexity and readability of the KID

Q31: Would you suggest specific changes to Article 8 of the PRIIPs Regulation in order to improve the comprehensibility or readability of the KID?

We refer to the PEPP KID, which comprises several presentation layout elements and icons (visual representations) that significantly improve the readability of the KID. However, the main issue of the PRIIPs KID is not necessarily the design and format, is the actual content: if the information disclosed is not simple, clear, and not misleading, the beneficiary will still struggle to understand it.

⁴ This might include, for example, employment based incentive schemes.

Q32: How could the structure, format or presentation of the KID be improved e.g. through the use of visual icons or dashboards?

See answer to Q31.

Performance scenarios and past performance

Q33: Do you agree with the ESAs' assessment in the Final Report (JC 2020 66) regarding the treatment of past performance?

The proposal of the ESAs to include a cross-reference to past performance is the best solution given the limited possibilities available at a regulatory level. While this “quick fix” would alleviate certain concerns, there is a need for a Level 1 (PRIIPs Regulation) reform in terms of past performance presentation.

Q34: Would you suggest changes to the requirement in Article 8(3)(d)(iii) of the PRIIPs Regulation concerning the information on potential future performance, and if so what would you specifically change in the Regulation?

Yes, in line with BETTER FINANCE's long-standing requests and answers to public consultations, Art. 8(3)(d)(iii) of the PRIIPs Regulation should be amended to replace “performance scenarios”, which cannot be interpreted otherwise than return estimations, with “disclosure of the product's past performance over the last 10 years, or the maximum available, in comparison with the market index benchmark”.

PRIIPs offering a range of options for investment (Multi-Option Products (“MOPs”))

35. Would you be in favour of requiring a KID to be prepared for each investment option (in accordance with 10(a) of the PRIIPs Delegated Regulation) in all cases, i.e. for all products and for all investment options? What issues or challenges might result from this approach?

Yes, we agree – we refer to the previous answers to PRIIPs public consultations on the topic.

36. Would you be in favour of requiring an approach involving a general product information document (along the lines of a generic KID) and a separate specific information document for each investment option, but which avoids the use of cost ranges, such as either:

- A specific information document is provided on each investment option, which would include *inter alia* all the costs of the product, and a generic KID focusing more on the functioning of the product and which does not include *inter alia* specific information on costs?; or
- The costs of the insurance contract or wrapper would be provided in a generic KID (as a single figure) and the costs of the underlying investment option (as a single figure) would be provided in the specific information document?

What issues or challenges might result from these approaches?

No, we believe that segregating the information would certainly not help non-professional investors and would deviate the KID from its purpose. The key pre-contractual information must be found in a single format and easily accessible for the client, rather than having to aggregate different documents. Indeed, the cost of the wrapper or insurance contract should be disclosed separately in the breakdown of costs table in the KID, the same for the underlying investment options, and then calculated as a total.

Q37: Do you see benefits in an approach where KIDs are prepared for certain investment profiles or standard allocations between different investment options, or for the most commonly selected options? In this case, what type of information could be provided regarding other investment options?

N/A

Q38: Do you have any other comments on the preferred approach for MOPs and or suggestions for changes to the requirements for MOPs in the PRIIPs Regulation?

No further comments.

Alignment between the information on costs in the PRIIPs KID and other disclosures

Q39: Taking into account the proposals in the ESAs' final draft RTS, do you consider that there are still other inconsistencies that need to be addressed regarding the information on costs in the KID and information disclosed according to other retail investor protection frameworks?

Yes, there are still inconsistencies and overlaps between the MiFID II and IDD-warranted ex-ante and ex-post performance and cost disclosures – see the comments provided for Q40 in terms of the inconsistency of the ex-ante cost disclosure.

Other issues

Q40: Do you think that other changes should be made to the PRIIPs Regulation? Please justify your response.

BETTER FINANCE highlights that there are still significant concerns for the KIDs of unit-linked contracts as they are themselves very complex and difficult to understand by retail investors. First of all, due to the lack of clarity of the regulatory requirements in terms of updating the KIDs and making them available to potential clients via websites. BETTER FINANCE's research shows some products have not updated their KIDs for several years.

Second, there is also the issue of performance scenarios, which we reiterate to be "*pseudo-science*" and which had nothing to do with the actual performances. For instance, in the French UL market, a product (investing in a market for which most specialised publications foresaw an interest rate half of that forecasted (net return) at the intermediate holding period (4 years).

Third, the four performance scenarios are not probability weighted between themselves, although the moderate scenario is the one used (and not disclosed) for the calculation of the summary cost indicator (the incomprehensible "Reduction-in-Yield").

At the same time, due to methodological issues, the stress scenario indicates (in one of the examples found by BETTER FINANCE) that the investor can recover the entire net investment (after deduction of costs) whereas the capital guarantee does not cover the wrapper (insurance contract) costs. At the same time, these costs are difficult to discern in the KID and have differences of calculation to the national law (ongoing costs are much smaller than what is disclosed according to the implementing measures of MiFID II). For Multi-Option Products, very

large brackets of costs are presented (the minimum and maximum costs based on the possible combinations of the supporting investments) and it is very difficult to discern whether the cheapest product (lowest costs) corresponds to which type of supporting (underlying) investment.