

**To:
European Parliament,
European Commission,
European Supervisory Authorities,
Presidency of the Council of the EU & Financial Attachés**

Brussels, 13 October 2016

Dear Madam, dear Sir,

Better Finance and EFAMA have always been strong supporters of the “PRIIPs¹” Key Information Document (“KID”), seeing it as a powerful instrument for retail investors to enable sound investment choices by allowing easier comparisons within a wide range of investment products. In order for this to happen, the rules defining the detailed contents of the PRIIPs KID must be correctly calibrated so that investors are given meaningful, comprehensible and comparable information.

Unfortunately, the recently rejected implementing rules for the PRIIPs KID (“RTSs”) suffered from a number of flaws, leading to clearly negative consequences for retail investors. Better Finance and EFAMA therefore firmly believe these flaws need to be addressed in order to avoid such an outcome.

Even if Better Finance and EFAMA may have diverging views on other issues, those addressed in this letter are so crucial for individual investors as well as for asset managers that the two organisations have come to a consensual view here. There are at least two crucial issues that need to be addressed: (1) allowing the disclosure of **past performance**, and (2) fixing the misleading **disclosure of costs and fees**, and – in particular – the **calculation methodology of transaction costs**.

Past performance

Although admittedly not a guarantee for the future, past performances of an investment product are an extremely valuable piece of factual information for investors in their investment decision, if only for investors to know whether the product has made any money or not. It is therefore very difficult to understand why investors should be deprived from such information.

Past performances are based on historical facts and can be presented in a standardised way, whenever possible with that of the benchmark chosen by the provider, alongside future performance scenarios. This allows retail investors to understand how an investment product was run in the past, provides facts about a product’s past gains or losses and ultimately allows retail investors to compare similar PRIIPs.

Costs and fees disclosure in the draft RTS is misleading. The proposed calculation methodology will deliver misleading results for the following reasons:

¹ Packaged Retail and Insurance-based Investment Products

- The market data needed for calculation is not yet available. This will only change once MiFID II/R comes into force and requires further data to be reported.
- The calculated costs are not the actual transaction costs, but also include market movements and the price at which the transaction actually takes place. This can lead to negative transactions costs, which do not reflect reality.
- Including market movements contradicts the requirements in MiFID II and IDD which explicitly exclude them.

The ESAs have already suggested a more appropriate (and much simpler) method to estimate transaction costs, but this is limited to new PRIIPs. This methodology [draft RTS Annex VI, Part 1, paras. 21-23] should be extended to be used for existing and new PRIIPs and should fully replace the erroneous methodology.

Investors' protection is at the heart of these two concerns: there should be no doubt about the understanding that investors must have the basic facts of what their investment will bring in terms of performance, risks and costs. Both aspects are fundamental to succeed in providing the right information to retail investors, and in turn to gain the trust and confidence from consumers.

We trust the Commission and the European Supervisory Authorities will follow suit, begin the process of amending the RTSs, and do so taking good account of the concerns of investors and asset managers.

We thank you for your attention.

Sincerely,



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