

Response form for the Joint Consultation Paper concerning amendments to the PRIIPs KID





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 2017¹ (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 (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:

- Insert your responses to the questions in the Consultation Paper in the present response form.
- 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.
- 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.
- 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.

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

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.

- 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](#) under the heading 'Your input - Consultations' by **13 January 2020**.
- 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) 2018/1725³. Further information on data protection can be found under the [Legal notice](#) section of the EBA website and under the [Legal notice](#) section of the EIOPA website and under the [Legal notice](#) section of the ESMA website.

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.

General information about respondent

Name of the company / organisation	Finance Finland
Activity	Other Financial service providers
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Finland

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_PKID_1>

Finance Finland is the horizontal financial sector association in Finland. Our membership covers all the essential financial services, including banks, insurers, asset managers and broker-dealers. Our membership also includes institutional investors such as pension funds.

In our response, we focus our comments on the proposals as horizontally as possible. We are a member in a number of European associations (European Banking Federation, Efama and Insurance Europe) and support their respective sector-specific views.

We welcome the ESA consultation, but would like to point out that a more thorough review of the PRIIPs regime as well as consumer testing would have been needed.

Before responding to individual questions, we would like to raise a wider issue. PRIIPs has two goals: fair, clear and not misleading information, and comparability between products. A proper balance between these goals must be found. In the current structure, the emphasis is excessively on comparability. This compromises the other aim, leading to confusing or even misleading information.

While comparability is important, it should only cover products that are comparable. Not all PRIIPs can or will be used for the same purposes. There are differences between fixed-term and open products as well as long-term and shorter-term products. It is important to provide the necessary elements of each product but not to force them into the same formulas. For example, a warrant (or note) with one week or month's maturity is not comparable to longer term investment. So, some separation of information should be envisaged on the basis of the specificities (not the legal form) of PRIIPs.

<ESA_COMMENT_PKID_1>

Q1 : Are there provisions in the PRIIPs Regulation or Delegated Regulation that hinder the use of digital solutions for the KID?

<ESA_QUESTION_PKID_1>

The starting point of PRIIPs regulation is in physical form: meeting the customer in person and providing the information in paper form. Although digital distribution of the document is possible, it is still “only” a paper document in digital (PDF) format.

We would support a comprehensive overhaul of this thinking. The starting point should be digital, with paper documents provided only on request. It should also be possible to present the information on mobile devices. This is especially relevant for younger generations, but also for the promotion of single market and cross-border competition.

<ESA_QUESTION_PKID_1>

Q2 : 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>

The ESA consultation does not elaborate what exactly is meant by this question. In principle, we are open to making use of advanced IT tools. However, it is not the first priority. There is already an open industry solution for information exchange between product manufacturers and distributors under the FinDatEx.

<ESA_QUESTION_PKID_2>

Q3 : 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>

No, all changes should be implemented at the same time at the beginning of 2022.

In our view, all changes should be implemented at the same time when the UCITS exemption is to expire. This is recommendable from the point of view of both the industry and the consumers.

For the industry, implementation of the changes is a considerable effort which requires several IT changes. This includes changes to the systems of PRIIPs manufacturers but also distributors. The ESAs indicate that the timetable would allow sufficient time for implementation. However, previous experience shows that there is a real risk of delays. Sufficient time – at least 12 months – is therefore needed for implementation.

Regarding the consumer point of view, we note that several subsequent changes are not what investors prefer. In our members’ experience, consumers would also benefit from a single deadline for changes.

<ESA_QUESTION_PKID_3>

Q4 : 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>

As explained in Q3, we prefer one single deadline for changes. Having said this, we recognise that in principle, earlier implementation would be possible for some of the proposed changes that do not require additional or new information. However, they would still require IT changes and would be difficult to communicate in a clear manner to clients. So, one single deadline is preferred.

<ESA_QUESTION_PKID_4>

Q5 : 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>

We would have welcomed more thorough and open consumer testing of different options.

We regret that this consultation process is only limited to the Delegated Regulation. A more thorough assessment of the PRIIPs framework would have been needed.

We welcome the ESA statement 20 October 2019 on the PRIIPs scope for corporate bonds. The Commission should also officially confirm the statement's views. Similar statements would be necessary for certain OTC derivatives which are used for hedging purposes.

<ESA_QUESTION_PKID_5>

Q6 : 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>

Before responding to the specific question on intermediate scenarios, we would like to make general comments on future performance scenarios.

PRIIPs has two aims: clear, fair and not misleading information, and comparability between different products. These aims may in some cases be in conflict with each other. In our opinion, the focus is currently too much on comparability, which may disturb the other aim.

Providing performance scenarios may help the investor in his/her investment decision. However, all scenarios are only projections based on predetermined assumptions. In general, they can be said to illustrate what may happen in a "normal", "good", "bad" or "catastrophic" situation. Such assumptions may be general and categorical or may involve more sophisticated formulas and processes. As noted in the consultation paper, the current formulas often provide unrealistic or misleading projections.

Instead of sophisticated and complex calculations, we would prefer a much simpler approach. Even if not as precise, it would be much easier to implement and would still provide the client with different future possibilities.

<ESA_QUESTION_PKID_6>

Q7 : 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>

As regards intermediate scenarios, we generally support their deletion for most PRIIPs. For linear products, the inclusion of historical performance will provide the necessary information. On the other hand, for some other products, the intermediate scenario could provide additional information. This is especially relevant for structured products, in which we therefore propose including the intermediate scenarios.

<ESA_QUESTION_PKID_7>

Q8 : 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>

Similarly to our response in Q7, We are generally not in favour of including the stress scenario.

For many products, the stress scenario does not fit together with the other scenarios. The purpose of a stress test or stress scenario in general is to test what could happen in extreme situations. While useful in many circumstances, we do not see that it is valuable information for retail clients in a PRIIP KIID type of document, with the exception of structured products.

<ESA_QUESTION_PKID_8>

Q9 : Do you agree with how the reference rate is specified? If not, how should it be specified?

<ESA_QUESTION_PKID_9>

We welcome the ESAs' intention to replace the current methodology. However, we do not see that the proposal solves its problems. As noted in our previous comments, we do not see the need for too complex or theoretically correct calculations. A much more simple solution of providing the investor with scenarios should be considered.

The current proposal is complex and requires a large amount of data. As pointed out on many occasions, data costs have been rising over last years.

<ESA_QUESTION_PKID_9>

Q10 : 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>

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<ESA_QUESTION_PKID_10>

Q11 : 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>

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<ESA_QUESTION_PKID_11>

Q12 : How should share buyback rates be estimated?

<ESA_QUESTION_PKID_12>

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<ESA_QUESTION_PKID_12>

Q13 : 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>

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<ESA_QUESTION_PKID_13>

Q14 : 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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Q15 : Do you think compensatory mechanisms for unforeseen methodological faults are needed? If yes, please explain why.

<ESA_QUESTION_PKID_15>

We do not think that compensatory mechanisms are needed. The fact that they are considered is a signal of fundamental failures in the methodology itself. As explained above in our response, scenarios are – and should clearly be understood as – only expressions of potential outcomes and not precise estimates. The more precise they are made (including compensatory mechanisms), the more likely it is that clients misunderstand them.

Scenarios are and will not be exact and that should be accepted.

<ESA_QUESTION_PKID_15>

Q16 : 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>
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<ESA_QUESTION_PKID_16>

Q17 : 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>
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<ESA_QUESTION_PKID_17>

Q18 : 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>
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<ESA_QUESTION_PKID_18>

Q19 : 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>

Q20 : 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>
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<ESA_QUESTION_PKID_20>

Q21 : 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>
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Q22 : 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>
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<ESA_QUESTION_PKID_22>

Q23 : Do you think illustrative scenarios should be included in the KID as well as probabilistic scenarios for structured products?

<ESA_QUESTION_PKID_23>
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<ESA_QUESTION_PKID_23>

Q24 : If not, do you think illustrative scenarios should replace probabilistic scenarios for structured products?

<ESA_QUESTION_PKID_24>
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<ESA_QUESTION_PKID_24>

Q25 : 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>
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Q26 : Would you be in favour of including information on past performance in the KID?

<ESA_QUESTION_PKID_26>

In EU regulation there are three similar types of client disclosure instruments: UCITS KII, PRIIPs KIID and PEPP KID. The approach to past performance varies between these instruments. UCITS KII, the document with most experience, includes past performance. PRIIPs KIID, the most cross sectoral document, does not. PEPP KID, the most recent document, does include past performance. So there is not a clear pattern here.

Our members' experience with UCITS KII is very supportive of past performance. Having said this, we note that PRIIPs cover a wide range of instruments and past performance is neither relevant nor suitable for all of them.

Therefore, we support the approach as proposed by the ESAs: that linear products with real history should present past performance. The presentation should follow the UCITS methodology.

<ESA_QUESTION_PKID_26>

Q27 : 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>

In principle, no. Taking into account the importance of PRIIPs KIID and the current failures, it is up to the co-legislators to make the necessary adjustments and/or interpretations.

<ESA_QUESTION_PKID_27>

Q28 : 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>

No, we do not. The strength of the current UCITS methodology is to illustrate the volatility of the product. Compared to averages this gives a much better view for consumers.

<ESA_QUESTION_PKID_28>

Q29 : 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>

We favour the UCITS methodology, which has proved to work well.

<ESA_QUESTION_PKID_29>

Q30 : 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>

We support clear and concise explanation. While the types of information are different in nature, both provide useful information.

<ESA_QUESTION_PKID_30>

Q31 : 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 Directive⁴?

<ESA_QUESTION_PKID_31>

We do not think this is an issue for the PRIIPs review and think that it should be pursued separately.

<ESA_QUESTION_PKID_31>

Q32 : 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>

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<ESA_QUESTION_PKID_32>

Q33 : 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>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_33>

Q34 : 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>

The ESA proposal includes a number of information points which might be relevant for analysts but bear the risk of confusing the average retail investor. We would favour providing the information for one (1) year and the recommended holding period.

If ESAs are to keep the requirement of intermediate period we would favour a harmonised period.

<ESA_QUESTION_PKID_34>

Q35 : 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>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_35>

Q36 : 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>

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<ESA_QUESTION_PKID_36>

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

Q37 : In this context, are there PRIIPs for which both performance fees and carried interests are applied?

<ESA_QUESTION_PKID_37>

We are not aware of such products within our membership

<ESA_QUESTION_PKID_37>

Q38 : 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>

PRIIPs covers very different kinds of investments. Regarding real estate and private equity funds, we note that there may be differences in current practices. Having said this, we note that it should not primarily be a PRIIPs issue but handled separately in the fund regulation.

<ESA_QUESTION_PKID_38>

Q39 : Do you agree with the ESAs' preferred option 3 to revise the cost tables?

<ESA_QUESTION_PKID_39>

We agree that the cost tables need to be revised. We do not agree with the ESAs preferred option 3. In general the proposals include far too much information. In our experience, clients are mainly interested in the total costs and not as much in the different cost components. Providing more figures bears the risk of inflating the information and making clients less sensitive to the information. Much more simple costs tables should be envisaged.

<ESA_QUESTION_PKID_39>

Q40 : If not, which option do you prefer, and why?

<ESA_QUESTION_PKID_40>

We have no preference for any option. However, the simpler the better.

<ESA_QUESTION_PKID_40>

Q41 : 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>

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<ESA_QUESTION_PKID_41>

Q42 : Do you have other comments on the proposed changes to the cost tables?

<ESA_QUESTION_PKID_42>

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<ESA_QUESTION_PKID_42>

Q43 : What are your views on the appropriate levels of these thresholds? Please provide a justification for your response.

<ESA_QUESTION_PKID_43>

We prefer option 2 (the principles-based approach).

There is no single good method to calculate transaction costs. The optimal calculation method will always be subject to the relevant instrument type and asset class as well as data availability.

The principles-based approach provides the ones performing the calculation with the flexibility to determine the specifics of the methodology fit for purposes in respect to the relevant calculation. In the consultation paper, the ESAs highlight that discretion in that respect carries an inherent risk of inconsistent application as well as questions or uncertainty from PRIIP manufacturers as to how to apply the criteria in practice. However, from an investor protection perspective, that risk is much better addressed with transparency of the features included in the calculation than by having a transparent mandatory calculation method which provides a non-transparent result, e.g. by not accommodating to the risk of calculations affected by “market noise”.

<ESA_QUESTION_PKID_43>

Q44 : 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 are strongly against keeping the UCITS KII for any purpose.

Professional investors have the capabilities of making their own assessment of different investments. They typically use different materials and perform their own due diligence processes before investing. This is a very different process compared to retail investors, and a KII/KID type of document is not a natural part of the process.

From the product manufacturer point of view, the UCITS KII would require keeping double processes for producing the documents, which is a completely unnecessary cost and does not, in our opinion, meet the principles of better regulation.

Regarding the content and market reactions, we are concerned that there would be two different documents with conflicting and overlapping information. In addition to confusion, the differences would bear the risk of legal conflicts.

We find it of utmost importance that co-legislators adapt the respective rules.

<ESA_QUESTION_PKID_44>

Q45 : 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>

The rules for regular savings plans should be harmonised. Such plans are an important element for retail investors and PRIIPs should not make savings overly complicated. We do not see the change in the amount relevant, since in many cases the client can do the change him/herself. Neither do we support

PRIIPs methodology either. Since PRIIPs KID is always available, there should not be additional obligation to actively provide it to the client. If material changes to the PRIIP are made, they will be communicated to the client separately.

<ESA_QUESTION_PKID_45>

Q46 : 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>

First we would like to note that these articles have two different kinds of requirements. Some of them are specific to fund structures and may be needed in the PRIIPs KIID. Some of them could in theory be expanded to other PRIIPs, but this should be carefully evaluated taking into account that current PRIIPs regulation does not require such information.

The other type of requirements are not fund-specific but general information, which is required by UCITS KII but not PRIIPs KIID. While they could in theory be included in PRIIPs and expanded to all PRIIPs, we think this should not be done. The reasons are the following:

- PRIIPs is more recent than UCITS, so if something is not required by PRIIPs it should not be considered most relevant information.
- The size of the document is already under pressure by the proposed changes and leaving something out would help that pressure.
- Concerning better regulation principles, we oppose the proposed idea of “including in the new PRIIPs KIID everything which is in the UCITS KII”. Careful judgement should be exercised and only the most important and relevant information should be included.

<ESA_QUESTION_PKID_46>

Q47 : 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>

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<ESA_QUESTION_PKID_47>

Q48 : 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>

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<ESA_QUESTION_PKID_48>

Q49 : 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>

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<ESA_QUESTION_PKID_49>

Q50 : Do you think this proposal would be an improvement on the current approach?

<ESA_QUESTION_PKID_50>

First we would like to reiterate our point on the differences between products and markets. This was clearly demonstrated in the ESA open hearing, where the industry association of a member state said that 90% of their insurance PRIIPs are guaranteed products, while another association from another member state described quite the opposite. In the Finnish market, the situation is the latter. Vast majority of new products are unit-linked products, where the client has tens or even hundreds of options to choose from.

We can understand what ESAs are aiming at in cases where a PRIIP is intended to provide one or limited investment outcomes. However, in our market reality this is not the case. Current rules have worked well and we are not aware of consumer complaints.

Second, we are not convinced that this is an issue which should be addressed in this limited review. It should be part of the wider assessment of the whole PRIIPs regime.

Third, as regards the content of the proposals, we are against the changes for the following reasons:

- There is a clear risk of confusing the client between PRIIPs product information and personal recommendation.
- For a number of clients, entirely unsuitable options would be presented.
- If the four most favoured options are presented, the client easily sees them as the four best ones.
- Presenting four options would be detrimental for consumer choice as the other options would naturally get less attention.
- There are significant practical challenges to determining which four to choose, further complicated by the need to keep the selection of these four relevant as consumer behaviour changes.

<ESA_QUESTION_PKID_50>

Q51 : 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, we do. As explained in our response to Q50, this approach would be costly and bureaucratic for PRIIPs which have a high number of investment options.

<ESA_QUESTION_PKID_51>

Q52 : 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>

As explained in our response to Q50, we see considerable risks for consumers. While it is true that the generic KID provides a limited amount of information in such products, we see it as the only sensible way. The specificities of the product are explained to the client and the flexibility for many options is a useful characteristic for clients. Admittedly, it is not always possible to include all of the necessary information for all options in a three page document. In that case, it is much better to give a general overview and provide the additional information in separate KIID documents.

<ESA_QUESTION_PKID_52>

Q53 : Do you think this proposal would be an improvement on the current approach?

<ESA_QUESTION_PKID_53>

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<ESA_QUESTION_PKID_53>

Q54 : Are there other approaches or revisions to the requirements for MOPs that should be considered?

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Q55 : Do you have any comments on the preliminary assessment of costs and benefits?

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Q56 : 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?

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Q57 : Are there significant benefits or costs you are aware of that have not been addressed?

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