European Securities and Markets Authority

Reply form for the Consultation Paper on PRIIPs Key Information Documents

10 November 2015

European Securities and Markets Authority

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>
Please see our general comments on the subjects not dealt within the consultation questions in our attached memo. The comments relate to the prescriptiveness of the KID presentation, timeline of the implementation of the Regulation, OTC derivatives and the scope, treatment of multi-option products and the criteria for periodical review of the KID.
<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>
TYPE YOUR TEXT HERE
<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 prefer to introduce a standardized amount of 10.000 euros instead of 15.000 euros for investment based insurance products. 15.000 euros is a figure not easy to compare with the figures in other PRIIPs 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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
We feel market risk is the most important factor to be displayed. It is the only one which can be displayed in figures. Credit and liquidity risks are important as well, but they need to be displayed in narrative form.

It is very important to try to find ways to present the key figures which are clear and simple enough for the consumer to understand. The KID is a document for standardized key information, which means not all of the information can be displayed. The balance between right amount and level of information (not too detailed) and the possibilities for the customer to understand and compare the products is crucial.

We feel the draft calculations on market risk are very complex and in some parts, of low quality. It was not possible for our experts to test the calculation in full as it contains flaws and unclear models.

We have drawn the conclusion that UCITS KIID model for presenting market risk would not be sufficient in draft models for calculating market risks for funds. This goes too far and present extra burden for manufacturers without a clear reason.

Aggregating market and credit risk in table 69 gives false overall picture of the risks. For example, equity funds will probably fall into classes 6-7. At the same time there are PRIIP-products which may include risk to lose more that invested capital i.e. where the client might be liable to pay more in addition to the original investment. These products will automatically fall in the category 7. In our view this is misleading for investors. From a retail client´s point of view the possibility to be obliged to pay more than the original investment is very different from the risk of losing the invested capital. The fact that the calculation method leads into this kind of outcome, is a clear indication in favor of a much simpler regime.

The calculations behind the aggregated risk table seem overly complex and going beyond what the client really needs to know in order to understand the risks of the product.

<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
We prefer the European supervisors to set parameters and performance scenarios in cases when they are not easily observable and/ calculated. This would ensure objectivity, harmonization and comparability of figures and calculation models. However, we are concerned that the current timetable does not allow for the preparation of these guidelines and for the implementation the manufacturers need in the companies.

<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 manufacturer should not be obliged to present the different scenarios in page 51 in this order (starting from the unfavorable scenario).

<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
As insurance investment products are usually very long term products, presenting costs after 1 / 3 / 5 years would result in really high theoretical figures which are not proportionate with the normal long lasting holding period. The holding period might be for example 30 years or longer, the life time.

<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>
TYPE YOUR TEXT HERE
<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>
Insurance premiums should not be regarded as costs. Premiums are paid for the insurance risk cover offered and it is not a cost for the investment. For example, this risk cover might include life insurance or cover unemployment, health or invalidity risks. As the risk cover relates to personal specificities, such as age, it is not possible to show the premium in one standardized figure. Narrative explanation on the risk premium and insurance coverage is needed. This is a unique insurance related part in the investment based insurance product, which is not included in other PRIIPs products. Including the risk premium as a cost would make it more difficult to compare actual costs for different investment products.

<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>
Overall, we feel there is a risk that the cost calculation model ends up being too detailed and too complicated. We should aim for a clear and comparable cost model, which brings added value for the customer. This means simplification is needed and every detail cannot be displayed. For example, dividing the costs into one off, recurring and incidental costs is much too detailed and going further than what the client can grasp.

It is important to keep costs paid by the retail client apart from the business costs. The business costs are included in the costs paid by the customer and therefore they might be presented twice if both have to be presented. Only the costs paid by the retail client should be presented.

As the costs shall be disclosed without the performance it might fix too much attention to the costs, without allowing the possibility to compare the costs with the possible returns. It should also be made very clear in the text that costs only present estimated and assumed costs and the presentation is not a promise of the future.

<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>
TYPE YOUR TEXT HERE
<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>
TYPE YOUR TEXT HERE
<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>
Yes, the tables should be combined. We feel there is a risk that the cost calculation model ends up being too detailed and too complicated. We should aim for a clear and comparable cost model, which brings added value for the customer. This means simplification is needed and every detail cannot be displayed.

<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>
TYPE YOUR TEXT HERE
<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>
We feel there is a risk that the cost calculation model ends up being too detailed and too complicated. We should aim for a clear and comparable cost model, which brings added value for the customer. This means simplification is needed and every detail cannot be displayed. For example, dividing the costs into one off, recurring and incidental costs is much too detailed and going further than what the client can grasp.

<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>
TYPE YOUR TEXT HERE
<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>
Another area where we find major challenges in creating an informative, accurate and comparable KID is **unit linked life insurance products**. We feel these products do fall under the scope of PRIIPs. However, there are several challenges in producing the information on these products, which need to be taken into account when drafting the RTS. Many unit-linked insurances offer currently the possibility to invest in different kind of investments, not only UCITS funds. These other underlying investments might be shares, bonds, structured products, investment baskets, almost any kind of object in value. For example, one larger Finnish manufacturer offers products with almost 100 different underlying investment options. In addition, these options vary depending on the client type and target market and on the time when the product is sold. Another example is asset management taken care under the insurance wrapper. The client chooses both the asset manager and the underlying investments under the insurance wrapper. This multitude of service providers and investment products multiplies the options underlying the insurance wrapper.

It is very clear that it will not be possible to provide a precontractual KIID document on a unit-linked insurance product that would include all investment possibilities which might be chosen by the customer. Also, we feel too detailed disclosure requirements, as suggested in draft article 15.2 goes well beyond the original meaning and mandate in article 6.3 in PRIIPs level 1 Regulation. As suggested in article 15.2, the manufacturer would be obliged to produce information which is dynamic and personalized according to the choices made by the client. This is not meaning of article 6.3 PRIIPs Regulation which obliges to disclose generic information on underlying investments.

Too detailed information requirements might lead to restrictions in the product variety of insurance wrappers, because it is impossible to give pre-information in the wrapper KID on all kinds of combinations of different underlying investment objects. It is not possible to disclose different combinations of investor´s choice beforehand, not even through specified calculation models which are not personal.

PRIIPs regulation should in no way restrict the product variety or the options in underlying investments. This is not in the remit of the aim of the PRIIPs regulation itself.

We also fear disclosing information based on artificial assumptions would lead to a requirement to disclose misleading information to the customer.

We would suggest to delete the article 15.2 and draft the disclosure obligation in a way that leaves more room for possibilities to produce information for the client on underlying investments, in a more generic way.

It seems also that draft article 15.2 imposes an obligation to produce more detailed information on risks and performance scenarios for **UCITS products** than what is required at the moment in UCITS KIID. This would mean providing the client a UCITS KIID would not be sufficient to fulfill the requirements when selling UCITS funds under the insurance wrapper. However, if the client buys UCITS funds directly, UCITS KIID would be sufficient. This would mean the client receives different information on UCITS funds depending on what kind of a contract he/she concludes. This would be against the original aim of the whole PRIIPs Regulation and would also impose a disproportionate burden on PRIIPs or fund manufacturers. When selling UCITS funds under an insurance wrapper, the information contained in UCITS KIID should suffice, as it has been working well for several years now and considered as a success in disclosing information on fund products.

Presenting risks in with-profit insurance products will need some adjustments in the way the risks are presented. For example, risks relating to the solvency and liquidity cannot be presented in figures, but will need to be presented in narrative. Also, there should not be requirements to present similar kind of performance scenarios on with-profit insurance products as in other PRIIPs products when the profit paid is fixed according to the insurance contract. For example, presenting a 0 % performance for with-profit insurance product would refer in practice to the bankruptcy of the insurance company. This would give a misleading picture of future scenarios for the client, as bankruptcy is a very rare situation in practice. There would not be a level playing field with other investment products, where 0 % performance is a much more common option depending on the market developments.

<ESMA_QUESTION_PRIIPS_28>

FK | Finanssialan Keskusliitto
FC | Finansbranschens Centralförbund
FFI | Federation of Finnish Financial Services

29.1.2016

Mari Pekonen-Ranta

To the Joint Committee of the European Supervisory Authorities

ANNEX TO THE FFI PRIIPS CONSULTATION ANSWER

General comments on the KID presentation

We feel that in general, **the Discussion paper presents and analyses too detailed and theoretical ways of calculating and presenting risks, costs and rewards. Retail client´s possibility to grasp, understand and compare the information in the KIID is essential.** Too detailed and technical information will not fulfill the original aim of the Regulation. Originally, PRIIPs KID has not been created to present information on all possible aspects and details of the product, but on the most essential ones for the client to understand and compare the product. If going into too much detail, this original aim might be lost.

The calculation models should be set at a level which is fulfilled with reasonable efforts by the product manufacturers as well. Too detailed requirements will end up raising the costs of the products, as the collection, analysis and updating of different pieces of information will bring up the administrative costs and, at the same time, do not bring the added value to the client.

As the conduct of business requirements in selling the PRIIPs products will be significantly higher due to MIFID2 and IDD rules, very detailed assumptions and calculations behind the PRIIPs KID will present high challenges for the selling staff to understand and explain the reasoning behind the KID figures for the client. This will in turn increase the risks for the manufacturers and distributors regarding the selling process.

Implementation timeline

We strongly advocate for delaying the implementation of PRIIPs regulation. The awareness of the level of detail of level 2 has only now been seen, as the Joint Committee has published the draft RTSs in this consultation. This detail and amount of work for implementation were not yet known when the timeline for the Regulation to enter into force was set at level 1.

The product manufacturers should be left with sufficient time to implement the detailed level 2 and 3 rules into their it-structures, governance processes, staff training and publishing of KID documents. Especially in the field of it-processes, detailed and technical finalizing work will not be possible without exact information on the details of level 2 and 3 rules. **The Regulatory technical standards will only be adopted in autumn 2016, or even later, and this timetable will not simply be enough for the implementation work in the financial institutions.**

Finanssialan Keskusliitto
Bulevardi 28, 00120 Helsinki
Puh: 020 793 4200
Faksi: 020 793 4202
etunimi.sukunimi@fkl.fi
www.fkl.fi

Finansbranschens Centralförbund
Bulevarden 28, 00120 Helsingfors, Finland
Tel: +358 20 793 4200
Fax: +358 20 793 4202
fornamn.efternamn@fkl.fi

Federation of Finnish Financial Services
Bulevardi 28, 00120 Helsinki, Finland
Tel: +358 20 793 4200
Fax: +358 20 793 4202
firstname.lastname@fkl.fi

In addition, the Regulation has linkages with MiFID2 and IDD, which both will most probably come into effect in the beginning of the year 2018. These directives provide for the general framework of selling and conduct of business rules for the PRIIPs products. They also contain detailed rules on complex products, target market, calculation of transaction costs etc. which will all be used in the framework of PRIIPs regulation. In addition, the ESAs will most probably issue more Guidelines at PRIIPs level 3. This will take time and the product manufacturers will need time to implement the regime in full. This is needed especially due to the extensive it-work needed in order to be able to gather and process the information needed for the KID.

Therefore, the Regulation should be implemented from the start of the year 2018.

Scope

We would like to point out to the difficulties relating to bringing certain OTC derivatives to the scope of PRIIPs, if they´re used in hedging purposes. These products are sold mainly to SME clients which are not the main client target group of the PRIIPs regulation. The clients are mainly other than traditional retail clients. In our view it is not appropriate nor comparable to provide KID information on these kind of products. These products do not offer investment purpose but hedging purpose. As retail investors commonly use derivatives to hedge other activity, the current scope could lead to misleading or factually incorrect KIDs.

OTC derivatives are made to measure products created or adjusted for the customer in each individual case. They do not exchange amounts repayable, but are subject to a payment of a premium. As these products do not offer investment purpose and are not subject to fluctuation, they do not fulfill the criteria of a PRIIPs product defined in the Regulation. Thus, derivatives that do not offer an investment opportunity but only have a hedging purpose should be out of scope of PRIIPs.

Derivatives and their usage in hedging scenarios is considered to be a vital component in ensuring safe and responsible growth in the real economy. Derivatives are used by retail investors to regulate their cash flows and to hedge against market turbulence in rates or foreign exchange exposures. Such a situation would be that a small or midsize business (SME) may use derivatives to hedge for example forex flows in particular when doing cross border business or the interest rate component of their loans.

It would be impossible to fit most derivatives within the architecture proposed for the RTS. In particular, pure hedging products (for example those which involve the relevant individual selling puts or calls, or going short of a notional position) cannot be fitted into the proposed framework easily, or in some cases at all, without generating misleading information.

In addition, costs associated with the administration of operating such a business to help SMEs hedge risk must be managed, which may require banks to rethink this business. European SMEs will no longer have the same access to necessary hedging derivatives when managing risks such as interest rate mismatches, foreign exchange risk, credit risk, commodity risk or emissions allowance risk. Leaving SMEs with access to a limited range of standardised derivatives, which creates a situation where SMEs either have to take on a larger hedging position than required, i.e. a speculative position in the derivative for the surplus, or become limited to an insufficient hedging position leaving for instance a residual commercial risk when running cross-border operations.

Multi-option products

Another area where we find major challenges in creating an informative, accurate and comparable KID is unit linked life insurance products. We feel these products do fall under the scope of PRIIPs. However, there are several challenges in producing the information on these products, which need to be taken into account when drafting the RTS. Many unit-linked insurances offer currently the possibility to invest in different kind of investments, not only UCITS funds. These other underlying investments might be shares, bonds, structured products, investment baskets, almost any kind of object in value. For example, one larger Finnish manufacturer offers products with almost 100 different underlying investment options. In addition, these options vary depending on the client type and target market and on the time when the product is sold. Another example is asset management taken care under the insurance wrapper. The client chooses both the asset manager and the underlying investments under the insurance wrapper. This multitude of service providers and investment products multiplies the options underlying the insurance wrapper.

It is very clear that it will not be possible to provide a precontractual KIID document on a unit-linked insurance product that would include all investment possibilities which might be chosen by the customer. Also, we feel too detailed disclosure requirements, as suggested in draft article 15.2 goes well beyond the original meaning and mandate in article 6.3 in PRIIPs level 1 Regulation. As suggested in article 15.2, the manufacturer would be obliged to produce information which is dynamic and personalized according to the choices made by the client. This is not meaning of article 6.3 PRIIPs Regulation which obliges to disclose generic information on underlying investments.

Too detailed information requirements might lead to restrictions in the product variety of insurance wrappers, because it is impossible to give pre-information in the wrapper KID on all kinds of combinations of different underlying investment objects. It is not possible to disclose different combinations of investor´s choice beforehand, not even through specified calculation models which are not personal.

PRIIPs regulation should in no way restrict the product variety or the options in underlying investments. This is not in the remit of the aim of the PRIIPs regulation itself.

We also fear disclosing information based on artificial assumptions would lead to a requirement to disclose misleading information to the customer.

We would suggest to delete the article 15.2 and draft the disclosure obligation in a way that leaves more room for possibilities to produce information for the client on underlying investments, in a more generic way.

It seems also that draft article 15.2 imposes an obligation **to produce more detailed information on risks and performance scenarios for UCITS products than what is required at the moment in UCITS KIID.** This would mean providing the client a UCITS KIID would not be sufficient to fulfill the requirements when selling UCITS funds under the insurance wrapper. However, if the client buys UCITS funds directly, UCITS KIID would be sufficient. This would mean the client receives different information on UCITS funds depending on what kind of a contract he/she concludes. This would be against the original aim of the whole PRIIPs Regulation and would also impose a disproportionate burden on PRIIPs or fund manufacturers. When selling UCITS funds under an insurance wrapper, the information contained in UCITS KIID should suffice, as it has been working well for several years now and considered as a success in disclosing information on fund products.

Periodical review:

Since the KID has been designed as pre-contractual information, the issuance/ offering process for specific types of PRIIPs must be taken into account. Therefore for continuous PRIIPs like UCITS we agree with the measures outlined for **periodic review, revision and republication of the KID where <u>material</u> changes are found.** The word material should be added as a criteria, in order to scale out updating for minor amendments This is the wording used for UCITS KIID revision as well. Reference in the draft recital 19 on informing the clients about revision with the help of mailing lists or email alerts should be deleted, as this is not practically possible.

We are in favor of the proposed wording in draft article 20 regarding products made available on a non-continuous manner.