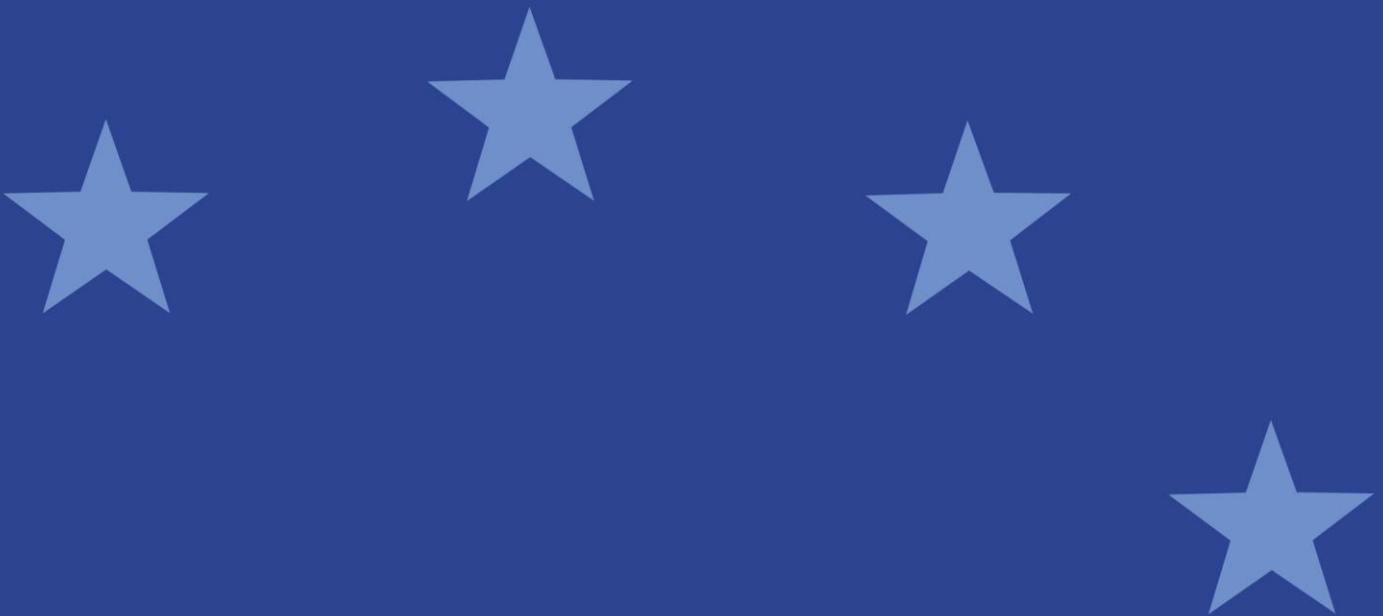




European Securities and
Markets Authority

Reply form for the Consultation Paper on PRIIPs Key Information Documents



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>

ISDA has submitted this response to JC 2015 073 on the behalf of the Joint Associations Committee (JAC). ISDA and the ICMA both endorse this response.

<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>

We are of the view that the ESAs should issue guidelines to clarify the criteria in Recital 18 for assessing whether or not the KID should include the comprehension alert.

Recital 18 states that a product should be regarded as not being simple and as being difficult to understand if:

- it invests in underlying assets in which retail investors do not commonly invest;
- it uses a number of different mechanisms to calculate the final return of the investment creating a greater risk of misunderstanding on the part of the retail investor; or
- if the investment's pay off takes advantage of retail investor's behavioural biases, such as a teaser rate followed by a much higher floating conditional rate, or an iterative formula.

We think that the criteria are vague and difficult to interpret/apply. For example, how should a manufacturer determine whether the underlying assets in which a product invests are assets in which an investor commonly invests? We think that there will be considerable divergences in the application of these criteria in different jurisdictions. In the absence of further guidance, manufacturers may be forced to take a conservative view and include the comprehension alert in all cases which will negate its effect.

Detailed guidance is therefore required as to which products would and would not fall within the category of PRIIPs that require a comprehension alert. As noted in our response to JC/DP/2014/02, the ESAs guidance should be sufficiently specific so as to ensure a reasonably consistent approach by manufacturers and competent authorities. We also reiterate our previous comment that the list of permitted investments in Article 50 of the UCITS Directive (2009/65/EC) is a sensible starting point for compiling a list of assets which are commonly invested in by retail investors, although the list would need to be adapted to reflect its application to a broader range of products.

We note that ESMA has developed guidelines (2015/1783) on the assessment of complexity for debt instruments and structured deposits in order to assist firms that wish to provide execution only services for products which are non-complex under MiFID 2. We think that a similar approach should be taken for PRIIPs.

Our understanding of Recital 18 is that KIDs for non-formula based UCITS would not require a comprehension alert. It does not seem appropriate as active management (for instance hedge-fund type of strategies wrapped in UCITS funds) can be as (if not more) complex as formula based PRIIPs. This creates an unlevel playing field between PRIIPs which are UCITS and PRIIPs which are structured products or unit-linked insurance. Our view is that only simple index-tracking UCITS should be considered not to be caught by

the comprehension alert, while all other PRIIPs (complex actively managed UCITs, derivatives, structured products) would need the comprehension alert).

<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>

- (i) We are of the view that providing percentage figures is preferable since denominations vary between products and the proposed default amounts could lead to investor confusion in relating the default amounts to their actual investment.

To ensure comparability across all products, we think that the default amount should be the same for all types of PRIIPs, for example EUR 1,000. We therefore disagree with the EUR 15,000 default amount for insurance products.

- (ii) We would favour an approach whereby, in the absence of a specified minimum investment amount and price, the prescribed standardised amount is the default option.

For comparability, using percentage figures for default amounts is more helpful in allowing the investor to make comparisons with other products (which is the key purpose of the KID). For the reason set out in our response to question 2(i), we would favour using percentage figures.

<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>

We think that the same methodology should be used for all PRIIPs for which a VaR equivalent volatility needs to be calculated rather than having the option of either the Cornish Fisher expansion or a bootstrapping approach.

Despite Cornish Fisher being a good method, bootstrapping historical simulation VaR is the preferable approach as it maintains the true distributional properties along with tackling the scarcity of adequate data since bootstrapping utilizes historic data (rather than implied data) which would lead to more consistent results since historical data can be more readily sourced.

However, for certain products (for example linear products within category II), we are aware that bootstrapping is regarded as a complex methodology which may not be well understood by market participants.

<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>

As noted in the Consultation Paper, every specific confidence interval will have certain advantages and disadvantages. Since the proposed confidence interval of 2.5% is the most commonly used confidence interval, we agree with this approach. However, we would draw your attention to the potential issue of comparability of products which have different holding periods or different barrier levels which would need to be addressed.

<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>

The availability of protection schemes is not properly an aspect of the credit exposure of the investor, but an external factor which only arises on the default of the counterparty. More importantly, an investor may still suffer loss if the protection scheme covers return of principal but not investment returns. Finally, protection scheme cover is generally limited in scope to a particular monetary value. All of these factors make it extremely difficult to incorporate compensation scheme cover into this credit risk assessment. Consequently we are of the view that the nature of available protection is likely to have to be specifically disclosed rather than wrapped up in the credit risk assessment.

<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>

We would not favour PRIIP manufacturers having the option to voluntarily increase the disclosed SRI. The concern is that this creates a potential liability issue for the manufacturer. That is to say that if the Level 2 measures prescribe the risk class that must be assigned to a PRIIP, insofar as the manufacturer has applied the methodology correctly the manufacturers cannot incur any further liability. If the RTS is amended to say that manufacturers may assign a higher risk class to their PRIIP, this exposes all manufacturers to potential liability where they have not adjusted upwards since they are permitted to do so.

This will result in manufacturers having a further review after the initial assessment is completed, a process which will add complexity and cost but will not have any significant benefit. The unintended consequence of such a development could be that manufacturers may, if uncertain, unnecessarily adjust upwards to reduce their potential liability which in turn may impact on comparability.

<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>

Tenor should be disregarded from the credit risk calculation and credit rating (where available) should be the most significant factor in determining credit risk as it is the standard means of evaluation credit risk for debt securities. Adding tenor further complicates matters and will mean that longer term products will inevitably be assigned a negative bias. Credit risk can be properly reflected by using a Credit Default Swap for the relevant maturity as the best proxy to measure Credit Risk. For changes during the tenor, it is expected that this will get adjusted on an ad hoc basis should there be a change and on an annual basis by default.

<ESMA_QUESTION_PRIIPS_7>

Question 8

Do you agree with the scales of the classes MRM, CRM and SRI? If not, please specify your alternative proposal and include your reasoning.

<ESMA_QUESTION_PRIIPS_8>

The preference would be to have a broader potential range of SRI ratings for structured products from 1-7 rather than a very limited part of the scale. There should however be consistency within the scale such that, for example, a structured product with principal protection linked to a specific underlying may be given a better rating than the underlying itself.

<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>

We think that the wording "and can be redeemed against their initial investment" is misleading.

The vast majority of bonds technically do offer capital protection but cannot be redeemed against the initial investment since they are sold in the market at a discount. This creates an advantage for structured deposits compared to structured notes. Any product that offers capital protection during the entire lifespan of the product should be allocated to MRM class 1 whether or not it can be redeemed against its initial investment. In particular, deposit-type products with open redemption frequently provide that early redemption results in a loss of some or all of the investment return. This means that such products are significantly higher-risk than equivalent notes, where sale shortly prior to maturity would not result in such a loss. This means that it would be actively misleading to assign a deposit with these terms to a lower risk class than an equivalent note.

There is also an issue as to whether this criterion would be satisfied if such redemption were to be intermittent (for example, redemption windows at the end of each calendar month), or provided through repurchase arrangements similar to those envisaged in Art 1(2)(b) of the UCITS directive.

Clarification is also required for derivatives that offer capital protection and carry a right to be sold, liquidated or closed out at any time at their fair value.

Annex II paragraph 9(c) states that derivatives should be qualitatively assessed to MRM class 7. This needs, at a minimum, clarification as to whether derivatives which satisfy the criteria of full capital protection and, if included, redeemability, should be classified as class 1 or class 7.

On this basis, the risks associated with the buying of an option, where there is no risk/loss just the payment of a premium, would be assessed in the same way as the writing of an option where it is possible to lose more than you put in. We think that this needs to be clarified.

It is questionable why there is an automatic default option of MRM 1 for category 1 PRIIPs. Where a product has a significant level of protection embedded in it, it seems unbalanced that complete capital protection will be assigned to MRM 1 whereas a comparable product with a significant but not absolute level of protection may be allocated an MRM of 4 or 5.

Setting the maximum tenor at 5 years may lead to bias for insurance products. Many life insurance products are principal protected but need to be held for more than 5 years, for example in France, the contractual holding period is 8 years.

The availability of risk management products for retail investors is also likely to be significantly damaged if all derivatives are allocated an MRM of 7 regardless of their actual level of risk.

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>

We note that under Annex II paragraph 65a, for a credit risk exposure to be deemed immaterial, it must be appropriately collateralised meaning that the collateral assets are held with a third party in a segregated account in compliance with the equivalent requirements under AIFMD or UCITS, there are no preferred creditors over the PRIIPs investors in relation to the collateral assets held in the segregated account. There is also a requirement that the value held in the account is equal to the amount that is to be paid out at maturity (presumably without recognising time value).

We are uncertain why Annex II paragraph 65(a) cross refers to AIFMD/UCITS. This seems quite restrictive, since the conditions provided for the custody of UCITS and AIFMD assets are extremely onerous and will not be available to other types of entity since the conditions include the depositary accepting liability. Further, paragraph 65a seems to suggest that credit risk mitigation techniques recognised under the Capital Requirements Regulation (CRR) would not be recognised under the PRIIPs regime.

The logical cross-reference in this context would seem to be to the credit risk mitigation conditions of Chapter 4 of Title 2 of the Capital Requirements Regulation EU 648/2012 (CRR). This would be more appropriate, since the credit risk quality steps methodology is a CRR methodology. If CRR is the basis then why not use the CRR rules on credit risk mitigation?

In addition to the above, other circumstances in which the credit risk assessment should be assumed to be mitigated include overcollateralization. It is also the case that the primary form of credit enhancement encountered as regards PRIIPs is likely to be parental guarantees given to an issuing vehicle. If such guarantees are not recognized for this purpose, then a wholly misleading picture of the credit risk inherent in the PRIIP will be given.

<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>

We think that this question is unclear. We think that the question is asking whether for PRIIPs with a number of underlyings, whether the credit risk of each underlying should be assessed.

If the objective is to accurately capture credit risk, a look through approach is appropriate. However, a better approach might be to use the CRR double default risk methodology. It is not clear how credit risk should be assessed in relation to a credit linked note, particularly where the note is linked to a basket of underlying names. In such an example, would

it be necessary to look through to the credit worthiness of the underlying names? If so, how would the credit worthiness of the basket be calculated (e.g. should an average be taken across all constituents of the basket).

Also where a UCITS is repackaged through a PRIIP, the position as regards the disclosure requirements is unclear.

<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>

The risk indicator is, by definition, an attempt to present a complex set of pieces of information in a single simplified form. The decision to include credit risk in this indicator means that the risk indicators for different products will not be comparable, and will arguably be misleading to the extent that they appear to be presented as guides to investment risk and return. To include further risk elements such as foreign exchange volatility, variation in risk over the life of the product, or other factors, will make the indicator harder to understand and less comparable across products - for example it is far from clear that an investor seeking a USD denominated product with a risk rating of 3 compared with a similar EUR denominated product with a risk rating of 2 will automatically know that the difference should be ascribed to the different currency denominations and not some other factor. This could have the effect of causing an investor seeking a higher-performance product to invest in a lower-performance product. In our view the risk indicator is already too complex and potentially misleading, and it would be a mistake to complicate it further by the inclusion of further risk elements. The currency risks should be disclosed in text form, where there is a greater chance of their being understood.

Also, when applying PRIIPs to currency hedging derivatives, the point of the derivative is to negate currency risk. It would therefore be highly misleading if such a transaction were required to be described as increasing currency risk

<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>

We consider that this is already sufficiently addressed in Article 9 of the draft RTS. With respect to structured products, the expectation of investors and the basis on which these are typically sold is on the assumption and understanding that these are buy to hold products and standard risk disclosure is absolutely consistent on this, as is disclosure around an investors ability to potentially sell back the product or the extent to which there will be any secondary market with respect to the product should they want to sell back the product prior to maturity. We consider that this should be made clear in the PRIIP along the lines of a simple and clear risk disclosure such that you could suffer loss should you sell your product early.

<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>

Performance scenarios should be presented net of all implicit costs to avoid any misunderstanding by the investor, implicit costs being defined as the sum of costs upon which the manufacturer has control including the performance fee.

It should be noted that where the quantum of the fee depends upon the performance of the underlying it is very difficult to accurately estimate what the level of the accrued fees will be on a single future date for either a moderate or favourable scenario. This because the level of fees will inherently depend upon the performance or path of the underlying during the time period being analysed. Hence, providing such a figure would have to be heavily disclaimed and/or rely on a number of basic assumptions e.g. assume there is a 5% p.a. fee paid on the underlying NAV (accrued daily) and in one years' time the underlying is 20% higher than on the start date. The level of the fee would not equate to a straight forward calculation of $5\% \times 1.2$ but would instead depend upon how the underlying had evolved during the year.

<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>

Our preference is for tabular presentation only. We think that the scenario analysis should focus on a table with the numeric results as it is simpler, clearer and therefore easier to comprehend.

<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>

The asset classes set out in paragraph 25 of Annex VI for the computation of transaction costs apply to investment funds and not structured products.

The approach to standardised costs is helpful for PRIIPs which pass through actual cash transactions in underlying securities, in that it would be impossible for many PRIIPs manufacturers to identify the actual costs of these transactions. However, for PRIIPs manufacturers who pass through the value of positions taken synthetically, these figures will not relate to any actual cost incurred by the manufacturer. As a result it should be made clear that these proxies for actual costs should only be used where the outcome of an actual transaction is a cash underlying that is passed through to the end investor.

<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>

As stated in our response to question 16, the asset classes set out in paragraph 25 of Annex VI for the computation of transaction costs apply to investment funds and not structured products.

The approach to standardised costs is helpful for PRIIPs which pass through actual cash transactions in underlying securities, in that it would be impossible for many PRIIPs manufacturers to identify the actual costs of these transactions. However, for PRIIPs manufacturers who pass through the value of positions taken synthetically, these figures will not relate to any actual cost incurred by the manufacturer. As a result it should be made clear that these proxies for actual costs should only be used where the outcome of an actual transaction is a cash underlying that is passed through to the end investor.

<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>

In almost all other forms of financial communication with investors (personal loans, mortgages, deposit accounts, fund management fees) investors are provided with annualised rather than total costs as the primary cost indicator. It seems odd to present this particular product type using a different format. In our view this will create a significant risk that investors will assume that the total cost is an annualised cost and be misled as a result.

Annualised amounts is artificial for structured products with upfront/embedded costs and no annual/ongoing fees. Many structured products have typical one-off costs and for such products it may be difficult or confusing to present these as an annualised amount. For example, some products may have a secondary market with a bid/offer spread of 1%, how would one describe the exit fees for such a product if it had, for example, a five year tenor? Thus we would propose that if a fee is not paid or accrued annually it should not be presented as an annualised amount.

<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>

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<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>

Investors are usually presented with costs expressed as percentages. If that is departed from as regards this product but adhered to for other products, we perceive an increasing chance of consumers being misled.

Percentage amounts, rather than monetary values, are preferred for ease of comprehension.

<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>

Whilst graphics can be informative, our view is that tabular form is preferable for simplicity, ease of interpretation and compliance with the mandated 3 page limit of the KID.

<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>

The KID is already a complex document, and including further information will add further complexity. This is likely to be detrimental to the overall impact, no matter how useful the individual piece of information may be. There is also the risk that by highlighting the "moderate" scenario, investors may be induced to think that this represents a promise of that return. This would be a highly undesirable outcome for both investors and regulators. No outcome should be flagged by the document as the outcome which an investor should rely on unless that return is formally committed to by the PRIIP manufacturer.

<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>

In light of the mandated length of the KID, we would prefer the tables to be combined into a single table without any graphics.

<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>

Our understanding is that the RIY would be computed as a Total Cost being annualized, defined broadly as The Total cost divided by the tenor of the product. This would ensure numbers in the cost table add up, and comparability with UCITs funds.

The RIY allows accounting for a cost structure that can be applied to a diverse variety of structures. In addition, RIY allows an accurate estimate of the Fair Value of the product and is understandable for retail investors considering both the timing of the cost deductions and that it is not based on an average investment.

We believe the calculation of the RIY (described in paragraph 66 and 68 of the CP) should be reworded and that the ESA should provide practical RIY calculation examples for structured products.

<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>

As per our response to Question 18 above, it is impossible to present some up-front and one-off costs in an annualized format (e.g. products may have a secondary market with a bid/offer spread of 1% - how would one describe the exit fees for such a product if it had, for example, a five year tenor?). We would propose that if a fee is not paid or accrued annually it should not be presented as an annualized amount.

<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>

We would prefer one methodology to be used throughout the table for simplicity and ease of interpretation. We would recommend expressing costs as a percentage of the initial investment amount and not the NAV.

<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>

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<ESMA_QUESTION_PRIIPS_28>

