



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>

Introduction

Eurex welcomes the opportunity to respond to ESAs joint consultation paper on 'PRIIPs Key Information Documents'. The response to this questionnaire is focused on the clarification of the role of the regulated market Eurex Deutschland administered and operated by Eurex Frankfurt AG ('Eurex').

Eurex is one of the world's leading derivatives exchange organizations and is owned by Deutsche Börse AG. Eurex offers a broad range of international derivatives benchmark products and operates the most liquid fixed income markets in the world, featuring open and low-cost electronic access.

Aside from operating a fully electronic trading platform, Eurex Group provides an automated and integrated joint Clearing House. Eurex Clearing is Europe's largest central counterparty clearing house, processing gross risks valued at almost EUR 10 trillion every month, with fully-automated, straight-through post-trade services. And it is the world's only major clearing provider to control risk continuously by recalculating position risk in realtime. Since its inception in 1998, Eurex has continually set a proven track record in electronic trading and clearing and is providing highly efficient liquidity pools. The deep market liquidity of Eurex products and the diversity of trading participants ensure fair, transparent and competitive pricing.

Neutrality to the markets, a clear and binding regulatory framework and the supervision through the responsible authorities is key, especially in volatile market conditions. We have three levels of oversight: federal, state and internal regulatory measures.

Summary of response

In this response **we present our reasoning, why exchanges and exchange traded derivatives are out of scope of the PRIIPs Regulation, and hereby confirm the understanding based on the Level 1 text and the reasoning in this consultation that regulated markets and ETD contracts are not in scope of this Regulation.** This reasoning is shared by all members of FESE whose contribution to this consultation we support.

From our assessment of EU legislative texts, explanatory memorandum, impact assessments as well as Commission Communications, we find no explicit reference to the fact that listed derivatives are automatically and necessarily captured within the scope of the PRIIPs Regulation.

A 'Packaged Retail Investment Product' ('PRIP') is defined in Article 4(1) of the PRIIPs Regulation (Regulation (EU) No 1286/2014):

For the purposes of this Regulation, the following definitions apply:

- (1) 'packaged retail investment product' or '**PRIP**' means **an investment, including instruments issued by special purpose vehicles** as defined in point (26) of Article 13 of Directive 2009/138/EC or **securitisation special purpose entities** as defined in point (an) of Article 4(1) of the Directive 2011/61/EU of the European Parliament and of the Council (2), where, regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor;

Moreover, Recital 6 further differentiates the understanding of the PRIIPs

- (6) *This Regulation should **apply to all products, regardless of their form or construction, that are manufactured by the financial services industry to provide investment opportunities to retail investors**, where the amount repayable to the retail investor is subject to fluctuation because of exposure to reference values, or subject to the performance of one or more assets which are not directly purchased by the retail investor. **Those products should be known as PRIIPs for the purposes of this Regulation and should include, among other things, investment products such as investment funds, life insurance policies with an investment element, structured products and structured deposits.** Financial instruments issued by special purpose vehicles that conform to the definition of PRIIPs should also fall within the scope of this Regulation. For all those products, investments are not of the direct kind that is achieved when buying or holding assets themselves. Instead these products intercede between the retail investor and the markets through a process of packaging or wrapping together assets so as to create different exposures, provide different product features, or achieve different cost structures as compared with a direct holding. Such packaging can allow retail investors to engage in investment strategies that would otherwise be inaccessible or impractical, but can also require additional information to be made available, in particular to enable comparisons between different ways of packaging investments.*

As such, it is clearly laid down in the Regulation that when referring to a 'PRIIP', what is meant is an investment including instruments issued by a special purpose vehicle or securitized instruments by special purpose entities, besides the traditional investment funds.

In addition, the definition of a 'PRIIP manufacturer' (Article 4(4) of the PRIIPs Regulation) refers back to the PRIIP/PRIIP definition:

- (4) *'packaged retail and insurance-based investment product manufacturer' or '**PRIIP manufacturer**' means:*
- (a) *any entity that manufactures PRIIPs;*
 - (b) *any entity that makes **changes to an existing PRIIP** including, but not limited to, altering its risk and reward profile or the costs associated with an investment in a PRIIP;*

Clearly, regulated markets/exchanges are not issuers, and are not a special purpose vehicle offering an investment, and are also not securitizing instruments. As a consequence, a regulated market is not captured in this definition in Article 4(1). Stemming from this understanding, it is further concluded that a regulated market is also not a manufacturer, since the definition in Article 4(4) describes a manufacturer as an entity that is manufacturing such PRIIPs/PRIIPs and thus refers back to Article 4(1). Moreover, Recital 12 of the PRIIPs Regulation gives further guidance on the understanding of who actually would qualify as a **PRIIP manufacturer, namely, a fund manager, insurance undertaking, credit institution or investment firm.**

An important additional reference can be found in Section 3.4.1 of the Commission Proposal's Explanatory Memorandum which states that:

"Such investment products expose the investor to fluctuations in the market value of assets or in the payouts to be achieved from assets. But this exposure is not of the direct kind, as for instance when an investor buys specific assets themselves. Instead these products and those that manufacture them intercede between the investor and the markets, through a combination of wrapping of those assets, or other mechanisms that differ from a direct holding ("packaging").

Listed derivatives such as options and futures do not match this description and therefore do not fulfill the criteria established in the PRIIPs Regulation. They are contracts, the conditions of which are designed by

Regulated Markets. In no way does a Regulated Market intercede between the market and the investors, as we are the market. Regulated Markets publish the conditions for their contracts on their website (which lists all of the information on the products and is available for everyone to read) and the traders (be it professional or brokers acting on behalf of their clients) buy and sell these products.

Regulated markets are neutral market places, offering opportunity for trading. They are neutral and do not assume any position and do not provide judgement or guidance on what instrument to enter into. Exchange traded derivatives contracts provide a framework for parties to agree on, and only when parties agree, the contract comes into existence. An exchange is not the seller, or buyer, of any investment, and thus cannot be captured as a manufacturer. By law, the exchange is required to be a neutral trading platform regulated under public law.

Furthermore, options and futures are not packaged, and do not modify the nature of the exposure of the purchaser to the underlying. In listed derivatives such as options and futures, there are no additional layers of complexity, or packaging which would make the investment less transparent. There is no creation or packaging of specifically tailored products that promise or indicate a return on investment. The opposite is the case: options and futures do not promise any return on investment but simply reflect the direction of the underlying and traders can use that (for instance) as a hedge to their equity investments. In this respect we cannot see how this proposal was ever intended to - and could - legally capture these products.

The description of listed derivatives we provide clearly demonstrates that the criteria of the definition of a packaged retail investment product that were originally captured by the regulation are not fulfilled. Exchange traded/ listed derivatives are traded transparently on a highly regulated neutral trading platform. Information is readily available on the website, the instruments are highly standardized and each product has contract specifications. Our understanding has been that the PRIIPs regulation intended to capture investments, substitutes to funds, in order to increase transparency and understanding in the funds and structured finance industry, especially after the financial crisis and the fall of Lehmann.

The G20 has come to the conclusion that increased transparency and efficient processes need to be introduced in all markets, like in the case of neutral market places, like regulated markets and exchange traded/ listed derivatives, who served as a blueprint. It is therefore understood that exchanges already satisfy all transparency requirements.

It is the understanding that the products in scope that qualify as PRIIPs are not exchange traded derivatives. In this regard, we also would like to refer to the Communication from the Commission to the European Parliament and the Council on Packaged Retail Investment Products (April 30, 2009). The understanding is depicted under Level 1 on which products are in scope of the regulation. See page 3 and 4 Box 1: Families of Packaged Retail Investment Products:

The product descriptions that follow are indicative only; in most cases, there are currently no widely-accepted legal definitions of the product families in question.

- Investment (or mutual) funds. Investment funds are a form of collective investment vehicle that invest the pooled funds of a large number of investors for a fee. Funds raise money by selling 'units' of the fund to investors. In the EU, investment funds can be either UCITS ('Undertakings for Collective Investment in Transferable Securities', as harmonized by the UCITS Directive), or nationally regulated funds (non-harmonised funds or non- UCITS).
- Investments packaged as life insurance policies. In unit-linked life insurance policies a portion of the premium is used to purchase life cover (the sum assured) with the balance invested in a fund such as a UCITS. The return on the policy is linked to the performance of the funds. As opposed to traditional

life insurance products, unit-linked policies usually do not guarantee the payment of a determined financial amount in particular in the case of death / survival, but instead an amount which is a multiple of the market value of one or several units. Therefore, by definition, the policy holder bears the investment risk.

- Retail structured securities. Structured securities are derived from or based on a single security, a basket of securities, an index, a commodity, a debt issue and/or a foreign currency. Normally in a structured security an investment bank promises to make, at a predetermined time, a payout based on a pre-determined formula. The majority of structured securities offer full protection of the principal invested at the end of their term, whereas others offer leveraged returns but limited or no protection of the principal. They may be sold to investors as, inter alia, certificates, structured notes (bonds) or warrants.
- Structured term deposits. Structured term deposits offer a combination of a term deposit with an embedded option or an interest rate structure. They are designed to achieve a specific payoff profile, which they achieve through transactions in derivatives such as interest rate and currency options.

Exchange traded derivatives are very different to these types of products enumerated by the EU Commission in 2009, as well as the instruments included in Recital 6 of the Regulation and furthermore, exchanges are a totally different organization to the issuer and special purpose entities further interpreted under Recital 12 of this Regulation.

As such, it is clear for us that exchange traded derivatives and regulated markets have never been intended to be in scope of the PRIIPs Regulation and therefore, there never was a need to include them in a potential exemption under Article 2.

While it is clear in the Level 1 text that listed derivatives, such as options and futures, cannot be captured in the scope of the PRIIPs Regulation, this understanding is further strengthened by the ESAs in this consultation paper, where further clarification is provided that the PRIIPs Regulation covers investments or instruments that are issued as securitized instruments or have been issued by special purpose vehicles.

In the context of derivatives, the ESAs clarify in Annex II, Part 1, point 9 of the draft RTS (attached to the consultation paper) which instruments are included. It is specified in sub-point c that derivatives that qualify as PRIIPs within part C of Annex I of Directive 2014/65/EU are included. **That means that not all derivatives are within the scope of the Regulation; only those derivatives that qualify as PRIIPs are in the scope. Clearly, the one group of derivatives that does not qualify as PRIIPs are exchange traded derivatives traded on regulated markets.**

The derivative instruments that satisfy the definition of a PRIIP could be for example securitized derivatives, such as certificates and warrants, potentially also mortgage backed securities (MBS) or asset backed securities (ABS) and alike. In contrast to listed derivatives we fully support the fact that covered warrants & certificates do fall within the scope of the PRIIPs Regulation as a result of the fact that they are offered as a packaged investment product. Covered warrants & certificates provide a useful counter-example of derivatives which constitute a truly packaged retail investment product, i.e. one where the purchaser is offered exposure to underlying financial assets, but in packaged forms which modify that exposure compared with direct holdings. Such financial products have been explicitly identified by the Commission when explaining what constitutes a packaged retail investment product. A clear distinction can be made between options and futures on the one hand and covered warrants & certificates on the other.

A further argument why exchange traded derivatives available for trading on exchanges/regulated markets are not in scope of PRIIPs, is the concept of the KID as proposed by the ESAs and presented in this consultation. The way the KID is designed and the questions and input parameters formulated clearly indicate that the KID is customized towards the entities that offer investments as a special purpose vehicle, issuer or entity that securitizes instruments.

The KID ultimately cannot be appropriately completed by a neutral regulated market, focused on instruments that do not actually qualify as PRIIPs. In order to support this argument, please find below the proposed draft KID highlighting which sections cannot be in a meaningful way completed by regulated markets for exchange traded derivatives, and why.

Example: KID FOR A SINGLE STOCK OPTION		
1.	Purpose	Could be provided by a regulated market
2.	Product	Could be provided by a regulated market
3.	What is this product?	
3.A	Type	Could be provided by a regulated market
3.B	Purpose	<p>Cannot be provided by a regulated market:</p> <p>An exchange traded derivative (ETD) contract, such as an option or future, serves a range of purposes and strategies, all of which cannot be described in the given format of a KID. The specific constellation for which an instrument might be sold by an investment firm to a retail investor cannot be described by the regulated market operating markets in ETDs. In addition, an ETD contract does not satisfy the definition of PRIIPs and second, a regulated market has no contractual agreement with a retail investor.</p>
3.C	Intended market	<p>Cannot be provided by a regulated market:</p> <p>According to MiFID Article 16 and 24(2) it appears the target group is meant here. For ETD contracts, such as options and futures, no intended market/ target group is specifically declared. Clearly, a regulated market does not sell instruments, as much as it also does not buy instruments. No position is assumed as a market operator. MiFID II is very clear that regulated markets cannot engage in any sort of proprietary trading. Moreover, the admission process under the prevailing Exchange Act describes who can be admitted as an exchange participant, retail investors have no contractual agreement with a regulated market. The products are not designed specifically for a target audience. If investment firms decide to market these products to specific audiences, exchanges would not be involved in that process and therefore exchanges cannot include any information on this.</p>
4.	What are the risks and what could I get in return?	

4.A	Risk indicator	<p>Cannot be provided by a regulated market:</p> <p>The risk indicator as suggested by ESMA focuses on the individual product, purpose and further parameters resulting from the investment advice, such as the 'recommended holding period'. ESMA suggests that derivatives that qualify as PRIIPs are categorized under the highest risk category. We cannot comment on the entirety of the risk indicator for such derivatives that could qualify as PRIIPs and are sold by the defined entities.</p> <p>What we do know as regulated markets though, is that we do not have a full picture and therefore cannot provide an appropriate risk indicator, and in essence, any advice. Regulated markets do not offer advice.</p> <p>Evidently, the regulation indicates that regulated markets operating neutral, multilaterally organized market places in ETD contracts do not satisfy the definition of a PRIIP manufacturer. Therefore, ETD contracts do not qualify as PRIIPs, and such a classification into the highest risk category would not do justice to the nature of the product or to the trading environment. It obviously was not an intention to include ETDs.</p>
4.B	Performance scenarios	<p>Cannot be provided by a regulated market:</p> <p>The performance scenarios required in the draft regulation are not compatible with the practice of ETD contracts, such as listed options and futures and, if provided, will provide meaningless information. A performance scenario differs per individual trade.</p>
5	What happens if XYZ Asset Management is unable to pay out	<p>Cannot be provided by a regulated market:</p> <p>This aspect is clarified by the ESAs to focus on investor compensation and guarantee schemes. Exchanges do not pay out: exchanges are not issuing such products and furthermore are not selling ETD products to investors; ultimately, exchanges do not assume any position, selling or buying. An option cannot be given back to the exchange. An option can be closed in the market. Also, there is no contractual agreement between retail investors and exchanges.</p>
6	What are the costs	
6.1	Costs over time	<p>Cannot be provided by a regulated market:</p> <p>The costs over time cannot be predicted by exchanges. Fees are made transparent to the market participants, but any additional costs incurred by the investment firms marketing instruments or combination of instruments cannot be included by the regulated market.</p>
6.2	Composition of costs	<p>Cannot be provided by a regulated market:</p> <p>A number of the costs detailed are not produced by or available to exchanges. Exchanges are unable to comply with these re-</p>

		quirements as they have no knowledge of or influence over costs in the chain of trading a listed derivative and should not be required to do so from a competition perspective.
7.	How long should I hold it and can I take money out early?	Cannot be provided by a regulated market: ETD contracts are available for trading on every open trading day so positions can be closed against the market price. The objective of the retail investor is unknown and therefore, the question cannot be adequately responded. More importantly, regulated markets cannot provide judgement on when the best time to engage in markets and execute entire or partial investment intentions. Regulated markets operate neutral market places and do not assume positions. Hereby, the efforts of the G20 in safeguarding neutral and transparent markets should not be deterred.
8.	How can I complain	Cannot be provided by a regulated market: In essence an investor has a relationship with his/her broker - the investment firm. Any unsatisfactory investment advice has to be addressed with the advising firm who issued, securitized or otherwise is selling the PRIIP.
9.	Other relevant information	Could be provided by the regulated market: Regulated markets publish all rules and regulations, admission procedures, market models, derivatives contracts specifications, fees, etc. on their website. Cannot be provided by regulated markets: Any information relating to an investment advice. A market operator is neutral by nature and as mandated by the relevant EU legislation (e.g. MiFID II). See points above.

We would thus understand that the PRIIPs regulation and the negotiation agreement under Level 1 has a specific intention to capture the substitutes of the funds industry and does capture neither regulated markets nor exchange traded derivatives. **Confirmation of our understanding would be welcomed. We offer to enter into a dialogue on how the entities and products in scope of the regulation can achieve transparency levels like provided by exchange traded derivatives on regulated markets.**
<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>
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<ESMA_QUESTION_PRIIPS_1>

Question 2

- 1. 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?*
- 2. 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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
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<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>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_PRIIPS_28>