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| 23 June2015 |

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| Reply form for the  Technical Discussion Paper on PRIIPs |
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| Date: 23 June 2015 |

Responding to this paper

EBA, EIOPA and ESMA (the ESAs) welcome comments on this Technical Discussion Paper on Risk, Performance Scenarios and Cost Disclosures in Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs).

*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 so as to allow them to be processed more efficiently. Therefore, the ESAs 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 the ESAs should consider

**Naming protocol**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESA\_TDP\_PRIIPs\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESA\_TDP\_PRIIPs\_XXXX\_REPLYFORM or

ESA\_TDP\_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 **17 August 2015.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.

***Publication of responses***

All contributions received will be published following the close of the consultation, unless you request otherwise. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with the ESAs’ rules on public access to documents.[[1]](#footnote-2) We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Board of Appeal of the ESAs and the European Ombudsman.

***Data protection***

Information on data protection can be found on the different ESAs’ websites under the heading ‘Legal notice’.

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | Click here to enter text. |
| Activity | Choose an item. |
| Are you representing an association? |  |
| Country/Region | Choose an item. |

# Introduction

Please make your introductory comments below, if any:

< ESMA\_COMMENT\_PRIIPs\_1>

TYPE YOUR TEXT HERE

< ESMA\_COMMENT\_PRIIPs\_1>

1. Please state your preference on the general approach how a distribution of returns should be established for the risk indicator and performance scenarios’ purposes. Include your considerations and caveats.

<ESMA\_QUESTION\_PRIIPs\_1>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_1>

1. How should the regulatory technical standards define a model and the method of choosing the model parameters for the purposes of calculating a risk measure and determining performance under a variety of scenarios?

<ESMA\_QUESTION\_PRIIPs\_2>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_2>

1. Please state your view on what benchmark should be used and why. Are there specific products or underlying investments for which a specific growth rate would be more or less applicable?

<ESMA\_QUESTION\_PRIIPs\_3>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_3>

1. What would be the most reasonable approach to specify the growth rates? Would any of these approaches not work for a specific type of product or underlying investment?

<ESMA\_QUESTION\_PRIIPs\_4>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_4>

1. Please state your view on what time frame or frames should the Risk Indicator and Performance Scenarios be based

<ESMA\_QUESTION\_PRIIPs\_5>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_5>

1. Do you have any views on these considerations on the assessment of credit risk, and in particular regarding the use of credit ratings?

<ESMA\_QUESTION\_PRIIPs\_6>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_6>

1. Do you agree that liquidity issues should be reflected in the risk section, in addition to clarifications provided in other section of the KID?

<ESMA\_QUESTION\_PRIIPs\_7>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_7>

1. Do you consider that qualitative measures such as the ones proposed are appropriate or that they need to be supplemented with some quantitative measure to some extent?

<ESMA\_QUESTION\_PRIIPs\_8>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_8>

1. Please state your views on the most appropriate criteria and risk levels´ definition in case this approach was selected.

<ESMA\_QUESTION\_PRIIPs\_9>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_9>

1. Please state your views on the required parameters and possible amendments to this indicator.

<ESMA\_QUESTION\_PRIIPs\_10>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_10>

1. Please state your views on the appropriate details to regulate this approach, should it be selected.

<ESMA\_QUESTION\_PRIIPs\_11>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_11>

1. Please state your views on the general principles of this approach, should it be selected. How would you like to see the risk measure and parameters, why?

<ESMA\_QUESTION\_PRIIPs\_12>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_12>

1. Please state your views on the potential use of a two-level indicator. What kind of differentiators should be set both for the first level and the second level of such an indicator?

<ESMA\_QUESTION\_PRIIPs\_13>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_13>

1. Do you have suggestions or concrete proposals on which risk scale to use and where or how the cut-off points should be determined?

<ESMA\_QUESTION\_PRIIPs\_14>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_14>

1. Please express your views on the assessment described above and the relative relevance of the different criteria that may be considered.

<ESMA\_QUESTION\_PRIIPs\_15>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_15>

1. Do you think that these principles are sufficient to avoid the risks of manufacturers presenting a non-realistic performance picture of the product? Do you think that they should be reinforced?

<ESMA\_QUESTION\_PRIIPs\_16>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_16>

1. Do you think the options presented would represent appropriate performance scenarios? What other standardized scenarios may be fixed?

<ESMA\_QUESTION\_PRIIPs\_17>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_17>

1. Which percentiles do you think should be set?

<ESMA\_QUESTION\_PRIIPs\_18>

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<ESMA\_QUESTION\_PRIIPs\_18>

1. Do you have any views on possible combinations?

<ESMA\_QUESTION\_PRIIPs\_19>

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<ESMA\_QUESTION\_PRIIPs\_19>

1. Do you think that credit events should be considered in the performance scenarios?

<ESMA\_QUESTION\_PRIIPs\_20>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_20>

1. Do you think that such redemption events should be considered in the performance scenarios?

<ESMA\_QUESTION\_PRIIPs\_21>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_21>

1. Do you think that performance in the case of exit before the recommended holding period should be shown? Do you think that fair value should be the figure shown in the case of structured products, other bonds or AIFs? Do you see any other methodological issues in computing performance in several holding periods?

<ESMA\_QUESTION\_PRIIPs\_22>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_22>

1. Are the two types of entry costs listed here clear enough? Should the list be further detailed or completed (notably in the case of acquisition costs)? Should some of these costs included in the on-going charges?

<ESMA\_QUESTION\_PRIIPs\_23>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_23>

1. How should the list be completed? Do you think this list should explicitly mention carried interest in the case of private equity funds?

<ESMA\_QUESTION\_PRIIPs\_24>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_24>

1. Should these fees be further specified?

<ESMA\_QUESTION\_PRIIPs\_25>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_25>

1. Should these fees be further specified? The “recovering fees” cover the following situation: when an investor receives income from foreign investments, the third-country government may heavily tax it. Investors may be entitled to reclaim the difference but they will still lose money in the recovering process (fee to be paid).

<ESMA\_QUESTION\_PRIIPs\_26>

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<ESMA\_QUESTION\_PRIIPs\_26>

1. Should these fees be further specified? The “recovering fees” cover the following situation: when an investor receives income from foreign investments, the third-country government may heavily tax it. Investors may be entitled to reclaim the difference but they will still lose money in the recovering process (fee to be paid).

<ESMA\_QUESTION\_PRIIPs\_27>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_27>

1. This list is taken from the CESR guidelines on cost disclosure for UCITS. What is missing in the case of retail AIFs (real estate funds, private equity funds)?

<ESMA\_QUESTION\_PRIIPs\_28>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_28>

1. Which are the specific issues in relation to this type of costs?

<ESMA\_QUESTION\_PRIIPs\_29>

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<ESMA\_QUESTION\_PRIIPs\_29>

1. Is it relevant to include this type of costs in the costs to be disclosed in the on-going charges? Which are the specific issues in relation to this type of costs? Which definition of Costs for capital guarantee or capital protection would you suggest? (Contribution for deposit insurance or cost of external guarantor?)

<ESMA\_QUESTION\_PRIIPs\_30>

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<ESMA\_QUESTION\_PRIIPs\_30>

1. Which are the specific issues in relation to this type of costs? Should the scope of these costs be narrowed to administrative costs in connection with investments in derivative instruments? In that respect, it could be argued that margin calls itself should not be considered as costs. The possible rationale behind this reasoning would be that margin calls may result in missed revenues, since no return is realized on the cash amount that is deposited, and that:

<ESMA\_QUESTION\_PRIIPs\_31>

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<ESMA\_QUESTION\_PRIIPs\_31>

1. Which are the specific issues in relation to this type of costs? Should this type of costs be further detailed/ defined?

<ESMA\_QUESTION\_PRIIPs\_32>

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<ESMA\_QUESTION\_PRIIPs\_32>

1. How to deal with the uncertainty if, how and when the dividend will be paid out to the investors? Do you agree that dividends can be measured ex-post and estimated ex-ante and that estimation of future dividends for main indices are normally available?

<ESMA\_QUESTION\_PRIIPs\_33>

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<ESMA\_QUESTION\_PRIIPs\_33>

1. Is this description comprehensive?

<ESMA\_QUESTION\_PRIIPs\_34>

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<ESMA\_QUESTION\_PRIIPs\_34>

1. Can you identify any difficulties with calculating and presenting explicit broker commissions? How can explicit broker commissions best be calculated ex-ante?

<ESMA\_QUESTION\_PRIIPs\_35>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_35>

1. How can the total of costs related to transaction taxes best be calculated? How should this be done to give the best estimate ex-ante? Are there other explicit costs relating to transactions that should be identified? Do you think that ticket fees (booking fees paid to custody banks that are billed separately from the annual custodian fee paid for depositing the securities) should be added to this list?

<ESMA\_QUESTION\_PRIIPs\_36>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_36>

1. As regards the abovementioned estimate, can the fair value approach be used?[[2]](#footnote-3)

<ESMA\_QUESTION\_PRIIPs\_37>

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<ESMA\_QUESTION\_PRIIPs\_37>

1. Can you identify any other difficulties with calculating and presenting the bid-ask spread? Do you believe broker commissions included in the spread should be disclosed? If so, which of the above mentioned approaches do you think would be more suitable for ex-ante calculations or are there alternative methods not explored above?

<ESMA\_QUESTION\_PRIIPs\_38>

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<ESMA\_QUESTION\_PRIIPs\_38>

1. Do you believe that market impact costs should be part of the costs presented under the PRIIPs regulation? If so, how can the market impact costs best be calculated? How should this be done to give the best estimate ex-ante?

<ESMA\_QUESTION\_PRIIPs\_39>

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<ESMA\_QUESTION\_PRIIPs\_39>

1. How should entry- and exit charges be calculated considering the different ways of charging these charges? How should this be done to give the best estimate ex-ante? Can you identify any other problems related to calculating and presenting entry- and exit fees?

<ESMA\_QUESTION\_PRIIPs\_40>

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<ESMA\_QUESTION\_PRIIPs\_40>

1. Which other technical specifications would you suggest adding to the abovementioned methodology? Which other technical issues do you identify as regards the implementation of the methodology?

<ESMA\_QUESTION\_PRIIPs\_41>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_41>

1. Do you think that an explicit definition of performance fees should be included? Do you think the definition by IOSCO is relevant in the specific context of the cost disclosure of the PRIIPs Regulation?

<ESMA\_QUESTION\_PRIIPs\_42>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_42>

1. What would be the appropriate assumption for the rate of returns, in general and in the specific case of the calculation of performance fees?

<ESMA\_QUESTION\_PRIIPs\_43>

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<ESMA\_QUESTION\_PRIIPs\_43>

1. Which option do you favor? Do you identify another possible approach to the disclosure and calculation of performance fees in the context of the KID?

<ESMA\_QUESTION\_PRIIPs\_44>

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<ESMA\_QUESTION\_PRIIPs\_44>

1. Which of the above mentioned options 1 and 2 for the calculation of aggregate costs would you prefer? Do you agree with above mentioned assumptions on the specificities of the costs of life-insurance products? How should the breakdown of costs showing costs specific to the insurance cover be specified? Do you think that risk-type riders (e.g. term or disability or accident insurances) have to be disregarded in the calculation of the aggregated cost indicator? How shall risk-type rider be defined in this context? (one possible approach might be: A risk-type rider in this context is an additional insurance cover without a savings element, which has separate contractual terms and separate premiums and that the customer is not obliged to buy as a compulsory part of the product).

<ESMA\_QUESTION\_PRIIPs\_45>

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<ESMA\_QUESTION\_PRIIPs\_45>

1. Do you think this list is comprehensive? Should these different types of costs be further defined?

<ESMA\_QUESTION\_PRIIPs\_46>

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<ESMA\_QUESTION\_PRIIPs\_46>

1. Do you agree that guaranteed interest rate and surrender options should be handled in the above mentioned way? Do you know other contractual options, which have to be considered? If yes how?

<ESMA\_QUESTION\_PRIIPs\_47>

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<ESMA\_QUESTION\_PRIIPs\_47>

1. Should the methodology for the calculation of these costs be further specified?

<ESMA\_QUESTION\_PRIIPs\_48>

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<ESMA\_QUESTION\_PRIIPs\_48>

1. Do you think this list and breakdown is comprehensive?

<ESMA\_QUESTION\_PRIIPs\_49>

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<ESMA\_QUESTION\_PRIIPs\_49>

1. Should the methodology for the calculation of these costs be further specified? How?

<ESMA\_QUESTION\_PRIIPs\_50>

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<ESMA\_QUESTION\_PRIIPs\_50>

1. Should the methodology for the calculation of these costs be further specified? How?

<ESMA\_QUESTION\_PRIIPs\_51>

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<ESMA\_QUESTION\_PRIIPs\_51>

1. Should the methodology for the calculation of these costs be further specified?

<ESMA\_QUESTION\_PRIIPs\_52>

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<ESMA\_QUESTION\_PRIIPs\_52>

1. Should the methodology for the calculation of these costs be further specified? How? Do fund related costs also exist for with profit life insurance products?

<ESMA\_QUESTION\_PRIIPs\_53>

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<ESMA\_QUESTION\_PRIIPs\_53>

1. How to ensure that the look-through approach is consistent with what is applied in the case of funds of funds?

<ESMA\_QUESTION\_PRIIPs\_54>

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<ESMA\_QUESTION\_PRIIPs\_54>

1. Should the methodology for the calculation of these costs be further specified?

<ESMA\_QUESTION\_PRIIPs\_55>

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<ESMA\_QUESTION\_PRIIPs\_55>

1. Which above mentioned or further options do you support, and why? More generally, how to measure costs that are passed to policy holders via profit participation mechanisms? Would you say that they are known to the insurance company? Do you think an estimate based on the previous historical data is the most appropriate methodology for the calculation of these costs?

<ESMA\_QUESTION\_PRIIPs\_56>

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<ESMA\_QUESTION\_PRIIPs\_56>

1. Is this type of costs really specific to with-profit life-insurance products? Do you agree that these costs should be accounted for as on-going costs?

<ESMA\_QUESTION\_PRIIPs\_57>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_57>

1. Do you think the list of costs of life-insurance products presented above is comprehensive? Which types of costs should be added?

<ESMA\_QUESTION\_PRIIPs\_58>

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<ESMA\_QUESTION\_PRIIPs\_58>

1. To what extent are those two approaches similar and should lead to the same results?

<ESMA\_QUESTION\_PRIIPs\_59>

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<ESMA\_QUESTION\_PRIIPs\_59>

1. In comparison to structured products, do you see any specificity of costs of structured deposits? Do you think that the potential external guarantees of structured deposits might just have to be taken into account in the estimation of the fair value of these products?

<ESMA\_QUESTION\_PRIIPs\_60>

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<ESMA\_QUESTION\_PRIIPs\_60>

1. Do you agree with the above mentioned list of entry costs? Which of these costs are embedded in the price? Should we differentiate between “delta 1” and “option based” structured products? In which cases do you think that some of these costs might not be known to the manufacturer? Which of these types of costs should be further defined?

<ESMA\_QUESTION\_PRIIPs\_61>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_61>

1. To what extent do you think these types of costs should be further defined and detailed?

<ESMA\_QUESTION\_PRIIPs\_62>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_62>

1. How would you estimate ex ante the spread referred to above in (b), in the case the product is listed as in the case it is not? Should maximum spreads, when available, be considered? Should the term “proportional fees” be further defined? Which definition would you suggest?

<ESMA\_QUESTION\_PRIIPs\_63>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_63>

1. Do you agree with the list of costs outlined above? Which types of costs would require more precise definitions? To what extent should the methodology be prescriptive in the definition and calculation methodologies of the different types of costs?

<ESMA\_QUESTION\_PRIIPs\_64>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_64>

1. Would you include other cost components?

<ESMA\_QUESTION\_PRIIPs\_65>

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<ESMA\_QUESTION\_PRIIPs\_65>

1. Under which hypothesis should the costs of the underlying be included?

<ESMA\_QUESTION\_PRIIPs\_66>

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<ESMA\_QUESTION\_PRIIPs\_66>

1. How would you deal with the issue of the amortization of the entry costs during the life of the product? For derivatives it will be notably important to define what the invested capital is, in order to calculate percentages. The possibilities include: the amount paid (i.e. option premium price or initial margin/collateral) or the exposure (to be defined for optional derivatives). Do you see other possible approaches on this specific point?

<ESMA\_QUESTION\_PRIIPs\_67>

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<ESMA\_QUESTION\_PRIIPs\_67>

1. Do you think that there are products with ongoing hedging costs (to ensure that the manufacturer is able to replicate the performance of the derivative component of the structured product)?

<ESMA\_QUESTION\_PRIIPs\_68>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_68>

1. Do you agree with the general framework outlined above?

<ESMA\_QUESTION\_PRIIPs\_69>

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<ESMA\_QUESTION\_PRIIPs\_69>

1. Which criteria should be chosen to update the values in the KID when input data change significantly?

<ESMA\_QUESTION\_PRIIPs\_70>

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<ESMA\_QUESTION\_PRIIPs\_70>

1. As the evolution of underlying asset/s should be taken into account, are there specific issues to be tackled with in relation to specific types of underlying? To what extent should the RTS be prescriptive on the risk premium?

<ESMA\_QUESTION\_PRIIPs\_71>

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<ESMA\_QUESTION\_PRIIPs\_71>

1. Are you aware of any other assumptions to be set?

<ESMA\_QUESTION\_PRIIPs\_72>

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<ESMA\_QUESTION\_PRIIPs\_72>

1. Having in mind that most of the applied models in banking are forward looking (e.g. using implied volatility instead of historical volatility) which are the pros and cons of backward looking approach and forward looking approach?

<ESMA\_QUESTION\_PRIIPs\_73>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_73>

1. Do you think that there are other risk free curves that could be considered?

<ESMA\_QUESTION\_PRIIPs\_74>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_74>

1. Do you think that there are other market data that could be used to determine the credit risk? Do you think that implied credit spreads from other issuer bonds (other than structured products) could be used?

<ESMA\_QUESTION\_PRIIPs\_75>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_75>

1. How would you determine the credit risk in the absence of market data and which are the criteria to identify the comparable?

<ESMA\_QUESTION\_PRIIPs\_76>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_76>

1. How would you include the counterparty risk in the valuation? Would you include specific models to include counterparty risk in valuation (CVA models)? How would you consider the counterparty risk for pure derivatives?

<ESMA\_QUESTION\_PRIIPs\_77>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_77>

1. In which circumstances do you think parameters cannot be computed/estimated using market data? What would you suggest to deal with this issue?

<ESMA\_QUESTION\_PRIIPs\_78>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_78>

1. Would it be meaningful to prescribe specific pricing models for structured products, derivatives and CFDs? If yes which are the pros and cons of parametric and non-parametric models?

<ESMA\_QUESTION\_PRIIPs\_79>

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<ESMA\_QUESTION\_PRIIPs\_79>

1. What should be the value of x? (in the case of UCITS, x=5, but the extent to which this is appropriate for other types of PRIIPs, notably life-insurance products, is unclear).

<ESMA\_QUESTION\_PRIIPs\_80>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_80>

1. Should this principle be further explained / detailed? Should the terms “rank pari passu” be adapted to fit the different types of PRIIPs?

<ESMA\_QUESTION\_PRIIPs\_81>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_81>

1. What should be the relevant figure for the initial invested amount to be taken into account for the calculation of cost figures? Should a higher initial investment amount be taken into account not to overestimate the impact of fixed costs? How should the situation of products with regular payments be taken into account for that specific purpose? (Would an invested amount of 1 000 euros per period of time be a relevant figure?)

<ESMA\_QUESTION\_PRIIPs\_82>

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<ESMA\_QUESTION\_PRIIPs\_82>

1. For some life-insurance products, the costs will differ on the age of the customer and other parameters. How to take into account this specific type of PRIIPs for the purpose of aggregating the costs? Should several KIDs for several ages be considered?

<ESMA\_QUESTION\_PRIIPs\_83>

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<ESMA\_QUESTION\_PRIIPs\_83>

1. Do you agree with the abovementioned considerations? Which difficulties do you identify in the annualisation of costs?

<ESMA\_QUESTION\_PRIIPs\_84>

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<ESMA\_QUESTION\_PRIIPs\_84>

1. Which other assumptions would be needed there? In the case of life-insurance products, to what extent should the amortization methodology related to the amortization methodology of the premium calculation? To what extent should the chosen holding period be related to the recommended holding period?

<ESMA\_QUESTION\_PRIIPs\_85>

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<ESMA\_QUESTION\_PRIIPs\_85>

1. This definition of the ratio is taken from the CESR guidelines on cost disclosure for UCITS. Is it appropriate also in the case of retail AIFs? Should it be amended? Another approach to calculate these costs is to calculate the ratio of the total of these amortized costs to the invested amount in the fund. However in that case the question remains as to how to aggregate this ratio with the on-going charges ratio. Another possible approach could be to use the ratio between the total amount of costs over the holding period and the average net investment (assumed during the whole period, in order to take into account future additional investments, partial withdrawals, payments (i.e. programmed investments or disinvestments)). Do you think this approach would be appropriate?

<ESMA\_QUESTION\_PRIIPs\_86>

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<ESMA\_QUESTION\_PRIIPs\_86>

1. What would be other options to define the TCR ratio in the case of life-insurance products? What about the case of regular payments or regular increasing? Which definition would you favour? How to ensure a level playing field and a common definition with the other types of PRIIPs in this regard? Another possible approach could be to use the ratio between the total amount of costs over the holding period and the average net investment (assumed during the whole period, in order to take into account future additional investments, partial withdrawals, payments (i.e. programmed investments or disinvestments)). Do you think this approach would be appropriate? To what extent do these possible calculation methodologies fit the case of insurance products with regular payments?

<ESMA\_QUESTION\_PRIIPs\_87>

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<ESMA\_QUESTION\_PRIIPs\_87>

1. What would be other options to define the TCR ratio in the case of structured products? Do you identify other specific issues in relation to the TCR if applied to structured products? Another possible approach could be to use the ratio between the total amount of costs over the holding period and the average net investment (assumed during the whole period, in order to take into account future additional investments, partial withdrawals, payments (i.e. programmed investments or disinvestments)). Do you think this approach would be appropriate? For derivatives, it might be the case that it is necessary to further define the concept of investment to be used as denominator of the ratio. Possibilities include the use of the actual sums paid and received (i.e. initial margins, variation margins, collateral postings, various payoffs, etc.) or the use of the exposure (i.e. market value of the derivative underlying). Do you think these approaches would be appropriate?

<ESMA\_QUESTION\_PRIIPs\_88>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_88>

1. This definition of the ratio is taken from the CESR guidelines on cost disclosure for UCITS. Is it appropriate also in the case of retail AIFs? Should it be amended? Another possible approach could be to use the ratio between the total amount of costs over the holding period and the average net investment (assumed during the whole period, in order to take into account future additional investments, partial withdrawals, payments (i.e. programmed investments or disinvestments)). Do you think this approach would be appropriate?

<ESMA\_QUESTION\_PRIIPs\_89>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_89>

1. These different aforementioned principles are taken from the CESR guidelines on cost disclosure for UCITS. Is it also appropriate in the PRIIPs context?

<ESMA\_QUESTION\_PRIIPs\_90>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_90>

1. To what extent do the principles and methodologies presented for funds in the case of on-going charges apply to life-insurance products?

<ESMA\_QUESTION\_PRIIPs\_91>

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<ESMA\_QUESTION\_PRIIPs\_91>

1. Do you think this methodology should be further detailed? To what extent do you think this methodology is appropriate and feasible (notably in terms of calibration of the model)? It might indeed be considered that valuation models for Solvency II usually are not likely to be designed for per contract calculations. Life insurers may restrict the calculation of technical provisions in the Solvency II-Balance-Sheet to homogenous risk groups. Furthermore they are allowed to use simplified calculation methods if the error is immaterial at the portfolio level. As profit sharing mechanisms in many countries are applied on the company level and not on a per contract level, projected cash flows from future discretionary benefits will not easily be broken down on a per product or even a per contract basis with the existing Solvency II-Valuation-Models.

<ESMA\_QUESTION\_PRIIPs\_92>

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<ESMA\_QUESTION\_PRIIPs\_92>

1. Do you identify any specific issue in relation to the implementation of the RIY approach to funds?

<ESMA\_QUESTION\_PRIIPs\_93>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_93>

1. In addition to the abovementioned issues and the issues raised in relation to TCR when applied to structured products, do you identify any other specific issue in relation to the implementation of the RIY approach to structured products?

<ESMA\_QUESTION\_PRIIPs\_94>

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<ESMA\_QUESTION\_PRIIPs\_94>

1. Do you agree with the above-mentioned assessment? Should the calculation basis for returns be the net investment amount (i.e. costs deducted)? Do you identify specific issues in relation to the calculation per se of the cumulative effect of costs?

<ESMA\_QUESTION\_PRIIPs\_95>

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<ESMA\_QUESTION\_PRIIPs\_95>

1. Is this the structure of a typical transaction? What costs impact the return available to purchasers of the product?

<ESMA\_QUESTION\_PRIIPs\_96>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_PRIIPs\_96>

1. What costs impact the return paid on the products?

<ESMA\_QUESTION\_PRIIPs\_97>

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<ESMA\_QUESTION\_PRIIPs\_97>

1. What are the potential difficulties in calculating costs of an SPV investment using a TCR approach?

<ESMA\_QUESTION\_PRIIPs\_98>

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<ESMA\_QUESTION\_PRIIPs\_98>

1. What are the potential difficulties in calculating costs of an SPV investment using a RIY approach?

<ESMA\_QUESTION\_PRIIPs\_99>

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<ESMA\_QUESTION\_PRIIPs\_99>

1. See <https://eiopa.europa.eu/about-eiopa/legal-framework/public-access-to-documents/index.html>. [↑](#footnote-ref-2)
2. One could also argue that all fund managers either have their own dealing desk or sub-contract this to other dealing desks. Since the principle of Best Execution is paramount, the dealers should know the typical spread in the securities with which they deal. [↑](#footnote-ref-3)