

**Comments Template for Joint Consultation Paper concerning amendments to the PRIIPs KID (JC 2018 60)**

**Deadline  
6 December 2018  
23:55 CET**

Name of Company:	Finance Finland	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question or a cell, leave the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-18-005@eiopa.europa.eu">CP-18-005@eiopa.europa.eu</a></b></p> <p><b>Our IT tool does not allow processing of any other formats.</b></p>		
<b>Reference</b>	<b>Comment</b>	
General Comments	<p>Finance Finland appreciates the work of the European supervisory authorities to make the PRIIPs KID document clearer and more accurate for different kinds of investment products. It has become evident that there are several weaknesses in the regulation that need to be addressed. <b>However, tackling all these crucial needs is not possible with this targeted consultation.</b> It is also evident that the commenting time given for stakeholders is much too short, considering the importance and technical nature of the issues. It does not allow our members to conduct any kind of testing or proper analysis.</p> <p>We find it very important to conduct consumer testing with a proper coverage of markets and products for any major amendments in the PRIIPs KID. <b>There should be strong evidence of</b></p>	

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**consumer benefits before any changes are suggested.** For example, the proposed past performance model is tailor-made for UCITS products as a result of consumer testing which deemed bar charts as the best option. A different regulatory choice was made for PRIIPs KID with a table format presentation. It is vital to evaluate the merits of these choices more thoroughly.

If a targeted review is used, it means rapid changes for both PRIIPS manufacturers and investors. One should not underestimate the burden of explaining to clients why the same PRIIPs product has different information in the KID (in terms of risk/return indicator and costs). Following the general review in 2020 more changes would need to be implemented. **This would create duplicative implementation costs for the industry and there would not be benefits for the consumers either.** This should be avoided as much as possible.

In this regard we would like to point out that the targeted review needs to be accompanied by changes to level 1 UCITS- directive. Even for this procedure the timing is too tight. In addition, since UCITS is a directive, the changes would need to be implemented in all member states. We find this simply impossible.

**As a conclusion and taking into consideration all these different needs, the only viable solution is to allow a sufficient time for a proper review and subsequent changes.** For this limited period the current UCITS exemption should be valid.

This time for the review should however be set clearly and not too far away. In this regard, we welcome the delay suggested for the review in the European parliament. What is most important, **the preparatory work in the Commission and in the ESAs on the analysis and testing of the changes needed should start right away.** The extra time offered by the delay should not be missed.

Changes to the PRIIPs regulation should be looked at from a wider point of view. Several other important legislative packages in the field of retail financial services have been implemented recently, such as MiFID2 and IDD directives. Consistency between disclosure requirements in

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	<p>these regulations should be the overall aim of the review as well.</p> <p><b>We also feel there should be enough time for implementing possible changes.</b> Even minor changes in the documentation may require non-trivial changes to IT systems. The implementation time suggested by the ESAs is insufficient – at a minimum, one year for implementation would be needed.</p> <p>As regards the aim of having a single document, the consultation includes a conflicting proposal. The ESAs suggest that professional clients would still be provided with the UCITS KIID. We are strongly against this approach as it would create a duplicative responsibility for PRIIPs providers in case of funds sold both to retail and professional clients. <b>We suggest deleting the KIID requirement from funds sold to professional clients,</b> as they are already provided with all relevant information through other regulatory obligations. KIID is supposed to summarize the information. Professional clients are capable of conducting their investment proposals without this. And in case they would find it interesting, they could – as professionals – get access to the respective KID.</p> <p>The consultation does not address an <b>important unclarity in the scope of the PRIIPs regulation related to the application on certain corporate bonds.</b> The negative consequences have been addressed by the ESAs themselves in the letter dated 19 July 2018 as regards which bond features should have the effect of making a bond subject to PRIIPs regulation when sold to retail investors. We find regulatory changes in this respect should be introduced in the first possible timing.</p> <p>In addition, the consultation does not address the issue of the calculation of transaction costs – especially the implicit cost element. Apart from the question of whether the implicit cost element is relevant for retail customers, we note the unnecessary burden of calculating the figures under current PRIIPs requirements. Representing a small market, our members are seriously concerned of the disproportionate costs.</p>	
Q1	In our view, information on past performance should be included for products if it is available. It should be noted that even in the current regulation, it is not included for structured UCITS or AIFs.	

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	Having said this, we note that there are several products for which information on past performance is not available or relevant. Obvious example are insurance products which provide a wide range of investment options.	
Q2	Yes, for example for some insurance products but also for structured funds. This undermines the need for thorough analysis and wide discussion before the final choice is made.	
Q3	<p>The current method has worked well for UCITS (and AIFs), so it is appropriate to be based on the UCITS approach. However, further work is needed to evaluate whether it is appropriate for other products. Proper analysis and consumer testing is needed.</p> <p>We also note that the presentation of KIID past performance (bar charts) differs fundamentally from the presentation of performance scenarios in KID (table with annualized return figures). This difference and its implications for clients should be further analyzed. The effect of adding a new performance figure should be analyzed from a consumer's point of view and how he/she grasps the old and new figures together.</p>	
Q4	The current UCITS regime sets the framework for simulated past performance, which is a good starting point. Additionally, MiFID II sets further requirements for distributors on using simulated past performance information. In this regard one should note that MiFID II is the most recent piece of EU regulation in this respect. As noted earlier, applying UCITS-based regulation to other PRIIPs products requires careful preparation and consultation.	
Q5		
Q6	In our view it is a step in the right direction. The limited time has not allowed for further analysis, but even more flexibility might be welcome. For example, in some cases the proposed limit 300 characters may prove to be too restrictive. For example, some languages (like Finnish) has in some cases proven to require more characters in order to present the same issue in a meaningful way to the consumer. The differences in European languages might require more flexibility in the narrative of the KID.	
Q7	We support further analysis of improving the performance scenarios and correcting the obvious errors related to instruments with credit-linked underlayer. However, we do not think that either	

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	the targeted focus of this consultation or the limited time allows for proper discussion on this matter. Solving the issues seems likely to entail level 1 changes and should be included in the full review.	
Q8	Referring to our response to question 7, we do not believe the necessary changes can be implemented in this focus or time scale. We have some evidence that presenting this kind of information to retail clients could be easier as a graph rather than tables. This is an issue which requires further work.	
Q9	In general, we agree. However, in some cases the proposed limit of 300 characters may prove to be too restrictive. For example, some languages (like Finnish) has proven to require more characters in order to present the same issue in a meaningful way to the consumer. The differences in European languages might require more flexibility in the narrative of the KID.	
Q10	<p>The current article 14.2 in the PRIIPs regulation is of utmost importance for insurance based products. The article states that for insurance products, a generic KID for the insurance product may be produced. This option should be maintained despite the possible changes to the disclosure format of the underlying funds.</p> <p>The proposal envisages a high number of current UCITS KIID requirements to be included in the PRIIPS and to be applied by all PRIIPS products. Enlarging the scope of new amendments to other PRIIPs products should be considered thoroughly in the wider review and introduced only when there is strong evidence the amendments bring more clarity to the KID. The effect of adding new figures should be analyzed from a consumer’s point of view and how he/she grasps the old and new figures together.</p> <p>We do not share the ESAs view of keeping the UCITS KIID for professional customers. In our view they are capable of making their investment decisions based on fund rules, prospectuses, annual reports and other available material. Additionally, having two different documents for the same fund with different risk return indicators and costs can be misleading for the market as a whole.</p>	
Q11	The short comment period does not allow for thorough analysis of the costs. It is, however, clear that substantial IT resources and changes to the systems are needed. Additionally, when creating the simulated past performance methodology, it is important not to create a new dependency of	

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	<p>PRIIPs providers to the data providers. Regulatory solutions should avoid creating obligations for PRIIPs providers which would lead to data providers' market power to set the terms on the market.</p> <p>In practical terms, IT projects for 2019 have already been planned and budgeted.</p> <p>A substantial amount of work is also needed in informing the customers. Current investors will see some of the main elements (risk-return indicator as well as the costs) of their fund change overnight, even though the fund itself remains exactly the same.</p>	
Q12		
Q13		