	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:	Invesco	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a question or a cell, leave the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-18-005@eiopa.europa.eu** **Our IT tool does not allow processing of any other formats.**	
Reference	**Comment**	
General Comments		
Q1	As a preliminary comment, we'd like to stress that disclosing future performance scenarios for non-structured products carry the risk of misleading investors as to what investors can expect. Current industry marketing and pre-contractual disclosures have always made clear that past performance is no indication of future performance. Basing a methodology for calculating future performance scenarios that are based on past market trends explicitly means projecting past performance into the future and thereby misleading investors. The issue is particularly acute today considering the past 5 years of market trends. To illustrate the scale of the problem, when looking across the performance scenarios for a range of funds as at the end of October, we found that in 37% of cases, the PRIIPs methodology would result in the disclosure of a positive	

	performance under the unfavourable scenario. Ultimately, it could lead investors to consider investing on the basis of information which doesn't reflect the reality of the current environment. The disclosure of past performances remains a standard reference that has been widely used across products for a number of years both in pre-contractural and marketing documentation. As such, past performance is well understood by retail audiences both in terms of its meaning as well as its limitations. In particular, we believe that the inclusion of past performance allows investors to: a) understand the evolution of the product over time and its behaviour in comparison with a relevant market index;and b) understand that returns may be volatile (versus the future performance scenarios that are smoothed. Therefore, while we welcome the inclusion of past performance, we do not believe that this will resolve the underlying issue with the future performance scenarios and this requires urgent attention. Furthermore, we believe that the inclusion of two separate performance metrics could in fact create additional confusion for clients and therefore we would like to stress that consumer testing should be a pre-requisite before any substantive changes are made. Given the very short comment period, we have been unable to test different options appropriately and therefore fear that the resulting changes will be sub-optimal. In light of the full review of the PRIIPs Regulation due in 2019, we would urge the Authorities to undertake a full-scale review of the regulation rather than undertaking piecemeal quickfixes.	
Q2	Inclusion of past performance in PRIIPs KID could be challenging for newly created funds or shareclasses, as well as for products not having sufficient historical data. In such situations, we would recommend aligning PRIIPs standards and methodologies to the ones current applied under the UCITS KIID rules, to ensure comparability; and to facilitate retail investors' understanding and implementation by fund providers. Another practical difficulty to stress is the format constraint, and the complexity to disclosed past performance as well as the already required information in three pages.	

	Finally, we believe that the implementation timeline for any changes proposed as a result of this consultation needs to be extended to 2021. Given that a full review of the PRIIPs regulation is now foreseen in 2019, and therefore further changes to the PRIIPs KID can be expected to be announced in 2020 and therefore for implementation in 2021 at the earlier, we do not believe that it would be proportionate to require these limited changes to be implemented sooner, as this would increase the compliance burden on firms. That said, if firms want to implement the changes sooner, that should be open to them.	
Q3	The UCITS KIID format for the disclosure of past performances has been used over the past six years and is well undertsoof both by the industry and the public. Sticking to a similar methodology and layout for the calculation and disclosure of past performance of PRIIPs KID will facilitate the understanding by retail clients and would enable a swift implementation across the fund managers. That said, as per our response above, we see issues with having past and future performance scenarios presented in completely different ways and would recommend aligning the presentation of future performance with the presentation of past performance.	
Q4		
Q5		
Q6	While we agree that the suggested narrative is an improvement, we believe that the wording could go further and make clear that the future performance scenarios are an “illustration of how the investment might perform over the next [x years]”.	
Q7	On the extension of the historical period used to measure performance, we believe 10 years is a much more appropriate period to reflect the different market cycles and provide realistic perspectives to potential investors. Furthermore, the use of a 10 years period will be aligned on the time used for the past performance disclosure, what will help to create some logic and connection among the data provided in the PRIIPs KID. However, in relation to the preliminary comment made under Question 1, using 10 years as reference period will not solve the more substantial limits and risks assocated to the performance scenarios. In particular, if we consider the past 10 years of market growth, the extension would not help to reflect adequately the actual risks and possible performance in case of significant	

	market change. With regards to the amended approach to the presentation, we believe that this would only be feasible in a graph to ensure it conveyed adequately that the future perfromane lies between these two outer limits.	
Q8	As per our comments above, we believe that both past and future pefromance scenarios should be presented as a single graph.	
Q9	We support the increase of the number of characters for the narratives for the SRI as disclosed in 4.2.3., as it will allow a better description of the material risks non-captured by the SRI and hence a better information of the potential retail investors. Nevertheless, we would like to stress the difficulties faced under the current format to stick to the limitation to three pages of the KIID and to the number of characters for narratives. In particular, the translation of the KIID in some of the EU languages may create challenges and difficulties to comply with the PRIIPs KIID length requirement. With regards to the presentation of costs, we agree with using a standard 3% performance to ensure comparability across investments. In addition, we continue to be concerned about the averaging out of entry and exit charges across the holding period as we believe this undermines comparability (given products with the same entry/exit costs may have different holding periods and therefore disclosure different numbers) and believe that the actual cost (as is currently the case with UCITS KII), as well as the compound cost, should be shown. Finally, we are disappointed that the transaction cost methodology has not been addressed in this section, given the significant issues the industry has encountered in implementing the arrival price methodology. We do not believe that the inclusion of market movements in the transaction cost calculations provides a fair or meaningful representation of transaction costs. We support the EFAMA proposal to moved to a spread-based methodology.	

Q10	As mentioned in 4.3.1, it is important that the legislative review linked to the extension of PRIIPs KID to UCITS funds also consider the selling of UCITS products to professional clients. The success of the UCITS brand makes it an investment product commonly used by institutional investors, and the production of two sets of Key Information document would impose an unnecessary burden on fund managers, additional costs charged to investors, and most of all, would not provide any added value.	
Q11	With regards to the costs for the inclusion of past performance, we disagree that including past performance would mean that investor will place undue weight on this information and assume it will be replicated in the future. Given that the future performance scenarios as directly based on past performance, this is inherent in the PRIIPs methodology itself and the inclusion of past performance may help investors to better understand how to interpret the future performance scenarios if shown together.	
Q12		
Q13	As a general comment on any change to be made to both UCITS KIID and PRIIPs KID: any development requested to adapt our tools and templates to new requirement will generate additional implementation costs for asset managers. As mentioned above, we believe that requiring the changes addressed in this paper to be implemented in 2020, when we understand that a full review will take place in 2019 and therefore we can expect further changes to be announced by 2020 and be implemented by 2021 would result in significant additional costs for product providers. We therefore believe that all changes should be implemented at the same time, although product providers should be free to implement these changes early should they wish to.	