

# Call for evidence on the European Commission mandate regarding the PRIIPs Regulation

Fields marked with \* are mandatory.

## 1. General Information

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\* Please indicate the desired disclosure level of the comments you are submitting:

- Confidential  
 Public

\* Stakeholder

Allianz SE

\* Sector

- Investment management  
 Insurance  
 Banking (structured products/ derivative products)  
 Other

\* Contact person (name and surname)

\* Contact person email

Contact person phone number

## 2. Introduction

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In the September 2020 new Capital Markets Union Action Plan, the European Commission (Commission) announced its intention to publish a strategy for retail investments in Europe in the first half of 2022.

In May 2021, as part of its evidence gathering, the Commission launched a three-month public consultation on a wide array of aspects related to retail investor protection. [1] The Commission is also undertaking an extensive study that was launched in 2020, which involves analysis of the PRIIPs Key Information Document (KID), as well as other disclosure regimes for retail investments. This study will involve extensive consumer testing and mystery shopping, with the aim to ensure that any future changes to the rules will be conceived from the perspective of what is useful and necessary for consumers.

On 27 July 2021, the Commission sent to the JC of the ESAs a request for advice asking the ESAs to assist the Commission in the preparation of legislative proposals implementing aspects of the retail investment strategy, and more specifically regarding a review of Regulation (EU) 1286/2014 on packaged retail and insurance-based investment products (PRIIPs) [2]. The deadline for the ESAs to provide their advice is 30 April 2022.

The Commission invited the ESAs to provide advice on the following main areas:

- A general survey on the use of the KID
- A general survey on the operation of the comprehension alert in the KID
- A survey of the practical application of the rules laid down in the PRIIPs Regulation
- An assessment of the effectiveness of the administrative sanctions, measures, and other enforcement actions for infringements of the PRIIPs Regulation
- An assessment of the extent to which the PRIIPs Regulation is adapted to digital media
- An examination of several questions concerning the scope of the PRIIPs Regulation

For most of the areas set out above, additional more specific elements to be addressed were identified in the mandate; for instance for the general survey on the use of the KID there are four sub-elements, including to provide evidence on the extent to which marketing information aligns with the information in the KID.

Notwithstanding the mandate provided by the Commission, the information collected and analysis conducted by the ESAs since 2018 would indicate that changes to the PRIIPs Regulation are needed in other areas, besides those addressed in the mandate, in order to achieve the optimal outcomes for retail investors. Indeed, the ESAs have previously provided their views on the need for changes to the PRIIPs Regulation in a number of areas. [3] Consequently, this call for evidence requests feedback on a range of other issues, where the ESAs are considering the relevance to additionally provide advice to the Commission.

In parallel with sending the call for advice on the PRIIPs Regulation to the ESAs, the Commission also sent separate calls for advice individually to EIOPA [4] and ESMA [5] regarding other aspects of retail investor protection, as part of the work to develop a retail investment strategy. The ESAs are seeking to coordinate the work undertaken for these different mandates.

The ESAs acknowledge that the importance and complexity of the topics set out in the Commission's request for advice call for a thorough involvement of stakeholders to ensure that they can adequately contribute to the formulation of the advice from the beginning of the process. At the same time, the short timeframe available to prepare this advice, places constraints on the type of consultation and time that can

be given for responses. Taking into account these constraints, as well as the nature of the request from the Commission, which seeks various different types of evidence regarding current market practices, the ESAs have decided to launch a call for evidence. The responses provided will be used to shape the technical advice to the Commission. The ESAs also plan to hold a stakeholder event in Q1 2022 before finalising the advice. Further details about this event and how to register will be available via the relevant sections of the ESAs' websites in due course.

Where questions in this call for evidence ask for respondents' "experiences" regarding a certain issue or topic, **please provide information regarding the basis for the views provided**. This might include whether the views are based on actual experiences, such as selling, advising on, or buying PRIIPs, a survey of market participants, academic research undertaken etc. Manufacturers of products, which currently benefit from an exemption to produce a KID, such as fund managers, are not precluded from sharing evidence or experience under this call, but should clarify the context in which they would provide comments.

[1] EU strategy for retail investors (europa.eu)

[2] Call for advice

[3] See for example the Joint ESA Supervisory Statement – application of scope of the PRIIPs Regulation to bonds (JC 2019 64), or the Final Report following consultation on draft regulatory technical standards to amend the PRIIPs KID (JC 2020 66).

[4] Call for advice to EIOPA regarding certain aspects relating to retail investor protection | Eiopa (europa.eu)

[5] Call for advice to the European Securities and Markets Authority (ESMA) regarding certain aspects relating to retail investor protection (europa.eu)

**1. Please provide any general observations or comments that you would like to make on this call for evidence, including any relevant information on you/your organisation and why the topics covered by this call for evidence are relevant for you/your organisation.**

Allianz supports the overarching PRIIPs objectives of promoting transparency, comparability and comprehensibility. As a financial conglomerate, Allianz is affected by the PRIIPs Regulation as a manufacturer, as well as a distributor of insurance based-investment products and retail investment products.

While not perfect, the PRIIPs Regulation has introduced many concepts, which can be seen as a material step forward in pre-contractual disclosures. Before PRIIPs there was no common basis for comparisons, at both EU wide and cross-sector level. The cost, risk and performance disclosures are a valid attempt at comparability, even if not perfect, yet.

Allianz welcomes the review of the PRIIPs Regulation as an opportunity to assess whether the objectives of the KIDs are actually achieved in practical application and to modernize it in function of that assessment. Allianz emphasizes the importance of consumer testing to make the review of the PRIIPs Regulation meaningful and ultimately avoid the need of future piecemeal amendments of the framework.

## 3. Call for evidence

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## 3.1 General survey on the use of the KID

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Extract from the call for advice

*A general survey on the use of the PRIIPs KID across the Union, including, to the extent feasible, evidence on:*

- *The number and type of products and their market share for which PRIIPs KIDs are produced and distributed.*
- *The recent developments and trends on the market for PRIIPs and other retail investment products.*
- *The extent to which PRIIPs KIDs are used by product distributors and financial advisors to choose the products they offer to their clients.*
- *To the extent feasible, the extent to which marketing information aligns with or differs from the information in the PRIIPs KIDs.*

In terms of this general survey, it can be relevant to clarify that regarding the third bullet point in the mandate above, the ESAs understand that evidence is sought on the extent to which the information in the KID is used by persons advising on, or selling, PRIIPs separate from the obligation to provide the KID to the retail investor. This might include, for example, identifying if a product is suitable for the retail investor. For this topic, the ESAs would like to ask for feedback to the following questions:

**2. Do you have, or are you aware of the existence of, data on the number, type and market share of different types of PRIIPs? If you have such data, would you be in a position to share it with the ESAs?**

Allianz is not able to provide the data at stake for the markets where it operates. In some jurisdictions, such information may be derived from NCAs regular publications and / or financial newspapers.

**3. In your position as product distributor or financial advisor, to what extent do you make use of KIDs to choose or compare between the products you offer to your clients? In case of trading online, does your platform offer an automatised tool that can help the retail investor in making comparisons among products, for instance using KIDs?**

While the use of KIDs by Allianz distributors varies widely across the jurisdictions where they operate, we observe that some insurance distributors seem to prefer the use of national information documents, which are more insurance specific and better tailored to the typical products. In countries as Italy, while not using the KID as “comparison tool” for different products, distributors use its risk indicator to assess the suitability of our products to specific customers.

**4. If this is the case, what is preventing distributors or financial advisors from using the KID when they choose a product for a client?**

Generally, Allianz is not aware of fundamental issues preventing the use of the KID. However, as noted in Q3, some intermediaries in the insurance business in particular prefer the use of national information documents, which are more insurance specific and better tailored to the typical products.

**5. In your experience, e.g. as a retail investor or association representing retail investors, to what extent are KIDs used by distributors or financial advisors to support the investment process? Is marketing material used instead or given greater emphasis?**

**6. What are your experiences regarding the extent of the differences between marketing information and the information in the KID? What types of differences do you consider to be the most material or relevant in terms of completeness, plain language, accuracy and clarity? What do you think might be the reason(s) for these differences?**

While we acknowledge differences between marketing information and the information in the KID, we emphasize that the former is not necessarily of lesser quality. Often marketing information is more particular to the marketed product, giving a better view of its specificities, and its language is more industry specific than the PRIIP KID. As marketing information can lead to comparability issues, Allianz welcomes the PRIIPs KID for cross-EU and cross-industry comparability.

Furthermore, marketing information enables the fulfillment of legal requirements such as national rules governing key information (e.g. cost disclosures) and IDD requirements (e.g. article 17(2), which demands that all information addressed by the insurance distributor to customers or potential customers to be fair, clear and not misleading).

## 3.2 General survey on the operation of the comprehension alert

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Extract from the call for advice:

*A general survey on the operation of the comprehension alert, taking into account any guidance developed by competent authorities in this respect, the survey should gather data on the number and types of products that include a comprehension alert in the PRIIPs KIDs, and to the extent feasible, evidence on whether retail investors and financial advisors consider the comprehension alert in their investment decisions and/or advice.*

For this topic, the ESAs would like to ask for feedback to the following questions:

**7. What are your experiences regarding the types of products that include a comprehension alert?**

There does not seem to be a common practice when it comes to using the comprehension alert. Many providers seem to include it beyond the legal requirements and therefore err on the side of caution. As a result, one may conclude that the use of the comprehension alert can be observed where we would not deem it as necessary.

The comprehension alert would be more useful as a warning if it were used only as an exception concerning the most complex products e.g. those with non-linear or geared payouts as a minimum, or products with a hybrid structure that makes them more complex than a simple investment option. For other investment products, the intermediary should be able to guide the customer appropriately.

Furthermore, the rules for the comprehension alert seem to be more tailored for pure investment products than IBIPs.

**8. Do you have or are you aware of the existence of data on the number and type of products that include a comprehension alert? If you have such data, would you be in a position to share it with the ESAs?**

Allianz is not able to provide the data at stake for the markets where it operates. In some jurisdictions, such information may be derived from NCAs specific publications.

**9. What are your experiences regarding the extent to which retail investors take into account the inclusion of the comprehension alert?**

While Allianz is not in possession of systematic data on this topic, we observe that that it does not seem to be an important criterion for most consumers.

**10. As a retail investor or association representing retail investors, are you aware of the existence of a comprehension alert for some PRIIPs?**

**11. What are your experiences regarding the extent to which financial advisors consider the comprehension alert?**

As the comprehension alert indicates a need for advice, it should not deter advisors from selling a product but alert them to the need to explain the product features, which an average consumer might find difficult to understand.

### 3.3 Survey on the practical application of the rules

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Extract from the call for advice:

*A survey of the practical application of the rules laid down in the PRIIPs Regulation, taking due account of developments in the market for retail investment products, which should include practical evidence on:*

- *To the extent feasible, the amount and nature of costs per PRIIP to various market participants of complying with the requirements of the PRIIPs Regulation, including the costs of manufacturing, reviewing, revising, and publishing PRIIPs KIDs, including as a proportion of total PRIIP costs.*
- *To the extent feasible, the extent to which the PRIIPs Regulation is applied in a consistent manner across the EU for the most commonly sold types of PRIIPs.*
- *The supervision of the PRIIPs KID, including the percentage of cases where inaccurate PRIIPs KIDs were identified by NCAs.*
- *The number of relevant mis-selling events before and after the introduction of the PRIIPs KID, including through data on the number of complaints received, number of sanctions imposed, and other relevant data.*

Concerning this topic, the ESAs would like to ask for feedback to the following questions:

## **12. For PRIIP manufactures or sellers:**

### **12. a) Please describe the different types of costs incurred to comply with the PRIIPs Regulation.**

While also noting material compliance costs arising from regular amendments to the PRIIPs Regulation, we propose to offer below a general overview focused on key operational costs arising from systems and processes in place to prepare and generate the PRIIPs KID, based on our experience as a manufacturer.

Such operational costs include the procurement of all necessary data and text elements (own data and from external asset managers e.g. European PRIIPs Templates - EPTs); the calculation of market risk and performance figures as well as RIY and cost figures and monitoring of significant changes (triggering KIDs updates, that are due on top of the regular updates).

Operational costs are also incurred with the generation per se of the KIDs for insurance PRIIPs (non-MOPs and MOPs, both Art. 10a and Art. 10b approach depending on the requirements of the manufacturer) as well as specific information documents (SIDs) for underlying investment options. In this respect, we also note the collection of external asset managers' UCITS KIIDs via Morningstar for insurance manufacturers which use them instead of SIDs, as per the current UCITS exemption. The generation of KIDs should encompass all relevant language versions, via automated, audit-proof processes, taking into account local specifics and requirements.

Costs incurred by PRIIPs manufacturers may furthermore include:

- product assessment, provision of information, preparation of narratives, calculation of data
- check and approval of documents
- introduction of documents in sales process
- overall process monitoring and updating

### **12. b) Can you provide an estimate of the average costs per PRIIP of complying with the requirements of the PRIIPs Regulation? Where possible, please provide a breakdown between the main types of costs, e.g. manufacturing, reviewing, publishing, etc.**

The average costs per PRIIP of complying with the requirements of the PRIIPs Regulation vary widely across the Allianz Group since different markets and products require a different effort.

### **12. c) Can you provide an estimate of what proportion of the total costs for the product are represented by the costs of complying with the PRIIPs Regulation?**

The proportion of the costs of complying with the PRIIPs Regulation in the total costs for the product varies widely across the Allianz Group since different markets and products require a different effort.

## **13. What are your experiences regarding the extent to which the PRIIPs Regulation is applied in a consistent manner across the EU for the most commonly sold types of PRIIPs? What are the main areas of inconsistencies?**

## **3.4 Use of digital media**

## Extract from the call for advice

*An assessment of the extent to which the PRIIPs Regulation is adapted to digital media. This survey shall include an evidence-based assessment of:*

- *To the extent feasible, the actual use of various types of physical and digital media for delivering or displaying the PRIIPs KID to retail investors.*
- *To the extent feasible, the preferred digital or physical media for retail investors to access and read PRIIPs KIDs, and the appropriateness of the PRIIPs Regulation for allowing access to and readability of PRIIPs KID on such platforms.*
- *The appropriateness of the approach taken in the PEPP Regulation 2019/1238 for displaying the PEPP KID on digital media for the PRIIPs KID.*

Article 14 of the PRIIPs Regulation lays down rules regarding the types of media that can be used to provide the KID to the retail investor. It is specified that the use of paper format should be the default option where a PRIIP is offered on a face-to-face basis, but that it is also possible to provide the KID using a durable medium other than paper or by means of a website, if certain conditions are met. These conditions include, for example, that the retail investor has been given the choice between paper and the use of another durable medium or website.

The PEPP Regulation<sup>[1]</sup> provides rules regarding the distribution of the PEPP KID either electronically or via another durable medium in Article 24. For the PEPP KID, electronic distribution can be seen as the “default” approach, but customers need to be informed about their right to request a copy on another durable medium, including paper, free of charge.

For PEPP KIDs provided in electronic format, the PEPP Regulation also allows for the layering of information (Article 28(4)). This means that detailed parts of the information can be presented through pop-ups or through links to accompanying layers. In general terms, layering allows the structure of the information to be presented in different layers of relevance: for example from the information “at a glance” that is essential for all audiences, to more detailed information being readily available in a subsequent layer for those interested, and so forth.

Concerning this topic, the ESAs would like to ask for feedback to the following questions:

[1] REGULATION (EU) 2019/1238 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 June 2019 on a pan-European Personal Pension Product (PEPP) (OJ L 198, 25.7.2019, p. 1)

### **14. Do you have or are you aware of the existence of data on the use of different media? If you have such data, would you be in a position to share it with the ESAs?**

The use of digital media varies across the Allianz Group. In markets as Italy, the main channel for PRIIPs is the physical one through advisors/banks. In such markets, Allianz is currently experiencing a hybrid approach in the bancassurance channel consisting in a first in person meeting in the bank branch between clients and financial advisors and then online selling and subscription (incl. advisory), subject to customer acceptance of paperless communications.



**15. What are your experiences as a product manufacturer or product distributor or financial advisor regarding the preferred media for retail investors to access or read the KID? Are there challenges for retail investors to receive the KID in their preferred media, such as due to a certain medium not being offered by the distributor?**

While as a product manufacturer, Allianz does not have detailed data on the use of different media for the PRIIP KID, we notice a trend towards digital media.

Allianz would recommend to take a digital first approach in the future. In particular, the design of the KID should be technologically neutral, as to not exclude consumers, and future proof, as to accommodate the ongoing digital transformation of the markets.

**16. How do you as a retail investor, or association representing retail investors, prefer to receive or view the KID?**

**17. What are your experiences regarding the preferred media for product distributors and financial advisors when using the KID?**

In our experience, it is preferable to offer the KID in the same media type as the rest of the product information. To illustrate that concern, in a digital sales process we observe that the need for a paper copy is seen as a break in the process.

**18. Should changes be made to the PRIIPs Regulation so that the KID is better adapted to use on different types of media?**

The KID should become even simpler. The tables for performance and costs are often seen as overwhelming by customers. Fewer figures would be an improvement. Furthermore, less complex tables would improve readability on mobile devices.

**19. Do you think it would be appropriate to apply the approach taken in the PEPP Regulation 2019 /1238 (highlighted above) to the PRIIPs KID?**

Cf Q32

While the design certainly appears more modern and the use of layers can improve the comprehensibility for consumers with different level of financial education, there is no practical experience with the PEPP KID yet. Further consumer testing regarding whether consumers are able to make an informed decision based on the PEPP KID is still necessary.

Allianz does not generally see the PEPP KID as an improvement over the PRIIPs KID. As the scope of the PEPP KID is much smaller, the methodology is not necessarily suitable for PRIIPs. The PEPP KID does not seem to be aimed at facilitating comparability between different product types but only within the limited scope of PEPPs.

## 3.5 Scope of the PRIIPs Regulation

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Extract from the call for advice:

*An examination of the following questions concerning the scope of the PRIIPs Regulation:*

- *whether the exemption of the products referred to in Article 2(2) points (d), (e), and (g) of the PRIIPs Regulation from the scope of PRIIPs should be maintained, in view of sound standards for consumer protection, including comparisons between financial products.*
- *whether the scope of the PRIIPs Regulation should be extended to additional financial products.*

The points referred to Article (2) of the PRIIPs Regulation concern:

*(d) securities as referred to in points (b) to (g), (i) and (j) of Article 1(2) of Directive 2003/71/EC;*  
*(e) pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits;*  
*(g) individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.*

In 2019 the ESAs published a Supervisory Statement on the application of the scope of the PRIIPs Regulation to bonds (JC 2019 64). In this statement it was stated that:

*Ultimately, in order to fully address the risk of divergent applications by NCAs, the ESAs recommend that during the upcoming review of the PRIIPs Regulation, the co-legislators introduce amendments to the Regulation in order to specify more precisely which financial instruments fall within the scope of the Regulation. We would also recommend to reflect more expressly the stated intention of the PRIIPs Regulation<sup>[1]</sup> to address packaged or wrapped products rather than assets which are held directly, to avoid any legal uncertainty on this point.*

Taking this Statement into account, the ESAs are interested in feedback on a number of additional issues besides those specified in the mandate from the Commission. Thus, concerning the topic of scope, the ESAs would like to ask the following questions:

[1] This is stated in recitals 6 and 7.

**20. Do you think that the scope of the PRIIPs Regulation should be extended to any of the products referred to in Article 2(2), points (d), (e) and (g)? Please explain your reasoning.**

We believe that the scope of the PRIIPs Regulation should not be extended to the products indicated.

Pension products recognised under national law often fulfill a specific role in the national pension system – often complementing the first pillar. They usually benefit from tax incentives and fall in scope of already existing national information requirements which are solid and tailor-made to that specific role. They are generally neither suitable, nor intended as investment products. As a result, they do not need to be compared to other products, which do not have this specific purpose.

Individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider are tailor-made for their specific purpose. They do not need to be compared to other products, which do not have this specific purpose. The KID, whose purpose is to enable an informed decision, is not necessary for these products, because a decision is not required.

**21. Do you think that the scope of the PRIIPs Regulation should be changed with respect to other specific types of products and if so, how?**

No, the scope of the PRIIPs Regulation already captures the products for which comparison is required to enable and informed decision by the retail investor. Furthermore, the extension of the scope also makes it harder reach the goal of comparability, as the methodology has to become more generic if the variety of different product types is increased.

**22. Do you think changes should be made to specify more precisely which types of financial instruments fall within the scope of the PRIIPs Regulation? Please specify the amendments that you think are necessary to the Regulation.**

No, we do not experience the need for additional specification on the scope of the PRIIPs Regulation.

**23. Do you have specific suggestions regarding how to ensure that the scope of the PRIIPs Regulation captures packaged or wrapped products that provide an indirect exposure to assets or reference values, rather than assets which are held directly?**

**24. Do you agree with the ESA Supervisory Statement relating to bonds and what are your experiences regarding the application of the Statement?**

**25. Do you think that the definitions in the PRIIPs Regulation relating to the scope should take into account other elements or criteria, e.g. relating to the maturity of the product, or relating to a product only having a decumulation[1] objective, or where there is not active enrolment[2]?**

[1] For example an annuity.

[2] This might include, for example, employment based incentive schemes

Products, which only have a decumulation objective, should not be in scope. It can be challenging for consumers to understand the information tailored to the investment process given in the KID in the context of an immediate annuity or similar decumulation only product. The methodology is not suitable for products with a life-long holding period.

Products without active enrolment should not be in scope, as the information offered by the KID is generally not very relevant in an auto-enrolment situation. Information better tailored for that purpose would be preferable.

**26. Do you think that the concept of products being “made available to retail investors” (Article 5(1) of the PRIIPs Regulation) should be clarified, and if so, how?**

There is little guidance as to the meaning of “made available.” The EC Guidelines 2017/C 218/02 on the application of the PRIIPs Regulation state that access by EEA retail investors to a website of a person

advising on or selling a PRIIP should not mean that the PRIIP has been “made available” to those investors and therefore trigger an obligation to produce a locally translated KID. This question is also relevant in context of access to products listed in a third-country, potentially triggering the concept of “making the product available to EEA retail investors”.

It may be useful to clarify that adequate level of active distribution in the respective local markets / in the EEA should be required to trigger the obligation to produce a PRIIPs KID. Prior to issuing the envisaged clarification, a meaningful stakeholder discussion would be welcome.

**27. Do you think it would be beneficial to develop a taxonomy of PRIIPs, that is, a standardised classification of types of PRIIPs to facilitate understanding of the scope and that could also be used as a basis for the information on the “type of the PRIIP” in the ‘What is this product?’ section of the KID (Article 8(3)(c)(i) of the PRIIPs Regulation)? If yes, do you have suggestions for how this could be done?**

While it is certainly worthwhile to clarify the definition of the scope, a taxonomy might not be best approach. Abstract definitions are more open to product innovation. The wide range of products in scope and the heterogeneity of the EU markets would make a taxonomy approach very complex. Furthermore, constant updates would be needed.

### 3.6 Differentiation between different types of PRIIPs

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Following a targeted consultation on PRIIPs towards the end of 2018, the ESAs’ Final Report published in February 2019 (JC 2019 6.2), which proceeded further work on a review of the PRIIPs Delegated Regulation, stated (page 14):

- Differentiation between different types of PRIIPs: *taking into account information regarding challenges to apply the KID to specific product types, for example very short-term products or specific types of insurance or pension products, it is intended to analyse if it is appropriate to introduce some additional differentiation in how the rules apply to different types of products, while still adhering to the overarching aim of comparability between substitutable products.*

This aspect was considered during the review of the PRIIPs Delegated Regulation initiated in 2019, but this work was conducted within the constraints of the existing PRIIPs Regulation. In the context of reviewing the PRIIPs Regulation, consideration could be given to the following types of approaches:

- The development of broad product groupings or buckets of similar products. A more tailored approach could be taken for each of these groupings, with the aim to ensure the meaningfulness of the information and prioritising comparability within these groupings. This might also ease the comparability between the PRIIPs Regulation and sectoral legislation (such as MiFID, IDD) on certain disclosure requirements;
- A reduced degree of standardisation in the KID template;
- Provisions that would allow for supervisory authorities to grant exemptions or waivers from the requirements in duly justified cases.

**28. Do you think that the current degree of standardisation of the KID is detrimental to the proper understanding and comparison of certain types of PRIIPs? If so, which products are concerned?**

Allianz supports the current degree of standardization of the KID as the minimum common denominator, key to enable comparability of different products, because standardized information is easier to compare. Consumers will always try to compare similar products regardless of which financial entity offers them and standardization should focus on comparable elements, allowing for a meaningful product specific description (see Q33 and Q34).

**29. Do you think that greater differentiation based on the approaches highlighted above, is needed within the PRIIPs Regulation? If so what type of approach would you favour or do you have alternative suggestions?**

While standing critical of a formal differentiation between products, we emphasize that the PRIIPs KID should have room to accommodate the specificities of the products in scope. To illustrate that, we note that the insurance elements e.g. biometric protection of the products in scope should be included in the KID since it is difficult to present information on benefits beyond pure investment returns.

**30. Do you have suggestions for how a product grouping or product buckets could be defined?**

While Allianz would refrain from implementing product groupings or buckets, since that approach would undermine the goal of PRIIPs comparability, we reiterate that standardization should allow for a meaningful product specific description and focus on comparable elements.

## 3.7 Complexity and readability of the KID

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Taking into account the views previously expressed by some stakeholders that the information in the KID is overly complex and contributes towards an information overload for the retail investor, the ESAs would like to ask for suggestions on how the KID could be improved in this respect.

There can also be a link between this issue and the use of techniques such as layering as referred to above in the context of the digital KID (see Section 3.4), as well as other design techniques, such as the inclusion of visual icons or dashboards at the top of documents[1].

[1] Dashboards can include the most essential information at the top of the document. This is the approach taken, for example, for the PEPP KID - "PEPP at a glance" in Annex I of PEPP Delegated Regulation 2021/473 point 4 and the template in part II.

**31. Would you suggest specific changes to Article 8 of the PRIIPs Regulation in order to improve the comprehensibility or readability of the KID?**

While not concerning a specific change to Article 8 of the PRIIPs Regulation, we emphasize the need to improve the comprehensibility and readability of the KID.

The average impact of the costs over the RHP both in Euro and percent would be enough for the average consumer. The costs breakdown tables are in parts too detailed and the second table could be completely deleted.

In our experience, complex tables like the costs and performance disclosures in the PRIIP KID with several

intermediate values can be quite challenging to read. Intermediate values are not generally meaningful and make the tables difficult to read for many consumers, who find the large number of values difficult to interpret.

We believe that digital layering can contribute to improve the comprehensibility and readability of the KID. A very concise starting page with only the key indicators will be most suited for many consumers. More details can be given in the next layer(s). Even with the use of layers, the information requirements should be limited in a way such that it is still possible to print it in one concise document.

While the experience currently in place does not enable a sound assessment of the information on sustainability-aspects of the product in PRIIPs, it should be avoided that the new requirements undermine the original aim to serve the customer a crisp and concise piece of information.

### **32. How could the structure, format or presentation of the KID be improved e.g. through the use of visual icons or dashboards?**

Allianz supports the improvement of presentation and format of the KID through information layering complemented by visual icons and/or dashboards. For many consumers, a layered digital approach can make the information easier to process as they can decide themselves how deep they want to go into the information. The starting point should be very easy and concise with icons and pictograms helping for an easy first layer message. More detailed information, graphics and tables should only come on the second or third layer.

## **3.8 Performance scenarios and past performance**

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In the ESAs' draft regulatory technical standards (RTS) to amend the PRIIPs Delegated Regulation submitted to the Commission in February 2021[1] (and adopted by the Commission on 7 September 2021 [2]), the ESAs included a proposed new requirement for certain types of investment funds and insurance-based investment products to publish information on the past performance of the product and refer to this within the KID. This approach was taken so that the availability of this information would be known, and the information would be published in a standardised and comparable format.

However, the ESAs also stated in the Final Report[3] accompanying the RTS that (on page 4):

*the ESAs would still recommend, as a preferred approach, to include past performance information within the main contents of the KID on the basis that it is key information to inform retail investors about the risk-reward profile of certain types of PRIIPs. Since it has been argued that the intention of the co-legislators was for performance scenarios to be shown instead of past performance, it is understood that a targeted amendment to Article 8 of the PRIIPs Regulation would be needed to allow for this. A consequential amendment is also considered necessary in this case to allow the 3 page limit (in Article 6(4)) to be exceeded to 4 pages where past performance information would be included in the KID;*

Besides the issue of past performance, the ESAs' work under the empowerment in Article 8(5) regarding the methodology underpinning the performance scenarios has raised significant challenges. Since the ESAs first started to develop these methodologies from 2014 onwards, it has proved very difficult to design appropriate performance scenarios for the different types of products included within the scope of the PRIIPs Regulation that would allow for appropriate comparisons between products, avoid the risk of generating unrealistic expectations amongst retail investors and be understandable to the average retail

investor. In particular, no academic consensus has been reached on how to develop common performance scenarios that would be equally appropriate for all types of PRIIPs, proving the inherent difficulty of such an approach.

In this context, the ESAs would like to ask for feedback on:

[1] EIOPA's Board of Supervisors agrees on changes to the PRIIPs key information document | Eiopa (europa.eu).

[2] Implementing and delegated acts | European Commission (europa.eu)

[3] JC 2020 66 (30 June 2020)

### **33. Do you agree with the ESAs' assessment in the Final Report (JC 2020 66) regarding the treatment of past performance?**

The term risk and reward profile usually implies a distribution. For that, a large number of scenarios are required. We agree that past performance can be an additional market scenario to complement the other market scenarios (favorable, moderate, unfavorable & stress). It is worthwhile to mention, that past performance may only be useful for some products subject to PRIIPs and disclosure should therefore be optional.

We note that without understanding the risk and reward profile of a product it is hard to tell whether an outcome was only mediocre or very good. This is due to the fact that safer products have a lower expected return.

### **34. Would you suggest changes to the requirement in Article 8(3)(d)(iii) of the PRIIPs Regulation concerning the information on potential future performance, and if so what would you specifically change in the Regulation?**

We still recommend a large number of market scenarios to be the basis for the scenarios shown in the KID. We see this as the only way to get a complete view of the risk and reward profile of a product, cf Q33.

The naming forward-looking scenarios creates a lot of misunderstandings. We suggest using of a more neutral term like just 'market scenarios'. The market scenarios do not predict the future but only show a multitude of possible scenarios, which might happen in the future. While they are valuable to show how a product reacts to different market conditions and to compare the risk and reward profiles of products, the market scenarios are not predictive of the future in absolute terms. Market scenarios should comprise: favorable, moderate, unfavorable, stress and optionally past.

## **3.9 PRIIPs offering a range of options for investment (Multi-Option Products ("MOPs"))**

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In the ESA Consultation Paper of October 2019 on proposed amendments to the PRIIPs KID (JC 2019 63), the ESAs stated that their analysis of the implementation of the rules for MOPs indicated some significant challenges regarding the clarity and usefulness of the information provided to retail investors. In particular, it was stated that (page 51):

*Where a generic KID is used (in accordance with Article 10(b) of the PRIIPs Delegated Regulation), it is difficult for the investor to identify the total costs related to a particular investment option. This arises*

*because the generic KID shows a range of costs, but does not always identify which costs are specific to an investment option and which costs relate to the insurance contract. At the same time, it is understood that the information on the underlying investment option (in accordance with Article 14 of the PRIIPs Delegated Regulation), does not usually include the total costs of investing in that option. Therefore, it is often not possible for the investor to identify from the generic KID the costs that may apply in addition to those shown in the option-specific information.*

One of the proposals in the Consultation Paper was to introduce a differentiated treatment for the ‘most commonly selected investment options’ (page 52). In the final draft RTS following the consultation, the proposals relating to the most commonly selected investment options were not included taking into account various implementation challenges raised by respondents to the public consultation.

However, the ESAs introduced some specific changes to the approach for MOPs, for example to require the separate disclosure in certain cases of the costs of the insurance contract or wrapper. It was considered that these changes would result in material improvements to the current KID. At the same time, despite these proposed changes, there are still considered to be material issues that were not possible to address within the constraints of the review of the PRIIPs Delegated Regulation.

In the Final Report (JC 2020 66), the ESAs also stated at that stage that they consider the optimal way to address the challenges for MOPs is to use digital solutions, but that this would require changes to the PRIIPs Regulation.

As part of the May 2021 consultation from the Commission on the Retail Investment Strategy, feedback was also requested on the approach for MOPs to require a single, tailor-made KID, reflecting the preferred underlying investment options of each investor, to be provided.

In this context, the ESAs would like to ask for feedback on the following questions regarding potential alternative approaches for MOPs that might require a change of the PRIIPs Regulation:

**35. Would you be in favour of requiring a KID to be prepared for each investment option (in accordance with 10(a) of the PRIIPs Delegated Regulation) in all cases, i.e. for all products and for all investment options[1]? What issues or challenges might result from this approach?**

[1] This approach assumes complete investment in a single investment option and requires the KID to include all costs.

While the 10 (a) approach is often taken for products with just a few options, the 10 (b) approach often works better for products with many options. The generic KID can give a good first view of the influence the choice of the underlying options has.

It could be investigated whether a mixed approach might hold some promise, i.e. additionally giving a 10 (a) KID for the five most common options. That might be a best of both worlds approach. But it should be tested beforehand whether it provides additional benefit for consumers.

**36. Would you be in favour of requiring an approach involving a general product information document (along the lines of a generic KID) and a separate specific information document for each investment option, but which avoids the use of cost ranges, such as either:**



- A specific information document is provided on each investment option, which would include inter alia all the costs of the product, and a generic KID focusing more on the functioning of the product and which does not include inter alia specific information on costs?; or
- The costs of the insurance contract or wrapper would be provided in a generic KID (as a single figure) and the costs of the underlying investment option (as a single figure) would be provided in the specific information document?

**What issues or challenges might result from these approaches?**

The costs of the product and the costs of the options are not always separable. There are products where there is an interaction between the components e.g. due to a risk mitigation algorithm. In addition, profit sharing can transfer results from options to the main product or vice versa. Just adding the costs would give a false result and mislead consumers.

It can be quite misleading to ignore the interaction between the main product and the underlying options, cf above.

**37. Do you see benefits in an approach where KIDs are prepared for certain investment profiles or standard allocations between different investment options, or for the most commonly selected options? In this case, what type of information could be provided regarding other investment options?**

We see the merit in giving KID according to 10 (a) for the three most popular options (i.e. funds) in addition to the generic KID.

**38. Do you have any other comments on the preferred approach for MOPs and or suggestions for changes to the requirements for MOPs in the PRIIPs Regulation?**

### 3.10 Alignment between the information on costs in the PRIIPs KID and other disclosures

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In the final draft RTS amending the PRIIPs Delegated Regulation submitted to the Commission in February 2021 (and adopted by the Commission on 7 September 2021), the ESAs sought to introduce changes to the way that cost information is presented in the KID, in particular for non-insurance packaged retail investment products (PRIIPs)[1]. One of the aims of these changes is to achieve a better alignment with disclosure requirements in MiFID and IDD.

At the same time, the ESAs have received representations from stakeholders that there might still be inconsistencies or misalignment between the PRIIPs KID and disclosure requirements in other legislative frameworks. This issue is also related to the issue of appropriate differentiation between different types of PRIIPs (see Section 3.7).

Since the issue of consistency between different disclosure requirements for retail investment products is

also addressed in the calls for advice to ESMA and EIOPA, the ESAs will, in particular, coordinate the work on this aspect, and consider the appropriate mandate within which to address any issues that arise.

[1] As defined in point (1) of Article 4 of the PRIIPs Regulation

**39. Taking into account the proposals in the ESAs' final draft RTS, do you consider that there are still other inconsistencies that need to be addressed regarding the information on costs in the KID and information disclosed according to other retail investor protection frameworks?**

The RTS proposals reduce the goal of comparability by allowing sector specific approaches on cost disclosure to prevail. Different methodologies imported from different disclosure regimes should be adequately integrated in a uniform concept as the result of the Retail Investment Strategy.

While the experience currently in place does not enable a sound assessment of the information on sustainability-aspects of the product in PRIIPs, Allianz notes that several initiatives look into such aspects from different angles e.g. SFDR, IDD and MiFID II, raising the potential for regulatory inconsistency in this field.

### 3.11 Other issues

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**40. Do you think that other changes should be made to the PRIIPs Regulation? Please justify your response.**

#### Contact

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