Deutscher Derivate Verband

Discussion Paper (JC/DP/2014/02)

Key Information Documents for
Packaged Retail and Insurance-based Investment Products (PRIIPs)

Response

This paper constitutes the response by the Deutscher Derivate Verband e.V. ("**DDV**") to EBA, EIOPA, and ESMA (the "**ESAs**") in connection with the Discussion Paper (JC/DP/2014/02) (the "**Discussion Paper**") on Key Information Documents for Packaged Retail and Insurance-based Investment Products ("**PRIIPs**") dated 17 November 2014. The DDV appreciates the opportunity to comment on the Discussion Paper and the work undertaken by the ESAs to publish a preparatory step in the preparation of the Regulatory Technical Standards ("**RTS**"), setting out early thinking on the part of the ESAs and allowing market participants to share their views.

The activities of DDV members represent a significant proportion of the German and potentially also the EU market of structured retail products ("**SRP**") issued.

The DDV and its members agree that improving the transparency of PRIIPs offered to retail investors is an important investor protection measure and a precondition for rebuilding the confidence of retail investors in the financial market. To prevent divergence, it is necessary to establish uniform rules on transparency at Union level which will apply to all participants in the PRIIPs market and thereby enhance investor protection. The DDV and its members have, consequently, a strong interest in a common standard for key information documents ("**KID**") and harmonised format and content of those documents.

In such context, the DDV expressly welcomes the Discussion Paper on Key Information Documents for Packaged Retail and Insurance-based Investment Products and its contents and is grateful for the opportunity to respond to the questions as follows:

QUESTIONS:

1 Introduction

1.7 Interaction with other EU legislation

1. Do you have any views on how draft RTS for the KID might be integrated in practice with disclosures pursuant to other provisions?

The DDV highly appreciates the ESA's thorough analysis of the interaction between the Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (the "**PRIIPs Regulation**") and other European regulations, such as MiFID II, the UCITS Directive, the AIFMD and the Distance Marketing Directive for Financial Services.

We strongly agree with the ESAs that consistency in approach will need to be considered carefully, to avoid legal uncertainty and to reduce potential confusion for retail investors. This, in particular, applies to the interaction with MiFID II.

The PRIIPs Regulation, e.g., requires information on consumer types to be included in a PRIIPs KID, thereby implying a link to a target market, which is also dealt with within MiFID II level two work (please see our response to Question 36). In our view, and since there is no conceptual difference between the two concepts of the target market (as used in MiFID II and the PRIIPs Regulation), a consistent definition of the target market would be essential to establish uniform rules on transparency at European Union level.

We also agree with the ESAs that investment firms should be able to rely on information on costs of the relevant financial instrument as disclosed in the prospectus and the UCITS key investor information document ("**KIID**") or the KID. In order, however, for investment firms to effectively rely on the KID, any information on costs should in our view be limited to the costs of the relevant financial instrument itself and to not reflect any distribution fees or other costs accruing on the level of the individual investor. In case that costs accruing on the level of the individual retail investors (e.g. transactional costs or fees charged by the investor's custodian bank) were to be disclosed in the KID, it would in our view be helpful if the ESAs clarified that an assumption of a generalised lump sum of these costs may be used by the PRIIP manufacturers for these purposes.

Last, not least, we feel that also the interaction with the revision of the Prospectus Directive should be carefully considered, in particular, when comparing different disclosure requirements for SRPs as required by the PRIIPs Regulation for the KID and the Prospectus Directive for the so-called summary.

Finally, we would like to use the opportunity to comment on the Discussion Paper to also emphasise that further clarification by the ESAs of the scope of products to be covered by the PRIIPs Regulation would from our perspective be helpful to avoid legal uncertainty and to reduce potential confusion for retail investors. In our view, e.g. it becomes already apparent from the definition of "PRIIPs" (being Packaged Retail and Insurance-based Investment Products), referring to investment products only, that products, which are not designed to be held by investors until maturity, but to be traded, are not supposed to be covered by the PRIIPs Regulation.

3 What are the risks and what could I get in return?

3.3 Definition of risk and reward

2. Do you agree with the description of the consumer´s perspective on risk expressed in the Key Questions?

In our view, the description of the consumer´s perspective on risk expressed in the Key Questions of the Discussion Paper seems to adequately address the consumer's need for basic information and we, in particular, agree with the ESAs that possible losses (risks) and the uncertainty of returns drive the consumer perspective on the risk of PRIIPs.

Besides considerations about the likelihood of losses and returns, the question about the balance of risk and return from our point of view addresses the most relevant aspects regarding risk. The question if risk and return is fairly/correctly balanced is more relevant for the cost discussion. For instance total cost of 3 % of the face value does typically not change the risk return nature significantly, however total costs of 15 % might change the nature significantly.

In this context, it would be useful to give consumers a regulatory definition of the risk categories / classes, for instance with the help of an additional key question: What PRIIPs / investments are associated with low / high risks?

3. Do you agree that market, credit and liquidity risk are the main risks for PRIIPs? Do you agree with the definitions the ESA's propose for these?

Yes, the DDV generally agrees on the three specified main risks and its descriptions / definitions. In due consideration of the overall risk, it is important to know that the main risks do not contribute equally to the overall risk. For instance, neither liquidity risk nor credit risk typically contribute significantly to the overall risk, so the dominating factor for the majority of PRIIPs is market risk (underlying risk, volatility risk etc.). A reasonable (single) quantitative PRIIPs risk indicator would consider all main risks and its contributions. Since such an indicator only shows an aggregated view on risk, it is necessary to additionally describe the (main) risks on a narrative basis in the KID. These narrative descriptions also allow for an explanation of risks that might not fully be reflected in a summary risk indicator (e.g. liquidity risk in real estate products / funds when a significant number of investors want to sell simultaneously).

3.4 Measuring risks

4. Do you have a view on the most appropriate measure(s) or combinations of these to be used to evaluate each type of risk? Do you consider some risk measures not appropriate in the PRIIPs context? Why? Please take into account access to data.

Most important when measuring risks for PRIIPs, is the definition of a consistent and reasonable methodology that works not only for all types of PRIIPs but also for Non-PRIIPs (because PRIIPs are usually compared with a direct investment in stocks, bonds etc.).

Since all PRIIPs can be priced it is possible to derive a quantitative risk measure (extracting out of financial data). A quantitative risk measure is superior to qualitative risk measures as no subjective risk evaluation and risk aggregation is necessary. All kind of subjective (qualitative) valuations and weightings will lead to artificial advantages/disadvantages for some products and hence to product arbitrage. A systematically applied quantitative approach will avoid this problem. Concerning the risk measures: all kind of downside risk measures (VaR, ELVaR, expected shortfall) dominate symmetric risk measures like volatility. Volatility is a good measure for symmetric distributed investment returns but not for asymmetric ones which can be observed in PRIIPs (derivatives, structured products etc.). On the other hand, all downside risk measures are appropriate for such asymmetric distributions. However, it could be advantageous to choose a “popular” risk measure to be compliant with other regulations / market standards (for instance VaR is already part of the UCITs and in Basel III regulation).

An appropriate risk measure for PRIIPs should lead to a comprehensible ranking of PRIIPs according to their product characteristics. For instance, a PRIIP on a more “uncertain” underyling should lead to a higher risk figure. The same should apply in general for other PRIIP features like maturity (longer maturity = higher risk), capital guarantee (yes = lower risk) or protection level (higher protection = lower risk).
We recommend using a full valuation approach that covers all investment relevant risks (market, credit, liquidity), the maturity and other product characteristics such as strikes, barriers and guarantees. Such an approach is easily applicable for Non-PRIIPs as well.

3.5 *Aggregation of risk*

5. How do you think market, credit and liquidity risk could be integrated? If you believe they cannot be integrated, what should be shown on each in the KID?
As mentioned above, credit and liquidity risk can be (to some extent) integrated in the summary market risk indicator. We believe that from a consumer perspective an aggregated indicator / a single indicator is easier to interpret than three different indicators. In addition this single indicator should be accomplished by narrative descriptions and/or the described qualitative measures.

3.6 *Performance scenarios*

6. Do you think that performance scenarios should include or be based on probabilistic modelling, or instead show possible outcomes relevant for the payouts feasible under the PRIIP but without any implications as to their likelihood?
From a retail investor perspective it is essential to clearly describe the various pay-off options of a PRIIP. For this purpose, a typical scenario section should, in our view, include a positive, a neutral as well as a negative scenario. Depending on the individual features of a PRIIP, however, less or even more (than three) scenarios might help retail investors to better understand the PRIIP and its features and to easily get an overview on how different parameters influence the pay-off. The most relevant aspect of performance scenarios is to illustrate potential outcomes of the investment. As the estimation of real probabilities of these outcomes is difficult, we are of the view that performance scenarios should not be accompanied by probabilities. However, in some situations probability indications are very helpful for investors, e. g. if maximum returns are not realistic or for the case of probabilities for barrier hits. This additional probability information can help investors. It should be pointed out in the KID – as it is already done in the UCITs KID for the SRRI – that these probabilities are indications. They should not be misleading in any case.
7. How would you ensure a consistent approach across both firms and products were a modelling approach to be adopted?
In line with the PRIIPs Regulation's aim it is in our view most important to ensure comparability of information in relation to all PRIIPs provided to retail investors. It is,

hence, in our view necessary to have a consistent approach across all PRIIP manufacturers to avoid regulatory / product arbitrage. This approach - which is, given the very wide range of PRIIPs that fall within the scope of the PRIIPs Regulation and very difficult to determine for all PRIIPs – should be defined alongside with the technical standards. The approach for performance scenarios should be in line with the methodology used for the summary risk indicator in order to allow a balanced view on risk and reward.

8. What time frames do you think would be appropriate for the performance scenarios?

Comparability of investment products (regarding risk, performance scenarios and cost) requires an assumption of a single holding period. However, finding this single holding period for all PRIIPs / investors is challenging (please also see our comment to Question 1 above). It is common sense in financial literature that increasing holding periods lead to a decreasing predictive power for estimating return and risks. For products with a predefined maturity, an end of maturity perspective seems to be reasonable. For PRIIPs without maturities ("open-end") an appropriate holding period has to be assumed for investment products.

9. Do you think that performance scenarios should include absolute figures, monetary amounts or percentages or a combination of these?

As pointed out in the Discussion Paper, this aspect has to be elaborated during consumer testing. From our point of view, it is useful to present scenarios for one unit of each PRIIP taking into account the purchase price of the PRIIP.

10. Are you aware of any practical issues that might arise with performance scenarios presented net of costs?

The central question here is the desired function of performance scenarios. Should they foster a better understanding of the product or should they show realistic indications of possible outcomes? We prefer to put the focus on the comprehensibility of PRIIPs and believe that a presentation without costs would reduce complexity of the performance scenario section for retail investors. Including costs would require an assumption regarding a lump sum of costs when buying a PRIIP, because investor's individual costs are not known in detail by the manufacturer. Thus, it might be difficult to ensure comparability between PRIIPs with different maturities / holding periods, payment structures etc. in the performance scenario section if costs are included.

11. Do you have any preferences in terms of the number or range of scenarios presented? Please explain.
In general, three scenarios (positive, neutral and negative) for PRIIPs are constructive. For certain PRIIPs more or less scenarios can be useful, e.g. for a SRP with a cap it might be appropriate to show positive scenarios with underlying prices above and under the cap. The same applies for negative scenarios, e.g. if a SRP has a barrier / protection level. This view is, in particular, shared by the German regulator (BaFin), when requiring the presentation of scenarios in the German product information sheet (PIB).

3.7 *Options for presentation*

12. Do you have any views, positive or negative, on the different examples for presentation of a summary risk indicator? Please outline advantages and disadvantages, and provide any other examples that you are aware of that you think would be useful.
The usage of risk classes is well established throughout distributors and advisors. Subject to our experience the majority of banks / distribution channels use a five class scale. Hence, we prefer a similar presentation as it is “learned” by many retail investors. As outlined in our answer to question 3, the summary indicator has to be accompanied with a narrative description of the relevant PRIIPs risks. An important aspect that has not been addressed so far: Beside risk other important product properties will be disclosed narratively and as an indicator. The visualization of risk should be in line / comparable to the visualization of other product characteristics such as costs, e.g. risks and costs should be disclosed in classes. We believe that a similar disclosure would help the investor and foster product comparability and comprehensibility.
13. Do you have any views, positive or negative, on the different examples for presentation of performance scenarios? Please outline advantages and disadvantages, and provide any other examples that you are aware of that you think would be useful.
As PRIIPs mostly have an underlying investment or at least a benchmark / comparable asset, we recommend to present performance scenarios on the basis of scenarios for the underlying / comparable investments. Such a presentation fosters

consumers' understanding of the PRIIP and its product features. Overall, to our opinion typical retail investors will not understand too complex presentations. Regarding the presentation form for performance scenarios we propose a table including positive, neutral and negative scenarios depending on the underlying investment. Please find below a sample for SRPs (Reverse Convertible):

Scenario 1 – positive for the investor (optional):
The reference price is at or above the strike price (EUR 37.00). The investor will receive the nominal value of the Reverse Convertible on the repayment date (EUR 1,000.00) plus 10.25 percent interest p.a. on the nominal value (all together EUR 1,102.50). In this case, the investor will make a profit.

Scenario 2 – neutral for the investor (optional):
The reference price is EUR 33.65. The investor will receive 27.02703 shares and 10.25 percent interest p.a. on the nominal value of EUR 1,000.00 (all together EUR 1,011.96) on the repayment date. In this case, the investor will neither make a profit nor make a loss. This is because the value of the shares – plus interest – will correspond to the purchase price of the Reverse Convertible.

Scenario 3 – negative for the investor (optional):
The reference price is EUR 26.92. The investor will receive 27.02703 shares and 10.25 percent interest p.a. on the nominal value of EUR 1,000.00 (all together EUR 830.07) on the repayment date. In this case, the investor will make a loss. This is because the value of the shares – plus interest – will be below the purchase price of the Reverse Convertible.

Reference price	Repayment	Interest payment	Gross amount (repayment plus interest)
EUR 40.38	*EUR 1,000.00*	*EUR 102.50*	*EUR 1,102.50*
EUR 37.02	*EUR 1,000.00*	*EUR 102.50*	*EUR 1,102.50*
EUR 33.65	Delivery of 27 Z shares plus payment of EUR 0.91	EUR 102.50	EUR 1,011.96
EUR 30.29	**Delivery of 27 Z shares plus payment of EUR 0.82**	**EUR 102.50**	**EUR 921.01**
EUR 26.92	**Delivery of 27 Z shares plus payment of EUR 0.73**	**EUR 102.50**	**EUR 830.07**

Positive development for the investor / Neutral development for the investor / Negative development for the investor

14. Do you have any views on possible combinations of a summary risk indicator with performance scenarios?

In general, risk and performance are coherent, i.e. higher risk should lead to higher return potentials. Nevertheless, a combination of risk and performance in one figure / indicator seems to be not appropriate for retail investors. The disclosure of performance has an added-value for retail investors as scenarios help to better understand the function of the PRIIP. On the other hand, too many pieces of information expressed in indicators, scenarios etc. could confuse consumers, so it is reasonable to concentrate on the main product features. We propose a combination of one summary risk indicator and 3-5 performance scenarios displayed in tabulation form together with narrative descriptions for both components. In our opinion this proposal is in-line with combination 2A in table 9 of the Discussion Paper by assuming that a table for performance scenario is interpreted as a narrative presentation.

4 What are the costs?

4.3 Key Questions

15. Do you agree with the description of the consumer´s perspective on costs expressed in the Key Questions?
We suppose that the average retail investor does not have many questions in mind regarding costs. Of course he should be interested in the total costs to be paid for an investment in a PRIIP. Furthermore, it might be useful for consumers to know what the (main) cost drivers are (e.g. distribution / advice, structuring, funding etc.) and if there are any hidden or unknown costs. Thus, the challenge is to make all costs transparent to consumers without overburdening the disclosure with too many details which in addition might be difficult to understand.

4.4 Identifying, quantifying and measuring costs

16. What are the main challenges you see in achieving a level playing field in cost disclosures, and how would you address them?
The DDV fully agrees with the described challenges in the Discussion Paper. The main challenge is to provide investors with the relevant information that is actually useful and easily understandable to support their investment decisions. To this end, it is important to find a consistent and appropriate methodology for all PRIIPs. This approach has to reflect all characteristics of each type of PRIIPs by ensuring comparable results, so that there are no advantages or disadvantages for certain PRIIPs in competition. One important aspect in this context is the existence of different maturities / holding periods of PRIIPs, so a reasonable assumption is required for a level playing field in cost disclosures (the same problem exists for a consistent risk disclosure, please see above).

17. Do you agree with the outline of the main features of the cost structures for insurance-based investment products, structured products, CfDs and derivatives? Please describe any other costs or charges that should be included.
We agree on that, the outline for structured products reflects our definition of costs in the DDV Fairness Code.
18. Do you have any views on how implicit costs, for instance costs embedded within the price of a structured product, might be best estimated or calculated?
The prices of structured products should be determined in among the issuers using the criteria of modern financial markets theory and be based on a number of different factors of influence. For instance, the DDV members state the issuer estimated value (IEV) of the investment product in the relevant product information sheet. The difference between the issue price of the product plus a front-end load fee, where applicable, and the IEV should include the expected issuer margin and, where applicable, a sales commission. The expected issuer margin covers, inter alia, the operational costs incurred by the issuer for structuring (e.g. costs of drawing up the securities prospectuses, costs of admission of the structured securities to listing), market making (i.e. costs of continuous price fixing on the exchange and over the counter) and settlement of the respective structured financial instrument, and it also includes the expected profit for the issuer. Therefore the IEV can serve as basis to estimate or calculate implicit costs.
19. Do you agree with the costs and charges to be disclosed to investors as listed in table 12? If not please state your reasons, including describing any other cost or charges that should be included and the method of calculation.
We agree on table 12 and the herein shown cost components. Regarding the question if a disclosure of all components is necessary, please see our answer to Question 15. We, hence, consider that it is imperative that information about costs contained in the KID is limited to key information and is simple, engaging and understandable. The list of costs in Table 12 is from our point of view overly detailed and too complex for retail investors. Retail investors will be primarily concerned with the total amount of costs they will be charged upfront and during the life of the investment. The breakdown of such costs is not likely to be of interest or relevance to the investor. Some cost components shown in Table 12 should not be considered such as costs of portfolio management techniques, dividends, bid-ask spread and market impact. Dividends, for instance, are used for replication purposes.

20. Do you agree that a RIY or similar calculation method might be used for preparing 'total aggregate cost' figures?
Since all PRIIPs are packaged products with a direct link between performance / payoff and the underlying investment and holdings respectively, a fair value should always be the starting point for measuring total aggregated costs. The fair value concept considers a replication strategy for all PRIIP's as well as its components and can be seen as the purchase price among professional market participants. According to the fair value, a cost amount can easily be derived. In addition, the cost amount can be transformed in a cost figure, for instance following the RIY approach. Moreover, we consider the RIY approach that involves many assumptions, very complex and difficult to understand for the investor. The RIY put products with a maximum repayment amount at a disadvantage.
21. Are you aware of any other calculation methodologies for costs that should be considered by the ESAs?
No, in our view the Discussion Paper contains all information in this regard.
22. Do you agree that implicit or explicit growth rates should be assumed for the purpose of estimating 'total aggregate costs'? How might these be set, and should these assumptions be adjusted so as to be consistent with information included on the performance scenarios?
Assuming growth rates for PRIIPs, and their underlying instruments respectively, could lead to a biased presentation of costs due to the huge impact of the growth rates on the PRIIP's return.
23. How do you think implicit portfolio transaction costs should be taken into account, bearing in mind also possible methods for assessing implicit costs for structured products?
Implicit portfolio transaction costs such as market impact as occurring for funds can be measured (estimated) on an order by order evaluation. In the next step these costs can be aggregated to annual implicit portfolio transaction costs. In a similar to TER measure the costs could simply be added to a total annual cost figure. Alternatively by assuming a holding period these costs could be expressed as a discounted cost figure at the beginning of the investment. This methodology is

equivalent to the implicit costs for SRPs.
24. Do you have any views on possible assumptions that should be made, and how these might be calibrated or set?
If applicable consistent modelling guidelines and assumptions are mandatory to ensure a level playing field for all PRIIPs (please see our answer to Question 16). Consistency is important not only for all types of PRIIPs but also for all manufactures, sub-categories etc. The definition of appropriate holding periods is one of the main challenges (please see our answers in the risk part, especially to Question 8). The arguments in the Discussion Paper are well balanced. The final decision on setting of this parameter should be based on example calculations for different products.

4.5 Presentation of cost disclosure in the KID

25. What do you think are the key challenges in standardising the format of cost information across different PRIIPs, e.g. funds, derivatives, life insurance contracts?
Please see our answer to Question 16. The main challenge is to find a consistent methodology / approach reflecting the different characteristics of all PRIIPs. In this context, the assumed holding period for spreading the costs over the holding period has a great impact. In addition, the resulting cost presentation, e.g. cost indicator, should be homogenous throughout all PRIIPs.
26. Do you have a marked preference or any objection for any of the presentational examples? If so, why? Please provide any alternative examples which you believe could be useful.
The DDV prefers a close connection between the KID-sections “risks”, “performance scenarios” and “costs”, so a similar presentation of the indicators for risks and costs is useful. As pointed out in the risk section, a five class scheme from low to high is very popular in the financial industry, so option 2 is a reasonable presentation. A combination with cost and risk-adjusted performance scenarios would lead to a consistent presentation within the KID and hence to a better understanding of investment products.

27. In terms of a possible breakdown of costs, are you aware of cost structures for which a split between entry or exit costs, ongoing costs, and costs only paid in specific situations or under specific conditions, would not work?
No, we agree on the described split between entry or exit costs, ongoing costs, and costs only paid in specific situations or under specific conditions.
28. How do you think contingent costs should be addressed when showing total aggregated costs?
Due to the fact that some cost components (for instance structuring costs) cannot be determined exactly ex ante, we prefer a narrative explanation of cost drivers included in the overall costs.
29. How do you think should cumulative costs be shown?
Please see our answer to Questions 21 and 26. We prefer a five-class scheme for costs in the style of the disclosed risk class.

5 Other Sections of the KID

5.2 Identity – Article 8(3)(a)

30. Do you have any views on the identity information that should be included?
The DDV agrees with the ESA's analysis that any identity information to be included in the KID should, in keeping with the overall objectives of the KID, be kept as brief and simple as possible to be easily understood by retail investors. Any information should be made as relevant as possible for investors. Including, e.g., the telephone number of a PRIIP manufacturer having its registered seat in Germany in a KID, is in our view in the context of a cross-border offering of SPRs of rather limited use for retail investors in jurisdictions outside of Germany and, hence, not relevant for these investors. It would be more helpful for retail investors to include a link to the PRIIP manufacturer's website, where, following a confirmation of the investor's jurisdiction, so-called gating, specific contact details in the relevant jurisdiction may be found.

5.3 *Comprehension Alert*

31. Do you consider that the criteria set out in recital 18 are sufficiently clear or would you see some merit in ESAs clarifying them further?
We consider the guidance given in recital 18 sufficiently clear and do, consequently, not see any merit in clarifying them further. In fact, any further (detailed) guidance given by the ESAs might even prevent PRIIP manufacturers from being able to properly address peculiarities in national regulation, markets and investors and to help retail investors to compare different products. Detailed guidance could, hence, reduce flexibility for adapting the KID to the precise features of different PRIIPs, potentially reducing the effectiveness of the KID for retail investors in respect of some PRIIPs.

5.4 *What is this product?*

32. Do you agree that principles on how a PRIIP might be assigned a 'type' will be needed, and do you have views on how these might be set?
The DDV shares the ESAs' view that the more flexibility is allowed on the description of the "type" of PRIIP, the increased potential for confusion amongst retail investors comparing different KIDs is, if PRIIPs of a similar type are described differently in their KIDs. While in theory, there is a variety of ways of classifying or organising PRIIPs according to types, we are of the view that PRIIP manufacturers, distribution channels, investors as well as other market participants will, practically, develop "type" classifications, which are helpful for retail investors, and that, consequently, principles prepared by the ESAs on how a PRIIP might be assigned a "type" are not needed. In fact and as outlined in the Discussion Paper, some market participants, e.g. the European Structured Investments Products Association (EUSIPA), have already developed structured products classifications, which are widely accepted (by investors).
33. Are you aware of classifications other than by legal type that you think should be considered?
Although we agree with the ESAs that information on the type of the PRIIP gives the retail investor a basic message as to where a particular PRIIP sits in the universe of

other PRIIPs, we consider such information of rather limited use for retail investors only and also from an investor's perspective of minor importance only. In fact, any classification simply based upon the legal type of a PRIIP would in our view be over-simplistic and not be appropriate to accurately reflect the specific features of a PRIIP. In our view, the legal type of a PRIIP does not in any case imply its risk classification.

In contrast thereto, we feel that especially the economic structure (including economic exposures and product features) represented by a PRIIP is the effective way of classifying PRIIPs and helping retail investors to better comprehend and compare the many different products that fall within the scope of the PRIIPs Regulation.

34. Do you agree that general principles and as necessary prescribed statements might be needed for completing this section of the KID?

The DDV agrees with the ESAs general principles and, as necessary, prescribed statements might be helpful to create a level playing field between different PRIIPs and distribution channels. This in particular holds true for guidance as to what information should be considered as "key" information in relation to a SRPs and, hence, is to be included in a KID. Such guidance would not only be helpful for PRIIP manufacturers, but also help retail investors to compare different PRIIPs and to better understand their features.

We, nevertheless, feel that general, *i.e.* conceptual, principles and prescribed statements only as necessary are sufficient for these purposes and that no detailed principles and statements are needed. It is in our view the ultimate responsibility of each PRIIP manufacturer to determine what the "key" information / features in relation to a specific SRP are and how best to disclose them. Any detailed guidance might even prevent PRIIP manufacturers from being able to properly address peculiarities in national regulation, markets and investors and could, hence, (in particular in combination with the KID's limitation to three sides of A4-sized paper) reduce flexibility of PRIIP manufacturers for adapting the KID to the precise features of different PRIIPs. Given the very wide range of SRPs, any such reduced or even missing flexibility of PRIIP manufacturers for adapting the KID might even impair future product innovation.
A KID shall help retail investors to compare different products and to understand their features, but not substitute the reading of the full offering documents.

35. Are you aware of other measures that might be taken to improve the quality of the section from the perspective of the retail investor?

We are of the view that including further specific information on a PRIIP, e.g. product data, in the KID might improve the quality of the KID and would be helpful

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for investors to understand the features of the individual types of products. It might be helpful if the ESAs could clarify that additional specific information on a PRIIP could be included in the KID (to improve the quality of the section from the perspective of the retail investor).
36. Do you have views on the information PRIIPs manufacturers should provide on consumer types?
Including information on consumer types is in our view helpful for retail investors. The reference to types of consumers also implies a link to the target market of the PRIIP, which is also dealt with within MiFID II level two work. As already addressed in the Discussion Paper, we would like to highlight that consistency in approach will be crucial to avoid legal uncertainty and to reduce potential confusion for retail investors. In order for investment firms to effectively rely on the KID and the information on consumer types contained therein, it needs in our view to be ensured that any information on consumer types (automatically) complies with the target market requirements under MiFID II.
37. What is the key information that needs to be given to the retail investor on insurance benefits, and how should this be presented?
38. Are you aware of PRIIPs where the term may not be readily described, or where there are other issues?
We are not aware of PRIIPs where the term may not be readily described, or where there are other issues.

5.5 What happens if [the name of the PRIIP manufacturer] is unable to pay out?

39. Are you aware of specific challenges arising for specific PRIIPs in completing this section?
We are not aware of specific challenges arising for specific PRIIPs in completing this section.

5.6 How long should I hold it and can I take money out early?

40. Are you aware of specific challenges arising for specific PRIIPs in completing this section?
It is, in our view, hardly possible for a PRIIP manufacturer to give information in the KID on "how long" a retail investor should hold a specific PRIIP, since any holding period in particular depends on the overall portfolio of the investor holding the PRIIP. Any information on holding periods can, consequently, not be given on an individual investor basis, but only be included in a KID on an abstract and generic basis for the identified target market of retail investors. We are not aware of any specific challenges to include information on "how can I take money out early". The context of this information should then also be used to add information on any listing of or secondary market trading in the PRIIP, if any, to help retail investors to compare different products.

5.7 How can I complain?

41. Are you aware of specific challenges arising for specific PRIIPs in completing this section?
We are not aware of specific challenges arising for specific PRIIPs in completing this section. It is, in particular for the German market of SRPs, well established practice that investors are provided with a link to the issuer's (as PRIIP manufacturer) website, where, following a confirmation of the investor's jurisdiction, so-called gating, specific information on the handling of complaints in the relevant jurisdiction may be found. We agree, however, with the ESAs that PRIIP manufacturers may not always be aware of who the distributor is and so may not be able to include specific information for the handling of complaints related to the distributor. It should, hence, in our view be clarified by the ESAs that the inclusion of either generic information or a reference to where further information can be found related to complaining about a distributor are sufficient.

5.8 Other relevant information

42. Do you agree that this section should link to a webpage of the manufacturer?
We agree that this section should link to a webpage of the PRIIP manufacturer (please see our response to Question 41 above).

6 Products offering many options

6.2 Scope of article 6(3)

43. Do you agree with the assessment of when PRIIPs might be concerned by article 6(3)?

6.3 Scale of market

44. In your market, taking into account the list of criteria in the above section, what products would be concerned by article 6(2a)? What market share do these represent?
45. Please provide sufficient information about these products to illustrate why they would be concerned?

6.4 Impact of article 6(3)

46. Do you have views on how you think the KID should be adapted for article 6(3) products, taking into account the options outlined by the ESAs?
47. How do you consider that the product manufacturer should meet the requirements to describe and detail the investment options available?
48. Are you aware of further challenges that should be taken into account?

7 Review, Revision and Republication

7.2 Discussion

49. Do you agree with the measures outlined for periodic review, revision and republication of the KID where 'material' changes are found?
The DDV highly appreciates that the ESAs acknowledge that the KII Regulation might operate as a good starting point, but that some changes would be necessary to address the features of PRIIPs that are different from UCITS. In our view, significant changes would be necessary for SRPs. We, nevertheless, principally agree with the measures outlined for periodic review, revision and republication of the KID where "material" changes are found. To even enhance the retail investor protection, the ESA's should in our view clarify that a KID may not only be revised / updated in case of "material" changes, but as deemed necessary by the PRIIPs manufacturer to inform retail investors. Limiting any revision / update of a KID to changes, which are "materially important enough to require a revision" would reduce flexibility for adapting the KID to latest market developments, potentially reducing the effectiveness of the KID for retail investors. In this context and from a more general perspective, consistency with any approach taken under MiFID II in relation to the target market will be crucial to avoid legal uncertainty and to reduce potential confusion for retail investors and PRIIP manufacturers.
50. Where a PRIIP is being sold or traded on a secondary market, do you foresee particular challenges in keeping the KID up-to-date?
In case that a PRIIP is being sold or traded on a secondary market only (and not via the PRIIP manufacturer), we are of the view that the PRIIP manufacturer should not be required to keep the KID up-to-date. It should in our view be clarified by the ESAs that no continued revision / update of a KID is necessary for PRIIPs traded on a stock exchange or, even more generally, where the PRIIPs are no longer offered by the PRIIP manufacturer to retail investors.

51. Where a PRIIP is offering a wide range of investment options, do you foresee any particular challenges in keeping the KID up-to-date?
52. Are there circumstances where an active communication model should be provided?
In our view, there are no circumstances where an active communication model for PRIIP manufactures should be provided. Requesting PRIIP manufacturers (and distributors) to alert retail investors to the new KID or send it to them (e.g. by email) would in our view result in disproportionate administrative burdens for PRIIP manufacturers (and distributors). A publication of the new KID on the PRIIP manufacturer's website should be sufficient to give retails investors the opportunity to inform themselves about updated KIDs. Moreover, applicable data protection laws would make an active communication model even impossible, as in case of the distributor being different from the manufacturer a sharing of the investors' data is subject to legal restrictions.

8 Timing of delivery

8.2 Discussion

53. Do you agree that Recital 83 of the MiFID II might be used as a model for technical standards on the timing of the delivery of the KID?
We strongly agree that Recital 83 of the MiFID II might be used as a model for technical standards on the timing of the delivery of the KID. In fact, consistency with MiFID II will in our view be essential to avoid legal uncertainty and to reduce potential confusion for retail investors (please see our response to Question 36 above).
54. Are you aware of any other criteria or details that might be taken into account?
We are not aware of any other criteria or details that might be taken into account.

9 General aspects of the KID

9.2 Use of templates to establish consistent 'look and feel' or visual style

55. Do you think that the ESAs should aim to develop one or more overall templates for the KID?

Although the DDV agrees with the ESA's that general, *i.e.* conceptual, principles and, as necessary, prescribed statements might be helpful to create a level playing field between different PRIIPs and distribution channels (please see our response to Question 34 above), we consider the development of one or more overall templates for the KID by the ESAs as unnecessary and even jeopardising the PRIIPs Regulation's aim to improve the quality and comparability of information provided to retail investors.

It remains in our view the ultimate responsibility of each PRIIP manufacturer to determine what the "key" information / features in relation to a specific SRP are and how best to disclose them. We, consequently, in particular share the ESAs' view that prescribing templates could reduce the extent to which PRIIP manufacturers take responsibility for developing the KID, and reduce innovation and development of the KID.

Moreover, the development of one or more overall templates for the KID by the ESAs could reduce flexibility of PRIIP manufacturers for adapting the KID to the precise features of different PRIIPs.

In our view, it will in particular be the PRIIPs manufacturers, distribution channels as well as other market participants who will, practically, develop standards for the KID. In the Federal Republic of Germany, for example, it was the DDV, who significantly drove the standardisation of the German product information sheet (PIB). In any case, we strongly feel that general and generic principles would be sufficient for the market to develop standards on transparency for the KIDs. Only general and generic principles reserve flexibility for PRIIP manufacturers to adopt alternative approaches and/or to adapt the KID to the precise features of different PRIIPs.

It will in our view also be important for the ESAs to closely involve the PRIIPs manufacturers, distribution channels as well as other market participants (e.g. the DDV) in any development of templates for the KID to effectively address their practical insights and their uncertainties raised by any guidance given.

9.3 *Single payment and regular payment products*

56. Do you think the KID should be adjusted to reflect the impact of regular payment options (on costs performance risk) where these are offered? If so how?

10 Impact assessment

10.1 General discussion

57. Are there other cost or benefit drivers that you are aware of that have not been mentioned? Please consider both one-off and ongoing costs.
58. Do you have any evidence on the specific costs or benefits that might be linked to the options already explored earlier in this Discussion Paper? Please provide specific information or references broken down by the specific options on which you wish to comment.
59. Are you aware of situations in which costs might be disproportionate for particular options, for instance borne by a specific group of manufacturers to a far greater degree in terms relative to the turnover of that group of manufacturers, compared to other manufacturers?