



## **RISK, PERFORMANCE SCENARIOS AND COST DISCLOSURES IN KEY INFORMATION DOCUMENT FOR PRIIPS**

### **FBF RESPONSE**

The French Banking Federation welcomes the opening of a technical discussion on risk, performance scenarios and cost disclosures by the EBA.

However, the FBF would like to enhance that the discussion paper only embraces the manufacturer's point of view.

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

There could not be one single general approach for all products. A one-size-fits-all approach is not appropriate.

Therefore the approach should clearly be distinguished according to each type of products: structured products, life-insurance products, other investment products...

It should be clearly mentioned whether there will be only one or several KID according to each range of products.

**Question 2: How should the regulatory technical standards define a model and the method of choosing the model parameters for the purposes of calculating a risk measure and determining performance under a variety of scenarios?**

**What should be the criteria used to specify the model? Should the model be prescribed or left to the discretion of the manufacturer?**

**What should be the criteria used to specify the parameters? Should the parameters be left to the discretion of the manufacturer, specified to be in accordance with historical or current market values or set by a supervisory authority?**

The model parameters for the purpose of calculating a risk measure and determining performance under a variety of scenarios should not be left only to the manufacturer's choice, but also be discussed with the distributor on ease understanding aspect.

Moreover, a distinct calculation method should also be defined for each range of products in order to enable the customer to compare the different offers for one type of products.

**Question 3: Please state your view on what benchmark should be used and why. Are there specific products or underlying investments for which a specific growth rate would be more or less applicable?**

**Question 4: What would be the most reasonable approach to specify the growth rates? Would any of these approaches not work for a specific type of product or underlying investment?**

The approaches should be defined for each range of products. The one-size-fits-all approach is not appropriate.

**Question 5: Please state your view on what time frame or frames should the Risk Indicator and Performance Scenarios be based**

The time frame should be clearly distinguished according the different types of products:

- Fixed term products: up to the term ;
- Other products: 5 years.

**Question 6: Do you have any views on these considerations on the assessment of credit risk, and in particular regarding the use of credit ratings?**

No reply

**Question 7: Do you agree that liquidity issues should be reflected in the risk section, in addition to clarifications provided in other section of the KID?**

The liquidity issues should be reflected in only one section in the KID, preferably out of the risk section, in the section titled "*How long should I hold it and can I take money out early?*", concerning the potential consequences of cashing in before the end of the term or recommended holding period, such as the loss of capital protection or additional contingent fees.

**Question 8: Do you consider that qualitative measures such as the ones proposed are appropriate or that they need to be supplemented with some quantitative measure to some extent?**

**Should cost and exit penalties for early redemptions be considered a component of the liquidity risk and hence, be used to define a product as liquid or not for the KID purpose?**

As mentioned in our response to the previous question, cost and exit penalties for early redemptions should be considered as part of the liquidity risk and indicated in the same section.

**Question 9: Please state your views on the most appropriate criteria and risk levels' definition in case this approach was selected.**

The indicator chosen, should be easily understandable by the investor and remain close to already existing indicators in order to avoid confusion. We would therefore welcome a solution that takes as much as possible into account the risk indicators developed in the UCITS KIID.

**Question 10: Please state your views on the required parameters and possible amendments to this indicator.**

**Question 11: Please state your views on the appropriate details to regulate this approach, should it be selected.**

**Question 12: Please state your views on the general principles of this approach, should it be selected. How would you like to see the risk measure and parameters, why?**

**Question 13: Please state your views on the potential use of a two-level indicator. What kind of differentiators should be set both for the first level and the second level of such an indicator?**

**Question 14: Do you have suggestions or concrete proposals on which risk scale to use and where or how the cut-off points should be determined?**

No reply

**Question 16: Do you think that these principles are sufficient to avoid the risks of manufacturers presenting a non-realistic performance picture of the product? Do you think that they should be reinforced?**

**Question 17: Do you think the options presented would represent appropriate performance scenarios? What other standardized scenarios may be fixed?**

A performance scenario should be defined for each range of products. An overall approach is not appropriate.

The customer should be clearly informed of the consequences in case of increase or decrease of rates.

**Question 23: Are the two types of entry costs listed here clear enough? Should the list be further detailed or completed (notably in the case of acquisition costs)? Should some of these costs included in the on-going charges?**

No reply