

## PRESS RELEASE

### **AAE responds to ESAs Joint Consultation Paper Concerning amendments to the PRIIPS KID (reference JC 2018 60)**

*Brussels, 8 January 2019:* The AAE welcomes the confirmation that a more fundamental revision of the PRIIPs regulations should be planned. The AAE agrees that the PRIIPs Regulation has raised important challenges, particularly with regards to performance scenarios, that cannot be addressed through a quick fix approach like the one considered in the ESAs joint consultation paper.

Moreover, the AAE fears that the quick fix approach will represent an additional burden for the industry with little benefit for consumers. Therefore, the AAE recommends that any change should be deferred until a satisfactory framework has been designed to support a complete, more fundamental and one-off review of the Regulation.

In this regard, the AAE shares the view expressed in the [ESAs letter of 1 October 2018 to the European Commission](#). From this perspective the AAE observes that extending the KIID exemption would be in line with the search for a more satisfactory framework for the review of the PRIIPs. More specifically, one key element of the proposal was the possible introduction of past performance figures to complete the current past performance scenarios. The AAE noted that the duplication of figures between past and forecast performance does not promote good understanding of the consumer. Moreover, since the current prospective performance scenarios are based on past performance, additional disclosure of past performance will not normally mitigate existing data, but will reinforce a perception that can be misleading, especially when the figures provided are too optimistic.

Because the current method is also based on past performance, it has even more worrying disadvantages because it is less objective (e.g. negative future performance does not make sense) and because the consumer does not understand the projection method used and is even more exposed to the biases mentioned above. In both cases, past performance-based methods reinforce consumer behaviour to buy at peak and barely buy, rather sell, at the bottom of the market. This pro-cyclicality can be very harmful to the consumer. The AAE stressed that the wide variety of insurance products, both within and between countries, will make it very difficult to find an appropriate definition of past performance, as many Insurance Based Investment Products have no market value.

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#### Notes for editors

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