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Mr Steven MAIJOOR
Chairman
ESMA
103, rue de Grenelle
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Paris, May 14 2019

Ref. 190514 CKm/VD

Subject: PRIIPs and the French real estate AIFs' sector

Dear Chairman,

In the context of on-going discussions on a review of PRIIPs Delegated Regulation by the joint ESAs Committee, we wanted to share with you our suggestions to ensure that European consumers are provided with appropriate and comparable information in light of the specificities of investing in real estate assets through pooled funds.

As background, The *Association Française des Sociétés de Placement Immobilier* (ASPIM) - the French association for real estate investment companies - is a non-profit association which represents 81 managers of unlisted real estate investment funds (retail and institutional) in France, managing € 140 bn in asset values. Its members are portfolio management companies regulated by the AMF and managing French Alternative Investment Funds invested in real estate assets.

These funds and their managers are under the scope of the AIFMD, MiFID/R and PRIIPs regulatory frameworks. In particular, retail closed-ended funds entitled SCPIs are the first French AIFs to apply the PRIIPs Regulation, as they are not required to issue UCITS' KIID under French law.

ASPIM is fully supportive of the PRIIPS objectives to ensure *i)* the comparability between all investment products covered by PRIIPs in the different Member States and *ii)* accurate information is provided to non-professional investors.

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We would like to take the opportunity of the upcoming review of the PRIIPs Delegated Regulation to illustrate how the disclosure framework contained in the technical standards could be more reflective of the specific features of the real estate fund sector, and notably of the fact that portfolio management companies are responsible for managing the underlying real estate assets directly, in addition to managing the fund itself.

In more detail, we would suggest that the following targeted changes are included in order to achieve its two fundamental objectives of the PRIIPs Delegated Regulation:

1. **Ensuring comparability between real estate investment funds and other types of investment funds and within the real estate investment funds sector:**

a) Treatment of costs disclosures

The current PRIIPs Regulation requires to disclose fees related to the management of the underlying real estate assets, ie the properties themselves. By contrast, UCITS or AIFs invested in listed or non-listed companies are not required to disclose the costs and expenses incurred by the companies they invest in, as these costs are reflected in the relative performance of the listed companies.

This discrepancy not only has the potential to decrease comparability between funds offered to investors, but also creates an un-level playing field between real estate investment funds and others investment funds[1].

In order to ensure comparability between real estate investment funds and other investment funds, disclosure should be prescribed only for the costs and charges related to the management of the fund itself.

b) The Reduction In Yields (RIY) calculation methodology

We are supportive of more detailed rules in the RTSs on the methodology for calculation of the Reduction in Yields. The current flexibility allows for significant flexibility by fund providers and at local level, which is contrary to the objective of greater comparability of funds across the EU.

[1] This position is supported by the *Bundesverband Sachwerte und Investmentvermögen* (BVI)'s Q&A sent to the ESAs on August 24th 2017, approved and completed by the EFAMA on September 25th 2017 (see annexe).

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c) The Systemic Risk Indicator (SRI)

The specificities of the real estate fund sector entail that some new funds are launched with a specific portfolio which does not comply with an existing benchmark or has to comply with a composite benchmark. As a result of the application of category 2 model, the SRI level of these funds is set at 6, reducing choices for investors to benefit from the innovation of the portfolio management companies due to limited market possibilities.

2. Improving the accuracy of the information disclosed to non-professional investors:

First, our assessment is that the method related to the relevant information set forth in the PRIIPs KID is, to a large extent, not adapted to real estate investment funds because it is not aligned with their profile in terms of real estate life cycle, history of data/benchmark and transaction fees.

As a consequence, information provided by the management companies cannot exactly reflect the expected or planed conduct of the fund, especially concerning the **performance scenarios**.

To ensure accurate information disclosure in line with the real estate lifecycle, we suggest that:

- history of data should be aligned with the recommended investment period of the fund;
- a specific model for fund issuing a NAV including costs, such as French SCPIs, should be designed, in particular for the MRM calculation model;
- transaction fees for closed-ended funds, which are non-recurrent over the recommended investment period, should be treated in a specific category of one-off costs, and the transaction fees should be defined as the average of the past 3 years.

Second, we support a greater overall consistency across rules applicable to disclosure of costs and charges under the **PRIIPs Regulation and under the MiFID framework**, in particular for the identification and calculation of transaction costs. This would improve the accuracy of the information disclosed to investors.

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Third, we consider that the **application of PRIIPs KID rules** to the trade on the secondary market for closed-ended funds are inadequate. In light of potential future clarification on the scope of the PRIIPs Regulation, we recommend that such trades are scoped out of the requirements to produce a PRIIPs KID, as they represent opportunistic investment decisions at the request of a client, based on the product lifetime, the location of real estate assets and the long-term growth potential.

In conclusion, we support a more granular and proportionate approach to the implementation of the PRIIPS KID Regulation, taking into account the specific characteristics of the real estate fund sector, and ultimately supporting the objective of improving comparability and disclosure for all investors.

We would be very much interested in discussing these issues further with ESMA's team in charge of the review of the PRIIPs KID technical standards.

We remain at your disposal.

Yours sincerely,

Frédéric Bôl
ASPIM Chairman

Véronique Donnadieu,
ASPIM Chief Executive Officer