

Consob – Università Politecnica delle Marche

Questionnaire A

Presentation of financial products information

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UNIVERSITÀ
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CONSOB
COMMISSIONE NAZIONALE
PER LE SOCIETÀ E LA BORSA



ID:

Introduction

Section 0

0.0.1 In your opinion, what is the purpose of information about financial products?

(multiple answers allowed)

- | | |
|--|-----------|
| ☐ To ensure comparability among different financial products | (0.0.1.1) |
| ☐ To ensure complete information about the characteristics of a given product | (0.0.1.2) |
| ☐ To ensure awareness of financial products' returns | (0.0.1.3) |
| ☐ To ensure awareness of financial products' risks | (0.0.1.4) |
| ☐ To ensure awareness of financial products' potential losses | (0.0.1.5) |
| ☐ To ensure awareness of financial products' costs | (0.0.1.6) |
| ☐ Other (please specify): _____ | (0.0.1.7) |

0.0.2 Do you know what is meant by the "market or price risk" of a financial product?

- ☐ Yes
☐ No

0.0.3 Do you know what is meant by the "liquidity risk" of a financial product?

- ☐ Yes
☐ No

0.0.4 Do you know what is meant by the "credit risk" of a financial product?

- ☐ Yes
☐ No

0.0.5 Do you know what is meant by the "internal rate of return" of a financial product?

- ☐ Yes
☐ No

If the respondents answered "Yes" to questions 0.0.2 – 0.0.5, the interviewer moves to Section 1. If the respondents answered "No" to questions 0.0.2 – 0.0.5, the interviewer plays a video explaining the different types of risks and the internal rate of return; moreover, the respondents will be given a leaflet, including the information displayed by the video, to which they can refer during the following sections of the interview.

Appraisal of the presentation of financial information

Section 1

This Section is designed to test complexity, usefulness and information content of different presentation of financial information. Risk and return profiles are disclosed according to four presentation options: the first relies on a synthetic risk indicator (and an explanation of how to interpret it), the second on quantitative and unbundled risk measures, the third on what-if scenarios and the fourth on probabilistic scenarios (computed according to the methodology adopted by the Portuguese Securities and Exchange Commission). In this section Information sheet E submitted by the interviewer does not include any information on charges.

Step 1

Comparison of Information sheets A, B, C (outstanding structured bond).

The Information sheets are covered up; the interviewer does not disclose that they refer to the same financial product. Respondents are asked to randomly select the Information sheets, one-by-one, and to answer the questions in this Section. Randomness ensures that the answers do not depend on the sequence in which the presentation options are disclosed. This sequence is recorded and matched with the answers.

1.1.1 Please consider the three Information sheets one at a time and assess their simplicity, information content and usefulness on a 0–10 scale.

Information sheet ...	Simple	Complex	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.1.1)
	Too little information	Too much information	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.2.1)
	Not at all useful	Very useful	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.3.1)
	How much of the information contained in this Information sheet did you understand?		
	The answer is recorded		(1.1.1.4.1)
Information sheet ...	Simple	Complex	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.1.2)
	Too little information	Too much information	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.2.2)
	Not at all useful	Very useful	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.3.2)
	How much of the information contained in this Information sheet did you understand?		
	The answer is recorded		(1.1.1.4.2)
Information sheet ...	Simple	Complex	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.1.3)
	Too little information	Too much information	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.2.3)
	Not at all useful	Very useful	
	0 1 2 3 4 5 6 7 8 9 10		(1.1.1.3.3)
	How much of the information contained in this Information sheet did you understand?		
	The answer is recorded		(1.1.1.4.3)

1.1.2 In your opinion, Information sheets A and B rely on:

- ☐ The same information set (available information is the same but the sets are represented differently)
☐ Different information
☐ I don't know

1.1.3 If the answer is "Different information", which of the two Information sheet is based on more information?

- ☐ A ☐ B

Imagine that after working 5 years you have 10,000 euros in cash right now, no property, no financial instrument and no debt.

1.1.4 Would you invest in financial product A if your investment objective were capital appreciation over the next 3 to 5 years?

- ☐ Yes
☐ No

1.1.5 If the answer is yes, how much would you invest?_____

1.1.6 Please consider all the details of Information sheet A and assess their impact on your investment choices on a 0 – 10 scale (please, disregard any information you did not understand):

	No impact at all	Very high impact
1.1.6.1 Type of information (historical data)	0 1 2 3 4 5 6 7 8 9 10	
1.1.6.2 Comparison with the benchmark	0 1 2 3 4 5 6 7 8 9 10	
1.1.6.3 Synthetic risk indicator	0 1 2 3 4 5 6 7 8 9 10	
1.1.6.4 Warning on capital guarantee	0 1 2 3 4 5 6 7 8 9 10	
1.1.6.5 Past returns (historical yield)	0 1 2 3 4 5 6 7 8 9 10	

1.1.7 Would you invest in the financial product B if your investment objective were capital appreciation over the next 3 to 5 years?

- ☐ Yes
☐ No

1.1.8 If the answer is yes, how much would you invest?_____

1.1.9 Please consider all the details of Information sheet B and assess their impact on your investment choices on a 0 – 10 scale (please, disregard any information you did not understand):

	No impact at all	Very high impact
1.1.9.1 Comparison with the benchmark	0 1 2 3 4 5 6 7 8 9 10	
1.1.9.2 Market risk indicator (volatility)	0 1 2 3 4 5 6 7 8 9 10	
1.1.9.3 Market risk indicator (VAR)	0 1 2 3 4 5 6 7 8 9 10	
1.1.9.4 Liquidity risk indicator (turn over ratio)	0 1 2 3 4 5 6 7 8 9 10	
1.1.9.5 Credit risk indicator (default frequency)	0 1 2 3 4 5 6 7 8 9 10	
1.1.9.6 Credit risk indicator (rating)	0 1 2 3 4 5 6 7 8 9 10	
1.1.9.7 Warning on capital guarantee	0 1 2 3 4 5 6 7 8 9 10	

1.1.10 Would you invest in the financial product C if your investment objective were capital appreciation over the next 3 to 5 years?

- ☐ Yes
☐ No

1.1.11 If the answer is yes, how much would you invest? _____

1.1.12 Please consider all the details of Information sheet C and assess their impact on your investment choices on a 0 – 10 scale (*please, disregard any information you did not understand*):

	No impact at all	Very high impact
1.1.12.1 Type of information (projected performance)	0 1 2 3 4 5 6 7 8 9 10	
1.1.12.2 Performances scenario	0 1 2 3 4 5 6 7 8 9 10	
1.1.12.3 Past performance of the underlying parameters	0 1 2 3 4 5 6 7 8 9 10	

1.1.13 For each of the three Information sheets A, B, C please specify the element (quantitative, qualitative, layout) that draws your attention the most.

1.1.13.1 A: _____ 1.1.13.2 B: _____ 1.1.13.3 C: _____

1.1.14 According to you, which of the three Information sheets refers to the riskiest financial product?

- ☐ A ☐ B ☐ C

Step 2

Comparison of Information sheets D and E (newly issued structured bond).

The Information sheets are covered up; the interviewer does not disclose that they refer to the same financial product. Respondents are asked to randomly select the Information sheets, one at a time, and to answer the questions in this Section. Randomness ensures that the answers do not depend on the sequence in which the presentation options are disclosed. This sequence is recorded and matched with the answers.

1.2.1 Please consider the two Information sheets one at a time and assess their simplicity, information content and usefulness on a 0–10 scale.

Information sheet ...	Simple	0 1 2 3 4 5 6 7 8 9 10	Complex	(1.2.1.1.1)
	Too little information	0 1 2 3 4 5 6 7 8 9 10	Too much information	(1.2.1.2.1)
	Not at all useful	0 1 2 3 4 5 6 7 8 9 10	Very useful	(1.2.1.3.1)
Information sheet ...	Simple	0 1 2 3 4 5 6 7 8 9 10	Complex	(1.2.1.1.2)
	Too little information	0 1 2 3 4 5 6 7 8 9 10	Too much information	(1.2.1.2.2)
	Not at all useful	0 1 2 3 4 5 6 7 8 9 10	Very useful	(1.2.1.3.2)

1.2.2 In your opinion, Information sheets D and E rely on:

- ☐ The same information set (available information is the same but the sets are represented differently)
☐ Different information
☐ I don't know

1.2.3 If the answer is "Different information", which of the two Information sheet is based on more information?

- ☐ D ☐ E

Imagine that after working 5 years you have 10,000 euros in cash right now, no property, no financial instrument and no debt.

1.2.4 Would you invest in financial product D if your investment objective were capital appreciation over the next 3 to 5 years?

- ☐ Yes
☐ No

1.2.5 If the answer is yes, how much would you invest?_____

1.2.6 Would you invest in financial product E if your investment objective were capital appreciation over the next 3 to 5 years?

- ☐ Yes
☐ No

1.2.7 If the answer is yes, how much would you invest?_____

1.2.8 Please consider all the details of Information sheet E and assess their impact on your investment choices on a 0 – 10 scale (please, disregard any information you did not understand):

1.2.8.1 Type of information (projected performance) No impact at all Very high impact

0	1	2	3	4	5	6	7	8	9	10
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1.2.8.2 Internal rate of return

0	1	2	3	4	5	6	7	8	9	10
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1.2.9 For each of the two Information sheets D and E, please specify the element (quantitative, qualitative, layout) that draws your attention the most.

1.2.9.1 D:_____ 1.2.9.2 E:_____

1.2.10 According to you, which of the two Information sheets refers to the riskiest financial product?

- ☐ D ☐ E

Step **3**

Comparison of Stock 1 (Information sheet F – synthetic representation) and Stock 2 (Information sheet G – unbundled representation).

The Information sheets are covered up; the interviewer does not disclose that they refer to the same type of financial product. Respondents are asked to randomly select the Information sheets, one at a time, and to answer the questions in this Section. Randomness ensures that the answers do not depend on the sequence in which the presentation options are disclosed. This sequence is recorded and matched with the answers.

1.3.1 For each of the two Information sheets F and G please specify the element (quantitative, qualitative, layout) that draws your attention the most.

1.3.1.1 F:_____ 1.3.1.2 G:_____

Imagine that after working 5 years you have 10,000 euros in cash right now, no property, no financial instrument and no debt.

1.3.2 Would you invest in financial product F if your investment objective were capital appreciation over the next 3 to 5 years?

- ☐ Yes
☐ No

1.3.3 If the answer is yes, how much would you invest? _____

1.3.4 Would you invest in financial product G if your investment objective were capital appreciation over the next 3 to 5 years?

- ☐ Yes
☐ No

1.3.5 If the answer is yes, how much would you invest? _____

1.3.6 According to you, which of the two Information sheets refers to the riskiest financial product?

- ☐ F ☐ G

Step 4

After being told that Information sheets G and F refer to the same information set:

1.4.1 According to you, which of the two Information sheets is the most understandable?

- ☐ F ☐ G

1.4.2 According to you, which of the two Information sheets is the most useful?

- ☐ F ☐ G

Ease of understanding and comprehension of risk disclosure

Section 2

Respondents are shown Information sheets B, C, E and G in the quantitative variant (i.e., the one reporting quantitative measures of different types of risks) and are asked to answer the following questions.

2.0.1 Can you rank these products (please, see Information sheets B, C, E and G) from most to least risky?

Most risky

Least risky

Product _____ (2.0.1.1)	Product _____ (2.0.1.2)	Product _____ (2.0.1.3)	Product _____ (2.0.1.4)
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After being told which products the Information sheets refer to (B and C correspond to the same outstanding structured bond, E to a newly issued structured bond, G to a stock), respondents are asked to answer the following question.

2.0.2 Let us now return to the question you were asked at the beginning of the questionnaire. Imagine that after working 5 years you have 10,000 euros in cash right now, no property, no financial instrument and no debt. If your investment objective were capital appreciation over the next 3 to 5 years, which product would you choose to invest in?
(you can choose only one option)

- ☐ Product B - outstanding structured bond
☐ Product E - newly issued structured bond
☐ Product G - stock

2.0.3 How much would you invest? euros _____

Let us record your choice. You will be informed of the performance of your investment over 6 months from now. At that time you will be asked to indicate how satisfied you are with your choice.

Ease of understanding and comprehension of cost disclosure

Section 3

This Section is designed to test the usefulness and the perceived understanding of different presentations of the investment charges. Respondents are shown the Information sheets on the financial products including the information about charges and fees. Costs are disclosed according to three presentation options: the first relies on the disclosure of product fair value (bond component and derivative component) and costs (explicit and implicit costs), the second shows the effect of costs on the internal rate of return and the third shows the effect of costs on principal and interest.

3.0.1 Concerning only the section about costs, please consider the three Information sheets (E1, E2 and E3) and assess their simplicity, information content and usefulness on a 0-10 scale.

E1	Simple	Complex	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.1.1)
	Too little information	Too much information	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.2.1)
	Not at all useful	Very useful	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.3.1)
E2	Simple	Complex	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.1.2)
	Too little information	Too much information	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.2.2)
	Not at all useful	Very useful	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.3.2)
E3	Simple	Complex	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.1.3)
	Too little information	Too much information	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.2.3)
	Not at all useful	Very useful	
	0 1 2 3 4 5 6 7 8 9 10		(3.0.1.3.3)