

Regulatory News Alert

Motion to reject the Commission delegated regulation on PRIIPs KIDs

30 August 2016

ECON (the EU Parliament's Committee on Economic and Monetary Affairs) has drafted a motion for resolution calling for the rejection of the PRIIPs RTS issued on the 30th June 2016, citing what it states as inadequacies in the translation of technical requirements. Should this motion be voted this Thursday 1 September 2016, it would likely mean a delay to the introduction of PRIIPs, which is due to come into force at the start of 2017.

Issues identified by the committee are quite fundamental and include the following:

- Some providers of PRIIPs products will be at a disadvantage to others because of methodology used can provide misleading results; for instance in the calculation of transaction costs, the risk categorization of insurance products, the inclusion of biometric risk premium for insurance in the overall cost.
- Treatment of multi-option products in relation to exemptions granted to UCITS funds.
- Flaws in the calculation of future performance scenarios that will not lead to "accurate, fair, clear and not misleading" results as requested by the regulations.
- Finally, risks that the rules set out in the delegated regulation go against the spirit and aim of PRIIPs legislation for retail investors.

The committee's motion is calling for the delegated regulation for PRIIPs to not enter into force and for a revision thereof to take into account its concerns.

The motion for a resolution will be debated and voted for on September 1, 2016 at 11:30. To note, the European Parliament has never before rejected a RTS financial services regulation. It is the first time such a rejection would be issued.

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