

Regulatory News Alert

PRIIPs level 2 guidelines, ECON motion to reject adopted

1 September 2016

Following the vote today to adopt the motion to reject the Commission delegated regulation (the level 2 guidelines) as issued on the 30th June 2016 these guidelines will require revision taking into consideration the concerns raised by the ECON (the EU Parliament's Committee on Economic and Monetary Affairs). The timetable for the revision of the technical standards is unknown at this point.

It is important to note that the level 1 PRIIPs regulation still remains in force and as of today still requires implementation as of the 1st January 2017. As of today, without supporting technical guidelines. The European Commission have reasserted that they still intend for the PRIIPs regulation to go ahead as planned and for there not to be any amendment to the level 1 regulation.

As a reminder the 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 ECON motion will now go to a plenary vote of the entire European Parliament later this month. Further clarity on the implication of today's adoption of the motion to reject and what this means in terms of any delay will follow this vote.

At Deloitte, we will continue with our focus on assisting and advising our clients in preparing for January 1st 2017.

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