

Regulatory News Alert

Extension of UCITS exemption for PRIIPs validated by European Parliament

Implementation of new PRIIPs RTS scheduled for 1 January 2023

25 November 2021

Context

Following an initial vote by the European Parliament's Committee on Economic and Monetary Affairs (ECON) in October 2021, the European Parliament voted on 23 November 2021 to extend the UCITS exemption and postpone the new PRIIPs Regulatory Technical Standards (RTS) by 6 months. Therefore, the go-live date of the new RTS and the end of the UCITS exemption has been moved to 1 January 2023. The new RTS for the PRIIPs amendments will significantly change performance scenarios, cost computations, and disclosures.

What is new?

This decision means that PRIIPs manufacturers, whether asset managers, banking institutions or insurance companies, will need to implement the revised PRIIPs version by 1 January 2023.

This extension also avoids both PRIIPs KIDs and UCITS KIIDs being published at the same time for retail investors of UCITS funds next year. For non-retail investors, UCITS management companies will have the choice to publish either a UCITS KIID or a PRIIPs KID. The final texts are expected to be published in the EU Official Journal before the end of the year.

Meanwhile, on 2 November 2021, FinDatEx published a new draft version of the European PRIIPs Template (EPT) report v2. Asset managers and banks use the EPT to exchange PRIIPs relevant information to insurers for their PRIIPs regulatory obligations. The new version introduces several new fields to align the EPT with the new RTS and PRIIPs KIDs. It is expected to go live before the end of 2022 to allow insurance companies to produce PRIIPs KIDs in January 2023 according to the new RTS.

In addition, the UK regulator, the Financial Conduct Authority (FCA), is going in another direction, allowing UCITS KIIDs to be produced until 2026 for all UCITS domiciled in the United Kingdom and for EU funds distributed in the United Kingdom. AIFs with the same setup are also allowed to continue to produce a UCITS KIID or a PRIIPs KID based on the previous RTS (Regulation 2017/653 of 8 March 2017). This should apply until the FCA defines a new version of the UK PRIIPs KID during the first quarter of 2022.

At this stage, the implementation date of the UK PRIIPs KID is not known. Therefore, two different versions of the PRIIPs KID may co-exist—one in Europe and another in the United Kingdom—and likely two EPT versions as well.

Next steps

The European Commission will initiate a review of the current PRIIPs Level 1 Regulation based on the European Securities and Markets Authority's (ESMA) call for advice on PRIIPs. The European Supervisory Authorities (ESA) must provide their advice to the European Commission by 30 April 2022. This may lead to further changes to the PRIIPs Regulation and the related RTS next year.

In the United Kingdom, the FCA published a consultation paper on 30 September 2021 regarding further amendments to the UK PRIIPs regime (RTS). The FCA intends to publish its final rules on the amendments to the UK PRIIPs regime in the first quarter of 2022.

What is in it for my institution?

When adopted by the European Parliament and the European Council, the new RTS will be an important milestone for PRIIPs manufacturers, paving the way for the new format that will apply from 1 January 2023.

It will impact PRIIPs KID production for all concerned stakeholders, including asset managers, banking institutions and insurance companies. To ensure they comply with the new RTS, concerned entities will need to review, perform a gap analysis, modify and test their existing KID production systems before the go-live date.

How can Deloitte help?

Please reach out to us if you would like to discuss and plan how to best manage the impacts of this PRIIPs review.



At Deloitte, our UCITS and PRIIPs KI(I)Ds analytics and assembly services are designed to help you smoothly cope with the upcoming regulation change and tackle large volumes of documents. Our specialist team is also ready to assist clients to efficiently transition to the new KIDs and EPT report, either by advising and supporting your internal project team or through our KID and analytics outsourced solutions.

With our Regulatory Watch service, Deloitte helps you stay on top of regulatory news while preparing your organization to address future regulatory developments.

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