

## Regulatory News Alert

### PRIIPs: ESAs consult on proposed changes to key information document

16 November 2018

#### Context and objectives

European Supervisory Authorities (ESAs) consultation paper seeks stakeholders' views on **proposed amendments to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 ("PRIIPs Delegated Regulation")**.

The Commission Regulation (EU) 1286/2014 of 26 November 2014 ("PRIIPs Regulation") requires manufacturers of PRIIPs to provide retail investors with Key Information Document (KID) for the PRIIPs (for example, funds, structured products, unit-linked and with-profits life insurance contracts and structured deposits) before purchasing such products. PRIIPs Delegated Regulation specifies the presentation and contents of the KID.

The PRIIPs Regulation provides a temporary exemption for UCITS manufacturers and persons advising or selling such products to provide a PRIIPs KID. For such funds, a Key Investor Information Document (KIID) currently provided to investors in accordance with Directive 2009/65/EC ("UCITS Directive"). As things stand, the exemption from the PRIIPs KID obligations ceases to apply on 31 December 2019. This means that **from 1 January 2020, UCITS and relevant non-UCITS funds will be required to prepare both a PRIIPs KID and UCITS KIID**.

On 1 October 2018, ESAs set out in a letter to the European Commission their intention to make proposals to support legislative changes to avoid the possibility of **duplicating information requirements for investment funds from 1 January 2020**, and to **tackle key issues that have arisen since the implementation of the KID**.

The consultation paper therefore **facilitates the possible use of the KID by UCITS** and relevant non-UCITS funds while addressing, in particular, the most urgent issues **regarding investment products' performance scenarios**. Legislative amendments would take the form of RTS.

#### Content of the Consultation

The overall rationale of the proposed changes of the performance scenarios is that the presentation of the information is key to **reduce the risk of the information in the performance scenario section of the KID as being misinterpreted**. Given the short time frame for the amendments to be submitted to the European Commission, proposed



changes entail the inclusion of additional information (on past performance) and changes to the presentation, but **do not entail changes to the current methodology to generate future performance scenarios**. In addition, it is worth noting that the consultation does not foresee **any changes to the implicit transaction costs calculation methodology**, based on the **arrival price approach**.

The ESAs also intend to use the opportunity of proposing amendments to the PRIIPs Delegated Regulation based on the information gathered since the implementation of the KID to clarify several other issues such as **Market risk measure (MRM) calculations, products with an autocallable feature and narratives for the Summary Risk Indicator**.

## **Next steps**

The ESAs will consider the **feedback received from this consultation paper by 6 December 2018** and intend to submit the RTS to the European Commission for endorsement during January 2019. The ESAs will also publish a final report including feedback on the consultation at this time.

**It is intended that these amendments would be applicable from 1 January 2020**. This would provide PRIIP manufacturers and persons selling PRIIPs with at least six months to implement the necessary changes.

## **How Deloitte can help you?**

Deloitte's advisory specialists and dedicated services will also help you design and implement your business strategy in light of the future evolution of the regulatory framework and market trends.

Deloitte can also help you with its RegWatch Kaleidoscope service to stay ahead of the regulatory curve to better manage and plan upcoming regulations.

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