

Deloitte regulatory news alert

KID for PRIIPs

Content and Presentation Consultation Paper Issued on 11th November 2015

20 November 2015

ESAs issue a Joint Consultation Paper on PRIIPs key information for EU retail investors

Following the publication of PRIIPs Regulation (EU) 1286/2014 on 9 December 2014, the European Supervisory Authorities (ESAs) have been mandated to draft Regulatory Technical Standards (RTS) on the content and presentation of the related KIDs.

As such, on the 11th November the ESA's issued a joint consultation paper which already gives the industry a greater clarity on a number of key aspects of the regulation. In addition to the formulation of a draft of the first level 2 recommendations (RTS), certain key aspects, such as template design, clarification on the risk and performance sections are given.

An important step towards understanding the final requirements. The consultation paper is part of a wider effort, on behalf of the ESA's to solicit feedback from the industry, as they formulate and add greater detail to the RTS.

Background and scope

In the context of EU regulatory initiative to enhance customer protection and transparency of financial markets, rules have been improved on Packaged Retail and Insurance-based Investment Products (PRIIPs). PRIIPs manufacturers and entities advising or selling PRIIPs will be required to provide a Key Information Document (KID) to EU retail investors, starting as at 1st January 2017.

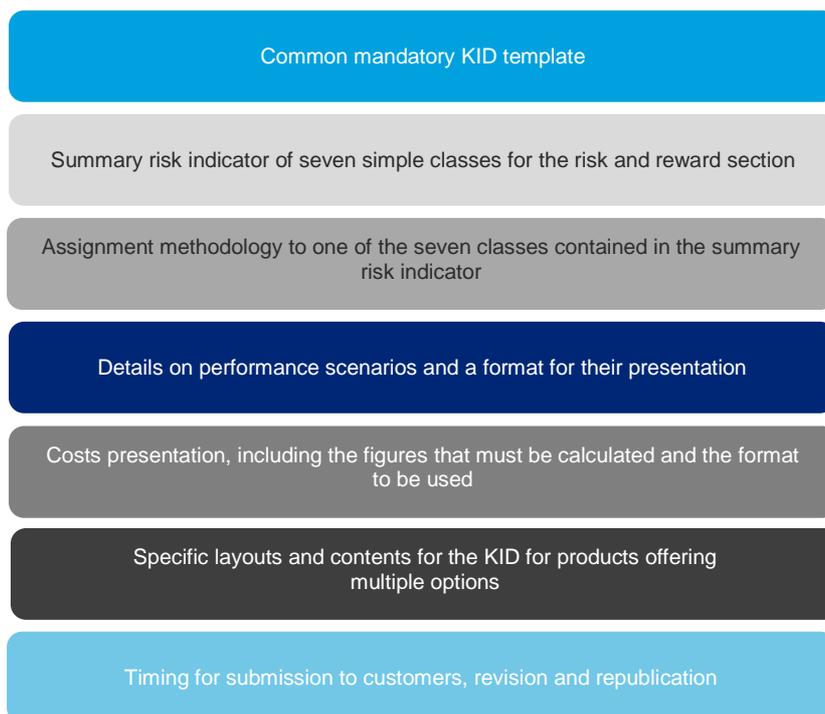
In addition to his consultation paper the ESA's will host an open hearing in Frankfurt on the 9th December will also yield further steps forward with this regard.

KID's objectives

The KID will aim to provide EU retail investors with consumer-friendly information to enable them to understand and compare EU PRIIPs offered by credit institutions, investment firms, and insurance undertakings. Before a PRIIP is made available to retail investors, the KID will have to be published on the manufacturer's website.

Proposed KID content and presentation

The KID will constitute pre-contractual information. Embedded information shall be accurate, fair, clear and consistent with any binding contractual documents. ESAs draft RTS key elements are detailed below.



- The proposed mandatory template to be used for each KID is presented in Annex I of the draft RTS. It also includes the mandatory texts to be used.
- The risk and reward section shall disclose a summary risk indicator, ranking the PRIIP on a numerical scale from 1 to 7. The draft RTS also provide criteria for the assessment of PRIIP's aggregated level of market and credit risk. The template foresees the inclusion of narrative explanations and additional warnings.
- Performance scenarios will have to be presented in tables, showing possible performance for different time periods and at least three scenarios (unfavourable scenario, a moderate scenario and a favourable scenario). The selection of these scenarios by the PRIIP manufacturer is framed by the draft rules. For insurance-based investment products, an additional performance scenario shall be included, reflecting the return the retail investor receives if a covered insurance event occurs.
- For PRIIPs without maturity date, manufacturers will have to include, a recommend and justified, holding period.
- Methods for the calculation of costs are detailed, for the measurement and disclosure of costs, required in order to complete the prescribed format for each PRIIP. The cost figures include a standardised summary breakdown of the different cost components, aggregated cost figures,

and a presentation of the accumulation of the costs in monetary and percentage terms for standardised period(s).

- The draft RTS requires the KID to be provided sufficiently early enough for a retail investor to be able to take a well-informed decision. The timing of the delivery of the KID can vary depending on the PRIIP in question and the needs of the retail investor.

Next steps

A Public Hearing on KID for PRIIPs will be held in Frankfurt on 9 December. The closing date for stakeholder input is 29 January 2016. The RTS and the impact assessment will be submitted for endorsement by the European Commission by 31 March 2016.

Our KIID Factory, expanded to include the PRIIPS KID service offering, is currently modelling, and advising on the operating model required, for clients. We would be delighted to share our experience with you.

For further information, please contact us.

We trust this information is of assistance and remain at your disposal for any further questions.

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