



## **Regulation 1286/2014 on Key Information Documents (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPS). July 2015.**

The Regulation No. 1286/2014 of 26 November 2014 on Key Information Documents (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs) entered into force on 29/12/2014 and shall apply from 31 December 2016. This Regulation establishes the minimum standards for the format and content of key information documents, which should be prepared by the manufacturers of two types of products: 1) packaged products addressed to retail investors, where the amount repayable to the investor is subject to market fluctuations or to the performance of assets which are not directly purchased by the retail investor; and 2) insurance-based investment products exposed to market fluctuations. The regulation also contains standards for submitting KIDs to retail investors, either within the framework of consulting activities or in commercial activities for selling investment products.

The **objective** of the PRIIPs Regulation is to improve the quality and comparability of the information provided to retail investors in the European Union on often complex financial products by submitting KIDs, so that retail investors can understand the fundamental characteristics of the products (potential risks, benefits or losses, and costs) and compare them with other investment alternatives. The Joint Committee of the European Supervisory Authorities (ESAs) is currently working to develop level 2 standards in the PRIIPs Regulation.

The **scope** of the PRIIPs Regulation includes the following investment products: investment funds, life insurances with an investment element (unit-linked, index-linked or with profits), structured products and deposits including debt securities with implicit derivatives and all types of derivatives (quoted or OTC). In the case of management companies and persons providing consulting services or selling shares in investment funds under the Directive on Undertakings for Collective Investment in Transferable Securities (UCITS), they will be able to maintain other information documents prior to KIDs until 31/12/2019. The PRIIPs Regulation will not apply to pension products (recognised in national law) and insurances other than life insurances or life insurances without maturity or surrender, whose benefit is received only in case of death or disability, assets held directly (shares, state-guaranteed debt), traditional bank deposits, and certain securities exempted from the obligation to issue a prospectus (public debt or foundation securities).

**Manufacturers** of investment products under the PRIIPs Regulation will publish the product KIDs on their websites before making them available to retail investors and will keep the content of their websites up to date. **Distributors** are responsible for submitting KIDs to potential investors.

**KIDs** are brief, concise documents, drafted on a maximum of three A4 sheets and printed in a way that facilitates comparability. KIDs should be written using a clear, brief and understandable language, and will include the following **information**:

a) Details of the manufacturer, competent authority of the manufacturer and date of issue of the KID.

b) Where applicable, a comprehension alert (“*You are about to purchase a product that is not simple and may be difficult to understand*”).

c) Section titled “*What is this product?*”: information on the type of product, functioning and assets/markets to which it is exposed, social objectives targeted, insurance benefits and term of the product.

d) Section titled “*What are the risks and what could I get in return?*”: summary risk indicator with a narrative explanation, possible maximum loss (indicating whether the investor can lose all invested capital, or whether the investor bears the risk of incurring additional financial commitments or obligations, and whether the product includes capital protection against market risk), appropriate performance scenarios (applicable conditions and a statement that the tax legislation of the investor’s home address may have an impact on the actual payout).

e) Section titled “*What happens if (manufacturer) is unable to pay out?*”: description of the compensation or guarantee scheme.

f) Section titled “*What are the costs?*”: information on both direct and indirect costs (including one-off and recurring costs) presented by means of summary indicators, total aggregate costs expressed in monetary and percentage terms to show the effects on the investment, and an indication that advisors and distributors will provide information on any cost of distribution not already included in the costs specified above.

g) Section titled “*How long should I hold it and can I take money out early?*”: whether there is a cooling off period or cancellation period, recommended and required minimum holding period, the ability to make, and the conditions for, any disinvestments before maturity and the potential consequences.

h) Section titled “*How can I complain?*”: how and to whom an investor can make a complaint.

i) Section titled “*Other relevant information*”: brief indication of any additional information documents (prospectus, etc.) to be provided at the pre-contractual and/or the post-contractual stage, excluding any marketing material.

The Joint Committee of the ESAs (ESMA, EBA and EIOPA) published, at the end of 2014, a **discussion paper** before the public consultations (to be published in the course of 2015) about regulatory technical standards projects to specify the following aspects of the PRIIPs Regulation:

- the conditions for fulfilling the requirement to provide the KID (Art. 8): the details of the presentation and content of each of the elements of information of the KID, the methodology for the presentation of risk and scenarios and for the calculation of costs, including the specification of summary indicators, and the adaptation of the KID for products offering several investment options (unit-linked, wrappers).

- the conditions for reviewing the information contained in the KID and for revising the KID, the specific conditions for products being offered in a non-continuous manner and the circumstances in which retail investors are to be informed about a revised KID. (Art.10).

- the conditions for fulfilling the requirement to provide the KID in good time. (Art. 13)

The Joint Committee of the ESAs (ESMA, EBA and EIOPA) recently published (23/06/2015) a **technical discussion paper** on the regulatory technical standards that the ESAs shall develop according to Art. 8(5), about the risks, scenarios and information on costs in the KID specifying:

- the methodology underpinning the presentation of risk and reward: different approaches for creating the summary risk indicator and for defining the performance scenarios where the product will be tested.

- the methodology for calculation of costs, including the specification of summary indicators: identifying the

different types of costs of PRIIPs and their calculation method, and presenting different possible ways for aggregating the different types of costs to obtain a summary cost indicator.

The ESAs will publish a final public consultation paper on the technical standards of Art. 8 of the PRIIPs Regulation in the last quarter of 2015, and other separate consultations for the technical standards of Arts. 10 and 13. The final project on technical standards will be submitted to the European Commission by 31 March 2016.

Relevant links:

[Regulation 1286/2014 of 26 November 2014 on Key Information Documents \(KIDs\) for Packaged Retail and Insurance-based Investment Products \(PRIIPs\)](#)

[Joint technical discussion paper by EBA, EIOPA and ESMA on the risks, scenarios and information on costs in the Key Information Document \(KID\) for Packaged Retail and Insurance-based Investment Products \(PRIIPs\)](#)

[Consultation paper by the Joint Committee of the ESAs on Key Information Documents for Packaged Retail and Insurance-based Investment Products:](#)