PRESS RELEASE

The EU Authorities' draft implementation rules on Key Information for retail investment products must be thoroughly improved in order not to hurt savers' and investors' protection

18 May 2016 - The Joint Committee of the European Supervisory Authorities recently issued its proposal for regulatory technical standards (RTS) on Key Information Documents (KIDs) for Packaged Retail and Insurance-based Investment Products (PRIIPs).

Better Finance already expressed its major concern with the destruction of a key improvement of the UCITS funds regulation in the past: the mandatory, standardised and supervised disclosure of past performance of the investment product and of its benchmark. Its replacement with "future performance scenarios" - that are in fact still built on past performances, but are not probability weighted, are linear and are using a holding time chosen by the manufacturers - will only mislead savers. This critical concern is being shared by even wider constituencies such as the Stakeholder Group of the European Securities & Markets Authority or the European Commission's Financial Services User Group (FSUG).

Besides preventing EU savers from even knowing whether the investment products that they are sold have made any money or not, the draft PRIIPS RTS also raise other serious concerns for EU savers and investors that are also pointed out by the asset management industry:

- The draft rules violate at least the intent, if not the letter, of article 32 of the PRIIPs Regulation that allows investment funds, which are currently using the "KIID" to postpone the PRIIPS KID adoption to 31/12/2019. But the draft RTS would now de facto require most of them to provide the KID three years earlier as fund managers would be forced to provide the KID contents to providers of "multi option" products as soon as 01/01/2017. In fact, EU savers mostly invest in funds through those "multi option" wrapper products. Therefore they would be deprived of the critical disclosure of standardised past performance three years before what is clearly intended by the EU Regulator.
- Costs are averaged over the recommended holding period of PRIIPs, making comparisons between products impossible.
- The calculation of transaction costs is based on inappropriate assumptions and leads to false outcomes that will confuse investors.

That is why Better Finance formally asks the European Parliament and the Commission to amend the draft RTS in order to:

- Reintroduce past performance disclosure (both for the product and its benchmark) within the "future performance scenarios", using the effective UCITS KIID approach (the PRIIPS Regulation does not forbid to do that at all);

- Comply with the above-mentioned Article 32 of the PRIIPs Regulation. Investment funds which are currently using the UCITS IV KIID should be effectively allowed to postpone the PRIIPS KID adoption to 31/12/2019. Therefore manufacturers of "multi-option" products should be allowed to present the UCITS KIID as an equivalent disclosure document for their underlying investments and use its inherent data until that time.

Better Finance has strongly supported the PRIIPs Regulation from the start as it aims to create a consistent, standardised, short and intelligible key information document for savers across many substitutable retail packaged investment products. However, adopting the current draft of implementing rules as it stands, would make the PRIIPS Regulation actually hurt more the hundreds of millions of EU savers than it would benefit them.

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