# National Supervisory Authorities Reject Rules for Key Information Documents for Retail Investment Products: it is high time to implement the European Commission's High-Level Forum's recommendations

**Brussels, 31 July 2020** – In a letter to the European Commission's Directorate General in charge of Financial Stability, Services and Capital Markets Union (DG FISMA) dated 20 June 2020, the European Supervisory Authorities (ESAs) informed that one of their respective Supervisory Boards did not approve the draft level 2 regulatory technical standards (RTS) for the Delegated Regulation on key information documents (KID) for packaged retail and insurance-based investment products (PRIIPs). This impasse is due to disagreements among the chairs of various national supervisory authorities related to differing views on both the necessity of first undertaking the Level 1 review before the level 2 one, and the design of the performance section of the KID document.[1]

BETTER FINANCE regrets that such a long period (2 years) of intense stakeholder consultations and consumer testing by the ESAs and DG FISMA has finally resulted in a rejection of the draft level 2 amended rules, but is not surprised. As mentioned on many occasions, the main issues surrounding PRIIPs can only be addressed at Level 1 by the co-legislators, as highlighted by the ESAs themselves. In light of this rejection and in line with the recommendation put forward in the Final Report of the High-Level Forum of the Capital Markets Union, BETTER FINANCE urges the co-legislators to immediately extend the current exemption for Undertakings for the Collective Investment in Transferable Securities (UCITS) from the requirement to produce the PRIIPs KID, at the very least until Level 1 and 2 reviews are fully completed.

Any review should start with Level 1, not the other way around. As increasingly obvious from evidence put forth by stakeholders and National Competent Authorities (NCAs) and as proposed by the ESAs, the review should urgently reinstate the requirement to include actual long-term past performance compared to the manager's benchmark as is currently the case for Key Investor Information Document for Undertakings for the Collective Investment in Transferable Securities (UCITS KIID), in the PRIIPs KID performance section.

Guillaume Prache, Managing Director of BETTER FINANCE, highlights the fact that "*the current layout and content of the PRIIPs KID is highly questionable for consumers. The ESAs have been caught in the middle of a crossfire of diverging views from stakeholders, consumers, decision-makers and national supervisory authorities*".

*"On the other hand",* Prache says, *"there may actually be a silver lining to this unfortunate delay, as this rejection of the PRIIPS RTS by the ESAs' Joint Committee may very well represent an opportunity to carry out a much-needed review of Level 1 and 2 PRIIPs regulations, provided that the exemption for UCITS funds is extended beyond the completion of this review, as strongly recommended last month by the HLF CMU set up by the EC itself ".*

He adds that he is also "*pleased to see that many amendments proposed or backed by BETTER FINANCE could count on the support from a qualified majority at the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA)".*

***

Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu

[1] See, for instance, the BaFin Journal of November 2019 indicating that some issues can be addressed by reviewing the PRIIPs regulation itself - Bundesanstalt fur Finanzdienstleistungsaufisc······ht, Der Kunden im der Blick, Seite 16, p. 10