Packaged retail and insurance-based investment products (PRIIPs): key information documents

2012/0169(COD) - 26/11/2014 - Final act

PURPOSE: to enhance retail investor protection and improve retail investor confidence in packaged retail and insurance-based investment products (PRIIPs).

LEGISLATIVE ACT: Regulation (EU) n° 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs).

CONTENT: the Regulation lays down **uniform rules on the format and content of the key information document** to be drawn up by PRIIP manufacturers and on the provision of the key information document to retail investors.

The Regulation is part of a package of measures to boost consumer trust in financial markets. It sets out to **ensure that retail investors always receive the information they need** to take informed decisions.

Scope: the Regulation covers **packaged retail and insurance-based investment products**, specifically investment funds, structured deposits and life insurance policies with an investment element.

It does not apply to:

- non-life insurance products;
- life insurance contracts whose benefits are only payable upon death or in the event of
- incapacity due to injury, sickness or infirmity;
- deposits other than structured deposits and securities;
- officially recognised pension schemes;
- pension products whose primary purpose is to provide the investor with a retirement income;
- individual pension products for which an employer contribution is required.

Key information documents: before a PRIIP is made available to retail investors, the PRIIP manufacturer must draw up for that product a key information document and publish the document on its website.

The document must be:

- accurate, fair, clear and not misleading;
- a stand-alone document, clearly separate from marketing materials;
- written in a concise manner and of a **maximum of three sides of A4-sized paper** when printed, which promotes comparability;

- focus on the **key information that retail investors need** and be clearly expressed in language that is clear, succinct and comprehensible.

Furthermore, key information documents should indicate:

- the nature and features of the product, including a specification of the markets the PRIIP invests in, including, where applicable, specific environmental or social objectives targeted by the product;
- whether it is possible to lose capital;
- the costs and risk profile of the product;
- relevant performance information;
- the length of time that the investor can hold the product and whether money may be taken out early;
- information about how and to whom a retail investor can make a complaint.

Where applicable, the key information document must contain a **comprehension alert** that shall read: 'You are about to purchase a product that is not simple and may be difficult to understand.'

Losses for which the key information document is responsible: a retail investor who demonstrates loss resulting from reliance on a key information document, when making an investment into the PRIIP for which that key information document was produced, **may claim damages from the PRIIP manufacturer for that loss** in accordance with national law.

Market monitoring: the European Insurance and Occupational Pensions Authority (EIOPA) shall monitor the market for insurance-based investment products that are marketed, distributed or sold in the Union.

Complaints: retail investors must have an effective way of submitting a complaint against the PRIIP manufacturer, as well as **effective redress procedures** in the event of cross-border disputes.

Penalties: the competent authorities designated by a Member State shall have the power to impose sanctions such as the prohibition or suspension of a product from the market, through a **public warning** and through **administrative sanctions** of up to **EUR 5 000 000**, or, up to 3 % of the total annual turnover of a legal entity or up to **EUR 700 000** for a natural person.

Review: by 31 December 2018, the Commission will review the Regulation, taking due account of developments in the market such as the emergence of new types of PRIIPs. It should also consider whether the **transitional period of five years** applying to UCITS should be extended, since the latter must observe the information requirements of Directive 2009/65/EC.

ENTRY INTO FORCE: 29.12.2014. The Regulation is applicable from 31.12.2016.

DELEGATED ACTS: the Commission may adopt delegated acts to attain the objectives of the Regulation. The power to adopt such acts is conferred on the Commission for a period of **3 years from 30 December 2014**. The European Parliament or the Council may raise objections to a delegated act within two months of the date of notification (which may be extended by two months). If Parliament or Council raise objections, the delegated act will not come into force.