

Packaged retail and insurance-based investment products (PRIIPs): modernisation of the key information document

2023/0166(COD) - 24/05/2023 - Legislative proposal

PURPOSE: to amend Regulation (EU) No 1286/2014 as regards the modernisation of the key information document (KID).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: packaged retail investment and insurance products (PRIIPs) are at the core of the retail investment market. They are investment products that banks typically offer to consumers, for example, when they want to save for a specific objective such as a house purchase or for a child's education. PRIIPs cover a range of investment products.

Despite their potential benefits for retail investors, PRIIPs are often complicated and lacking in transparency. The information which institutions make available to investors when selling these products can be overly complex.

Regulation(EU) No 1286/2014 the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment (PRIIPs) obliges those who produce or sell investment products to provide investors with key information documents (KIDs).

KIDs are short, plainly-worded documents – no more than a few pages long – that provide investors with answers to key questions they have about the features, risks, and costs of investment products. They are designed for retail investors rather than institutions or professionals to help the investor make more informed decisions on whether an investment is right for them.

This initiative builds upon, and improves, existing rules that govern the provision of PRIIPs key information documents (PRIIPs KIDs) to retail investors by manufacturers and distributors of investment products. It involves targeted changes to this framework, keeping the main provisions intact.

CONTENT: this proposal amends Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products ('PRIIPs').

In particular, the proposal aims to:

- update the legal references to the existing legislation (now Regulation 2017/1129 – 'the Prospectus Regulation') for the types of securities that do not have to produce a PRIIPs KID;
- exclude retail products providing immediate annuities without a redemption phase from the scope of the PRIIPs Regulation;

- amend the rules for presenting costs of **multi-option products**, specifying the conditions that have to be met in order to provide transparent information to retail investors and facilitate choice between different investment options;
- introduce a new section in the PRIIPs KID titled '**Product at a glance**' to summarise and highlight the information on an investment product type, its costs and the level of riskiness, recommended holding period and presence of insurance benefit;
- remove the '**comprehension alert**' as it has not been sufficiently effective in warning retail investors against particularly complex products and could have also unintentionally discouraged them from purchasing less complex investment products;
- introduce a new section in the PRIIPs KIDs titled 'How environmentally sustainable is this product?' ('sustainability section') to provide retail investors with a harmonised set of key information on the sustainability profile of relevant investment products, building on existing product disclosures;
- modernise and simplify the provisions on making PRIIPs KIDs available. It establishes a stronger preference for KIDs to be provided in **electronic format**, while clarifying that the client may request a paper version of the PRIIPS KID free of charge;
- task the European Supervisory Authorities with the development of draft regulatory technical standards specifying the conditions for such presentation as well as the functionalities to make information accessible to visually impaired readers.