BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

CFA Institute

Joint BETTER FINANCE and CFA Institute Statement

EU authorities should prioritise the long overdue full PRIIPs Regulation review, and the UCITS funds' exemption should be extended until this review is completed, as intended by EU Law.

Brussels, 1 February 2021 - The organisations representing individual, non-professional investors and financial analysts advise the European Commission, the European Supervisory Authorities (ESAs) and the EU co-legislators against further delaying the long overdue full Level 1 review of the regime on key information documents (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs).

Early February 2021, the EIOPA Board of Supervisors will be asked to vote again on draft revised level II rules for the PRIIPs KID at the request of the European Commission. We believe it is not adequate and not in line with the spirit of EU Law to revise the Level 2 rules before the Level 1 ones.

The EC and ESAs must prioritise and undertake as soon as possible a full review of the Level 1 PRIIPs Regulation, as required in Art. 33.1 thereof (this full review is now overdue by more than a year). The current PRIIPs KID proved detrimental to individual, non-professional investors who no longer receive meaningful information about "retail" investment products. Worse, the only recipients of simple, intelligible, and actual cost, risk and performance information – as of 1 January 2022 – will be professional clients, who need it least.

The PRIIPs KID will also hamper the EU's Digital Finance plans, specifically those regarding the development of online product databases and web-comparison tools for non-professional investors, as the necessary standardised and long-term actual performance and cost data will no longer be available. Moreover, the recently announced action for developing national pension tracking systems – as part of the renewed CMU Action Plan – will not be deliverable as EU and local supervisory authorities will have no source of obtaining reliable and standardized actual cost and performance data from any investment product manufacturers (which is already scarce). In addition, it will have an impact on the Disclosure Regulation as part of the Renewed Sustainable Finance Package.

Until the full review of the PRIIPs Regulation is finalised, the UCITS KIID exemption (Art. 32.1[1]) should continue as clearly intended by EU Law. This was also the unanimous recommendation to the EC from the High-Level Forum on the CMU last June:

> "*The Commission is invited to review as soon as possible, <u>and in sufficient time to avoid a conflict with the expiry of the exemption for UCITS</u>, the PRIIPs Regulation to address the issues raised by most stakeholders regarding intelligibility and comparability of information and the coherence with MIFID information rules*".

As highlighted by the undersigned organisations on many occasions, the underlying problems with the PRIIPs KID can only be addressed as part of the overall Level 1 PRIIPs framework review, based on a thorough impact assessment and consumer-testing. EU authorities should therefore

[1] According to Art. 32.1 PRIIPs Regulation, "*Management companies as defined in* [UCITS V Directive], *investment companies* (...) *and persons advising on, or selling, units of UCITS* (...) *shall be exempt from the obligations under this Regulation until 31 December 2021*" – this provision was modified through Art. 17.1 of Regulation (EU) 2019/1156, adopted on 20 June 2019.

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