

PRIIPs: The European Parliament rejected the Regulatory Technical Standards (RTS)

16 September 2016

In brief

The European Parliament largely rejected the Regulatory Technical Standards (RTS) - the so-called "level II measures" - proposed by the European Commission.

Three months before the level I enters into force, this vote has a bearing on the uncertainties of industry players.

Rejected but the deadline is not (yet) postponed!

14 September 2016, the European Parliament rejected in plenary session the Regulatory Technical Standards (RTS) of the European Commission with a vast majority.

The representatives adopted the proposition of resolution submitted by the Economic and Monetary affairs Committee ("ECON") with a large majority. The adopted resolution enjoins the European Commission to:

- Issue a new delegated act stating modified RTS;
- Issue a proposition to postpone the entry into force of the Regulation No 1286/2014 – the so-called "level I" – in order to prevent the implementation of the regulation without its dedicated RTS.

1 September 2016, the ECON members nearly unanimously rejected the RTS. They drafted a first proposition of resolution rejecting the RTS upon which the European Parliament would vote in plenary session. In this first proposition, the following points were mentioned as motives for the rejection:

- The performance scenarios computations (which were considered as misleading the investors' decisions);
- The treatment of multi-option products;
- The biometric risk premiums.

Before the vote of the European Parliament in plenary session, the ECON members amended their first proposition of resolution and notably added two points under discussion such as:

- The disclosure of a "comprehension alert" aligned with recital 18 of the level I;
- A fundamental redrafting of the Summary Risk Indicator (SRI).

As for today, only the RTS had been rejected by the Parliament. On Wednesday evening the EU Council did not reject the RTS and that Germany is mandated to submit to COREPER a proposal for solving the situation with a suggested **new** implementation date of 1 January 2018.

Nevertheless, as long as the Commission does not submit such proposition, the regulation 1286/2014 is still due to enter into force by 31 December 2016. This is the first time that such a situation occurs, which maintains all the industry players and impacted networks in an unknown perspective, until the vote of the Council and the reaction of the European Commission. In addition, one has to realise that modifying a Level I text is never easy nor fast.

We remind you that the Packaged Retail and Insurance-based Investment Products (PRIIPS) regulation, called level I, entered into force on 29 December 2014. This regulation seeks non-professional investors' protection. The product manufacturer has to provide the investor, on a pre-contractual basis, with a KID where specific information is disclosed about risks, performance and costs. This document aims to help the investor compare various products and assess the risks of his/her decision to invest.

As required in the level I of the regulation, the European Commission and the European Supervisory Authorities (ESAs) produced the RTS which contains detailed processes for risks measures, performance scenarios, costs computations and other specificities about the KID content. These RTS were disclosed on 30 June 2016.

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