

PRIIPS: RTS amended and Deadline postponed

16 November 2016

In brief

The European Commission (EC) proposed the delay of the entry into force of the PRIIPS Regulation by one year, i.e. 1 January 2018. In parallel, amended Regulatory Technical Standards (RTS) have been sent by the EC to the European Supervisory Authority (ESA).

In detail

PRIIPS: Alignment with MiFID II timeline

Almost two months after the rejection of the Regulatory Technical Standards (RTS) - the so-called “level II measures” of PRIIPS Regulation - by the European Parliament (EP), the European Commission (EC) has issued a proposal of a Regulation – “quick fix” – amending the date of entry in force of the PRIIPS Regulation.

Initially due by the end of this year, both level I and level 2 measures will be applicable as from 01/01/2018, according to the EC proposal. This means a 12-month delay and aligns the PRIIPS and MiFID II implementation dates.

To be effective, this proposal has to be validated by both the EP and the Council of the European Union. If both institutions accept the quick fix proposal of the EC, the decision will become effective as soon as it appears in the Official Journal of the European Union.

Taking into account that the European Commission has activated the simplified procedure (rule 50) of the European Parliament in order to amend the implementation deadline before the end of this year, we can assume the following process and timeline:

- 28-29 November 2016: The EC should provide the Economic and Monetary Affairs Committee (ECON) with the quick fix proposal;
- 30 November or 1 December 2016: the European Parliament would vote in plenary session on this issue – provided the ECON had approved it;
- The Council of the European Union would also have to vote on either to accept or reject the proposal;
- 10-11 December 2016: publication in the Official Journal of the European Union if the proposal has been validated through all the previous stages.

What about the “amended” Regulatory Technical Standards?

With regards to the level II measures, the European Commission aims to have the RTS adopted by Q1 or Q2 2017.

The EC has given a mandate to the European Securities Authorities (ESAs) to review the amendments made on targeted areas of the RTS that led to the reject of the European Parliament, including the following:

- Multi-Option Products (MOPs);
- Performance scenarios;
- Costs disclosure including the biometric risk premium.

In the amended RTS proposed by the EC on the 14 November 2016, the main changes are the following:

- The possibility to consider the UCITS KIID as PRIIPS compliant in the context of funds distributed through life-insurance policies (“MOPs”);
- Addition of a mandatory fourth performance scenario under “stressed” market condition;
- New precision on comprehension alert;
- Amendment on the cost linked to life-insurance contracts disclosure (i.e. biometric risk premium).

Neither disclosure of past performance nor changes in the transaction costs methodology are currently part of these new technical standards.

We understand that the ESAs have now six weeks to submit amended RTS to the European Commission which has to adopt it and then submit it to the European Parliament and the Council’s vote.

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