

PRIIPs KID Timetable Update

With the 31 December 2016 PRIIPs KIDs deadline little more than a year away, our latest Kii Hub circular provides an update on timescales for future papers that will ultimately shape the whole PRIIPs KIDs project.

The update results from a statement to the European Parliament's Economic and Monetary Affairs Committee by Steven Maijoor, Chairman of the Joint Committee of the European Supervisory Authorities (ESAs), on 14 September 2015. He confirmed:

"The ESAs have focused their efforts thus far on the RTS [Regulatory Technical Standards] that address [the presentation and content of the document], with a view to meeting the deadline of 31 March 2016. However, in the course of the work it has become clear that there is a strong interaction between those RTS and those concerning review/revision of the KID and delivery of the KID, respectively. On behalf of the Joint Committee, therefore, I would like to inform you that we see merit in aligning the deadlines for all the RTS on which the ESAs are working so that a comprehensive package would be delivered by the end of March."

The original plan was for Consultation Papers (CPs) on the review/revision and delivery of KIDs to have been issued some time ago, with the draft RTS by the end of this year. These CPs will now be included in the CP on content and methodology, due out this November, with the RTS following next March.

Steven Maijoor went on to explain the ESA's thinking on the three key elements of PRIIPs KIDs, i.e. Risk, Costs and Return. His two key messages are that their consumer testing is driving much of their work and it is vital that the information and presentation are kept as simple as possible if they are to be effective.

Risk

"It is clear that the risk indicator in the KID will be one of the main elements that consumers consider when making their investment decision. On the presentational side...the simplest presentations appear to be better."

"There is no perfect solution to the challenges around risk disclosure and there will always be trade-offs to be made."

Costs

"We know that many consumers do not pay enough attention to costs when making an investment decision...consumers face particular challenges when assessing information on costs, notably when trying to compare costs of different products with different cost structures. It is this challenge on which we have been focusing in our work on the RTS on cost disclosure. We are confident we will be able to make significant improvements to transparency whilst ensuring a level playing field between different products."

Return

“We have been considering several options for the disclosure of this information: so-called ‘what-if’ scenarios, a probabilistic approach, or a combination of the two...The ongoing consumer testing suggests that there can be real challenges for retail investors in understanding the probability information. Simpler information, again, is probably better.”

Steven Maijoor’s full statement can be found at <http://bit.ly/1P3khi8>

29th September 2015