

ECON rejects PRIIPs Regulatory Technical Standards

In case you missed the news yesterday, the Economic and Monetary Affairs Committee (ECON) of the European Parliament overwhelmingly rejected the PRIIPs KIDs Regulatory Technical Standards proposed by the European Supervisory Authorities (ESAs).

The RTS were rejected by 55 votes to 0, with 3 abstentions, and immediately following the vote, French MEP and rapporteur, Pervenche Berès, called on the negotiating teams to identify the areas of concern and to find solutions as soon as possible. The regulators who had proposed the RTS insisted they were fit for purpose and were the best solution available for the wide range of products in scope of PRIIPs.

Why were the RTS rejected?

The MEPs on ECON were keen to stress that they were still strongly in favour of the regulation as a whole, but they believe that the Level 2 measures in the RTS do not provide the necessary consumer protection by focusing on forward-looking performance scenarios, which might not make it sufficiently obvious that an investor could lose money.

In addition, some MEPs expressed concern over disclosure of the costs of insurance benefits and the way multi option PRIIPs would be presented.

What now?

A rejection such as this is unprecedented, so there is no certainty over how it will work itself out. Having been rejected by ECON, the Level 2 proposals will now go forward to the full session of the European Parliament for debate and vote between 12 and 15 September and there will no doubt be lots of intense negotiation before then.

The Association of Investment Companies (AIC) in the UK issued a statement after the vote, calling again on the authorities to push back the implementation date from 31 December 2016, but several MEPs stressed during the debate that the original timeframe should remain in place. It is questionable how that would be possible without full Level 2 measures in place very soon, so the odds on a delay must have shortened as a result of the vote.

The December 2016 date is enshrined in the Level 1 regulation, so a delay would involve changing that, which, in itself, would involve negotiation and take time that could probably be better spent on finding a solution to the differences between the legislators and the regulators.

Until the RTS are fully agreed, there will obviously be a delay to the much-anticipated Q&As that are expected to give further guidance, as these would inevitably be impacted by any changes to the Level 2 measures.

If you require further information please get in touch with us by calling 020 7337 2291 or by email at fe-kiihub@financialexpress.net.

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