Commission announces 12-month delay to PRIIPs

At least one prediction has been right today, as the European Commission's Vice President Valdis Dombrovskis confirmed it has recommended a delay of 12 months to December 2017 for PRIIPs KIDs at its meeting on 9 November. This means that PRIIPs will go live at the same time as MiFID II, which was itself delayed by a year.

Following the rejection of the Regulatory Technical Standards (RTS) by the Economic and Monetary Affairs Committee (Econ), the Parliament and the Council in September, any talk of a delay was initially rejected by the Commission, which favoured the option of going live even without Level 2 measures in place, but finally agreed in October to consider it.

What happens next?

For the delay to take effect, the PRIIPs Regulation needs to be amended by the European Parliament and Council before the end of this year. The next plenary session is 21-24 November, which might explain why the Commission brought forward its deliberation from the original date of 22 November.

Approval of the delay has not yet found its way onto the draft agenda for the plenary session, but it should be little more than a formality, as the Parliament voted 602 to 4 to reject the RTS, making a delay inevitable.

Normally, regulations are published in the Official Journal of the EU (OJEU) for 20 days before they take effect, but the amending directive delaying the start date of MiFID II waived that.

However long the Regulation takes to be amended, the industry can now revise its PRIIPs plans. But that doesn't mean we can relax, as there have been various reports about what is in the revised RTS, including a version "leaked" by EFAMA last week, but Parliament and the Council have to be happy with the proposals and we need Level 3 guidance, probably as Q&As.

As well as the additional return scenario mentioned by MEP Sven Giegold ahead of the meeting, the version circulated by EFAMA reinforced the exemption for UCITS funds, added some clarity to when a comprehension alert will be needed and introduced text on the non-investment benefits and costs of insurance products. But there has been no mention of the following changes, also sought when the RTS were rejected:

- Consistency between the scale used for the SRI and the UCITS KIID SRRI,
- inclusion of the credit risk in the SRI of insurance products,
- the cost calculation methodologies, including transaction costs, and
- details of the drivers for revision of the KID.

We wait to see what the adopted RTS and Level 3 guidance will look like, but there's a lot of work still to do. As reported in our update on 20 October, the Commission hopes to adopt the revised RTS by February, which could mean they plan to proceed with something like last week's version. With both PRIIPs and MiFID II to look forward to, 2017 will be a busy year.

Finally, it's important to remember that a delay to PRIIPs has no impact on plans to bring UCITS funds into line at the end of 2019, as the five-year exemption runs from when the PRIIPs Regulation came into force in 2014. Any delay to that would need Parliament and Council to vote for another change to the Level 1 Regulation, which is unlikely.

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