



Brussels, 8.3.2017  
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**COMMISSION DELEGATED REGULATION (EU) .../...**

**of 8.3.2017**

**supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents**

(Text with EEA relevance)

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE DELEGATED ACT

Regulation (EU) No 1286/2014 (PRIIPs Regulation)<sup>1</sup> requires manufacturers of Packaged Retail and Insurance-based Investment Products (PRIIPs) to draw up ‘Key Information Documents’ (KIDs) for these products before they are made available to retail investors, and those selling or advising on these products to provide the KIDs to retail investors in good time before they buy those products.

The PRIIPs Regulation empowers the European Banking Authority established by Regulation (EU) No 1093/2010,<sup>2</sup> the European Insurance and Occupational Pensions Authority established by Regulation (EU) No 1094/2010<sup>3</sup> and the European Securities and Markets Authority established by Regulation (EU) No 1095/2010<sup>4</sup> to jointly develop regulatory technical standards (RTS) specifying the elements of the KID, namely the presentation and the content of the KID, including methodologies for the calculation and presentation of risks, rewards and costs within the document (Article 8(5) of the PRIIPs Regulation). Article 10(2) of the PRIIPs Regulation also empowers the European Supervisory Authorities (ESAs) to develop RTS on the review, revision and publication of the KID and Article 13(5) on the conditions for fulfilling the requirement to provide the KID in good time to the retail investor. On 6 April 2016, the ESAs jointly submitted the draft RTS to the Commission.

On 30 June 2016, the Commission adopted a Delegated Regulation supplementing the PRIIPs Regulation (Delegated Regulation)<sup>5</sup> which specifies the presentation and the content of the KID and its standardised format, the methodology underpinning the presentation of risk and reward and the calculation of costs, the conditions and the minimum frequency for reviewing the information contained in the KID and the conditions for fulfilling the requirement to provide the KID to retail investors.

On 14 September 2016, the European Parliament objected to the Delegated Regulation.<sup>6</sup>

In order to address the concerns expressed by the European Parliament, the Commission, in a letter of 10 November 2016, proposed to the ESAs amendments to the Delegated Regulation as regards multi-option PRIIPs, performance scenarios, comprehension alert and presentation of administrative costs in relation to biometric components of insurance-based investment

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<sup>1</sup> Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, p. 1).

<sup>2</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

<sup>3</sup> Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

<sup>4</sup> Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

<sup>5</sup> Commission Delegated Regulation of 30 June 2016 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents (C(2016)3999).

<sup>6</sup> Position of the European Parliament of 1 December 2016 (not yet published in the Official Journal) and Decision of the Council of 8 December 2016.

products. Under the sixth subparagraph of Article 10(1) of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010, the ESAs may amend the draft RTS within six weeks on the basis of the Commission's proposed amendments and resubmit the amendments in a formal Opinion to the Commission. On the expiry of that six-week period, the ESAs did not adopt the final Opinion. Consequently, under the seventh subparagraph of Article 10(1) of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010, the Commission may adopt RTS with the amendments it considers relevant. The Commission's amendments to the Delegated Regulation concern multi-option PRIIPs, performance scenarios, comprehension alert and presentation of administrative costs in relation to biometric components of insurance-based investment products.

## **2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE DELEGATED ACT**

A general discussion paper was published for public consultation on 17 November 2014. A technical discussion paper was published on 23 June 2015. On 11 November 2015 the ESAs launched a public consultation on the draft RTS.

Stakeholders were also involved in the development of the RTSs through the advice of a Consultative Expert Group.

## **3. CONSUMER TESTING**

The Commission conducted a consumer testing study. In this study, the Commission tested which forms of presentation consumers prefer and find most useful to understand and compare PRIIPs. The Commission tested a wide variety of graphical and other techniques to show information. The consumer testing demonstrated that a simple risk scale, that showed all risks aggregated together, worked best for consumers. It also showed that many consumers had problems in understanding more complex ways of showing performance, including through graphics. In summary, simple tables worked best both for performance scenarios and for information on costs.

## **4. LEGAL ELEMENTS OF THE DELEGATED ACT**

In April 2016, the ESAs submitted draft RTS to the Commission, combining RTS developed under Articles 8(5), 10(2) and 13(5) of the PRIIPs Regulation. The Commission endorsed the bundling given the interconnectedness of the three RTS and in order to ensure that the requirements introduced by them are fully consistent. A single legal act also makes it easier to locate PRIIPs provisions.

Article 1 sets out the general information requirements in the KID with respect to the PRIIP manufacturer, name of the PRIIP, its production or revision date and the relevant competent authority. It also contains the criteria under which the comprehension alert is included in the KID.

Article 2 on '*What is this product?*' section lays down rules on information on, *inter alia*, legal form of the PRIIP, its objectives and the means for achieving them, the description of the type of retail investor to whom the PRIIP is intended to be marketed, the details as regards insurance benefits and information relating to the term of the PRIIP.

Article 3 on '*What are the risks and what could I get in return?*' section lays down requirements to include a summary risk indicator (SRI), according to seven classes of risk. Annex III contains a template for the presentation of this indicator. This section also includes narrative explanations and additional warnings where relevant. Article 3 also sets out that

performance scenarios are to be included in the KID and the relevant format for those scenarios. The figures are calculated in accordance with a harmonised methodology.

Article 4 on *‘What happens if [the name of the PRIIP manufacturer] is unable to pay out?’* section requires the KID to indicate whether the retail investor may face a financial loss due to the default of the PRIIP manufacturer or due to the default of an other entity. The identity of that entity must be indicated. This section must also clarify whether such loss is covered by an investor compensation or guarantee scheme, including any limitations or conditions thereof.

Article 5 on *‘What are the costs?’* section harmonises the presentation of costs, including the methods for calculating and aggregating the cost figures. The presentation includes information on the aggregated costs expressed in monetary and percentage terms for standardised period(s), as well as a breakdown of these costs expressed in percentage terms.

Article 6 on *‘How long should I hold it and can I take my money out early?’* section includes the requirements on descriptions of, in particular, holding periods, disinvestments, including an indication of the impact of cashing-in early, and the information about any fees and penalties which are incurred for disinvestments prior to maturity or any other specified date other than the recommended holding period.

Article 7 on *‘How can I complain?’* section requires the PRIIP manufacturers to provide information in a summary format on steps for lodging a complaint, the relevant website for such complaints and relevant up-to-date postal and email addresses.

Article 8 on *‘Other relevant information’* section lays down requirements to indicate any additional information documents to be provided. The information may be provided in a summary format, including through a link to the relevant website.

Article 9 sets out requirements on the use of a mandatory template, including mandatory texts. The template includes details of the layout that must be followed.

Articles 10 to 14 set out requirements for the content of the generic KID for PRIIPs offering a range of options for investments, where including all of the information on each of option would not be possible in a single standalone KID. Article 11 on *‘What is this product’* section requires PRIIP manufacturer to specify, in particular, the types of underlying investment options, a statement that the type of investors to whom the PRIIP is intended to be marketed varies depending on the underlying investment option and an indication where the specific information on each underlying investment option is to be found.

Article 12 on *‘What are the risks and what could I get in return?’* section requires to specify, in particular, ranges of risk classes for all underlying investment options, a statement that the risk and return vary depending on the investment option and an indication where the specific information on investment options is to be found. It also provides specific rules for PRIIPs with UCITS underlying investment options, applicable until 31 December 2019.

Article 13 on *‘What are the costs?’* section sets out requirements, in particular, to specify the range of costs for the PRIIP, a statement indicating that the costs vary depending on the underlying investment option and an indication where the specific information on investment options is to be found. It also provides options for PRIIPs with UCITS underlying investment options that are applicable until 31 December 2019.

Article 14 on *‘Specific information on each underlying investment option’* sets an out *inter alia* requirements to include for each underlying investment option a comprehensive alert, where relevant, the investment objectives, a summary risk indicator and narrative, performance scenarios and a presentation of costs

Articles 15 and 16 set out requirements on the PRIIP manufacturer for the review and revision of the KID at least once per year. Article 17 sets out obligations for the person selling or advising on the PRIIP to provide the KID sufficiently early to allow the retail investors to consider the KID before being bound. It clarifies that the timing of the delivery of the KID may vary depending on the PRIIP and the needs of the retail investor.

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)<sup>7</sup>, and in particular Article 8(5), Article 10(2) and Article 13(5) thereof,

Whereas:

- (1) Regulation (EU) No 1286/2014 introduces a new standardised key information document to improve the retail investor's understanding of packaged retail and insurance-based investment products ('PRIIPs') and the comparability of those products.
- (2) In order to provide retail investors with key information that is easy to read, understand and compare, a common template should be established for the key information document.
- (3) The identity and contact details mentioned in Article 8(3)(a) of Regulation (EU) No 1286/2014 should include the International Securities Identification Number or Unique Product Identifier for the PRIIP, where that identifier is available, in order to make it easier for the retail investor to find additional information about the PRIIP.
- (4) In order to ensure that retail investors understand and compare the economic and legal features of the PRIIP, as well as to provide them with an appropriate overview of the investment policy and strategy of the PRIIP, the key information document should contain standardised information concerning the type of the PRIIP, its investment objectives and how they will be achieved and the key features or aspects of the product, such as the insurance coverage.
- (5) The information provided to retail investors should enable those investors to understand and compare the risks associated with investments in PRIIPs so that they can make informed investment decisions. The risks pertaining to a PRIIP can vary. The most important risks are market risk, credit risk and liquidity risk. In order for

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<sup>7</sup> Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ L352, 9.12.2014, p.1).

retail investors to fully understand those risks, information on the risks should be aggregated as far as possible and numerically presented as a single summary risk indicator with sufficient narrative explanations.

- (6) When assessing credit risk, PRIIP manufacturers should take into account certain factors that may mitigate credit risk for a retail investor. In this respect, where assessing whether assets of a PRIIP or appropriate collateral, or assets backing the payment obligations of a PRIIP, are at all times until maturity equivalent to the payment obligations of the PRIIP to its investors, such assessment should reflect that the assets held by an insurance undertaking correspond at any time to the current amount that the insurance undertaking would have to pay to transfer its obligations in respect of the PRIIP to another insurance undertaking.
- (7) Currently, ratings of External Credit Assessment Institutions (ECAIs) provide a consistent proxy for credit risk across different Union sectors. The reliance on credit ratings is, however, to be reduced wherever possible. Therefore, it is important that the summary risk indicator is objectively accurate and ensures comparability between different PRIIPs and that it is appropriately monitored with regard to market risk and credit risk, so that evidence on the effectiveness of the risk measurement in practice can be made available for the review of Regulation (EU) No 1286/2014 foreseen by 31 December 2018. The review should take into account the extent to which ECAI ratings in practice reflect the creditworthiness of the PRIIP manufacturer and credit risk faced by investors in individual PRIIPs.
- (8) Where there is a risk that the liquidity of a PRIIP might vary in light of the opportunities to exit the PRIIP early or to find a buyer on a secondary market, a specific warning should be provided. That warning should also include the circumstances under which there is a risk that pay outs from the PRIIP may be significantly different than expected for early exits, including through the application of exit penalties.
- (9) While estimates on returns from a PRIIP are difficult to produce and understand, information on such estimates are of primary interest for retail investors and should be included in the key information document. Retail investors should be provided with clear information on return estimates that is consistent with realistic assumptions about possible outcomes and with the estimates of the PRIIPs' level of market risk, presented in such a way so as to make clear the uncertainty of that information and the fact that better or worse outcomes are possible.
- (10) In order for retail investors to be able to appreciate the risk, the key information document should provide retail investors with information as to potential consequences where a PRIIP manufacturer is not able to pay out. The degree of protection of the retail investor in such cases under investment, insurance or deposit guarantee schemes should be clearly set out.
- (11) Information on costs is important for retail investors when comparing different PRIIPs, which can have different cost structures, and when considering how the cost structure of a particular PRIIP might apply to them, which depends on how long they are invested, how much they invest, and how well the PRIIP performs. For this reason, the key information document should contain information that allows the retail investor to compare the overall total cost levels between different PRIIPs when held for their recommended holding periods and shorter periods, and to understand how these costs might vary and evolve over time.

- (12) Consumer testing research has shown that retail investors can understand monetary figures more readily than percentages. Small differences in costs expressed in percentages may correlate with large differences in the costs borne by the retail investor when expressed in monetary terms. For this reason, the key information document should also provide the total costs for the recommended holding periods and shorter periods, both in monetary terms and as a percentage.
- (13) Given that the impact of different kinds of cost on returns can vary the key information document should also provide a breakdown of the different kinds of costs. The breakdown of costs should be expressed in standardised terms and as a percentage so that the amounts for different PRIIPs can be easily compared.
- (14) Retail investors may experience a change in personal circumstances where longer term investments unexpectedly need to be disinvested. Disinvestments due to market developments may also be necessary. Given the difficulties for retail investors to anticipate the degree of liquidity they may need in their investment portfolios as a whole, information on recommended holding periods and required minimum holding periods, and the possibility of partial or complete early exit, is particularly important and should be included in the key information document. For the same reasons, the availability and consequences of such early disinvestment should be made clear. Specifically, it should be clear whether such consequences are due to explicit fees, penalties or limitations on disinvestment rights, or to the fact that the value of the particular PRIIP to be disinvested is particularly sensitive to the timing of the disinvestment.
- (15) Given that the key information document is also likely to be used as a summary of the main features of the PRIIP by retail investors, it should contain clear information on how a complaint might be lodged about the product or about the conduct of the PRIIP manufacturer or a person advising on, or selling, the product.
- (16) Some retail investors may wish to obtain further information on specific aspects of the PRIIP. The key information document should therefore include a clear and specific cross-reference to where further specific information can be found, where such information is to be included in the key information document pursuant to Regulation (EU) No 1286/2014. Where the PRIIP manufacturer is obliged to disclose certain other information according to national or Union law, the retail investor should be informed of this fact and of how to obtain those other documents, even if they are only to be provided on request. In view of ensuring that the key information document is as concise as possible, links to those other documents may be provided by means of a website, as long as their existence is made clear and they can be accessed by means of that website.
- (17) A key information document for a PRIIP that offers many underlying investment options cannot be provided in the same format as a key information document for another PRIIP, since each underlying investment option will have a specific risk, performance and cost profile, which prevents all necessary information to be provided in a single, concise stand-alone document. The underlying investment options may be investments in PRIIPs or other investments of a similar nature, or standardised portfolios of underlying investments. Those underlying investment options can have different risks, rewards and costs. Depending on the nature and number of underlying investment options, the PRIIP manufacturer should therefore, if he deems it appropriate, be able to prepare individual key information documents for each option.



Those key information documents should also contain generic information about the PRIIP.

- (18) Where individual key information documents for each option are deemed not appropriate for retail investors by the PRIIP manufacturer, specific information about the underlying investment options and the generic information about the PRIIP, should be provided, separately. To avoid confusion, the generic information about the PRIIP provided in the key information document should indicate the range of risks, performance and costs that can be expected across the different underlying investment options offered. In addition, the specific information on the underlying investment options should always reflect the features of the PRIIP through which the underlying investment options are offered. This specific information may be provided in different forms, for example in the form of single document setting out the necessary information on all the different underlying investment options, or through individual documents for each underlying investment option. UCITS and non-UCITS funds to which Articles 78 to 81 of Directive 2009/65/EC of the European Parliament and of the Council<sup>8</sup> apply with regard to the format and content of their key investor information document are afforded a transitional exemption period under Regulation 1286/2014. In order to provide those funds with a consistent transitional legal regime, PRIIP manufacturers should be allowed to continue using those key investor information documents in respect of PRIIPs offering those types of funds as the only underlying investment options, or alongside other underlying investment options. Where PRIIP manufacturers opt to use the key investor information documents in case of PRIIPs offering those types of funds alongside other investment options, the generic key information document should show a single range of risk classes in the format of the PRIIPs risk scale. The range of risk classes for all underlying investment options offered within the given PRIIP should combine synthetic risk and reward indicator pursuant to Article 8 of Commission Regulation (EU) No 583/2010<sup>9</sup> for the UCITS or non-UCITS funds and summary risk indicator in accordance with this Regulation for other underlying investment options. Where the PRIIP offers only UCITS or non-UCITS funds as investment options, the PRIIP manufacturer should be allowed to use the presentation and methodology pursuant to Article 10 of Regulation (EU) No 583/2010. Regardless of the form chosen, the specific information should always be consistent with the information that is contained in the key information document.
- (19) PRIIP manufacturers must prepare key information documents that are accurate, fair, clear and not misleading. The information contained in the document should be capable of being relied on by a retail investor when making an investment decision, even in the months and years following the initial preparation of the key information document, for those PRIIPs that remain available to retail investors. Standards should therefore be laid down to ensure timely and appropriate review and revision of key information documents, so that those documents remain accurate, fair and clear.
- (20) Data that is used for preparing the information contained in the key information document, such as data on costs, risks and performance scenarios, may change over

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<sup>8</sup> Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast) (OJ L 302, 17.11.2009, p. 32).

<sup>9</sup> Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (OJ L 176, 10.7.2010, p. 1).

time. Changing data can lead to changes in the information to be included, such as a change in the risk or costs indicators. For this reason, PRIIP manufacturers should establish periodic processes to review the information contained in the key information document. Those processes should include an assessment of whether changes in the data would necessitate a revision and republication of the document. The approach by PRIIP manufacturers should reflect the extent to which the information to be included in the key information document changes, for instance for an exchange-traded derivative, such as a standardised future, call or put, there should be no necessity to continuously update the key information document as the information required for these instruments on their risks, rewards and costs would not fluctuate. Periodic reviews may not be sufficient in cases where the PRIIP manufacturer becomes aware or should have become aware of changes outside the periodic review process that may significantly impact the information contained in the key information document, such as changes to a previously disclosed PRIIP investment policy or strategy that would be significant for retail investors, or significant changes to the cost structure or risk profile. For this reason, PRIIP manufacturers should also be required to establish processes for identifying situations where the information contained in the key information document should be reviewed and revised on an *ad hoc* basis.

- (21) Where a periodic or *ad hoc* review of a key information document identifies changes to the information that is required to be included in the document, or concludes that information contained in the key information document is no longer accurate, fair, clear and not misleading, the PRIIP manufacturer should be required to revise the key information document to take that changed information into account.
- (22) Given that changes may be relevant for retail investors and their future allocation of investment assets, retail investors should be able to easily locate the new key information document, which should therefore be published, and be clearly identifiable, on the website of the PRIIP manufacturer. Where possible, the PRIIP manufacturer should inform retail investors when the key investor documents have been revised, for example by means of mailing lists or email alerts.
- (23) In order to ensure that the timing of the delivery of key information documents is approached in a consistent way across the Union, PRIIP manufacturers should be required to provide the key information document in good time before those retail investors are bound by any contract or offer relating to that PRIIP.
- (24) The key information document should be made available to retail investors sufficiently prior to their investment decision, so that they are able to understand and take into account the relevant PRIIP information when making that decision. Since the investment decision is made prior to the commencement of any mandatory cooling off period, the key information document should be provided prior to such a cooling off period.
- (25) While in all cases retail investors should receive the key information document in good time before they are bound by any contract or offer related to the PRIIP, what might be considered sufficient time for a retail investor to understand and take into account the information may vary, given that different retail investors have different needs, experience and knowledge. The person advising on, or selling, a PRIIP should therefore take into account such factors in relation to individual retail investors when determining the time that those retail investors will need to consider the contents of the key information document.

- (26) In order to make an informed investment decision, a retail investor may need additional time to consider the key information document of a complex PRIIP or a PRIIP that is unknown to that investor. Accordingly, such factors should be taken into account when considering what amounts to the provision of the key information document in good time.
- (27) The urgency of the situation, for instance where it is important for a retail investor to buy a PRIIP at a given price and the price is sensitive to the timing of the transaction, should also be considered when determining the extent of the good time criterion.
- (28) For reasons of consistency and in order to ensure the smooth functioning of the financial markets, it is necessary that the provisions of this Regulation and the provisions laid down in Regulation (EU) No 1286/2014 apply from the same date.
- (29) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (the ‘European Supervisory Authorities’).
- (30) The European Supervisory Authorities have conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council<sup>10</sup>, the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council<sup>11</sup>, and the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council<sup>12</sup>,

HAS ADOPTED THIS REGULATION:

## CHAPTER I

### *Content and presentation of the key information document*

#### *Article 1*

#### **General information section**

The section in the key information document that relates to the identity of the PRIIP manufacturer and its competent authority shall contain all of the following information:

- (a) the name of the PRIIP assigned by the PRIIP manufacturer and, where present, the PRIIP’s International Securities Identification Number or Unique Product Identifier;

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<sup>10</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

<sup>11</sup> Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

<sup>12</sup> Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

- (b) the legal name of the PRIIP manufacturer;
- (c) the PRIIP manufacturer's specific website address providing retail investors with information on how to get in contact with the PRIIP manufacturer, and a telephone number;
- (d) the name of the competent authority responsible for the supervision of the PRIIP manufacturer in relation to the key information document;
- (e) the date of production or, where the key information document has been subsequently revised, the date of the latest revision of the key information document.

Information in the section referred to in the first subparagraph shall also include the comprehension alert referred to in Article 8(3)(b) of Regulation (EU) No 1286/2014 where the PRIIP meets one of the following conditions:

- (a) it is an insurance-based investment product which does not meet the requirements laid down in Article 30(3)(a) of Directive 2016/97/EU of the European Parliament and of the Council<sup>13</sup>;
- (b) it is a PRIIP which does not meet the requirements laid down in points (i)-(vi) of Article 25(4)(a) of Directive 2014/65/EU of the European Parliament and of the Council.<sup>14</sup>

## *Article 2*

### **‘What is this product?’ section**

1. Information relating to the type of the PRIIP in the section entitled ‘What is this product?’ of the key information document shall describe its legal form.
2. Information stating the objectives of the PRIIP and the means for achieving those objectives in the section entitled ‘What is this product?’ of the key information document shall be summarised in a brief, clear and easily understandable manner. That information shall identify the main factors upon which return depends, the underlying investment assets or reference values, and how the return is determined, as well as the relationship between the PRIIP's return and that of the underlying investment assets or reference values. That information shall reflect the relationship between the recommended holding period and the risk and reward profile of the PRIIP.

Where the number of assets or reference values referred to in the first subparagraph is such that specific references to all of them cannot be provided within a key information document, only the market segments or instrument types in respect of the underlying investment assets or reference values shall be identified.

3. The description of the type of retail investor to whom the PRIIP is intended to be marketed in the section entitled ‘What is this product?’ of the key information document shall include information on the target retail investors identified by the PRIIP manufacturer, in particular depending on the needs, characteristics and

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<sup>13</sup> Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) (OJ L 26, 2.2.2016, p. 19).

<sup>14</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

objectives of the type of client for whom the PRIIPs is compatible. This determination shall be based upon the ability of retail investors to bear investment loss and their investment horizon preferences, their theoretical knowledge of, and past experience with PRIIPs, the financial markets as well as the needs, characteristics and objectives of potential end clients.

4. The details of insurance benefits in the section entitled ‘What is this product?’ of the key information document shall include in a general summary, namely, the key features of the insurance contract, a definition of each benefit included, with an explanatory statement indicating that the value of those benefits is shown in the section entitled ‘What are the risks and what I could get in return’ and information which reflects the typical biometric characteristics of the target retail investors, showing the overall premium, the biometric risk premium that forms part of that overall premium and either the impact of the biometric risk premium on the investment return at the end of the recommended holding period or the impact of the cost part of the biometric risk premium taken into account in the recurring costs of the ‘Costs over the time table’ calculated in accordance with Annex VII. Where the premium is paid in the form of a single lump sum, the details shall include the amount invested. Where the premium is paid periodically, the number of periodic payments, an estimation of the average biometric risk premium as a percentage of the annual premium, and an estimation of the average amount invested shall be included in the information.

The details referred to in the first subparagraph shall also include an explanation of the impact of the insurance premium payments, equivalent to the estimated value of insurance benefits, on the returns of the investment for the retail investor.

5. The information relating to the term of the PRIIP in the section entitled ‘What is this product?’ of the key information document shall include all of the following:
  - (a) the maturity date of the PRIIP or an indication that there is no maturity date;
  - (b) an indication of whether the PRIIP manufacturer is entitled to terminate the PRIIP unilaterally;
  - (c) a description of the circumstances under which the PRIIP can be automatically terminated, and the termination dates, if known.

### *Article 3*

#### ***‘What are the risks and what could I get in return?’ section***

1. In the section entitled ‘What are the risks and what could I get in return?’ of the key information document, PRIIP manufacturers shall apply the methodology for the presentation of risk as set out in Annex II, include the technical aspects for the presentation of the summary risk indicator as set out in Annex III and comply with the technical guidance, the formats and the methodology for the presentation of performance scenarios, as set out in Annexes IV and V.
2. In the section entitled ‘What are the risks and what could I get in return?’ of the key information document, PRIIP manufacturers shall include the following:
  - (a) the level of risk of the PRIIP in the form of a risk class by using a summary risk indicator having a numerical scale from 1 to 7;

- (b) an explicit reference to any illiquid PRIIP or PRIIP with materially relevant liquidity risk, as defined in Part 4 of Annex II, in the form of a warning to this effect in the presentation of the summary risk indicator;
  - (c) a narrative below the summary risk indicator explaining that if a PRIIP is denominated in a currency other than the official currency of the Member State where the PRIIP is being marketed, the return, when expressed in the official currency of the Member State where the PRIIP is being marketed, may change depending on currency fluctuations;
  - (d) a brief description of the PRIIP’s risk and reward profile and a warning to the effect that the risk of the PRIIP may be significantly higher than the one represented in the summary risk indicator where the PRIIP is not held to maturity or for the recommended holding period, where appropriate;
  - (e) for PRIIPs with contractually agreed-upon early exit penalties or long disinvestment notice periods, a reference to the relevant underlying conditions in the section ‘How long should I hold it and can I take money out early?’;
  - (f) an indication of the possible maximum loss, and information that the investment may be lost if it is not protected or where the PRIIP manufacturer is unable to pay out, or that necessary additional investment payments to the initial investment may be required and that the total loss may significantly exceed the total initial investment.
3. PRIIP manufacturers shall include four appropriate performance scenarios, as set out in Annex V in the section entitled ‘What are the risks and what could I get in return?’ of the key information document. Those four performance scenarios shall represent a stress scenario, an unfavourable scenario, a moderate scenario and a favourable scenario.
  4. For insurance-based investment products, an additional performance scenario shall be included in the section entitled ‘What are the risks and what could I get in return?’ of the key information document reflecting the insurance benefit the beneficiary receives where a covered insured event occurs.
  5. For PRIIPs that are futures, call options and put options traded on a regulated market or on a third-country market considered to be equivalent to a regulated market in accordance with Article 28 of Regulation (EU) 600/2014 of the European Parliament and of the Council<sup>15</sup>, performance scenarios shall be included in the form of pay-off structure graphs as set out in Annex V in the section entitled ‘What are the risks and what could I get in return?’ of the key information document.

#### *Article 4*

#### ***‘What happens if [the name of the PRIIP manufacturer] is unable to pay out?’ section***

PRIIP manufacturers shall include the following in the section entitled ‘What happens if [the name of the PRIIP manufacturer] is unable to pay out?’ of the key information document:

- (a) an indication whether the retail investor may face a financial loss due to the default of the PRIIP manufacturer or to the default of an entity other than the PRIIP manufacturer, and the identity of that entity;

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<sup>15</sup> Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ L 173, 12.6.2014, p. 84).

- (b) a clarification whether the loss referred to in point (a) is covered by an investor compensation or guarantee scheme, and whether there are any limitations or conditions to that cover.

#### *Article 5*

##### ***‘What are the costs?’ section***

1. PRIIP manufacturers shall apply the following in the section entitled ‘What are the costs?’ of the key information document:
  - (a) the methodology for the calculation of costs set out in Annex VI;
  - (b) the ‘Costs over time’ and ‘Composition of costs’ tables to information on costs, as set out in Annex VII in accordance with the relevant technical guidance therein.
2. In the ‘Costs over time’ table in the section entitled ‘What are the costs?’ of the key information document, PRIIP manufacturers shall specify the summary cost indicator of the total aggregated costs of the PRIIP as a single number in monetary and percentage terms for the different time periods set out in Annex VI.
3. In the ‘Composition of costs’ table in the section entitled ‘What are the costs?’ of the key information document, PRIIP manufacturers shall specify the following:
  - (a) any one-off costs, as entry and exit costs, presented in percentage terms;
  - (b) any recurring costs, as portfolio transaction costs per year, and other recurring costs per year, presented in percentage terms;
  - (c) any incidental costs, such as performance fees or carried interest, presented in percentage terms.
4. PRIIP manufacturers shall insert a description of each of the different costs included in the ‘Composition of costs’ table in the section entitled ‘What are the costs?’ of the key information document, specifying where and how such costs may differ from the actual costs the retail investor may incur or may depend on the retail investor choosing to exercise or not exercise certain options.

#### *Article 6*

##### ***‘How long should I hold it and can I take my money out early?’ section***

PRIIP manufacturers shall include the following in the section entitled ‘How long should I hold it and can I take my money out early?’ of the key information document:

- (a) a brief description of the reasons for the selection of the recommended, or the minimum required, holding period;
- (b) a description of the features of the disinvestment procedure and when disinvestment is possible, including an indication of the impact of cashing-in early on the risk or performance profile of the PRIIP, or on the applicability of capital guarantees;
- (c) information about any fees and penalties which are incurred for disinvestments prior to maturity or any other specified date other than the recommended holding period, including a cross reference to the information on costs to be included in the key information document pursuant to Article 5 and a clarification of the impact of such fees and penalties for different holding periods.

#### Article 7

##### ***‘How can I complain?’ section***

PRIIP manufacturers shall provide the following information in the section entitled ‘How can I complain?’ of the key information document, in summary format:

- (a) steps to be followed for lodging a complaint about the product or about the conduct of the PRIIP manufacturer or the person advising on, or selling, the product;
- (b) a link to the relevant website for such complaints;
- (c) an up-to-date postal address and an email address to which such complaints may be submitted.

#### Article 8

##### ***‘Other relevant information’ section***

1. PRIIP manufacturers shall indicate in the section entitled ‘Other relevant information’ of the key information document any additional information documents that may be provided, and whether such additional information documents are made available based on a legal requirement or only at the request of the retail investor.
2. The information included in the section entitled ‘Other relevant information’ of the key information document may be provided in summary format, including a link to the website where further details other than the documents referred to in paragraph 1 are made available.

#### Article 9

##### ***Template***

PRIIP manufacturers shall present the key information document by means of the template laid down in Annex I. The template shall be completed in accordance with the requirements set out in this Delegated Regulation and in Regulation (EU) No 1286/2014.

## **CHAPTER II**

### ***Specific provisions on the key information document***

#### Article 10

##### ***PRIIPs offering a range of options for investment***

Where a PRIIP offers a range of underlying investment options, and the information regarding those underlying investment options cannot be provided within a single, concise, stand-alone key information document, PRIIP manufacturers shall produce one of the following:

- (a) a key information document for each underlying investment option within the PRIIP including information about the PRIIP in accordance with Chapter I;
- (b) a generic key information document describing the PRIIP in accordance with Chapter I, unless otherwise specified in Articles 11 to 14.



## Article 11

### ***‘What is this product’ section in the Generic key information document***

In the section entitled ‘What is this product’, by way of derogation from paragraphs 2 and 3 of Article 2, PRIIP manufacturers shall specify the following:

- (a) a description of the types of underlying investment options, including the market segments or instrument types, as well as the main factors upon which return depends;
- (b) a statement indicating that the type of investors to whom the PRIIP is intended to be marketed varies on the basis of the underlying investment option;
- (c) an indication where the specific information on each underlying investment option is to be found.

## Article 12

### ***‘What are the risks and what could I get in return?’ section in the Generic key information document***

1. In the section entitled ‘What are the risks and what could I get in return?’, by way of derogation from paragraphs 2(a) and 3 of Article 3, PRIIP manufacturers shall specify the following:
  - (a) the range of risk classes of all underlying investment options offered within the PRIIP by using a summary risk indicator having a numerical scale from 1 to 7, as set out in Annex III,
  - (b) a statement indicating that the risk and return of the investment varies on the basis of the underlying investment option;
  - (c) a brief description on how the performance of the PRIIP as a whole depends on the underlying investment options;
  - (d) an indication where the specific information on each underlying investment option is to be found.
2. Where PRIIP manufacturers use the key investor information document in accordance with Article 14(2), for the purposes of specifying the risk classes referred to in point (a) of paragraph 1, they shall use the synthetic risk and reward indicator pursuant to Article 8 of Regulation (EU) No 583/2010 in relation to UCITS or non-UCITS funds as underlying investment options.

## Article 13

### ***‘What are the costs?’ section in the Generic key information document***

1. In the section entitled ‘What are the costs?’, by way of derogation from article 5(1)(b), PRIIP manufacturers shall specify the following:
  - (a) the range of costs for the PRIIP in the ‘Costs over time’ and ‘Composition of costs’ tables set out in Annex VII,
  - (b) a statement indicating that the costs to the retail investor vary on the basis of the underlying investment option;
  - (c) an indication where the specific information on each underlying investment option is to be found.

2. Notwithstanding the requirements laid down in Article 5(1)(a), and by way of derogation from points 12 to 20 of Annex VI, where PRIIP manufacturers use the key investor information document in accordance with Article 14(2), they may apply the methodology set out in point 21 of Annex VI to existing UCITS or non-UCITS funds.
3. Where PRIIP manufacturers use the key investor information document in accordance with Article 14(2) with UCITS or non-UCITS funds as the only underlying investment options, by way of derogation from Article 5, they may specify the range of charges for the PRIIP in accordance with Article 10 of Regulation (EU) No 583/2010.

#### *Article 14*

##### ***Specific information on each underlying investment option***

1. In relation to the specific information referred to in Articles 11, 12 and 13, PRIIP manufacturers shall include for each underlying investment option – all of the following:
  - (a) a comprehension alert, where relevant;
  - (b) the investment objectives, the means for achieving them, and the intended target market in accordance with paragraphs 2 and 3 of Article 2;
  - (c) a summary risk indicator and narrative, and performance scenarios in accordance with Article 3;
  - (d) a presentation of the costs in accordance with Article 5.
2. By way of derogation from paragraph 1, PRIIP manufacturers may use the key investor information document drawn up in accordance with Articles 78 to 81 of Directive 2009/65/EC to provide specific information for the purposes of Articles 11 to 13 of this Delegated Regulation where at least one of the underlying investment option referred to in paragraph 1 is a UCITS or non-UCITS fund referred to in Article 32 of Regulation (EU) No 1286/2014.

## **CHAPTER III**

### ***Review and revision of the key information document***

#### *Article 15*

##### ***Review***

1. PRIIP manufacturers shall review the information contained in the key information document every time there is a change that significantly affects or is likely to significantly affect the information contained in the key information document and, at least, every twelve months following the date of the initial publication of the key information document.
2. The review referred to in paragraph 1 shall verify whether the information contained in the key information document remains accurate, fair, clear, and non-misleading. In particular, it shall verify the following:
  - (a) whether the information contained in the key information document is compliant with the general form and content requirements under Regulation (EU) No

1286/2014, or with the specific form and content requirements laid down in this Delegated Regulation;

- (b) whether the PRIIP's market risk or credit risk measures have changed, where such a change has the combined effect that necessitates the PRIIP's move to a different class of the summary risk indicator from that attributed in the key information document subject to review;
  - (c) whether the mean return for the PRIIP's moderate performance scenario, expressed as an annualised percentage return, has changed by more than five percentage points.
3. For the purposes of paragraph 1, PRIIP manufacturers shall establish and maintain adequate processes throughout the life of the PRIIP where it remains available to retail investors to identify without undue delay any circumstances which might result in a change that affects or is likely to affect the accuracy, fairness or clarity of the information contained in the key information document.

#### *Article 16*

##### ***Revision***

- 1. PRIIP manufacturers shall without undue delay revise the key information document where a review pursuant to Article 15 concludes that changes to the key information document need to be made.
- 2. PRIIP manufacturers shall ensure that all sections of the key information document affected by such changes are updated.
- 3. The PRIIP manufacturer shall publish the revised key information document on its website.

## **CHAPTER IV**

### ***Delivery of the key information document***

#### *Article 17*

##### ***Conditions on good time***

- 1. The person advising on or selling a PRIIP shall provide the key information document sufficiently early so as to allow retail investors enough time to consider the document before being bound by any contract or offer relating to that PRIIP, regardless of whether or not the retail investor is provided with a cooling off period.
- 2. For the purposes of paragraph 1, the person advising on or selling a PRIIP shall assess the time needed by each retail investor to consider the key information document, taking into account the following:
  - (a) the knowledge and experience of the retail investor with the PRIIP or with PRIIPs of a similar nature or with risks similar to those arising from the PRIIP;
  - (b) the complexity of the PRIIP;
  - (c) where the advice or sale is at the initiative of the retail investor, the urgency explicitly expressed by the retail investor of concluding the proposed contract or offer.

*Article 18*

***Final Provision***

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from 1 January 2018.

Article 14(2) shall apply until 31 December 2019.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 8.3.2017

*For the Commission*  
*The President*  
*Jean-Claude JUNCKER*