

Insurance Europe position regarding the UCITS exemption from the PRIIPs Regulation

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Insurance Europe believes it is important that the temporary UCITS exemption from the PRIIPs Regulation ends in December 2019 ensuring utmost comparability for consumers and level playing field for providers.

Comparability Across Products

An essential aim of the PRIIPs Regulation was to provide consumers with concise information allowing them to compare products, including UCITS, before making an investment decision. The PRIIPs Regulation was specifically designed to:

- Coordinate the various existing disclosure regimes (recital 1)
- Improve transparency of products to regain the confidence of retail investors (recital 2)
- Enhance the internal market in financial services by removing barriers between different Member States and different product offerings (recital 3)

As stated in recital 35 PRIIPs, UCITS were only intended to be excluded temporarily as UCITS managers had only relatively recently implemented the UCITS KIID. However, the UCITS KIID has now been in force for nearly 7 years, since 1 July 2011.

It is common for investors to consider several different products before making an investment decision, but the current exemption for UCITS makes this comparison much harder for consumers. Although the PRIIPs KID and the UCITS KIID may look similar at first glance, there are important differences between the two - in terms of both presentation and content - which hinder comparability:

- The UCITS KIID presents information on the past performance of the fund while the PRIIPs KID presents forward-looking performance scenarios. Attempting to compare the past performance of one product with the projected future performance of another is impossible.
- Unlike the PRIIPs KID, the UCITS KIID does not show all the charges of the product. This means important charges such as portfolio transaction costs and performance fees are not always visible to consumers. The PRIIPs KID shows the total impact of costs through reduction in yield (RIY), which provides consumers with an effective but simple tool to compare different costs structures, ensuring comparability across products with different features and varying recommended holding periods.

- UCITS KIIDs lack several pieces of information a consumer can find in the PRIIPs KID, such as “what happens if the manufacturer is unable to pay out?”, “How long should I hold it and can I take my money out early?”, “How can I complain?”;
- There are practically no fixed text elements in the UCITS KIID, whilst the PRIIPs KID is extremely prescriptive in certain sections to aid comparison.

Consistency of language

The UCITS KIID does not use the first-person questions used in the PRIIPs KID. This difference in language may suggest that the purpose of the information provided in the PRIIPs KID and UCITS KIID is different, or that the UCITS KIID provides more general information than the PRIIPs KID. Consumers would benefit from uniform PRIIPs language across all pre-contractual information documents and matching headings would facilitate this.

Multi-Option Products (MOPs)

The differences between the KID and KIID become obvious for Multiple Option Products (MOPs). Within a MOP an insurer can choose to provide UCITS information for the underlying investment options meaning consumers receive a generic document in PRIIPs KID format and information on funds in UCITS KIID format, ultimately resulting in confusing information being presented to consumers.

MOPs often propose options that include both UCITS and non-UCITS underlying investment options. If both UCITS and non-UCITS underlying investment options exist, consumers are presented with a combination of PRIIPs KIDs and UCITS KIIDs leading to a situation where the consumer is presented with different pieces of information and without an explanation of the underlying reasons for the differences in format. If PRIIPs and the underlying UCITS funds used the same information document, much of this uncertainty and confusion would be mitigated.

Conclusion

Insurance Europe believes that the parallel use of the PRIIPs and UCITS information documents negatively impacts comparability across products to the detriment of consumers.

In light of the above, Insurance Europe calls on the EU policy makers to let the UCITS exemption expire in December 2019 as initially planned.