

ESAs recommend changes to make the PRIIPs key information document more consumer-friendly



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Taking into account the details provided by the European Commission in January 2021 on their intended approach to this review of the PRIIPs Regulation, the ESAs recommend significant changes to the PRIIPs Regulation and encourage the Commission to consider a broad review of the PRIIPs framework as well as to undertake appropriate consumer testing before formulating proposals for changes. The recommended changes aim to improve the presentation of information provided to consumers and to make it easier for them to compare different products.

The advice addresses all the issues requested by the Commission, including how to better adapt the key information document (KID) to the digital age and whether to extend the scope of the Regulation to other financial products. Additionally, it presents the ESAs' recommendations on a range of other issues where analysis has shown that changes are needed to achieve optimal outcomes for retail investors. In particular, the ESAs are of the opinion that the KID would prove more useful to retail investors if presented in a much simpler and more user-friendly format.

In more detail, the ESAs recommend:

harnessing the opportunities of digital disclosure, such as by allowing information to be presented in a “layered” format;

not extending the scope to additional financial products at this stage, but further specifying the existing scope;

allowing different approaches for different types of products where this is necessary to ensure the appropriate understanding of retail investors;

allowing more flexibility on the information provided in the performance section of the KID including the indication of past performance;

changing the rules for multi-option insurance products to better facilitate comparison between different investments; and

introducing a new section in the KID to give prominence to sustainable objectives.

Petra Hielkema, Chair of EIOPA and the current Chair of the Joint Committee of the ESAs said: “The PRIIPs key information document has brought increased transparency and strengthened the protection of retail investors. However, supervisory experiences have shown that improvements are needed to ensure that the information provided is engaging to consumers, as well as to keep pace with developments such as digitalisation and insights from behavioural research. This is an opportunity to reflect on the approach to the KID and we think the ESAs’ advice can be an important step towards a substantive review of the PRIIPs rules.”

Background

On 27 July 2021, the ESAs received a request from the European Commission to provide advice concerning a review of the PRIIPs Regulation (Regulation (EU) 1286/2014).

Between 21 October and 16 December 2021 the ESAs conducted a Call for Evidence to support the preparation of the advice to the Commission.

In February 2021, following a review of the KID, the ESAs submitted to the Commission draft Regulatory Technical Standards (RTS) on amendments to Commission Delegated Regulation (EU) 2017/653. The support of some National Competent Authorities for the draft RTS was based on details provided by the European Commission on their approach to the review of PRIIPs Regulation.

In addition to the advice on the PRIIPs KID, ESMA and EIOPA are also delivering sector specific advice to the European Commission on the Retail Investor Strategy.

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