

Packaged retail and insurance-based investment products

Packaged retail and insurance-based investment products (PRIIPs) cover the range of investment products marketed to retail investors which are subject to an investment risk.

PRIIPs include:

- structured financial products, such as options, which are packaged in insurance policies, securities or banking products;
- financial products whose value is derived from reference values such as shares or exchange rates (derivatives);
- closed-ended and open-ended investment funds;
- investment-type insurance products, such as with-profit and unit-linked life insurance and hybrid products; and
- instruments issued by special purpose vehicles.

The variety and complexity of the products and the size of the market means that consumers need comprehensive information about them.

Key information documents

The PRIIPs Regulation is the first to deal with pre-contractual information in the form of key information documents (KIDs). These documents have to be provided by those producing or selling investment products to consumers.

KIDs provide consumer-friendly information about the key features of investment products, including what investors might gain and the risks and costs involved. Their ultimate aim is to improve transparency in the investment market. KIDs also allow investors to compare PRIIPs across the EU, whether offered by banking, insurance or securities firms.

It has to be provided by those who produce or sell investment products to consumers, prior to any proposal or contract, since 1 January 2018.

The KID must satisfy the following criteria:

- provided to the customer in good time before they are bound by any contract or offer relating to

the PRIIP

- stand-alone document of at most two A4 pages
- easy to read, accurate and written in the customer's language

Background

Regulation (EU) No 1286/2014 — the PRIIPs Regulation — aims to improve the transparency and comparability of investment products across the EU through key information documents (KIDs). It mandated the European Supervisory Authorities (ESAs) to develop regulatory technical standards on the content, presentation and timing of delivery of the KIDs.

Following consultation with the European Commission and European Parliament, the rules on KIDs were published as Commission Delegated Regulation (EU) 2017/653 and came into force on 1 January 2018. Since then, KIDs have to be provided by those producing or selling investment products to consumers.

Guidance

The European Commission provides Guidelines on the application of the PRIIPs Regulation. These aim to clarify the interpretation of the rules for distributors and smooth their implementation across the EU.

To clarify the application of the rules for supervisors and promote consistent supervisory approaches and practices, the ESAs provide the following resources:

- Joint Consultation Paper: PRIIPs Key Information Documents
- Questions and answers on the PRIIPs KID
- Flow diagrams for the risk and reward calculations

Sanctions

As set out in the PRIIPs Regulation, national competent authorities have to provide the competent ESA with information on all administrative sanctions and measures imposed every year. The ESAs publish this information in their annual reports.

Read the latest ESA annual report on the administrative sanctions and measures imposed.