

European Supervisory Authorities Wake Up and Smell the Coffee: “Legislative Changes Necessary to Avoid Issues with Key Information Document for PRIIPs”



On the 1st of October 2018 the European Supervisory Authorities (ESAs) wrote a letter to the European Commission expressing concerns regarding the practical application of the Key Information Document (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs) as it currently stands.

Whereas major EU public interest organisations representing individual investors and financial services users such as BETTER FINANCE and the FSUG (the European Commission's Financial Services User Group), as well as some industry bodies, have repeatedly expressed serious concerns about the decision to eliminate past performance data from the Key Information Document under the PRIIPs Regulation, their concerns have fallen on deaf ears over the years.

This change of heart by the ESAs offers a glimpse of hope in that the potential legislative changes touted by the ESAs and their proposal for a legislative review as well as a review of the delegated regulation could provide the opportunity to talk some sense into policy makers.

BETTER FINANCE once again highlights the fact that eliminating standardised, easily comparable data on past performance will be a major step backwards for investors, undoing the progress that had been made on making the investment funds market more transparent for individual investors.

As it stands, the KID will provide investors with hugely misleading and non-comparable future projections. Guillaume Prache, Managing Director of BETTER FINANCE, points out that *“the elimination of the requirement for the disclosure of past performance of the PRIIPs and their chosen benchmarks in favour of ‘four future performance scenarios’ without any benchmarks leaves retail investors confused and in the dark as they will not know whether these products met*

their investment objectives or made any money in the past or not. Nor will they be able to compare one KID with another."

The European Supervisory Authorities (ESAs), in the meantime, have signalled their own misgivings with regard to the PRIIPs KID in a letter to the European Commission and decided to consult stakeholders on the issue of performance scenarios.

BETTER FINANCE again asks for an early review of the PRIIPs Regulation and for the extension of the exemption for UCITS funds which benefit from a much clearer, comparable and non-misleading "Key Information Document (KID)".

More information:

- **[ESAs Letter](#)**: ESA response to Commission request to develop guidance on facilitating the production and distribution of information on investment funds as of 1 January 2020
- **[BETTER FINANCE Press Release](#)**: the Key Information Document will provide Investors with misleading and non-comparable Future Projections