



Council of the
European Union

Brussels, 1 July 2016
(OR. en)

10834/16

EF 217
ECOFIN 682
DELECT 138

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	30 June 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2016) 3999 final
Subject:	COMMISSION DELEGATED REGULATION (EU) .../... of 30.6.2016 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

Delegations will find attached document C(2016) 3999 final.

Encl.: C(2016) 3999 final

Brussels, 30.6.2016
C(2016) 3999 final

COMMISSION DELEGATED REGULATION (EU) .../...

of 30.6.2016

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

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Regulation (EU) No 1286/2014 (PRIIPs Regulation) requires manufacturers of Packaged Retail and Insurance-based Investment Products (PRIIPs) to prepare ‘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 before they buy those products. The European Supervisory Authorities (ESAs) working together in the Joint Committee, have been required to develop regulatory technical standards (RTSs) on the presentation and the content of the KID, including methodologies for the calculation and presentation of risks, rewards and costs within the document, under Article 8(5) of the PRIIPs Regulation. They have also been required to develop RTSs on the review, revision and publication of the KID, under Article 10(2) of the PRIIPs Regulation, and on the conditions for fulfilling the requirement to provide the KID in good time to the retail investor, under Article 13(5) of the PRIIPs Regulation.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

The ESAs consulted the public on three occasions. A general discussion paper was published for public consultation on the 17 November 2014 and a technical discussion paper followed, which was published on 23 June 2015. Finally, prior to adopting the draft RTS and submitting them to the European Commission on the 6 April 2016, the ESAs issued a public consultation on the draft RTS on the 11 November 2015.

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

3. CONSUMER TESTING

The European Commission supported the process by conducting a consumer testing study in which different ways of presenting information were tested with consumers to establish which presentations were preferred by them and most useful in terms of facilitating understanding of PRIIPs and comparisons between PRIIPs. A wide variety of different possible graphical and other techniques for showing information were tested. The consumer testing demonstrated that a simple risk scale that showed risks aggregated together worked best for consumers, and that many consumers had problems using more complex ways of showing possible performance, including through graphics. On balance, simple tables worked best both for performance scenario and for cost information.

4. LEGAL ELEMENTS OF THE DELEGATED ACT

The ESAs submitted to the European Commission one RTS combining technical standards developed under Article 8(5), Article 10(2) and Article 13(5). Given the strong interconnectedness of the contents of the three regulatory technical standards to be provided

by the European Supervisory Authorities under the PRIIPs Regulation, the European Commission has endorsed such a bundling. In terms of process it helped ensure that the requirements introduced by the three regulatory technical standards were fully consistent. A single legal act will be beneficial to all involved as it will make it easy to locate PRIIPS level two provisions. The technical standards developed under Article 8(5) of the PRIIPs Regulation specify the presentation and content of the KID and apply on the PRIIP manufacturer when drawing up a KID.

Articles 1 to 8 of the technical standards address the different sections of the KID set out in Article 8(3) of the PRIIPs Regulation, and the underlying methodologies necessary for obtaining and calculating information to be included the KID, for instance in relation to risks, rewards and costs.

In this respect, the measures under Article 3 of the technical standards require a summary risk indicator (SRI) that comprises seven classes of risk. A template is contained in the RTS under Annex III, which provides for the presentation of this indicator. The measures determine the assignment of each PRIIP to one of the seven classes in the SRI, and the inclusion of certain narrative explanations and additional warnings as relevant.

The measures under Article 3 also set out performance scenarios to be included in the KID and the format that must be followed for those scenarios, using tables outlining that performance for different time periods for each of the three scenarios. Additional scenarios are included in some cases, and information on the insurance benefit is provided for insurance-based investment products. The calculation of the figures to be included is harmonised.

The measures under Article 5 of the technical standards harmonise the presentation of costs, including detailed methods for calculating and aggregating the figures that must be used. The cost figures include a presentation of the accumulation of the costs in monetary and percentage terms for standardised period(s), as well as a breakdown of these costs in percentage terms.

Article 9 of the technical standards requires the use of a mandatory template, including mandatory texts. The template includes details of the layout that must be followed.

Articles 10 to 14 of the technical standards set out specific requirements for the content of the KID for PRIIPs offering a range of options for investments, where including all of the information required for each of the options would not be possible in a single standalone KID.

Articles 15 and 16 of the technical standards sets out requirements on the PRIIP manufacturer for the review and revision of the KID, as required under Article 10 of the PRIIPs Regulation, whereby this shall be done at least annually. Article 14 also sets an obligation to conduct ad hoc revisions where necessary under the detailed methodologies for calculating the summary risk indicator, the performance scenarios and the costs, as well as for products offering multiple options.

Article 17 of the technical standards sets out obligations for the person selling or advising on the PRIIP, as required under Article 13 of the PRIIPs Regulation, whereby the KID will be provided sufficiently early so as to allow retail investors to take its contents into account when making an investment decision. The timing of the delivery of the KID may vary depending on the PRIIP in question and the needs of the retail investor.

COMMISSION DELEGATED REGULATION (EU) .../...

of 30.6.2016

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

(Text with EEA relevance)

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)¹, 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

¹ 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).

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 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 cost. 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, he should provide the specific information about the underlying investment options and the generic information about the PRIIP, 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. 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 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 Council², 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 Council³, 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 Council⁴,

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;
- (b) the legal name of the PRIIP manufacturer;

² 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).

³ 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).

⁴ 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).

- (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.

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 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, the key features of the insurance contract, a definition of each benefit included, 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, where the premium is paid in the form of a single lump sum, 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.

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 this is the case;
 - (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 three 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 three performance scenarios shall represent an unfavourable scenario, a moderate scenario and a favourable scenario.
4. For PRIIPs where the PRIIP manufacturer considers that significant risks of loss are not adequately covered by the three appropriate performance scenarios, the PRIIP manufacturer may include an additional performance scenario in the section entitled ‘What are the risks and what could I get in return?’ of the key information document as set out in Annex IV .
5. 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.
6. 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) 600/2014⁵, 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;
- (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:

⁵ OJ L 173, 12.6.2014, p. 84–148

- (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, insurance costs, where relevant, 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. For insurance-based investment products, PRIIP manufacturers shall insert an explanation of the impact of the insurance premium payments for the product on the returns of the investment for the retail investor below the ‘Composition of costs’ table.

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 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

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.

Article 13

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

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.

Article 14

Specific information on each underlying investment option

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.

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 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 31 December 2016.

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

Done at Brussels, 30.6.2016

For the Commission
The President
Jean-Claude JUNCKER