



Council of the  
European Union

Brussels, 25 May 2023  
(OR. en)

9669/23

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**Interinstitutional File:**  
**2023/0166 (COD)**

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**EF 144**  
**ECOFIN 458**  
**CODEC 930**

**PROPOSAL**

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|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| From:            | Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director                                                                                        |
| date of receipt: | 25 May 2023                                                                                                                                                                |
| To:              | Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union                                                                                                |
| No. Cion doc.:   | COM(2023) 278 final                                                                                                                                                        |
| Subject:         | Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 1286/2014 as regards the modernisation of the key information document |

Delegations will find attached document COM(2023) 278 final.

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Encl.: COM(2023) 278 final



EUROPEAN  
COMMISSION

Brussels, 24.5.2023  
COM(2023) 278 final

2023/0166 (COD)

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**amending Regulation (EU) No 1286/2014 as regards the modernisation of the key  
information document**

(Text with EEA relevance)

{SWD(2023) 278-279 final} - {SEC(2023) 330 final}

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

- **Reasons for and objectives of the proposal**

In line with the Commission's objective of 'an economy that works for people', and as announced in the 2023 work programme, the Commission is seeking to ensure that the legal framework for retail investments sufficiently empowers consumers, encourages improved and fairer market outcomes, and ultimately creates the necessary conditions to grow retail investors' participation in capital markets.

In its September 2020 [new Capital Markets Union Markets Union action plan](#)<sup>1</sup>, the European Commission announced its intention to put forward a strategy for retail investments in Europe aimed at ensuring that retail investors can take full advantage of capital markets and are supported by rules that are coherent across all relevant legal instruments.

A core objective of the Capital Markets Union (CMU) is to ensure that consumers can fully benefit from the investment opportunities offered by capital markets. While retail participation in the capital markets varies widely across Member States, reflecting different historical and socio-economic conditions, retail investors should be able to achieve better investment outcomes than is currently the case when participating in EU capital markets.

This goal is shared by the co-legislators:

On 3 December 2020, in the [Council Conclusions on the Commission's CMU Action Plan](#)<sup>2</sup>, the Council called on the Commission to initiate implementation of the parts of the action plan that aim to boost investment activity, particularly by retail investors inside the EU, while ensuring a high level of consumer and investor protection.

On 8 October 2020, the European Parliament adopted a [Resolution on the further development of the Capital Markets Union](#)<sup>3</sup> that was largely supportive of measures to increase retail investor participation in capital markets. The Resolution emphasised that increased retail investor participation is contingent on a change in investment culture, and such a change could only come into effect when retail investors become convinced that investing in capital markets is desirable while being subject to acceptable and clearly defined risks.

This proposal amends 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'). The entry into force of the PRIIPs Regulation and the Commission Delegated Regulation (EU) 2017/653 on 1 January 2018 has helped improve and standardise the information provided to retail investors. This has made it easier for investors to understand key features of a full range of investment products and to compare different products including those of different product type (such as insurance-based investment products, investment funds or structured deposits). As of January 2023, PRIIPs

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<sup>1</sup> [https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union/capital-markets-union-2020-action-plan\\_en](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union/capital-markets-union-2020-action-plan_en).

<sup>2</sup> <https://data.consilium.europa.eu/doc/document/ST-12898-2020-REV-1/en/pdf>.

<sup>3</sup> [https://www.europarl.europa.eu/doceo/document/TA-9-2020-0266\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2020-0266_EN.html).

started to apply to investment funds under the scope of Directive 2009/65/EC on undertakings for collective investment in transferable securities (the UCITS directive), as the previous exemption had ceased to apply. This has further increased the consistency of disclosures across retail investment products.

This proposal for targeted amendments to the PRIIPs legal framework is included in the EU Retail investment strategy, in line with Action 8 of the September 2020 CMU action plan. Regarding disclosures, the EU retail investment strategy aims to improve information for investors and their ability to take well-informed investment decisions. To that end, this proposal aims to adapt disclosures to the digital environment and to the evolving needs of retail investors, and to provide further clarity on the scope of PRIIPs with regards to corporate bonds with make-whole clauses and immediate annuities. This initiative is not part of the Regulatory Fitness programme (REFIT).

- **Consistency with existing policy provisions in the policy area**

This initiative builds upon, and improves, existing rules that govern the provision of PRIIPs key information documents (PRIIPs KIDs) to retail investors by manufacturers and distributors of investment products. It involves targeted changes to this framework, keeping the main provisions intact.

This proposal forms a package strengthening retail investor protection with the Omnibus directive (COM(2023) 279), where both proposals mutually reinforce each other. The Omnibus directive amends the EU directives governing: i) the provision of investment services ('MiFID'<sup>4</sup>); ii) the provision of insurance or reinsurance distribution services to third parties ('IDD'<sup>5</sup>); iii) the take-up and pursuit of insurance business within the EU ('Solvency II'<sup>6</sup>); iv) the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ('UCITS'<sup>7</sup>); and v) Alternative Investment Fund Managers ('AIFMD'<sup>8</sup>).

With regards to disclosures for retail investors, the Omnibus directive will notably improve the coherence of disclosures across legal instruments and promote more transparency to retail investors across their investment journey and the investment life cycle, including on costs. Targeted amendments in the MiFID II and IDD frameworks would ensure that costs of investment products are presented in a standardised and easy-to-understand format, before the execution of any transaction. These measures would also reinforce firms' obligations to provide an annual statement to clients, informing them ex-post on costs actually paid but also on the performance of their portfolio.

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<sup>4</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

<sup>5</sup> Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)

<sup>6</sup> Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast)

<sup>7</sup> Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast)

<sup>8</sup> Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010

The measures on product disclosure proposed in this Regulation also complement other measures in the Omnibus directive, which tackle shortcomings in different parts of the retail investor journey:

- New rules aimed at protecting retail investors from misleading marketing communications and practices which emphasise benefits but downplay the potential risks;
- Rules prohibiting inducements in execution-only cases and tackling bias in the advice process by strengthening the best interest principle and introducing new criteria for “acting in the best interest of the client” as well as improving transparency;
- Measures amending product oversight and governance rules to ensure that undue costs are not charged, and products deliver value for money to retail investors;
- and further measures on financial literacy, investor categorisation, enhanced suitability and appropriateness assessments, measures to increase professional qualifications of financial advisors and measures to enhance supervisory enforcement.

Measures included in the retail investment strategy are hence consistent with the targeted changes to PRIIPs KIDs.

This proposal is consistent with existing EU policies on sustainable finance. The introduction of a new dedicated section in the PRIIPs key investment document focused on sustainability complements the sustainable finance disclosure framework. It builds on data already disclosed under the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR) and the Taxonomy Regulation (EU) 2020/852 in order to avoid duplications and unnecessary costs for the financial sector. The PRIIPs framework will be kept consistent with the potential future changes to SFDR and EU Taxonomy. To allow this, this proposal leaves specifications for the calculation and presentation of the selected indicators for regulatory technical standards to be developed by the ESAs. This is important notably as the Commission services have launched a comprehensive assessment of the implementation of SFDR.

The proposed targeted changes are considered coherent and complementary with the inclusion of the PRIIPs KIDs in the scope of the Regulation on a European Single Access Point (ESAP). Pending the outcome of the negotiations on the Commission’s proposal<sup>9</sup>, ESAP would make the content of the PRIIPs KIDs available on a single platform and would require that they are provided in a data-extractable format starting from end 2027. Depending on the implementing measures adopted through implementing acts, this could make such information machine readable. While ESAP will improve access to, and the digital use of, information contained in PRIIPs KIDs by requiring that they are submitted to ESAP in a data extractable format, targeted changes proposed now would make this information more reader-friendly. ESAP is expected to benefit retail investors mainly by increasing access to online tools for comparing many different investment products (by making it easier for third parties to develop such tools). Retail investors and their advisors however will still need to read the content of the KID, whether on paper, or in electronic format, notably when assessing the characteristics of a specific investment product. Therefore, in parallel to making this

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<sup>9</sup> Proposal COM/2021/723 final, available at: [EUR-Lex - 52021PC0723 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/723/oj).

information available on ESAP, it is relevant to make the document more user-friendly. The changes introduced in this Regulation also aim to achieve greater consistency on the digital presentation of key information on investment products, following the example of a similar document introduced under the Regulation (EU) 2019/1238 on a pan-European personal pension product (PEPP).

- **Consistency with other Union policies**

This proposal is consistent with broader EU strategies and priorities including the European Green Deal, the EU's digital strategy and the Capital Markets Union. It contributes to the objectives of the Capital Markets Union by increasing the consistency of information available to retail investors. By making relevant sustainability information more visible, it will help retail investors to find investment products matching their sustainability preferences. This would in turn contribute to mainstreaming sustainability in the financial sector and thus help achieve the objectives of the European Green Deal. Moreover, this proposal is consistent with the Commission's priority of making Europe Fit for the Digital Age.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

The legal basis for the PRIIPs Regulation is Article 114 of the TFEU, as it establishes common rules on key information documents for packaged retail and insurance-based investment products. Considering that the current initiative proposes further policy actions to ensure the achievement of these objectives, the related legislative proposal would be adopted under the same legal basis.

- **Subsidiarity (for non-exclusive competence)**

This proposal complies with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union (TEU). According to this principle, action should only be taken at EU level if the aims cannot be achieved by Member States acting alone. To avoid barriers to the distribution of investment funds across the EU, product information needs to be harmonised to enable comparison between products originating from different markets. Uniformity and legal certainty can be better ensured by acting at EU level. This applies to both the existing PRIIPs Regulation itself and to its amendments proposed here.

- **Proportionality**

This proposal complies with the principle of proportionality as set out in Article 5 TEU. The proposed measures are necessary to achieve the objectives of transparency of investment products for retail investors, notably on their sustainability characteristics, and making related disclosures more accessible through digital means without introducing unnecessary administrative burdens. Other parts of this proposal are necessary to provide sufficient legal clarity and transparency on costs for certain products within the scope of the PRIIPs Regulation. The proportionality of the measures was assessed in Section 3 of the impact assessment report accompanying the retail investment strategy with the conclusion that they are proportionate.

- **Choice of the instrument**

As the existing legal instrument is a regulation, a regulation is needed to amend it. A regulation continues to be the most appropriate legal instrument, considering the need to ensure the consistency and coherence of information available to retail investors at EU level.

### **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

- **Ex-post evaluations/fitness checks of existing legislation**

The annex to the accompanying impact assessment contains an evaluation of the aspects of the legislative framework specifically relating to protection of retail investors including the PRIIPs framework.

The evaluation concluded that the overall disclosure framework, including PRIIPs, has been broadly effective, notably in providing information to retail investors that is comparable and useful for their decision-making. Nevertheless, some shortcomings were identified in terms of the readability and user-friendliness of the presentation of information documents. Information on costs is also not always clear. The efficiency (cost-effectiveness) of existing disclosure requirements is high, having broadly achieved the objective of increasing retail investor protection at limited costs. This proposal provides greater legal clarity on the scope of PRIIPs, addressing the challenges identified in the evaluation (i.e. whether corporate bonds with make-whole clauses and immediate annuities are included in the scope of PRIIPs). Requirements on the format, readability, clarity, conciseness, language use and comprehensive coverage are considered coherent between the different pieces of legislations. Some specific issues are addressed in the proposed Omnibus Directive which aims to better align MiFID and IDD rules with PRIIPs. The relevance of information provided to retail investors in PRIIPs key information documents could be improved, in particular considering the need to place greater emphasis on the digital environment and sustainability.

- **Stakeholder consultations**

To help prepare this proposal, the Commission gathered feedback by means of a public consultation which took place between 11 May 2021 and 3 August 2021. The consultation sought the views of a broad range of stakeholders on various aspects of retail investments, including on the functioning of and possible improvements to the PRIIPs KID. In total, 186 respondents replied to this consultation.

A majority of respondents agreed that pre-contractual disclosures should enable as far as possible a clear comparison between different investment products. Views were split on whether the PRIIPs KID has improved retail investors' level of understanding of retail investment products and their ability to compare different retail investment products, both within and across different product types.

Almost half of the respondents considered that amount of information provided in the PRIIPs KID to be adequate, with others indicating that it was either too much or too little. Views differed by type of information and stakeholder, but sustainability-related information stood out as an area where more information was desirable. Regarding the length of the PRIIPs KID, there was overall support for the current maximum length of three pages, with some variation between stakeholder groups. There was a broad agreement that the PRIIPs KID is

somewhat overloaded with information and most respondents were in favour of simplifying it. A strong majority was against more frequent updates of PRIIPs KIDs. Finally, almost half of respondents considered that retail investors could easily find and access PRIIPs KIDs.

- **Collection and use of expertise**

The recommendations of the Joint Committee of the European Supervisory Authorities (ESAs) on PRIIPs focused on making KIDs more consumer friendly. The ESAs recommended targeted changes to the PRIIPs Regulation as part of a review of the PRIIPs framework.

In particular, the Joint Committee recommended: i) improving the presentation of the KID on digital media and providing more flexibility on their digital presentation; ii) Allowing a more visible presentation of environmental, social and governance ('ESG') information in the KID through a separate section; iii) providing more specific cost information for insurance multi-option products; iv) incorporating more flexibility into the KID, including by allowing different types of performance information depending on the product type; v) making KIDs more tailored to specific product types; and vi) clarifying and tweaking the product scope of the PRIIPs Regulation by making it clear that certain corporate bonds are excluded.

Annex 2 of the accompanying impact assessment lists additional sources considered when preparing this proposal, including targeted stakeholder consultations and outreach. The Commission also relied on extensive research literature, which is referenced in the impact assessment, in particular a specially commissioned study carried out by a consortium of consultants led by Kantar, titled 'Disclosure, inducements, and suitability rules for retail investors study', published in 2022<sup>10</sup>.

At an earlier stage, the preparation of this proposal also benefited from the advice of the CMU High-level forum ('CMU HLF'), which recommended revisiting disclosures under the PRIIPs framework at an appropriate time. Input was also provided by the Government Expert Group on Retail Financial Services (GEGRFS) and the Financial Services User Group (FUSG)<sup>11</sup>.

- **Impact assessment**

This proposal has been informed by the Impact assessment on the retail investment strategy (SWD(2023) 278-279). The Impact Assessment was submitted to the Regulatory Scrutiny Board ('RSB') on 14 December 2022 and received a positive opinion on 20 January 2023 (SEC(2023) 330 RSB). It was subsequently amended to reflect the consultation with the RSB.

Two problems are explored in the Impact Assessment. First, retail investors lack relevant, comparable and easily understandable information on investment products and are often inappropriately influenced by marketing communications. Second, there are major shortcomings in the investment product manufacturing and distribution process related to the payment of inducements and the extent to which product design reflects cost-efficiency and

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<sup>10</sup> <https://op.europa.eu/en/publication-detail/-/publication/d83364e5-ab55-11ed-b508-01aa75ed71a1/language-en/>

<sup>11</sup> The FSUG gathers experts representing the interests of consumers, retail investors or micro-enterprises. It provides advice to the Commission for the preparation and implementation of legislation or policy initiatives affecting users of financial services. For more information: [https://finance.ec.europa.eu/regulation-and-supervision/expert-groups-comitology-and-other-committees/financial-services-user-group-fsug\\_en](https://finance.ec.europa.eu/regulation-and-supervision/expert-groups-comitology-and-other-committees/financial-services-user-group-fsug_en).

value for the retail investor. These problems have significant consequences, including insufficient protection and unfair treatment of investors, reduced investment returns and ability to accumulate capital and negative effects on retail investors' confidence and market integration.

Targeted changes to the PRIIPs KID form a part of the proposed solutions to address the first problem and its driver ('the information provided to investors is not always useful or relevant for their decision-making process and it is not sufficiently adapted for the digital environment'). These are included under Option 2 - 'Targeted changes to disclosure rules to improve their relevance for retail investors', together with targeted amendments to disclosure rules under MiFID and IDD focused on improving the relevance of disclosures for retail investors (included in the accompanying Omnibus Directive). An additional further policy option was considered under Option 3 - 'Targeted changes to address informational deficiencies relating to marketing communications'. Options 2 and 3 are complementary and constitute an improvement compared to the status quo at a reasonable cost. A combination of both was therefore both included in the preferred option.

The impact assessment concludes that improving the presentation of the PRIIPs KID through the use of layering and the development of a summary dashboard would make it easier for retail investors to understand key characteristics of the investment product they are considering (e.g. its costs and risk level) and help them choose a product that matches their needs. The introduction of a new sustainability section would ensure that retail clients can clearly identify and easily compare basic information on the sustainability characteristics of the products they consider buying.

- **Regulatory fitness and simplification**

While the potential for simplification and burden reduction has been considered in the preparation of this proposal, its primary objective as well as that of the wider Retail investment strategy is consumer protection. Any simplification or burden reduction measures therefore needs to be considered from the perspective of this objective. The evaluation has not identified significant scope for simplification and burden reduction and suggested that simplification of PRIIPs key information documents would not necessarily make investment products more understandable. Moreover, the overall costs of product disclosures in PRIIPs were identified to be relatively low, especially when compared to the large number of clients and scale of assets under management. No significant impact is expected for SMEs and the proposal is consistent with the "digital check" as it encourages greater use of PRIIPs in electronic format.

- **Fundamental rights**

The proposal observes and respects the principles set out in the Charter of Fundamental Rights of the European Union, in particular the principle on a high level of consumer protection for all EU citizens (Article 38). Consumers, in this case retail investors, need relevant, comparable and easily understandable information about investment products in order to make well-informed decisions. This proposal modernises PRIIPs KIDs in order to make the presentation of information more user-friendly for retail investors, including people with disabilities, thus increasing the likelihood that it is read and correctly understood.

#### 4. BUDGETARY IMPLICATIONS

The initiative does not have an impact on the EU budget. Supervision of the new rules would be handled by the National Competent Authorities under their existing mandates and its scope is not changed by this proposal.

#### 5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Commission will monitor how the proposed regulation, once adopted, achieves the objectives set out in the Impact assessment accompanying the retail investment strategy. To this end, it aims to task the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) with monitoring the effectiveness of displaying information in a digital format, of introducing a new sustainability section and new rules for multi-option products (MOPs). The Commission also plans to monitor trends in the number of complaints submitted through the ESMA and EIOPA market monitoring to assess the quality of information available. At an appropriate stage, allowing for enough practical experience and data to be gathered, including with the application of the recently amended PRIIPs Delegated Regulation<sup>12</sup>, the Commission plans to evaluate the role of disclosure documents in enabling investors to take well-informed investment decisions and could consider potential further amendments to the broader PRIIPs framework.

- **Detailed explanation of the specific provisions of the proposal**

Article 1(1)(a) updates the legal references to the existing legislation (now Regulation 2017/1129 – ‘the Prospectus Regulation’) for the types of securities that do not have to produce a PRIIPs KID.

Article 1(1)(b) excludes retail products providing immediate annuities without a redemption phase from the scope of the PRIIPs Regulation.

Article 1(2) updates references to Regulation 2017/1129 (the Prospectus Regulation) to ensure that both regulations apply to relevant products.

Article 1(3)(a) clarifies that certain types of corporate bonds with make-whole clauses are out of the scope of the PRIIPs Regulation provided that they are redeemed at a fair value.

Article 1(3)(b) introduces a definition of electronic format.

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<sup>12</sup> The delegated regulation amending PRIIPs entered into force on 1 January 2023. It makes the PRIIPs KIDs fully applicable to UCITS and introduces the following changes: i) new methodologies for calculating appropriate performance scenarios and a revised presentation of the scenarios, to ensure that retail investors are provided information that would lead to more appropriate expectations on possible returns; ii) revised summary cost indicators and changes to the content and presentation of information on the costs of PRIIPs, to allow retail investors to better understand the different types of cost structure and to facilitate the use of this information by individuals advising on or selling PRIIPs; iii) a modified methodology for calculating transaction costs, to address practical challenges that have arisen when applying the existing rules, and issues regarding their application to certain types of investment; and iv) provisions on past-performance information for certain types of UCITS, retail AIFs and insurance-based investment products. The consolidated version is available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02017R0653-20230101>.

Article 1(4) amends the rules for presenting costs of multi-option products ('MOPs'), specifying the conditions that have to be met in order to provide transparent information to retail investors and facilitate choice between different investment options.

Article 1(5)(a) introduces a new section in the PRIIPs KID titled 'Product at a glance' to summarise and highlight the information on an investment product type, its costs and the level of riskiness, recommended holding period and presence of insurance benefit.

Article 1(5)(b) removes the 'comprehension alert' as it has not been sufficiently effective in warning retail investors against particularly complex products and could have also unintentionally discouraged them from purchasing less complex investment products.

Article 1(5)(c) removes a reference to environmental and social objectives pursued by the investment product, which is replaced by a new dedicated sustainability section in the PRIIPs key information document.

Article 1(5)(d) introduces a new section in the PRIIPs KIDs titled 'How environmentally sustainable is this product?' ('sustainability section') to provide retail investors with a harmonised set of key information on the sustainability profile of relevant investment products, building on existing product disclosures.

Article 1(5)(e) deletes an empowerment for the Commission to adopt delegated acts following the replacement of a reference to environmental and social objectives by the sustainability section. The new sustainability section would be specified through Regulatory Technical Standards, for which the empowerment already exists.

Article 1(5)(f) amends the timing of submission of applicable draft regulatory technical standards to the Commission.

Article 1(6) adds a condition for the ESAs to consider situations where PRIIPs KIDs are no longer made available and amends the timing of submission of applicable draft regulatory technical standards to the Commission. It also delegates power to the Commission to adopt related regulatory technical standards.

Article 1(7) modernises and simplifies the provisions on making PRIIPs KIDs available. It establishes a stronger preference for KIDs to be provided in electronic format, while clarifying that the client may request a paper version of the PRIIPS KID free of charge. It updates the provisions making PRIIPs KIDs available in electronic format, building on established practices from MiFID and IDD frameworks. It further specifies conditions for the use of layering and personalisation to provide greater legal clarity on the possibilities of using digital presentation of PRIIPs KIDs. It tasks the ESAs with the development of draft regulatory technical standards specifying the conditions for such presentation as well as the functionalities to make information accessible to visually impaired readers.

Article 2 provides that entry into force and application should occur on the twentieth day following that of publication and sets the date of application at 18 months thereafter, in order to allow sufficient time for the development of Regulatory Technical Standards.

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**amending Regulation (EU) No 1286/2014 as regards the modernisation of the key information document**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) A core objective of the Capital Markets Union (CMU) is to ensure that consumers can fully benefit from the investment opportunities offered by capital markets. To be able to do so, consumers must be supported by a regulatory framework that empowers them to take investment decisions that correspond to their needs and aims and adequately protects them in the single market. The package of measures under the EU Retail investment strategy seeks to address the identified shortcomings, including those in the area of information available to retail investors.
- (2) Article 4, point (1), of Regulation(EU) No 1286/2014 defines packaged retail investment products or ‘PRIIPs’ as investments where, regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets that are not directly purchased by the retail investor. The ability for the manufacturer to redeem the investment early by triggering a make-whole clause should not in itself be considered as such a fluctuation. That fact should be reflected in the definition of PRIIPs.
- (3) In the case PRIIPs offer the retail investor a range of options for investments, the information on those various options may be contained in different documents. That makes it difficult for retail investors interested in purchasing such PRIIPs to identify the total costs of the PRIIPs. It is therefore necessary to provide retail investors with tools, including simulation tools, to access and compare the total costs of such PRIIPs

before they select one particular investment option. More detailed rules to use of these tools should ensure better visibility of the total costs of these products while allowing a certain degree of flexibility when using simulation tools.

- (4) Retail investors increasingly seek information on the sustainability performance of investment products, including PRIIPs. Recent Union legislative acts have introduced several disclosure obligations that could be leveraged to inform retail investors, in particular Regulation (EU) 2019/2088 of the European Parliament and of the Council<sup>13</sup> and Regulation (EU) 2020/852 of the European Parliament and of the Council<sup>14</sup>. Such disclosures may, however, not be sufficiently visible to retail investors. It is therefore necessary to add certain information about the sustainability profile of PRIIPs to the key information document. To avoid additional reporting costs, that ESG information should be taken from the disclosures provided by product manufacturers pursuant to Regulation (EU) 2019/2088 and Regulation (EU) 2020/852.
- (5) Increased digitalisation provides opportunities to present key features of PRIIPs in a more attractive way. Regulation (EU) No 1286/2014 does not, however, provide sufficient flexibility for the use of digital means for displaying key information to investors such as presenting information from PRIIPs key information documents in a layered way and in a personalised manner that would reduce the visual overload of retail investors and facilitate their understanding of the PRIIP concerned. It is therefore necessary to introduce more flexibility in the use of the electronic format so that investors can fully benefit from the potential offered by the provision of a key information document in an electronic format, including by customising the amount they wish to invest or the holding period, according to their preferences. That personalisation does not imply an assessment by the PRIIPs provider of the individual characteristics of the potential retail investor. The three-page key information document should always be drawn up in accordance with Article 8 and available on the manufacturer's website. However, the key information it contains could be provided to retail investors in a flexible and personalised way, as long as retail investors are informed that they can download the complete key information document.
- (6) The European Securities and Markets Authority, the European Banking Authority and the European Insurance and Occupational Pensions Authority (the 'ESAs') should develop the draft regulatory technical standards as regards the content of the dashboards and the principles for the use of layering and digital options using an electronic format. The Commission should adopt those draft regulatory technical standards, or further amend them, by means of delegated acts pursuant to Article 290 TFEU and in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010<sup>15</sup>,

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<sup>13</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

<sup>14</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

<sup>15</sup> 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).

(EU) 1094/2010<sup>16</sup> and Regulation (EU) 1095/2010 of the European Parliament and of the Council<sup>17</sup>.

- (7) To ensure that retail investors make an informed investment decision at all times, the key information document should be kept up to date. Draft regulatory technical standards should specify the conditions under which the key information document should be revised, distinguishing between PRIIPs that are still made available to retail investors and PRIIPs that are no longer made available. Keeping the key information document updated should be without prejudice to the fact that manufacturers should comply with the pre-contractual information contained in the key information document provided to retail investors before their investment.
- (8) Regulation (EU) No 1286/2014 should therefore be amended accordingly.
- (9) Sufficient time needs to be provided to European Supervisory Authorities to draft specifications for key elements of the amended rules and for the PRIIPs manufacturers to familiarise themselves with these specifications. Therefore, the date application of this Regulation should be deferred,

HAVE ADOPTED THIS REGULATION:

*Article 1*

*Amendments to Regulation (EU) 1286/2014*

Regulation (EU) 1286/2014 is amended as follows:

- (1) Article 2(2) is amended as follows:
  - (a) point (d) is replaced by the following:

‘(d) securities as referred to in Article 1(2), points (b) to (e), and point (g) of Regulation (EU) 2017/1129 of the European Parliament and the Council\*’;
  - (b) the following point (h) is added:

‘(h) pension products, including immediate annuities without a redemption phase, which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits’;

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<sup>16</sup> 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).

<sup>17</sup> 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).

\* Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168, 30.6.2017, p. 12).;

(2) in Article 3, paragraph 1 is replaced by the following :

‘1. Where PRIIPs manufacturers subject to this Regulation are also subject to Regulation (EU) 2017/1129, this Regulation and Regulation (EU) 2017/1129 shall both apply.’;

(3) Article 4 is amended as follows:

(a) in point (1), the following text is added after the last sentence:

“, except if those fluctuations are only attributed to the inclusion of a make whole clause as defined in Article 4(1)(44a) of Directive 2014/65/EU.”

(b) The following point (7a) is inserted:

‘(7a) ‘electronic format’ means any durable medium other than paper;’;

(4) in Article 6 paragraph 3 is replaced by the following:

“3. By way of derogation from paragraph 2, where a PRIIP offers the retail investor a range of options for investments, such that all information required in Article 8(3) with regard to each investment option cannot be provided within a single, concise stand-alone document, the key information document shall provide a generic description of the underlying investment options, and the costs of the PRIIP other than the costs for the investment option, provided that:

- (a) PRIIPs manufacturers provide investors with tools adapted to retail investors that facilitate research and comparison among the different investment options, including on costs;
- (b) Retail investors have easy access to the pre-contractual information documentation relating to the investment products backing the underlying investment options;
- (c) PRIIPs manufacturers provide investors, upon their request and in good time before retail investors are bound by any contract or offer to invest in a given investment option, the complete costs of the PRIIP relating to this investment option.”

(5) Article 8 is amended as follows:

(a) in paragraph 3, point (aa) is added:

‘(aa) under a section titled ‘Product at a glance’ a dashboard with summarised information about all of the following:

- (i) the type of the PRIIP, as referred to in point (c)(i);

- (ii) the summary risk indicator referred to in point (d)(i);
  - (iii) the total costs of the PRIIP;
  - (iv) the recommended holding period referred to in point (g)(ii);
  - (v) whether the PRIIP offers the insurance benefits referred to in point (c)(iv);'
- (b) in paragraph 3, point (b) is deleted.
- (c) in paragraph 3, point (c), point (ii) is replaced by the following:
 

“(ii) the PRIIP’s financial objectives and the means for achieving those objectives, and in particular whether those objectives will be achieved by means of direct or indirect exposure to the underlying investment assets, including all of the following information:

  - (1) a description of the underlying instruments or reference values;
  - (2) a specification of the markets the PRIIP invests in;
  - (3) information about how the return is determined;’;
- (d) the following point (ga) is inserted:
 

‘(ga) for PRIIPs on which financial market participants are to disclose pre-contractual information pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council\*\* and Commission Delegated Regulation 2022/1288\*\*\*, under a section titled ‘How environmentally sustainable is this product?’, the following information:

  - (i) the minimum proportion of the investment of the PRIIP that is associated with economic activities that qualify as environmentally sustainable in accordance with Articles 5 and 6 of Regulation (EU) 2020/852 of the European Parliament and of the Council\*\*\*\*;
  - (ii) the expected greenhouse gas emissions intensity associated with the PRIIP pursuant to Delegated Regulation 2022/1288;’;
- (e) Paragraph 4 is deleted.
- (f) In paragraph 5, the third subparagraph is replaced by the following:
 

“The ESAs shall submit those draft regulatory technical standards to the Commission by ... [PO please insert the date= one year after the date of entry into force of this amending Regulation].”

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\*\* Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability- related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

\*\*\* Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1).

\*\*\*\* Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).’;

(6) Article 10(2) is amended as follows:

(a) point (b) is replaced by the following :

‘(b) the conditions under which the key information document must be revised, distinguishing between PRIIPs that are still made available to retail investors and PRIIPs that are no longer made available;’

(b) the second and third subparagraphs are replaced by the following:

“The ESAs shall take into account situations where a PRIIP is no longer made available to retail investors. The ESAs shall submit those draft regulatory technical standards to the Commission by ... [PO please insert the date = one year after date of entry into force of this amending Regulation].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010.’;

(7) Article 14 is replaced by the following :

#### ‘Article 14

- (1) The person advising on, or selling, a PRIIP shall provide the key information document to retail investors free of charge. The information shall be provided in an electronic format, unless the retail investor has requested to receive the key information document on paper. The person advising on, or selling a PRIIP shall inform the retail investors about their right to receive the key information document on paper free of charge.
- (2) The electronic format of the key information document may be provided by means of an interactive tool that enables the retail investor to generate personalised key information based on the information in the key information document or the information underlying it. That tool shall respect the following conditions:

- (a) the interactive tool, or its use, shall not alter the understanding of the key information document;
- (b) all key information shall be presented;
- (c) the key information document shall be easily accessible through a link next to the interactive tool, and the link shall be accompanied by the following message "It is recommended to download and store the key information document";
- (d) the interactive tool shall allow investors to simulate costs over the recommended holding period.

Where the key information document is provided in accordance with the first subparagraph, its format may be adapted compared to the presentation of the key information document referred to in Article 8.

- (3) The ESAs shall develop draft regulatory technical standards specifying the modalities for personalising the information as referred to in paragraph 2, the first subparagraph, and the conditions for adapting the formatting of the information, as referred to in paragraph 2, the second subparagraph.

In addition to the modalities referred to in the first subparagraph, the regulatory technical standards shall include the conditions for personalising the key investor information in the following manners:

- (a) the conditions for personalising the information to allow investors to simulate costs over a holding period that is different from the recommended holding period;
  - (b) the conditions for personalising the information to allow investors to compare different PRIIPs;
  - (c) the conditions for personalising the information to make it accessible to persons with disabilities.
- (4) The key information document may be presented in a layered format. In that case, the dashboard referred to in Article 8(3), point (aa) shall appear in the first layer.
- (5) The retail investor shall be notified electronically, or in written form, of the address of the website, and the place on the website where the key information document can be accessed.
- (6) The key information document shall remain accessible on the website of the person advising or selling the PRIIPs, and shall remain capable of being downloaded and stored in a durable medium, for such period of time as the retail investor may need to consult it. Where the PRIIP manufacturer has revised the key information document as referred to in Article 10, the PRIIP manufacturer shall provide the retail investors with previous versions upon request.

## *Article 2*

### *Entry into force and application*

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 [PO please insert the date = 18 months after the date of entry into force of this amending Regulation].

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

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*