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## Packaged Retail Investment and Insurance Products (PRIIPs)

The EU Regulation on key information documents (“**KIDs**”) for packaged retail investment and insurance based investment products (“**PRIIPs**”) (the “**PRIIPs Regulation**”) introduces a pan-European standardised pre-contractual disclosure document requirement for manufacturers of PRIIPs.

The PRIIPs Regulation sets out rules for the content and format of the KID, with the aim of making it easier for retail investors to understand the key features and risks of retail investment products.

The KID is designed to give retail investors essential information so that they can make a more informed decision on whether an investment product is appropriate for them or not.

### 1. Timing of implementation

The PRIIPs Regulation, as a matter of EU law, is directly effective across all EU Member States without further enabling or implementing legislation at national level. It came into legal effect across all EU Member States on 31 December 2014 and is followed by an implementation lead-in period of two years during which product manufacturers PRIIPs will need to become compliant with the provisions of the Regulation.

Accordingly, all manufacturers of PRIIPs must be compliant with the EU PRIIPs Regulation by 31 December 2016.

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## 2. Scope of the PRIIPs Regulation

The PRIIPs Regulation applies to manufacturers of packaged retail investment products and insurance-based investment products. The following products fall within the scope of the PRIIPs Regulation:

- (i) life assurance based investment products;
- (ii) investment funds;
- (iii) structured term deposits; and
- (iv) derivatives.

There are a number of products explicitly excluded from the PRIIPs Regulation including:

- (i) non-life insurance products;
- (ii) pure protection products (with no surrender value);
- (iii) government bonds;
- (iv) non-structured deposits;
- (v) pension products and annuities not recognized in national law.

Although a product may fall within the definition of a PRIIP, that product must also be sold to retail investors to fall within the scope of the PRIIPs Regulation.

It is of note that UCITS are also affected by the PRIIPs Regulation, despite the fact that they are already obliged to produce a Key Investor Information Document (“**KIID**”). However, they are given an exemption from the obligations under the PRIIPs Regulation until 31 December 2019.

## 3. Form and Content of the PRIIPs KID

The PRIIPs Regulation sets out the framework with regard to the form and content of the PRIIPs KID. The detail surrounding the form, content and implementation of the PRIIPs KID is still awaited as level 2 implementing standards have yet to be adopted by the European Supervisory Authorities.

The Joint Committee of the European Supervisory Authorities launched its Joint Consultation Paper on PRIIPs KIDs in November 2015 to gather stakeholder views on proposed rules on the content and presentation of the PRIIPs KID. The responses to the consultation were due to be submitted by stakeholders on or before 29 January 2016. The outcome of the consultation process is awaited.

*Information and form to be included in the KID under the PRIIPs Regulation*

The PRIIPs KID must consist of a maximum of three sides of A4 sized paper. It must be a standalone document, clearly separate from marketing materials and not contain cross-references to any such marketing materials.

The PRIIPs KID must be laid out in a way that is easy to read in characters of a readable size.

The PRIIPs Regulation mandates that the following provisions appear in a PRIIPs KID:

<b>Product and Manufacturer information</b>	The name of the PRIIPs, the identity and contact details of the manufacturer, the relevant regulator and the date of the document.
<b>Title</b>	The label “Key Information Document” must appear prominently at the head of the First page.
<b>Explanatory Statement</b>	A prescribed statement describing the function of the PRIIPs KID should appear directly below the title.
<b>Comprehension Alert</b>	Only where applicable, the KID must include a comprehension alert: <i>“You are about to purchase a product that is not simple and may be difficult to understand”</i> .
<b>“What is this product?”</b>	This is a description of the main features of the PRIIPs.
<b>“What are the risks and what can I get in Return?”</b>	The PRIIPs KID will feature a summary risk indicator together with a narrative explanation of the relevant risks that are materially relevant to the PRIIPs but not captured by the indicator.
<b>“What happens if [name of the PRIIP Manufacturer] is unable to pay out?”</b>	A description of whether the related loss is covered by an investor compensation or guarantee scheme and if so, which scheme it is, the name of the guarantor and which risks are covered by the scheme and which are not.

**“What are the costs?”**

A list of the costs associated with the investment, in a summary format to ensure comparability between products. Level 2 measures will expand upon this requirement.

**“How long should I hold it and can I take money out early?”**

Details of cooling off periods, minimum recommended holding period, possibility of disinvestment before maturity (including penalties) and consequences of cashing in.

**“How can I complain?”**

Information about how to make a complaint.

**“Other relevant information”**

Any additional information documents to be provided to the investor (either pre-contract or post-contract), excluding any marketing material.

**4. Distribution of the PRIIPs KID**

The PRIIPs KID is designed to be a pre-contractual document and the general rule is that it must be provided to all retail investors before they enter into the contract. However, there is an exception to this rule that allows PRIIPs to be provided post-sale in the case of distance contracts. Before a PRIIP can be sold to retail investors, its KID must be published to the product manufacturer's website.

**5. Next Steps**

Industry is still awaiting the publication of the final regulatory level 2 technical standards defining the key elements and presentation of the KID and in consequence, life companies will have a short period to implement the PRIIPs KID before the 31 December 2016 deadline.

Life companies should now review their operations and consider the implications of the PRIIPs Regulation on their distribution channels, website and the potential impact on cost structures of products.

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