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Market: all markets



## PRIIPs: for the better protection of the investor ?

### Packaged Retail & Insurance-based Investment Products.

#### What is this Regulation ?

PRIIPs is a European Regulation (PRIIPs Regulation) which will be effective as of 1 January 2018.

The Regulation imposes the implementation of a « *Key Investor Information Document* » (KIID) for retail investors (and therefore including applicants to a life insurance contract) that describes the key features of a product in a clear and understandable manner, before any transaction takes place.

Considering that this is a European Regulation and not a Directive, the text is directly applicable in internal law. It should also be able to prevent different interpretations among the Member States of the European Union.

#### Who and for what purpose is this Regulation for ?

The Regulation aims at a better protection of the retail investor – of the applicant - by improving the transparency of and comparability between different financial products within the Member States of the European Union.

In fact, the aim of PRIIPs is to lay down common standards relating to “*content of the key information document to be drawn up by PRIIPs manufacturers and on the provision of the key information document to retail investors in order to enable retail investors to understand and compare the key features and risks of the PRIIPs*”<sup>1</sup>.

It shall enable those applicants to a life insurance contract, considered to be non-professional, to easily and quickly understand what product they are considering and thus to make an informed decision relating to their potential investment.

#### Which parties are interested ?

“*The Regulation shall apply to PRIIPs manufacturers and persons advising on, or selling, PRIIPs.*”<sup>2</sup>

Thus, this Regulation applies to every insurance company, including those operating in accordance with the freedom to provide service principle, offering life insurance contracts or bond investments.

#### What are the targeted products ?

The products targeted by the PRIIPs Regulation are the following:

- undertakings for collective investment (UCITS) and alternative investment funds (non-UCITS),
- life insurance policies with an investment element,
- derivative products,
- structured products and structured deposits,
- some instruments issued by special purpose vehicles.

Life insurance contracts and unit-linked bond investments with any surrender value are therefore targeted by this Regulation.

#### What shall KIDs be composed of ?

The PRIIPs Regulation enacts rules relating to the content and the form of a KIID. They are pre-contractual documents and will therefore be delivered to investors before the subscription of the contract. They shall be understandable to the non-professional investor and include information that is clear and not misleading for the applicant, and be consistent with the information found on the eventual contractual documents.

The key investor information document shall notably contain the following information:

- type of PRIIPs,
- product objectives,
- expectations of investment return,
- risks,
- costs,
- ...

The PRIIPs Regulation also provides for requirements relating to the form and layout:

- clarity,
- the use of simple terms,

<sup>1</sup> – Article 1 – Chapter 1 of Regulation (EU) No 1286/2014

<sup>2</sup> – Article 2 – Chapter 1 of Regulation (EU) No 1286/2014



- medium used (paper or another durable medium, or on a web site, under certain conditions),
- format,
- language requirements.

The insurance sector will be particularly affected by this European legal package once the European Regulation No 1286/2014 relating to PRIIPs will become effective as of 1 January 2018.

We will keep you informed as any further developments become known.

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