Changes to legislation: *There are outstanding changes not yet made to Commission Delegated Regulation (EU) 2017/653. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2017 No. 653 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details)EUR 2017 No. 653EUR-Lex in-force date 2018-08-01 (See end of Document for details) View outstanding changes*

Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 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)

COMMISSION DELEGATED REGULATION (EU) 2017/653

of 8 March 2017

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

Changes to legislation: *There are outstanding changes not yet made to Commission Delegated Regulation (EU) 2017/653. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2017 No. 653 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details)EUR 2017 No. 653EUR-Lex in-force date 2018-08-01 (See end of Document for details) View outstanding changes*

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

***Changes to legislation:** There are outstanding changes not yet made to Commission Delegated Regulation (EU) 2017/653. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2017 No. 653 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details)EUR 2017 No. 653EUR-Lex in-force date 2018-08-01 (See end of Document for details) View outstanding changes*

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 costs. 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

Changes to legislation: *There are outstanding changes not yet made to Commission Delegated Regulation (EU) 2017/653. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2017 No. 653 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details)EUR 2017 No. 653EUR-Lex in-force date 2018-08-01 (See end of Document for details) View outstanding changes*

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, specific information about the underlying investment options and the generic information about the PRIIP, should be provided, 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. UCITS and non-UCITS funds to which Articles 78 to 81 of Directive 2009/65/EC of the European Parliament and of the Council[(2)] apply with regard to the format and content of their key investor information document are afforded a transitional exemption period under Regulation (EU) No 1286/2014. In order to provide those funds with a consistent transitional legal regime, PRIIP manufacturers should be allowed to continue using those key investor information documents in respect of PRIIPs offering those types of funds as the only underlying investment options, or alongside other underlying investment options. Where PRIIP manufacturers opt to use the key investor information documents in case of PRIIPs offering those types of funds alongside other investment options, the generic key information document should show a single range of risk classes in the format of the PRIIPs risk scale. The range of risk classes for all underlying investment options offered within the given PRIIP should combine synthetic risk and reward indicator pursuant to Article 8 of Commission Regulation (EU) No 583/2010[(3)] for the UCITS or non-UCITS funds and summary risk indicator in accordance with this Regulation for other underlying investment options. Where the PRIIP offers only UCITS or non-UCITS funds as investment options, the PRIIP manufacturer should be allowed to use the presentation and methodology pursuant to Article 10 of Regulation (EU) No 583/2010.

***Changes to legislation:** There are outstanding changes not yet made to Commission Delegated Regulation (EU) 2017/653. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2017 No. 653 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details)EUR 2017 No. 653EUR-Lex in-force date 2018-08-01 (See end of Document for details) View outstanding changes*

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 manufactures 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