



PRESS RELEASE

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Place de Paris calls on the European Commission to defer the application of the PRIIPs regulation to UCITS, in view of the serious and imminent risk of blatant misinformation being provided to investors

UCITS currently have an information document that they provide to investors, the UCITS KIID, which sums up the key facts about the product.

This will be replaced tomorrow (1st January 2020) by a new document, the PRIIPs KID, which is now used by some insurance and banking products. The complexity of the information it contains makes it very difficult to understand by investors.

Adjustments to the methods used and extra time for its implementation are hence vital.

Place de Paris¹ is calling for the extension of the PRIIPs² regulation to UCITS³ to be deferred until a thorough review is carried out of PRIIPs on all critical points.

Although the PRIIPs regulation has the legitimate aim of ensuring that savers are better informed about their savings products, since its partial implementation in 2018 it has been found to have significant weaknesses that are counterproductive in keeping clients well-informed. Investment professionals find the lack of action taken by the European Commission on this issue regrettable, given that consumer associations and the industry have repeatedly informed it in detail of the fundamental problems presented by the PRIIPs information document.

The PRIIPs information document as known today contains information that is extremely complex for our clients to grasp and that requires in-depth knowledge of finance. The sophisticated nature of the new methodology makes it impossible to provide information that is clear, accurate and not misleading. These points have been brought to the attention of the European Commission several times.

The European financial authorities, which are now aware that there are certain weaknesses following our repeated comments, have announced a limited emergency review of PRIIPs, which does not take into account the additional

¹ The French Asset Management Association (AFG), the French Association of Institutional Investors (AF2i), the French Association of Real Estate Investment Companies (ASPIM), the French National Association of Financial Advisors (ANACOFI), the French National Chamber of Financial Advisors (CNCGP), the French National Chamber of Financial Advisors (CNCIF) and France Invest, the French Association of Private Equity Investment Firms.

² European regulation on Packaged Retail and Insurance-based Investment Products (PRIIPs); Regulation (EU) No. 1286/2014.

³ and to non-UCITS that issue a UCITS KIID.

time needed for thorough consideration with a view to improving the text. With this tight deadline and taking into account legislative procedures, the parties concerned would have only one or two months at the end of 2019 to bring themselves into line with PRIIPs standards and have the thousands of products approved.

As a result, clients may not have a key information document on 1st January 2020, or even worse, could receive documents that are erroneous. Paradoxically, the European authorities are considering scrapping the most relevant document, the UCITS KIID, at the same time.

This situation creates a risk of major upheaval in the asset management industry, which would impact asset managers and distributors as well as investors and savers.

We would like to point out that we support the principle of the PRIIPs information document, which is intended to provide the client with standardised and comparable information about all savings products, and that we do not wish it to be abolished. However, we want to warn the European authorities today of two serious problems: the poor management of the schedule, and the provision of information that is inaccurate, unclear and misleading, which is liable to cause this European initiative to lose credibility.

The European Commission's attitude to this matter is incomprehensible and regrettable, when several concrete solutions that would be simple to implement have been proposed to it in order to avoid a very serious situation for consumers, the industry and national regulators.

All things considered, the sensible course of action, which we earnestly call on the European authorities to follow, would be to defer the extension to the UCITS of the PRIIPs KID, in order to allow the flaws in it to be corrected. In the meantime, the UCITS KIID, which is satisfactory, would continue to apply.

Annex I: Information that is difficult to understand

The removal of information about the product's past performance is a regrettable loss. Although it is obviously no prediction of future performance, this past performance gives a real indication of the manager's abilities (has the targets that were announced been met ?), the consistency of performance or the divergence from any benchmark. We wish this information to continue to be available.

A second critical example is the presentation of costs. Market movements would actually have to be integrated into transaction costs, leading to artificial calculations, with some costs appearing to be zero or even appearing as gains, which is obviously misleading information. Moreover, market movements are explicitly excluded from costs in other European directives.

A third example is the obligation to incorporate hypothetical returns and durations into costs, which would result in several cost simulations being shown and means the client would have no clear overview of his costs.

Press contacts:

AFG: Sylvie AUBRY - +33 (0)1 44 94 94 07 - s.aubry@afg.asso.fr

AF2i: Emilie BALARD - +33 (0)1 42 96 25 36 - emilie.balard@af2i.org

ANACOFI: Marie LALANDE - +33 (0)1 40 02 03 74 - m.lalande@anacofi.asso.fr

ASPIM: Christophe KACY - +33 (0)1 44 90 60 00 - c.kacy@aspim.fr

CNCIF: Cyrille DARRIGADE - +33 (0)6 20 17 40 41 - cyrille.darrigade@gmail.com

CNCGP: Catherine BESNARD - +33 (0)1 42 56 76 57 - catherine.besnard@cncgp.fr

France Invest: Antoinette DARPY - +33 (0)6 72 95 07 92 - a.darpy@franceinvest.eu