



Mr Valdis **DOMBROVSKIS**
Vice-President
European Commission
Rue de la Loi 200
1049 Brussels
Belgium

Paris, 7th November 2018

Subject: Extension of the UCITS temporary exemption from PRIIPs until end 2022

Dear Vice-President,

We, the undersigned associations, fully support transparency and comparison across a wide range of investment products. However, we believe that fundamental flaws in Regulation (EU) No 1286/2014 – the PRIIPs Regulation – and its accompanying Delegated Regulation are causing serious investor detriment due to defect methodologies, which the European Supervisory Authorities (ESAs) highlighted in a recent letter to the European Commission.

Yet, this problem is set to get worse and affect millions more Europeans. As per Art. 32 PRIIPs Regulation, UCITS and UCITS-like products are exempt from the PRIIPs Regulation only until 31 December 2019. Therefore, as of 1 January 2020, asset managers will need to provide consumers with two pre-contractual documents for every UCITS and UCITS-like product:

- The UCITS Key Information Investor Document (KIID); and
- The PRIIPs Key Information Document (KID).

This change would be highly detrimental to consumers due to conflicting information between the two documents, such as risks, performance, costs & charges. These differences are the result of fundamental differences between UCITS / UCITS-like products and PRIIPs products. As required under Art. 33 PRIIPs Regulation, they are supposed to be carefully considered by the Commission by end 2018 before imposing the PRIIPs KID onto every UCITS and UCITS-like product.

The ESAs have announced that they would send the Commission solutions to address only the most pressing issues in the PRIIPs KID (ie level-2) by Q1 2019. This is a welcome improvement compared to the Commission's inappropriate idea of adding extra information on top of the UCITS KIID and PRIIPs KID.

However, the ESAs' approach still does not solve the overall issues at stake namely:

- Duplicative and conflicting information for consumers receiving both the UCITS KIID and the PRIIPs KID for every UCITS and UCITS-like product; unless the UCITS is extended by three years (see enclosure 1).
- As per Art. 33 PRIIPs Regulation, there needs to be a full review of the level-1 text; the ESAs' quick fix of level-2 does not qualify as a level-1 review.
- The ESAs will only focus on issues they deem relevant and they do not plan on providing solutions for a number of fundamental issues that stakeholders have raised.
- In the best-case scenario the new PRIIPs KID would be enforceable as EU law as of September/October 2019; this would leave a ridiculous two-month period for providers to produce tens of thousands of new KIDs and for public authorities to approve them (see enclosure 2).

Therefore, we recommend extending the temporary exemption of UCITS from the PRIIPs KID until end 2022 to give EU and national authorities enough time to properly review and fix the PRIIPs Regulation.

With detailed feedback and concrete proposals from consumer associations, industry and the ESAs, the Commission can no longer ignore that problems exist at both level-1 and level-2 and must take action. If prolonged, the Commission's unresponsiveness would amount to misconduct that would ultimately harm consumers and Europe's competitive UCITS brand.

We stand ready to help the Commission address the problems that we have repeatedly highlighted, for the benefit of consumers and the European economy.

Yours faithfully,



Eric PINON
Président de l'AFG



Frederic BÔL
Président de l'ASPIM



Jean-François BOULIER
Président de l'AF2i



David CHARLET
Président de l'ANACOFI



Benoît LOMBARD
Président de la CNCGP



Stéphane FANTUZ
Président de la CNCIF



Dominique GAILLARD
Président de France Invest

AFG is the French Asset management Association
ASPIM is the French Real Estate Investments Funds Association
ANACOFI, CNCGP, CNCIF are the 3 largest French Financial Advisor associations
AF2i is the French Institutional Investors Association

Encl.:

- **1:** Legislative text available to extend the UCITS exemption until end 2022
- **2:** Conflicting timelines between the UCITS Directive and the PRIIPs Regulation, unless the UCITS exemption from PRIIPs is extended until end 2022

Cc:

Mr Olivier GUERSENT, European Commission
Mr Sven GENTNER, European Commission
Mr Steven MAIJOOR, ESMA
Mr Gabriel BERNARDINO, EIOPA
Mr Andrea ENRIA, EBA

Encl. 1: Extending the UCITS exemption until end 2022 by means of the proposal for a Regulation on cross-border distribution of funds

Article 13a (new) of the proposed Regulation on facilitation cross-border distribution of investment funds	
Commission proposal	Our proposal for amendment
	<p>Article 13a (new)</p> <p>Amendment to Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)</p> <p>Regulation (EU) No 1286/2014 is amended as follows:</p> <p>In Article 32, the following point (1) is replaced by the following:</p> <p>Management companies as defined in Article 2(1)(b) of Directive 2009/65/EC, investment companies as referred to in Article 27 thereof and persons advising on, or selling, units of UCITS as referred to in Article 1(2) thereof shall be exempt from the obligations under this Regulation <u>until 31 December 2022.</u></p>

Encl. 2 Conflicting timelines between the UCITS Directive and the PRIIPs Regulation, unless the UCITS exemption from PRIIPs is extended until end 2022

