

2. **Packaged Retail Investment Products (PRIPs)**

ABI Contact: James Dalton, 020 7216 7487; Helen White, 020 7216 7579

ABI Lead Committee: European Committee

Other interested Committees: Distribution & Regulation, Financial Regulation & Taxation, Investment

Issue: The Commission's April Communication on Packaged Retail Investment Products (PRIPs) set out a desire to bring the European framework for mandatory disclosures and sales practices for PRIPs "into line with market reality" given the current "regulatory patchwork" that currently exists across the range of PRIPs products (i.e. mutual funds, UCITS, unit-linked life insurance products, structured securities and structured deposits). The solution envisaged by the Commission is a horizontal approach to both mandatory product disclosure and selling practices. There are both opportunities and risks for British insurers that need to be carefully considered.

This dossier cannot be seen in isolation from a number of other initiatives. The Commission will undertake a review of the Insurance Mediation Directive (IMD) in 2010. The Markets in Financial Instruments Directive (MiFID) will also be reviewed in 2010 and the Commission has indicated that, in its view, MiFID sets "the benchmark" for effective sales practice rules for retail investment products. CESR has provided advice to the Commission on a Key Information Document (KID) to be provided to consumers purchasing UCITS which the Commission has identified as "the benchmark" for effective product disclosure. All these dossiers are linked and it is important to carefully consider the implications that developments in one dossier may have on another.

Status: The Commission held a roundtable workshop of interested stakeholders on 22 October and has released an orientation paper setting out its initial thoughts and future workstreams. An update paper was also published on 16 December. A formal legislative proposal is to be made in mid-2010.

ABI Action: Concerned that the views of other National Associations in the CEA were gaining traction with the Commission, and in an effort to prevent an unwinding of the progress made in the UK under the auspices of the Retail Distribution Review (RDR), the Secretariat developed a Working Document entitled *PRIPs: New Ways of Thinking* which was published in October.

The ABI did not support the CEA's latest paper on this topic and, along with the Dutch, Irish and Danish Associations; we explicitly disassociated ourselves from it. The Secretariat provided an ABI response to the questions posed at the 22 October workshop.

The ABI has argued that the Commission should:

- put the needs of consumers first when thinking about any new regulatory framework for PRIPs at a European level;

- recognise the importance of increasing consumers' savings and encouraging a competitive environment between different product types and manufacturers;
- focus on the economic purpose of a product, rather than its legal form – equivalent products should have equivalent regulatory treatment;
- recognise that consumers want, need and deserve a regulatory framework for selling practices that focuses on their needs, treats them fairly, enables them to understand the sales process and ensures that financial advice is not biased by remuneration arrangements with product providers;
- recognise that consumers want, need and deserve a regulatory framework for selling practices that focuses on providing timely, clear and relevant information that enables them to compare the key features of products; and
- co-ordinate work on PRIPs with the other Commission initiatives, including the reviews of the IMD, DMD and MiFID.

Background: The main products under review are investment funds, unit-linked life assurance products, retail structured securities and structured term deposits. The inclusion of traditional continental life insurance products is controversial. No decision has been taken on the inclusion of pensions. The regulatory issues under review are product disclosure, conduct of business rules (including suitability), conflicts of interest (including commission disclosure), and the marketing and advertising rules. The Commission's April Communication resulted from earlier work on competing retail investment products following their Call for Evidence of October 2007, stakeholder workshop in May 2008¹ and Open Hearing in July 2008².

Useful documents:

[ABI Working Document - PRIPs: New Ways of Thinking](#)

[Summary of October Workshop](#)

[Commission's Issues Paper](#)

[Commission's April Communication](#)

¹ http://ec.europa.eu/internal_market/finances/docs/cross-sector/minutes_workshop_en.pdf

² <http://www.abi.org.uk/Members/search/CircularDetail.asp?ID=16540>