

Telephone: + 44 (0)20 7066 9346 Email: enquiries@fs-cp.org.uk

CONSUMER PANEL POSITIONS ON PRIPS¹

The Consumer Panel

The Panel is an independent statutory body. Its main purpose is to ensure that the UK's Financial Services Authority (FSA) promotes fairer outcomes for consumers during policy development. The Panel also takes a broader role in advising European institutions and the UK government on financial services regulation and legislation

PRIPS

There appears to be a significant danger that a document which was originally intended to be a straightforward, standardised guide to the main features of a product is becoming regarded as a panacea for all consumer protection problems, as more and more features are being added to it. In the long term it could be desirable to have KID-style information across a wider range of products, but in the short term over-extending the scope reduces the feasibility of the project.

The document should be kept simple, with the option of signposting to further information where appropriate. In the interests of practicality it should initially be limited to packaged retail products, not including occupational or private (pillar 3) pensions, although the basic principles could be extended to other products in future.

1. The ECON rapporteur's report on PRIPs (Pervenche Berès)

Scope (Amds 2 and 3) We do not support these amendments. Widening the scope beyond packaged products would make it increasingly difficult to make valid comparisons, for example, an insurance product, including life cover, with a share held in a company. Harmonization complexities are very considerable – significant ESA resources would be likely to be required to develop the related delegated regime and this may not be the best use of regulatory resources for the retail market. Local Member State markets tend to have different investor appetites for different products and local regulators might be best placed to address disclosure issues related to specific non-packaged products popular in their markets. In the same way as the emerging PRIPs disclosure regime can learn from the development of the UCITS KIID, developments with respect to other product disclosures could learn from the experience. It's too big a field to do in one attempt.

Responsibility (Amds 5 and 6). We do not support these amendments. Splitting responsibility for producing the document between the provider and the intermediary creates complexity and blurs the issue of responsibility. There would also be the issue of supervisory oversight, and relative incentives of each party to get it right – who is in charge? The KID should be the responsibility of the product provider, with personalised information delivered separately.

Financial education (Amds 1,7,14) Although support for financial education is welcome in principle, it is not a substitute for effective rules and enforcement. **Product definition.** (Amd 8) We do not support this amendment. This is an unnecessary complication and does not clearly add to consumer protection.

¹ This position paper should be read in conjunction with the Commission proposals published in July 2012 and the rapporteurs' reports for ECON and IMCO.

Resourcing. (Amd 12) We support this amendment, given the work that will be required from the ESAs at levels 2 and 3.

Social and environmental criteria. (Amd 13) We do not support this amendment. This is the kind of information that should be signposted, rather than included in the main document.

Product approval process. (Amd 22) This is in line with existing good practice and we would support it. It is, however, an example of an area where the rules must be consistent for MiFID and non-MiFID products, to avoid regulatory arbitrage.

Past performance. (Amd 31) We support this amendment. We agree that the wording 'past performance is not a guide to the future' should be included, and, where relevant, an indication of the performance of the benchmark.

Product intervention powers. (Amd 44) Measures addressing product intervention and product governance more generally are increasingly a feature of EU reforms and can support stronger investor outcomes, when carefully designed. The proposed power under the PRIPs proposal requires, however, more detailed and careful specification. It should also be aligned with efforts to support stronger product governance (eg, the emerging MiFID II regime). The proposed intervention power is also ambitious given the demands being placed on the ESAs. The proposed MiFID II product intervention power, by contrast, is contingent on the national regulator not taking appropriate action.

Sanctions. (Amds 48-54). This out of step with the MiFID II, Market Abuse Directive II and other regimes' approach to sanctioning which is based on specific breaches.

Sanctions (Amd 57) We support this amendment, as the original wording allows the possibility of manipulation.

2. The IMCO rapporteur's report on PRIPs (Pier Antonio Panzeri)

Scope. (Amds 2-6) We do not support these amendments. As with the ECON report, in the long term it could be desirable to have KID-style information for a wider range of products, but in the short term over-extending the scope reduces the feasibility of the project. Occupational pension schemes add a whole other level of complexity, and would be better dealt with separately.

Responsibility. (Amds 1-7) We do not support these amendments. As above, responsibility should lie with the product provider to produce the KID.

Content. (Amd 16) We do not support this amendment. Where applicable, the intermediary should detail all their costs, commissions, charges, benefits, and details of the tax regime. This would require a personalised KID, and takes it well beyond the original objective. It's also very difficult to see how this would fit into 2 or 3 pages and it confuses the nature of the disclosure. We believe this information would fit better in a secondary, personalised document.

Testing. (Amd 18) We strongly support this amendment calling for consumer testing.

Sanctions. (Amd 25) We support, as above.