

## EFAMA ASKS FOR SUFFICIENT TIME TO IMPLEMENT THE NEW PRIIPS RULES

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EFAMA welcomes the ESAs' official approval of the revised PRIIPs RTS and is now awaiting the Commission's endorsement to have the RTS approved by the European co-legislators.

Originally, the Commission had intended to endorse the revised RTS by Q1 2020. With less than nine months remaining until the 31 December 2021 implementation deadline, there is now simply not enough time for fund managers and other product manufacturers to properly implement the envisaged wide-ranging changes. We explain why in more detail below.

Due to these delays, **EFAMA is now asking for a final, one-time, delay by 12 months (i.e. 31 December 2022) to allow fund managers and other product manufacturers sufficient time for implementation of the new PRIIP KID rules**, as had been originally intended when the previous delay was granted by the co-legislators.

In considering this request, it is important to bear in mind that the PRIIP KID is one of the most visible documents to retail investors, meant to empower them to make the right investment decisions. If these documents are not implemented correctly, an essential tool will be missing to achieve the Capital Market Union's goal of increased retail participation in the EU capital markets.

### ***Switching from the UCITS KIID to the PRIIP KID is a massive operational undertaking***

It is key to understand that implementing the new PRIIP KID rules is a massive operational undertaking involving many different stakeholders.

- ***A huge number of KIDs:*** A PRIIP KID is produced for each fund's share class that is available to retail investors. For a medium-sized asset manager, this typically means producing thousands of KIDs. When taking translations into account, this figure can easily rise to five digits. Conservative estimates point towards hundreds of thousands of KIDs in aggregate – with one large Member State alone totalling around 140,000 PRIIP KIDs. This sheer volume means that processes must be automatised as far as possible. This, however, also needs sufficient preparation (see project lead times below).
- ***Project lead time and global pandemic:*** Due to the uncertainties surrounding the PRIIPs RTS at the end of 2020, fund managers were not able to allocate precise budgets and staff for PRIIPs in their IT plans for 2021. To add to that, the current pandemic with lockdowns and working-from-home requirements is making it much more difficult to implement changes as quickly as before. On top of this, fund managers are currently busy implementing SFDR Level 2 measures, Taxonomy Regulation as well as the new guidelines regarding cross-border marketing of collective investment undertakings.

- **Data sources:** Producing the PRIIP KID requires a huge amount of data sources (some of which are very expensive) and the revised RTS make changes to the underlying calculation and presentation models. New data requirements must be identified, properly sourced and backtested to ensure flawless disclosures.
- **Switch-over UCITS KIID to the PRIIP KID:** By postponing the new PRIIP KID by twelve months, fund managers can also ensure to smooth and natural transition from the existing UCITS KIID to the PRIIP KID. If the new PRIIP KID is already rolled out by mid-2022 (i.e. six-month delay) then all UCITS KIIDs have to be updated for 01 January 2022 only to be replaced by the PRIIP KID six months later. The resources are better spent ensuring a well-functioning PRIIP KID transition.
- **Insurers:** In developing retro-plannings for the implementation of the revised PRIIPS KID, fund managers also need to take into account the fact that funds are routinely used as building blocks for PRIIPs insurance products that need to deliver their own PRIIP KID to investors. Once the final rules are known, a structured dialogue between fund managers and insurers (through [FinDatEx's PRIIPs templates](#)) needs to take place to agree on what new PRIIP data has to be made available. These complex technical discussions will take a couple of months at the very least. The current market expectation by the insurance industry is, though, to receive this agreed data, at least, three months before 31 December deadline.
- **KID pre-approval:** Some EU Member States require the pre-approval of any disclosure documents by the relevant national authorities. Rushing the implementation process will also create unnecessary pressure on these regulators to approve thousands of KIDs in time.

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### About EFAMA

EFAMA, the voice of the European investment management industry, represents 28 Member Associations, 58 Corporate Members and 24 Associate Members. At end Q4 2020, total net assets of European investment funds reached EUR 18.8 trillion. These assets were managed by more than 34,350 UCITS (Undertakings for Collective Investments in Transferable Securities) and almost 29,650 AIFs (Alternative Investment Funds). At the end of Q2 2020, assets managed by European asset managers as investment funds and discretionary mandates amounted to an estimated EUR 24.9 trillion. More information is available at [www.efama.org](http://www.efama.org).

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