



PRIIPS

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1. What is the PRIIPs Regulation?

The Packaged Retail and Insurance-based Investment Products Regulation (“PRIIPs Regulation”) came into force on 1st January 2018. It is an EU Regulation, thus applying directly in Malta without the need for any domestic implementing legislation. The Regulation is applicable worldwide, no matter where a PRIIP is purchased, as long as it is purchased by an EEA Resident Retail Investor.

The PRIIPs Regulation aims to encourage efficient EU markets by increasing the transparency and comparability of investment products through the issuance of a standardised short-form disclosure document, the PRIIPs Key Information Document (KID). This makes it easier for retail investors to understand and compare the key features, risk, rewards and costs of different products in scope of PRIIPs through the provision of the KID and thereby enhance investor protection.

2. What constitutes a PRIIP?

A PRIIP is a packaged retail and insurance-based investment product that might present investment risks for retail investors. The PRIIPs Regulation covers all investment products and contracts in which consumers invest money directly or indirectly in the capital market or where its repayment is otherwise linked to the performance of certain securities or reference values.

Thus, PRIIPs are defined as products meeting either one of the following definitions:

- packaged retail investment products – investments for which the amount repayable to the investor is subject to fluctuation because of exposure to reference values or the performance of one or more assets that are not directly purchased by the retail investor.
- insurance-based investment products – insurance products which offer a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations.

3. What is the purpose of the PRIIPs Regulation?

The purpose of the PRIIPs Regulation is to improve transparency for retail investors by providing them with a short document, containing the key information about a product, which will enable them to make informed investment decisions.

4. What is the KID and its purpose?

The KID is a stand-alone 3-page document. The KID must be drawn up in a standardised format which allows retail investors to compare different PRIIPs. The content is prescribed by the Directive.

The KID should be:

- i. easy to read, using characters of readable size;
- ii. focus on the key information retail investors need; and
- iii. be clearly expressed and written in language and a style that communicate in a way that facilitates the understanding of the information, in particular, in language that is clear, concise and comprehensible.

5. Who must be provided with the KID?

The KID must be provided to an EEA Resident Retail Investor when purchasing a product covered by PRIIPs and should be provided to consumers before purchasing a PRIIP.

6. How is the KID provided?

The KID is to be provided to investors in one of the following ways:

- i. on paper;
- ii. using a durable medium (CD-ROM, DVD or e-mail); or
- iii. by means of a website.

7. What information does the KID include?

The KID includes the following information:

- i. the name of the product and the identity of the producer;
- ii. the types of investors for whom it is intended;
- iii. the risk and reward profile of the product, which includes a summary risk indicator, the possible maximum loss of invested capital and appropriate performance scenarios of the product;
- iv. the costs investors have to bear when investing in the product; and
- v. information about how and to whom an investor can make a complaint in case there is a problem with the product or the person producing, advising on or selling the product.

8. What sections are included in the KID?

All KIDs contain the following sections:

Name of the PRIIP

Section 1: General information

Section 2: What is the product?

Section 3: What are the risks and what could I get in return?

Section 4: What happens if [the name of the PRIIP manufacturer] is unable to pay out?

Section 5: What are the costs?

Section 6: How long should I hold it and can I take money out early?

Section 7: How can I complain?

Section 8: Other relevant information

9. Do I have to pay for the KID?

No, the KID is free of charge.