

## **Consultation document on legislative steps for the Packaged Retail Investment Products initiative**

### **Opinion of the Czech National Bank**

1. The Czech National Bank supports the Commission's initiative to eliminate undesirable regulatory arbitrage stemming from different pre-contractual disclosure requirements and PRIIP sales rules across European regulations.
2. In this regard, the Czech National Bank supports the widest possible scope of the new regulation and the minimisation of any exemptions. We consider the general PRIIP definition proposed by the Commission to be correct. In the area of deposits, we favour the 3L3 Task Force definition.<sup>1</sup>
3. The key thing for the Czech National Bank is not the legal form of the regulation, but maximum uniformity of the rules for all products involved – sectoral specifics should not impair the application of uniform basic rules. We regard it as more appropriate to create a single regulation for pre-contractual disclosure and a single regulation for sales rules. Otherwise, it would be difficult to ensure full harmonisation.
4. The Czech National Bank strongly supports the elimination of all possible duplications between the new PRIIPs regulation and the existing regulations. In our opinion, this should include not only the Prospectus Directive and the Solvency II Directive, but also a number of other duplications, including the pre-contractual disclosure obligation laid down in the Distance Marketing of Consumer Financial Services Directive.

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<sup>1</sup> "A deposit shall be a PRIIP where [it is fully repayable, on terms under which] any interest or premium will be paid (or is at risk) according to a formula which involves the performance of:

- an index or combination of indices, excluding variable rate deposits whose return is directly linked to e.g. EURIBOR, LIBOR or another interest rate index;
- a MiFID financial instrument or combination of such financial instruments;
- a commodity or combination of commodities; or
- a foreign exchange rate or combination of foreign exchange rates."

5. The Czech National Bank fully supports the Commission's plan for KIIDs to be written in plain language and focus on key information for retail investors. In this regard, we support the principle of having a brief separate document with no unnecessarily detailed information. The specifics of certain PRIPs could be resolved by dividing the KIID into two parts – a general one identical for all PRIPs, and a special one depending on the category/type of product. At the same time, however, we regard it as important not to tell or suggest to investors that they do not need to read other documents<sup>2</sup> and that the KIID alone will always provide all the information they need to make correct investment decisions. We regard it as unrealistic to expect a single number or indicator to provide a reliable picture of the risks.

6. The Czech National Bank also supports the Commission's plan for product manufacturers to be made primarily responsible for preparing a KIID. We believe that in some specific cases (for example the preparation of the final form of customised investment life insurance) the distributor could help to prepare (or fine-tune and individualise) the KIID, although it would be appropriate for the product manufacturer to provide the distributor with a general form into which the latter would only insert the final parameters. The Czech National Bank agrees with the Commission's suggestion that the distributor (be it an intermediary or a direct seller) should be exclusively responsible for providing the KIID to the client.

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<sup>2</sup> e.g. statutes.