

VALDIS DOMBROVSKIS

Vice-President of the European Commission

Mr Markus J. BEYRER
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Brussels,
Ares (2018)

Dear Mr Beyrer,

dear Markus!

Thank you for your letter of 22 March 2018 on the treatment of corporate bonds under the PRIIPs Regulation.

I fully agree with you on the importance of fostering market-based finance and would like to thank BusinessEurope for the support to our initiatives aiming to further deepen and integrate the Capital Markets Union. Corporate bonds can be an important source of funding for European companies, as they can offer businesses access to alternative, more diverse sources of funding. At the same time, corporate bonds can offer diverse investment opportunities to retail investors. Ensuring proper and uniform disclosures and comparability across different types of financial services and products with different investment opportunities, risks and performance should foster the trust of retail investors.

This is why the definition of PRIIPs, as laid down in Article 4(1) of the PRIIPs Regulation, encompasses a wide range of packaged investment products made available to retail investors in the EU, regardless of their form or construction, or of the origin of the manufacturer. These are products where the amount repayable is subject to fluctuations because of its exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor. This is irrespective of the fact that said fluctuations are known at the outset of the transaction or might only occur in predetermined circumstances such as early redemptions. For all those PRIIPs, investments are not of the direct kind that is achieved when buying or holding assets themselves.

Manufacturers of bonds are responsible for assessing which products must comply with the PRIIPs Regulation. The assessment whether a bond is a PRIIP or not is to be performed on a

case-by-case basis. That assessment must take into account, in particular, the specific economic features and contractual terms and conditions of each product.

The transparency of PRIIPs offered to retail investors is an important investor protection measure. Should there still be questions regarding the concrete implementation of PRIIPs requirements, I am confident that the European Supervisory Authorities stand ready to jointly provide assistance on how to draw up key information documents for retail bonds.

As regards running offers of PRIIPs on 1 January 2018, the regulation does not provide for any specific transitional legal regime concerning PRIIPs made available to retail investors before that date that continue to be made available to retail investors after that date. In consequence, the rules under this regulatory framework apply to those PRIIPs.

The Commission, together with the European Supervisory Authorities, is monitoring very closely the implementation of the PRIIPs Regulation and the PRIIPs Delegated Regulation and their effects on different sectors and markets. We are looking at ways to make the application of the key information document to different product groups even clearer.

The Commission also stands ready to assess behavioural aspects of retail investment decisions. We are keen to receive any appropriate empirical evidence for the review of the PRIIPs Regulation in this regard.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'V. Dombrovskis', with a long horizontal flourish extending to the right.

Valdis Dombrovskis