



Knowledge based software

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PRIIPs Changes
On The Horizon

PRIIPs changes in the pipeline...

PRIIPs manufacturers are moving on from their decision-making in respect of PRIIPs implementation plans to a consideration of the key emerging issues from PRIIPs.

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It is now clear that the answer to the question "What are the likely future returns under various scenarios for a selected investment option based on historical experience over the last five years?" would have been very different at various historical points in time. The level of volatility in the answers to the question does illustrate a key flaw in the RTS methodology which is that the RTS approach gives performance scenario results that are too optimistic at a point in time following a period of strongly positive investment returns and that are too pessimistic following a period of strongly negative investment returns. The observed level of volatility in the KID performance scenario figures has the potential to undermine customer confidence in KID figures and the PRIIPs project more generally. Performance scenario figures on the basis of shorter historical experience e.g. 2 years in some cases would exacerbate this feature.

The PRIIPs directive requires that by 31 December 2018, the Commission will have reviewed the Regulation including a survey of the practical application of the rules.

It's also worth noting that the review of the Directive will include an assessment of whether or not to maintain the exclusion of pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement.

It is likely that the issue of volatility in the KID figures will be addressed in the review of the PRIIPs regulations – the likely remedy will be a requirement to utilise 10 years historical data in the performance scenario figures. A number of submissions to the supervisory authorities have already proposed that as a logical refinement of the current RTS approach. Whilst this would require a lot more data collation, it wouldn't fundamentally change the structure of the approach and so PRIIPs vendor technology providers should be readily capable of adapting their technology solutions to give effect to such a change in requirements.

About Financial Risk Solutions (FRS)

Founded in 1999 by actuaries and IT specialists, Financial Risk Solutions Ltd (FRS) is a leading provider of unit pricing, investment administration, asset reporting and compliance oversight software specifically designed for the Life Assurance and Asset Management industries.

FRS offer a proven range of modular, intuitive technology solutions which allow customers to pro-actively monitor and administer investments as well as mitigate risk by continually monitoring breaches and exceptions to critical investment processes. These solutions include:

Invest|Pro™ securely automates multiple complex fund administration processes within a single application. Invest|Pro™ unit-pricing and investment administration software is scalable, modular and flexible.

Invest|GRC™ empowers insurers and asset managers to meet PRIIPs and KID requirements along with Pillar III asset reporting standards in the Solvency II world via a single, analytics-driven database, combining data from internal and external sources.

Invest|OPS™ automates the validation of operational activity performed by outsourcing partners, enabling firms to supervise outsourced functions, data and to manage the associated risks.



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