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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	14 July 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject:	COMMISSION DELEGATED REGULATION (EU) .../... of 14.7.2016 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council with regard to product intervention

Delegations will find attached document C(2016) 4369 final.

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Brussels, 14.7.2016
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COMMISSION DELEGATED REGULATION (EU) .../...

of 14.7.2016

supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council with regard to product intervention

(Text with EEA relevance)

EXPLANATORY MEMORANDUM -

1. CONTEXT OF THE DELEGATED ACT

1.1 General background and objectives

Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) entered into force in December 2014. PRIIPs introduces a key information document (KID) that will provide retail investors with information about a broad range of investment products which can be bought by retail investors, including insurance-based investment products, structured investment products as well as collective investment schemes (investment funds).

The KID is a standardized and concise document of a maximum of three sides of A4-sized paper presenting the key features of an investment product and aims at improving retail investors' understanding of the investment product and at the same time facilitating comparison of different products also on a cross-sectoral basis.

Furthermore PRIIPs lays down procedures for, inter alia, prohibiting or restricting the marketing, distribution and sale of insurance-based investment products which give rise to serious concerns regarding investor protection, the orderly functioning and integrity of financial markets, or the stability of the whole or part of the financial system, together with appropriate coordination and contingency powers for EIOPA. This reflects the similar powers for competent authorities, ESMA and EBA provided in Regulation (EU) No 600/2014 in relation to financial instruments and structured deposits, and ensures that such mechanisms for intervention can be applied to all investment products irrespective of their legal form.

The present Delegated Regulation aims at specifying, in particular, the rules relating to rules on supervisory measures on product intervention by the national authorities and EIOPA.

1.2 Legal background

This Delegated Regulation is based on 2 empowerments laid down in Articles 16 and 17 of PRIIPs Regulation. The issue of subsidiarity was covered in the impact assessment for PRIIPs.

By supplementing provisions similar to those laid down in Regulation (EU) No 600/2014, the PRIIPs Regulation reinforces the role and power of supervisory authorities by conferring upon competent authorities and EIOPA the power to monitor financial products under their supervision and, subject to certain conditions, to prohibit or restrict temporarily the marketing, distribution or sale of insurance-based investment products, financial activities or practices. Intervention powers are of an extraordinary nature, constitute a measure of last resort and need to be applied in a proportionate way.

The powers of the competent authorities and EIOPA to prohibit or restrict the marketing, distribution and sale of insurance-based investment product laid down in PRIIPs Regulation are subject to a number of specific conditions including the requirement to determine the relevant significant investor protection concern or threat to the orderly functioning and integrity of financial markets or to the stability of the whole or part of the financial system of the Union or respectively of at least one Member State. Another condition for the exercise of

these powers is that existing regulatory requirements under Union law applicable to the insurance-based investment products, or activity or practice are not sufficient to address those concerns and risks.

Where the conditions for the exercise of these powers are met, the competent authority or EIOPA can impose a prohibition or restriction on a precautionary basis before an insurance-based investment product has been marketed, distributed or sold to investors.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

The Commission requested EIOPA to provide it with technical advice on the possible delegated act concerning intervention powers on 30 July 2014. In this mandate the Commission requested EIOPA to closely liaise with ESMA and EBA when providing its technical advice since Regulation (EU) No 600/2014 establishes an identical framework for competent authorities, ESMA and EBA intervention powers in respect to financial instruments and structured deposits, and since factors and criteria to be taken into account for the exercise of product intervention powers for financial instruments and structured deposits should be similar to those set for competent authorities and EIOPA with respect to insurance-based investment products.

On 27 November 2014 EIOPA published a consultation paper with regard to its technical advice on the relevant delegated act. EIOPA's technical advice analyses the feedback received and explains EIOPA's position.

On 30 June 2015 EIOPA submitted to the Commission its technical advice concerning criteria and factors to be taken into consideration by EIOPA or national authorities when using product intervention powers in relation to insurance-based investment products under the PRIIPs Regulation.

The Commission services held several meetings of the relevant expert group (Expert Group of the European Securities Committee and Expert Group on Banking, Payments and Insurance (Insurance Formation)), during which the delegated measures were discussed among experts from the finance ministries and supervisory authorities of Member States, involving observers from the European Parliament and ESMA, EBA and EIOPA. This consultation process brought a broad consensus on the draft Delegated Regulation.

3. IMPACT ASSESSMENT

It was considered that the impact assessment was not necessary for delegated provisions under empowerments of the PRIIPs Regulation because these provisions follow very closely EIOPA's advice. EIOPA's technical advice contains the cost and benefits analysis.

3.1 Analysis of costs and benefits

No major costs of the choices made in the EIOPA technical advice for the Delegated Regulation were identified with regards to the factors and criteria specifying when there is a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or to the stability of the whole or part of the financial system.

The suggested measures should make financial markets more secure and improve investor confidence and participation in financial markets. In addition, by contributing to enforcement of the supervisory competencies, these powers should improve the stability and reliability of financial markets. These benefits are considered to considerably outweigh potential costs.

There is no effect on the EU budget.

3.2 Proportionality

The need for proportionality is reaffirmed in several provisions and duly taken into account across all of the Delegated Regulation. In particular, the list of criteria and factors, is exhaustive for EIOPA. Such an approach would ensure that EIOPA acts within the limits of its legitimate powers thereby ensuring that EIOPA's margin of discretion is adequately circumscribed in relation to the imposition of a temporary prohibition or restriction.

In addition, specifying an exhaustive list of criteria and factors to be taken into account by EIOPA in determining in which cases there is a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or the stability of the financial system of the Union would clearly delineate the powers of intervention available to EIOPA in a transparent manner.

Furthermore, such an exhaustive list of criteria and factors would serve as a benchmark against which judicial review of an EIOPA decision regarding temporary prohibitions or restriction would be performed.

4. LEGAL ELEMENTS OF THE DELEGATED ACT

Supervisory measures on product intervention

This Delegated Regulation sets out criteria and factors to be taken into account by the national competent authorities and EIOPA when intending to use their product intervention powers in case of significant investor protection concern or threat to the orderly functioning and integrity of financial markets or to the stability of the whole or part of the financial system of the Union or respectively of at least one Member State. As far as EIOPA is concerned, the criteria and factors set out in this Delegated Regulation are exhaustive.

The following list specifies the main criteria and factors that should be taken into consideration when determining those threats and concerns:

- (a) the degree of complexity of an insurance-based investment product or type of financial activity or practice of an insurance or reinsurance undertaking,
- (b) the size of potential detrimental consequences of the marketing of the insurance-based investment product or type of financial activity or practice,
- (c) the type of investors involved in a financial activity or financial practice or to whom an insurance-based investment product is marketed or sold,
- (d) the degree of transparency and the particular characteristics or underlying assets of the insurance-based investment product or type of activity or practice,

- (e) the existence and degree of disparity between the expected return or profit for investors and the risk of loss in relation to the insurance-based investment product, financial activity or financial practice,
- (f) the ease and cost with which investors are able to sell the relevant insurance-based investment product or to switch to another product, the pricing and associated costs and the degree of innovation of an insurance-based investment product, a financial activity or a financial practice and the selling practices associated with the insurance-based investment product,
- (g) the financial and business situation of the issuer of an insurance-based investment product,
- (h) whether the underlying assets of the insurance-based investment product or financial activities or financial practice pose a high risk to the performance of transactions entered into by participants or investors in the relevant market;
- (i) whether the characteristics of an insurance-based investment product make it particularly susceptible to being used for the purposes of financial crime,
- (j) whether the financial activity or financial practice poses a particularly high risk to the resilience or smooth operation of markets or their infrastructure or may threaten investors' confidence in the financial system
- (k) whether an insurance-based investment product, financial activity or financial practice could lead to a significant and artificial disparity between prices of a derivative and those in the underlying market;
- (l) whether the insurance-based investment product, financial practice or financial activity poses a high risk of disruption to financial institutions deemed to be important to the financial system of the Union.

The legal drafting of this Delegated Regulation is fully aligned with the similar provisions of the Delegated Regulation under Regulation (EU) No [600/2014](#).

COMMISSION DELEGATED REGULATION (EU) .../...

of 14.7.2016

supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council with regard to product intervention

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)¹ and in particular Article 16(8) and Article 17(7) thereof,

Whereas:

- (1) This Regulation specifies certain aspects of the intervention powers granted to competent authorities and, in exceptional circumstances, the European Insurance and Occupational Pensions Authority (EIOPA) established and exercising its powers in accordance with Regulation (EU) No 1094/2010 of the European Parliament and of the Council², as regards the criteria and factors to be taken into account for determining the existence of a significant investor protection concern or threat to the orderly functioning and integrity of financial markets or to the stability of the whole or part of the financial system of at least one Member State or respectively of the Union.
- (2) A list of criteria and factors to be taken into account by competent authorities and EIOPA when determining such a concern or threat should be established to ensure a consistent approach while permitting appropriate action to be taken where unforeseen adverse events or developments occur. The existence of a “threat”, one of the prerequisites of the intervention in the perspective of the orderly functioning and integrity of financial or commodity markets or stability of the financial system, requires a higher threshold than the existence of a “significant concern”, which is the prerequisite of the intervention for investor protection. The need to assess all criteria and factors that could be present in a specific situation should not, however, prevent the temporary intervention power from being used by competent authorities and EIOPA where only one of the factors or criteria leads to such a concern or threat.

¹ OJ L 352, 9.12.2014, p. 1

² Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC, (OJ L 331, 15.12.2010, p. 48)

- (3) The provisions in this Regulation are closely linked, since they deal with the product intervention powers vested in both the national competent authorities and EIOPA. To ensure coherence between those provisions which should enter into force at the same time, and in order to facilitate a comprehensive view for stakeholders and, in particular, for EIOPA and competent authorities exercising the intervention powers, it is necessary to include these provisions in a single Regulation.

HAS ADOPTED THIS REGULATION:

Article 1

Criteria and factors for the purposes of EIOPA temporary product intervention powers

(Article 16(2) of Regulation (EU) No 1286/2014)

1. For the purposes of Article 16(2) of Regulation (EU) No 1286/2014, EIOPA shall assess the relevance of all factors and criteria listed in paragraph 2, and consider all relevant factors and criteria in determining when the marketing, distribution or sale of certain insurance-based investment products or a type of financial activity or practice creates a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or to the stability of the whole or part of the financial system of the Union.

For the purpose of the first subparagraph, EIOPA may determine the existence of a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or to the stability of whole or part of the financial system of the Union based on one or more of those factors or criteria.

2. The factors and criteria to be assessed by EIOPA to determine whether there is a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or to the stability of whole or part of the financial system of the Union shall be the following:
- (a) the degree of complexity of the insurance-based investment product or type of financial activity or practice of an insurance or reinsurance undertaking, taking into account, in particular:
- the type of the underlying assets and the degree of transparency of the underlying assets;
 - the degree of transparency of costs and charges associated with the insurance-based investment product, financial activity or financial practice and, in particular, the lack of transparency resulting from multiple layers of cost and charges;
 - the complexity of the performance calculation, taking into account in particular whether the return is dependent on the performance of one or more underlying assets which are in turn affected by other factors;
 - the nature and scale of any risks;

- whether the insurance-based investment product or service is bundled with other products or services; or
 - the complexity of any terms and conditions.
- (b) the size of potential detrimental consequences, considering in particular:
- the notional value of the insurance-based investment product;
 - the number of clients, investors or market participants involved;
 - the relative share the product in investors’ portfolios;
 - the probability, scale and nature of any detriment, including the amount of loss potentially suffered;
 - the anticipated duration of the detrimental consequences;
 - the volume of the premium;
 - the number of intermediaries involved;
 - the growth of the market or sales;
 - the average amount invested by each investor in the insurance-based investment product;
 - the coverage level defined in national insurance guarantee schemes law, where such scheme exist; or
 - the value of the technical provisions with respect to the insurance-based investment products.
- (c) the type of investors involved in a financial activity or financial practice or to whom an insurance-based investment product is marketed or sold, taking into account, in particular:
- whether the investor is a retail client, professional client or eligible counterparty as defined in Directive 2014/65/EU³;
 - features characterising investors’ skills and abilities, including the level of education, experience with similar insurance-based investment products or selling practices;
 - features characterising investors’ economic situation, including their income and wealth;
 - investors’ core financial objectives, including pension savings and need for risk coverage;

³ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU; (OJ L 173, 12.6.2014, p. 349)

- whether the product or service is being sold to investors outside the intended target market, or whether the target market has not been adequately identified; or
 - the eligibility for coverage by an insurance guarantee scheme, where national insurance guarantee schemes exist.
- (d) the degree of transparency of the insurance-based investment product or type of activity or practice, taking into account, in particular:
- the type and transparency of the underlying assets;
 - any hidden costs and charges;
 - the use of techniques drawing investors' attention but not necessarily reflecting the suitability or overall quality of the insurance-based investment product or financial activity or financial practice;
 - the nature of risks and transparency of risks;
 - the use of product names or terminology or other information that imply a greater level of security or return than those which are actually possible or likely; or which imply product features that do not exist; or
 - whether there was insufficient, or insufficiently reliable, information about an insurance-based investment product to enable market participants to which it was targeted to form their judgment, taking into account the nature and type of insurance-based investment products.
- (e) the particular characteristics or underlying assets of the insurance-based investment product, financial activity or financial practice, including any embedded leverage, taking into account, in particular:
- the leverage inherent in the product;
 - the leverage due to financing; or
 - the features of securities financing transactions.
- (f) the existence and degree of disparity between the expected return or profit for investors and the risk of loss in relation to the insurance-based investment product, financial activity or financial practice, taking into account, in particular:
- the structuring cost of such insurance-based investment product, financial activity or financial practice and other costs;
 - the disparity in relation to the issuer's risk retained by the issuer; or
 - the risk/return profile.

- (g) the ease and cost with which investors are able to sell the relevant insurance-based investment product or to switch to another product, taking into account, in particular:
- the impediments to a change of investment strategy in relation to an insurance contract;
 - the fact that early withdrawal is contractually not allowed or made factually impossible; or
 - any other barriers to exit.
- (h) the pricing and associated costs of insurance-based investment product, financial activity or financial practice, taking into account, in particular:
- the use of hidden or secondary charges; or
 - charges that do not reflect the level of distribution service provided by the insurance intermediaries.
- (i) the degree of innovation of an insurance-based investment product, a financial activity or a financial practice, taking into account in particular:
- the degree of innovation related to the structure of the insurance-based investment product, financial activity or financial practice, including embedding and triggering;
 - the degree of innovation related to the distribution model or length of intermediation chain,
 - the extent of innovation diffusion, including whether the insurance-based investment product, financial activity or financial practice is innovative for particular categories of investors;
 - innovation involving leverage;
 - the lack of transparency of the underlying assets; or
 - the past experience of the market with similar insurance-based investment products or selling practices for insurance-based investment products.
- (j) the selling practices associated with the insurance-based investment product, taking into account, in particular:
- the communication and distribution channels used;
 - the information, marketing or other promotional material associated with the investment; or
 - whether the decision to buy is secondary or tertiary following an earlier purchase.

- (k) the financial and business situation of the issuer of an insurance-based investment product, taking into account, in particular:
- the financial situation of the issuer; or
 - the suitability of reinsurance arrangements regarding the insurance-based investment products.
- (l) whether the underlying assets of the insurance-based investment product or financial activities or financial practice pose a high risk to the performance of transactions entered into by participants or investors in the relevant market;
- (m) whether the characteristics of an insurance-based investment product make it particularly susceptible to being used for the purposes of financial crime, in particular whether those characteristics could potentially encourage the use of the insurance-based investment products for:
- any fraud or dishonesty;
 - misconduct in, or misuse of information in relation to a financial market;
 - handling the proceeds of crime;
 - the financing of terrorism; or
 - facilitating money laundering;
- (n) whether the financial activity or financial practice poses a particularly high risk to the resilience or smooth operation of markets;
- (o) whether an insurance-based investment product, financial activity or financial practice could lead to a significant and artificial disparity between prices of a derivative and those in the underlying market;
- (p) whether an insurance-based investment product, financial practice or financial activity poses a high risk to the market or payment systems infrastructure, including trading, clearing and settlement systems;
- (q) whether an insurance-based investment product, financial activity or financial practice may threaten investors' confidence in the financial system; or
- (r) whether the insurance-based investment product, financial practice or financial activity poses a high risk of disruption to financial institutions deemed to be important to the financial system of the Union.

Article 2

Criteria and factors to be taken into account by competent authorities for the purposes of insurance-based investment product intervention powers

(Article 17(2) of Regulation (EU) No 1286/2014)

1. For the purposes of Article 17(2) of Regulation (EU) No 1286/2014, competent authorities shall assess the relevance of all factors and criteria listed in paragraph 2, and take into consideration all relevant factor(s) and criteria in determining when the marketing, distribution or sale of certain insurance-based investment products or a type of financial activity or practice creates a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or to the stability of the whole or part of the financial system within at least one Member State.

For the purposes of the first subparagraph, competent authorities may determine the existence of a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or to the stability of whole or part of the financial system within at least one Member State based on one or more of those factors and criteria.

2. The factors and criteria to be assessed by competent authorities to determine whether there is a significant investor protection concern or a threat to the orderly functioning and integrity of financial markets or to the stability of whole or part of the financial system within at least one Member State shall include the following:
 - (a) the degree of complexity of the insurance-based investment product or type of financial activity or practice of an insurance or reinsurance undertaking, taking into account, in particular:
 - the type of the underlying assets and the degree of transparency of the underlying assets;
 - the degree of transparency of costs and charges associated with the insurance-based investment product, financial activity or financial practice and,, in particular, the lack of transparency resulting from multiple layers of cost and charges;
 - the complexity of the performance calculation, taking into account whether the return is dependent on the performance of one or more underlying asset which are in turn affected by other factors;
 - the nature and scale of any risks;
 - whether the insurance-based investment product is bundled with other products or services; or
 - the complexity of any terms and conditions.
 - (b) the size of potential detrimental consequences, considering in particular:
 - the notional value of the insurance-based investment product;
 - the number of clients, investors or market participants involved;
 - the relative share the product in investors' portfolios;

- the probability, scale and nature of any detriment, including the amount of loss potentially suffered;
 - the anticipated duration of the detrimental consequences;
 - the volume of the premium;
 - the number of intermediaries involved;
 - the growth of the market or sales;
 - the average amount invested by each investor in the insurance-based investment product;
 - the coverage level defined in national insurance guarantee schemes law, where such scheme exist; or
 - the value of the technical provisions with respect to the insurance-based investment products.
- (c) the type of investors involved in a financial activity or financial practice or to whom an insurance-based investment product is marketed or sold, taking into account, in particular:
- whether the investor is a retail client, professional client or eligible counterparty as defined in Directive [2014/65/EU](#);
 - investors' skills and abilities, including the level of education, experience with similar insurance-based investment products or selling practices;
 - investors' economic situation, including their income and wealth;
 - investors' core financial objectives, including pension savings and need for risk coverage;
 - whether the product or service is being sold to investors outside the intended target market, or whether the target market has not been adequately identified; or
 - the eligibility for coverage by an insurance guarantee scheme, where national insurance guarantee schemes exist.
- (d) the degree of transparency of the insurance-based investment product or type of activity or practice, taking into account, in particular:
- the type and transparency of the underlying assets;
 - any hidden costs and charges;
 - the use of techniques drawing investors' attention but not necessarily reflecting the suitability or overall quality of the insurance-based investment product or financial activity or financial practice;

- the nature of risks and transparency of risks;
 - the use of product names or terminology or other information that imply greater levels of security or return than those which are actually possible or likely, or which imply product features that do not exist; or
 - whether there was insufficient, or insufficiently reliable, information about an insurance-based investment product to enable market participants to which it was targeted to form their judgment, taking into account the nature and type of insurance-based investment products.
- (e) the particular characteristics or underlying assets of the insurance-based investment product financial activity or financial practice, including any embedded leverage taking into account, in particular:
- the leverage inherent in the product;
 - the leverage due to financing; or
 - the features of securities financing transactions.
- (f) the existence and degree of disparity between the expected return or profit for investors and the risk of loss in relation to the insurance-based investment product, financial activity or financial practice, taking into account in particular:
- the structuring cost of such insurance-based investment product, financial activity or financial practice and other costs;
 - the disparity in relation to the issuer's risk retained by the issuer; or
 - the risk/return profile.
- (g) the ease and cost with which investors are able to sell the relevant insurance-based investment product or to switch to another product, taking into account in particular:
- the impediments when changing an investment strategy in relation to an insurance contract;
 - the fact that early withdrawal is not allowed or it is allowed at such contractual condition that it can be considered as not allowed; or
 - any other barriers to exit.
- (h) the pricing and associated costs of insurance-based investment product, financial activity or financial practice, taking into account, in particular:
- the use of hidden or secondary charges; or
 - charges that do not reflect the level of distribution service provided by the insurance intermediaries.

- (i) the degree of innovation of an insurance-based investment product, a financial activity or a financial practice, taking into account in particular:
 - the degree of innovation related to the structure of the insurance-based investment product, a financial activity or a financial practice, including embedding and triggering;
 - the degree of innovation relating to the distribution model or length of intermediation chain;
 - the extent of innovation diffusion, including whether the insurance-based investment product, financial activity or financial practice is innovative for particular categories of investors;
 - innovation involving leverage;
 - the lack of transparency of the underlying assets; or
 - the past experience of the market with similar insurance-based investment products or selling practices for insurance-based investment products.
- (j) the selling practices associated with the insurance-based investment product, taking into account in particular:
 - the communication and distribution channels used;
 - the information, marketing or other promotional material associated with the investment; or
 - whether the decision to buy is secondary or tertiary following an earlier purchase.
- (k) the financial and business situation of the issuer of an insurance-based investment product, taking into account in particular:
 - the financial situation of the issuer; or
 - the suitability of reinsurance arrangements regarding the insurance-based investment products.
- (l) whether the underlying assets of the insurance-based investment product or financial activities or financial practice pose a high risk to the performance of transactions entered into by participants or investors in the relevant market;
- (m) whether the characteristics of an insurance-based investment product make it particularly susceptible to being used for the purposes of financial crime, in particular whether those characteristics could potentially encourage the use of the insurance-based investment products for:
 - any fraud or dishonesty;
 - misconduct in, or misuse of information, in relation to a financial market;

- handling the proceeds of crime;
 - the financing of terrorism; or
 - facilitating money laundering;
- (n) whether the financial activity or financial practice poses a particularly high risk to the resilience or smooth operation of markets ;
- (o) whether an insurance-based investment product, financial activity or financial practice could lead to a significant and artificial disparity between prices of a derivative and those in the underlying market;
- (p) whether an insurance-based investment product, financial practice or financial activity poses a risks to the market or payment systems infrastructure, including trading, clearing and settlement systems;
- (q) whether an insurance-based investment product, financial activity or financial practice may threaten investors' confidence in the financial system; or
- (r) whether the insurance-based investment product, financial practice or financial activity poses a high risk of disruption to financial institutions deemed to be important to the financial system of the Member State of the relevant competent authority.

Article 3
Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 31 December 2016.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 14.7.2016

For the Commission
The President
Jean-Claude JUNCKER