Product Risk Indicator (PRI)

Getting beyond regulation for better investor protection

Recent investor protection regulations have driven the need for risk indicators on financial instruments. Following requests from the market, SIX has decided to build a comprehensive and adapted indicator for all asset classes: the PRI.

A regulatory background
European and Swiss investor protection regulations (MiFID II, PRIIPs and FinSA) have stressed the importance for financial institutions of monitoring the suitability and appropriateness of financial instruments they sell to their customers. Among many aspects, matching the risk of an asset with the client's ability and appetite to take it is key. Therefore, an issuer-calculated Summary Risk Indicator (SRI) is now mandatory for structured products and derivatives, whilst for UCITS funds, a Synthetic Risk and Reward Indicator (SRRI) currently exists. The SRRI is expected to be migrated to an SRI by the end of 2021.
But what about the other asset classes (bonds, equities…)?

The Product Risk Indicator (PRI) by SIX
Based on this ascertainment, SIX has decided to develop a PRI for equities, bonds, futures and options as an additional product offering.
The PRI is derived from the SRI methodology (as described in the ESMA Regulatory Technical Standard (RTS) for the PRIIP-KIDs regulation) and adapted for non-PRIIP asset classes.

This indicator is the result of the measurement of market risk and credit risk. The market risk measure and the credit risk measure will also be available in the PRI data set.

Key advantages

- Consistent and easy to understand. The PRI can be directly compared to an SRI on a PRIIP-KID. It is simple and has a regulatory backing (adaptation of the SRI methodology).
- Comparison of instrument risks made easy across whole portfolios and all asset classes (PRI or SRI/SRRI)
- Cost effective. No additional risk indicator is needed for instruments carrying an issuer-calculated SRI. The SRI can be used for instruments on which it already exists.
- Easy to access. The PRI data set is made available through the same channels our clients already use for regulatory services.

Getting beyond regulation

The PRI will enable wealth managers and client advisors to:

- Compare the risks of investments within one asset class and across different asset classes
- Choose and recommend risk suitable investments to their clients
- Explain the risks in an intuitive and easily understandable manner

With the PRI service from SIX, get beyond regulation and make investor protection your own competitive advantage.

Asset class	SRI	SRRI	PRI
Equities			X
Debt	(X)[1]		X
Investment funds	X	X	
Structured products	X		
Warrants	X		
Futures			X
Options			X

VDF delivery view

1. (X) for complex debt instruments only

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