



Key things small investors should be told

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Press release

Draft EU rules on key information small investors should be given before signing a contract were endorsed by Parliament on Wednesday. They backed plans for a mandatory, two-page A4 Key Information Document (KID) providing clear, comparable and complete information on investment products. This will provide a mandate for fine-tuning the legislation in talks with member states.

"To restore trust in financial markets, we need them to work properly. The aim of KIDs should be not to make life easier for investment product manufacturers, but to help retail investors to take informed financial decisions, said lead MEP Pervenche Berès (S&D, FR) in the debate before the vote. "Many small investors also want to know how investing in a given product could affect the environment, society or governance before committing their money, and KIDs can help here, too", she added.

Easy reading KIDs

All small investors should be given two-page A4 standard format KIDs to help them to understand and compare investment products and estimate the total cost of their investment. They should also be informed whether their investment will contribute to any projects with environmental or social aims, say MEPs

KIDs should make no reference to advertising material and should be prepared by a clearly identifiable entity that created the product, they add.

The EU investment market is worth €10 trillion, so unsuitable investment products harm the economy, as well as small investors' interests, MEPs note.

Investment products covered

The new rules should apply to all investment products intended for small investors, with some exceptions such as insurance products which do not offer a surrender value, deposits, securities and officially recognised social security schemes, say MEPs.

KIDs should make clear all the risks associated with these investment products. MEPs note that packaged investments, for example, can benefit investors, by spreading risks across many different economic sectors or underlying assets and can also enable ordinary people to engage in investment strategies that would otherwise be inaccessible to them. However they also warn that packaged products may mislead, by focusing on immediate gains and hiding future risks.

Liability for losses

KIDs must not be misleading. If a small investor could show that a loss was caused by identified information in a KID, then the investment product manufacturer could be liable under civil law.

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Competent authorities designated by EU member states would be able to impose penalties such as suspending or prohibiting the sale of a product, issuing a public warning and administrative fines of up to 10% of the investment product manufacturer's total annual turnover or up to €5,000,000 for individual persons.

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