



Key things small investors should be told – EP/Council deal

Committees Committee on Economic and Monetary Affairs [01-04-2014 - 18:44]

Draft EU rules on key information small investors should be given before signing a contract were agreed by Parliament's negotiators and Council of Ministers representatives on Tuesday. Clear, comparable and complete information on investment products is to be provided in a mandatory, three-page A4 Key Information Document (KID). Parliament will put the agreed rules to a plenary vote in April.

Easy-reading KIDs

Before signing a contract, all small (non-professional) investors should be given three-page A4 standard format KIDs to help them to understand and compare packaged retail and insurance-based investment products (PRIIPs), estimate the total cost of their investment as well as be aware of its risk-reward profile.

KIDs should be clearly separate from advertising materials, consistent with any binding contractual documents and prepared by a clearly identifiable entity that created the product.

Parliament's negotiators ensured that where applicable investors will also be informed whether their investment will contribute to any projects with environmental or social aims.

Where applicable, the KID should also include a “comprehension alert” warning that “you are about to purchase a product that is not simple and may be difficult to understand”.

Investment products covered...

The new rules would apply to all investment products intended for small investors.

...and not covered

However, they would not apply to: non-life insurance products, life insurance contracts where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity, or deposits other than structured deposits and securities.

Officially recognised pension schemes, pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and individual pension products for which a contribution from the employer is required would also be exempted from the scope of the legislation.

Liability for losses

KIDs must not be misleading. If a small investor could show that a loss was caused by the information in a KID, or was inaccurate or inconsistent with any binding contractual documents, then the investment product manufacturer could be liable under national law.

Next steps

To take effect, the new rules must be approved by Parliament as a whole during the April II plenary session and endorsed by the member states.

Press release

Contact

Dorota KOLINSKA

BXL: (+32) 2 28 32787

STR: (+33) 3 881 74005

PORT: (+32) 498 98 32 80

EMAIL: econ-press@europarl.europa.eu

TWITTER: EP_Economics