

Parliament demands better protection for small investors

Plenary sessions [01-12-2016 - 12:00]

Small investors need better information about the possible risks and fees for investment products they might buy, say MEPs. They voted on Thursday, by 561 votes to 9 with 75 abstentions, to delay the introduction of a key explanatory document supplied by investment providers to consumers, while the EU Commission comes up with better proposals.

The parliamentary vote comes after MEPs criticised as “flawed and misleading” previous proposed standards requiring providers of “packaged retail and insurance-based investment products” (PRIIPs) to produce a “Key Information Document” (KID) which is meant to guide consumers in their investment decisions.

Lessons learnt from the financial crisis

The proposal for a KID was made by the European Commission in the wake of the global financial crisis, when it proposed improving investor protection measures for the main investment products bought by small investors.

“The financial crisis has underscored the need for a regulatory environment which provides a sound basis for informed decision making, and where investors can be confident about the information and services they receive”, it said.

Clear information on risks

The KID is to be a clearly worded 3-page document which will provide investors with a simple overview of the most important details of the product they are buying, including fees, risks and possible performance.

The proposal was backed by the European Parliament and European Council but opposition emerged when the Commission tabled complementary draft Regulatory Technical Standards that underpin the format and methodology used to compile the KID. These were judged inadequate by Parliament and overwhelmingly rejected in September 2016.

The Commission now has another year to come up with alternative proposals on the standards for the KID, and if these are agreed by Parliament and the Council, the KID could be introduced from 1 January 2018.

Procedure: : Co-decision (Ordinary Legislative Procedure)

Further information

- Adopted text (2016/0355 (COD)) will soon be available here (01.12..2016)
: <http://www.europarl.europa.eu/plenary/en/texts-adopted.html>
- Audiovisual material for media

: <http://audiovisual.europarl.europa.eu/default.aspx>
- Background note
: <http://www.europarl.europa.eu/news/en/news-room/20161129BKG53731/vote-on-delaying-draft-investor-protection-rules-to-allow-time-for-improvements>

Press release

- EP Research: Prospectuses for investors [EU Legislation in Progress]
: <https://epthinktank.eu/2016/05/11/prospectuses-for-investors-eu-legislation-in-progress/>

Political groups

- News pages of the EPP group
: <http://bit.ly/1WuQLqB>
- News pages of the S&D group
: <http://bit.ly/1WWG6F4>
- News pages of the ECR group
: <http://bit.ly/1Y0YFrj>
- News pages of the ALDE group
: <http://bit.ly/1XbSQs6>
- News pages of the GUE/NGL group
: <http://bit.ly/1UrAIM9>
- News pages of the Greens/EFA group
: <http://bit.ly/1TV9vvr>
- News pages of the EFDD group
: <http://bit.ly/1TUnDFU>
- News pages of the ENF group
: <http://bit.ly/2cxzxcR>

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