

ECON committee unanimously rejects Commission's investor protection proposals

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Parliament's Economic and Monetary Committee rejected as "misleading" and flawed, proposals aimed at providing greater protection to consumers buying packaged financial products, and unanimously voted to send the proposals back to the European Commission for revision.

The MEPs supported by 55 votes to 0, with 3 abstentions, a resolution which called for changes to the legislation covering "packaged retail and insurance-based investment products" (PRIIPS) -- a market worth up to €10 trillion in Europe -- which consumers typically tap into when saving for a certain amount of money such as buying a house or paying for their children's education.

The Commission's proposals set the regulatory technical standards (RTS) which investment providers would have to meet to provide greater transparency about investment products and clearer information to investors. The RTS are designed to accompany the PRIIP legislation which is due to come into force on 31 December 2016.

Before the vote, in a spirited exchange with MEPs, John Berrigan of the European Commission said the ideal solution would be to introduce both the level one legislation and the technical standards at the same time. But, he said, as a "second best option" the Commission was prepared to allow the introduction of the main legislation without the technical standards. Many MEPs across the political spectrum were sceptical about how such an arrangement might work and Markus Ferber (EPP, DE) won MEP's backing for his proposal to delay the introduction of the main legislation until the technical standards were agreed.

The rapporteur Pervenche Berès (S&D, FR) echoed the views of many MEPs who accused the Commission of ignoring the concerns of Parliament. She said that exchanges between the Commission and MEPs had been "a game of hide and seek" and that Parliament had fought hard to win a say over this type of secondary legislation. Despite this, she added, the Commission had published the regulatory technical standards without EP consultation.

Gabriel Bernardino, Chairman of the European Insurance and Occupational Pensions Authority (EIOPA) said the Commission's proposals were a "balanced technical compromise." But this description was dismissed by the chairman of the Economics Committee, Roberto Gualtieri (S&D, IT), who said he was not reassured by this explanation. "A compromise should be a working compromise," he said.

Much of MEPs' opposition centres on the "Key Investment Document" (KID) which is meant to provide consumers with information about the features, risks and costs of an investment product. But Sven Giegold (Greens, DE) argued that proposed formulas for predicting investment performance contained flaws which would make performance look far better than it was likely to be. "People must know when they take a risk, but this information is misleading," he said.

Syed Kamall (ECR, UK) was also doubtful that the KID adequately reflected the risks of investing and said he disliked generic statements found on investment products such as "the value of your investment may go up and down." He said as a financial investor, he would recommend a clearer warning such as "only invest money that you are prepared to lose."

Press release

The measure will now be put to a full plenary vote in September and Parliament must now either support or reject the motion.

Further information

- Committee on Economic and Monetary Affairs:
<http://www.europarl.europa.eu/committees/en/econ/home.html>

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