



Key things small investors should be told

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New EU rules on the information that small investors must be given before they sign a contract were approved by Parliament on Tuesday. This information will be set out in a mandatory, three-page A4 Key Information Document (KID).

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 separated 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.

MEPs noted that although PRIIPs can benefit small investors by spreading risks across many different economic sectors or underlying assets, they are nonetheless "not simple" and hence may also mislead them. They therefore ensured that, where applicable, investors will also be given 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.

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 be also exempted from the scope of the legislation.

Liability for losses

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

Next steps

The new rules still need to be officially endorsed by the member states. They would then take effect within two years.

The text was approved by 637 votes to 26, with 16 abstentions

Procedure: Co-decision (Ordinary Legislative Procedure), first reading agreement

#PRIIPS

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