



EUROPEAN COMMISSION

STATEMENT

Brussels, 1 April 2014

Basic information for retail consumers: European Parliament and Council back Commission's proposal on a Key Information Document covering retail investments

The European Parliament and the Council have reached agreement on a mandatory 'Key Information Document' to be supplied to retail consumers who wish to invest their savings. The proposed rules require the financial services industry to provide basic information about their investment products, the risk and return that can be expected as well as the overall aggregate cost that will arise in making the investment.

"European consumers need a clear and understandable explanation on how they invest their savings. Too often, retail investors have been caught out due to a lack of basic information being provided before an investment is made. I am encouraged to see that the European Parliament and the Council agree and support the Commission on a mandatory Key Investor Information Document that has to be supplied to all retail investors before they take the decision to invest in a financial product. The broad coverage of the Key Information Document aims to ensure that no investment product slips through the net and that the consumer can compare different investment proposals. This measure is essential to restore consumers' confidence in the financial sector," said Michel Barnier, Commissioner for the Internal Market and Services. "I want to thank the Members of the European Parliament, particularly its rapporteur, Pervenche Beres, and the shadow rapporteurs, as well as the Greek, Lithuanian and Irish Presidencies for their work on this proposal."

Background

The Key Information Document (KID) will cover a wide range of investment products offered to retail customers, either through banking channels, financial advisors or via the internet. Products within the scope will cover: structured products offered by banks, insurance-based investments (including unit-linked and 'with-profit' products) and investment funds.

The KID will enable consumers to compare the investment propositions underpinning these products and thus make an informed investment choice. Comparisons between different investment products offered by financial services providers currently suffer from the complex structure behind these products which makes it difficult to compare their returns and risks. To allow comparisons to be made, KIDs will also be required for products that provide guarantees, for instance for the invested capital, when the returns on the investment vary (are 'at risk').

Some of these investments might be used to provide retirement income. KIDs will be needed for these too, so consumers can compare them. However, a KID has only to be produced when the products are to be sold to retail investors: this is not a document for professional investors.

On the other hand, the proposal does not apply to occupational pension schemes, to pension products for which the employer is required by law to contribute financially and where the employee has no choice as to the pension provider or other pension products that are recognised or certified under national law as providing income in retirement. Savings products that are structured as providing an income stream subsequent to an accumulation phase but that have not received official recognition or certification would be covered.

The introduction of the KID is a response to a myriad of problems that retail investors faced in the past. For example, a consumer Ombudsman in one Member State recently found 12-year subordinated notes being sold to the very elderly. Risks of exiting these investments were not fully explained. In another example, a study for a consumer affairs ministry in one Member State suggested that up to 50-80% of consumers wish to terminate long-term investments prematurely, indicating investments were made that were not suited to their investment or savings needs. On an EU-wide level, a [mystery shopping exercise](#) by the Commission indicated that up to 60% of sales of investments could be considered unsuitable or not in the best interest of the consumer.

The quality and neutrality of advice is part of addressing these problems, but the Commission's impact assessment also points to improved transparency of the investments themselves as a necessary remedy. Better disclosures about the features, risks and costs of products through the KID are vital. Consumers have themselves called precisely for better, more standardised information, seeing lack of comparability as a key barrier to more informed shopping for investments.¹

Next steps:

In order to become law, the Commission's proposal needs to be adopted jointly by the European Parliament and by the EU Member States in the Council (which votes by qualified majority). It is expected that the European Parliament will vote on this legislation in plenary in April, followed by formal adoption by the Council.

More information:

http://ec.europa.eu/internal_market/finservices-retail/investment_products/index_en.htm

Contacts :

[Chantal Hughes](#) (+32 2 296 44 50)

[Audrey Augier](#) (+32 2 297 16 07)

[Carmel Dunne](#) (+32 2 299 88 94)

For the public: **Europe Direct** by phone **00 800 6 7 8 9 10 11** or by [e-mail](#)

¹ European Commission, 2009 - [Commission staff working document](#): on the follow up in retail financial services to the consumer market scoreboard, p.5.