



**COUNCIL OF  
THE EUROPEAN UNION**



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## **Council confirms agreement with EP on transparency rules for investment products**

The Permanent Representatives Committee today approved, on behalf of the Council, an agreement reached with the European Parliament on a regulation aimed at improving market transparency for retail investors ([8356/1/14 REV 1](#)).

The draft regulation, part of a package of proposals intended to boost consumer trust in financial markets, sets out to ensure that retail investors always receive the information they need to take informed decisions.

It covers packaged retail and insurance-based investment products (PRIIPs), specifically investment funds, structured deposits and life insurance policies with an investment element.

Today's agreement will enable the regulation to be adopted at first reading, before the Parliament adjourns for elections at the end of May. The Council will subsequently adopt the regulation without further discussion.

Retail investors often face confusing and overly complex information about PRIIPs. Asymmetries of information make both risks and the cost of products difficult to assess or compare. Disclosures vary according to the legal form a product takes, rather than its economic nature or the risks it entails for retail investors. Such factors contribute to the purchase of unsuitable products, thus undermining the efficiency of investment markets and leading to higher prices.

# **P R E S S**

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Rue de la Loi 175 B – 1048 BRUSSELS Tel.: +32 (0)2 281 6319 Fax: +32 (0)2 281 8026  
[press.office@consilium.europa.eu](mailto:press.office@consilium.europa.eu) <http://www.consilium.europa.eu/press>

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The draft regulation requires key information documents to be drawn up for PRIIPs, and lays down uniform rules on the format and content of such documents and on their provision to retail investors.

Key information documents should contain relevant information such as the nature and features of the product, whether it is possible to lose capital, the costs and risk profile of the product and relevant performance information. Format, presentation and content should be calibrated to maximise understanding of information and to allow retail investors to compare different PRIIPs. Retail investors should also have an effective right of redress under the applicable national law.

The agreed text also requires, where applicable, that investors be informed whether the product contributes to projects with environmental or social aims.

The regulation will not apply to non-life insurance products, life insurance contracts where benefits are only payable upon death or in the event of incapacity due to injury, sickness or infirmity, or deposits other than structured deposits and securities. The following are also not covered: officially recognised pension schemes; pension products whose primary purpose is to provide the investor with a retirement income; and individual pension products for which an employer contribution is required.

A review will be carried out after four years, in order to take account notably of market developments, such as the development of new types of PRIIPs.

The new requirements will be applicable two years after entry into force of the regulation. This will allow "manufacturers" of PRIIPs and those advising on or selling them sufficient time to prepare for the new rules.

Moreover, undertakings for collective investment in transferable securities (UCITS) will not be subject to the regulation for five years, given that these are already subject to key information requirements under directive 2009/65/EC. As part of the review of the regulation four years after its entry into force, the Commission will assess whether this transitional period should be prolonged.

Agreement with the Parliament was reached on 1 April. The negotiations were led by the presidency on the basis of a position established by the Council on 26 June last year.