

PRESS RELEASE**THE KEY INFORMATION DOCUMENT WILL PROVIDE INVESTORS WITH MISLEADING AND NON-COMPARABLE FUTURE PROJECTIONS**

29 June 2018 - On Thursday 28 June, the European fund and asset management industry body issued a press release stressing the worrying shortcomings of the rules governing the Key Information Documents (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs). This follows the publication of its Evidence Paper that found that the new methodology for calculating transaction costs imposed by the PRIIPs regulation often produces positive “costs” and that the new KID deprives investors of a crucial past performance information.

BETTER FINANCE wholeheartedly agrees with these findings and warns against the use of future performance scenarios that will not help investors make investment decisions, and even mislead them, as they will be provided with excessively optimistic performance scenarios.

BETTER FINANCE goes even further in its criticism of the PRIIPs Regulation and reiterates its major concerns with the PRIIPs KID in term of investor protection. In this respect BETTER FINANCE requests that the Regulation at the very least comply with MIFID II rules on performance disclosure, meaning that such future performance information must be accompanied by a prominent warning stating that such forecasts are not reliable indicators of future performance!

Guillaume Prache, Managing Director of BETTER FINANCE, points out that *“the elimination of the requirement for the disclosure of past performance of the PRIIPs and their chosen benchmarks in favour of ‘four future performance scenarios’ without any benchmarks leaves retail investors confused and in the dark as they will not know whether these products met their investment objectives or made any money in the past or not. Nor will they be able to compare one KID with another.”* The use of these future performance scenarios using different holding periods will also make it impossible to make any meaningful and reliable comparison of performances, even though this is one of the main goals of the regulation.

What’s more is that the misleading labelling of the so-called “moderate” scenario will make readers believe it is the most probable, which it is not.

Therefore BETTER FINANCE calls on the EU Authorities to:

- extend the exemption of UCITS funds from the PRIIPs Regulation by a minimum of three years;
- as soon as possible initiate a targeted review of the Regulation and no later than this year.

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