EuroFinuse
The European Federation of Financial Services Users
Fédération Européenne des Usagers des Services Financiers

RETAIL INVESTORS LOSING OUT TO STALLED LEGISLATION

Brussels, 14 November 2013 – European citizens are in danger of losing out as Regulations from Brussels aimed at protecting their interests are facing indefinite delay and drastic dilution, according to a joint statement by three major consumer interest groups working together.

The protest, which is expressed in a letter to all 766 members of the European Parliament, concerns draft legislation that would impose a clear set of rules on organizations selling financial products to individuals.

The joint complaint comes from the European Federation of Financial Services Users (EuroFinUse), which represents four million private investors across Europe, Finance Watch, which advises the relevant EU institutions on financial legislation, and BEUC, the consumer interest organisation. The offices of all three are in Brussels.

The stalled financial package concerns a simple information document that would have to be provided to potential customers by financial services, at the time of sale. Specifications for such a Key Information Document (KID) are set out in the legal wording, which is now in the hands of the European Parliament.

However, the package is in danger of indefinite delay as MEPs are failing to agree between themselves, say the three consumer protection bodies.

As it stands, the Prips rule comprise the only set of rules in process since the onset of the financial crisis entirely dedicated solely to the protection of retail investors, say the protesters.

A more or less permanent hold up could have dramatic implications for retail investors. This is because the retail investment market is largely dominated by investment products that are often too complex for retail investors to understand and impossible to compare.

The consumers of these products face a chronic lack of transparency in terms of charges and performance, low awareness of risks and opaque and inconsistent product information. As a result retail investors cannot make informed choices and are sold poorly performing or toxic products, leading to bad investments in the long run.

Recent developments give rise to additional concerns in that further amendments to the current proposal are aimed at taking life insurance and pensions out of the scope of the regulation altogether, thus defeating the purpose of harmonizing key disclosure requirements across all retail products, according to EuroFinUse.

Since life insurance and pensions are the leading long term retail investment products in most European countries, as well as the least transparent, this would simply make the KID Regulation useless.

Managing director of EuroFinUse, Guillaume Prache bitterly makes the point that the danger now is an annihilation of seven years of work and efforts to harmonize the protection of retail investors and pension savers.

He states that to this day, despite cross-party support for the existing proposal, the European Parliament’s relevant committee, the Economic and Monetary Control Committee (Econ) has failed to give the green light for negotiations with the Council and the European Commission.

This situation is unacceptable and detrimental not only to individual investors but to European society as a whole, he says.

The three consumer interest groups are now presenting a united front on behalf of the hundreds of millions of European consumers and individual investors and draw attention to the state of affairs, continues Prache.

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They are now calling all the political parties to move on to the trialogue phase without further delay and without reducing the scope of the regulation… all that before the formation of the new Parliament and Commission in 2014.

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