

**PRESS RELEASE**

## **The PRIIPs KID and the Need for Disclosure of Past Performance**

**15 February 2016** - At the end of 2014 the European Commission adopted a Regulation requiring for a new form of short, standardised consumer-friendly information (a “Key Information Document” or KID) to be provided to retail investors when buying Packaged Retail and Insurance-based Investment Products (PRIIPs). With the Regulation intended to come into force on 31 December 2016, the three European Supervisory Authorities (ESAs) - EBA, EIOPA and ESMA - were charged with the development of detailed rules on what the PRIIPs manufacturers must include in the KID, in order for them to be as helpful and meaningful for retail investors as possible.

Several consultations were launched in order to gather stakeholder views on the proposed content and presentation of the KID, including the latest one by the Joint Committee of the ESAs which came to a close at the end of January this year. “Provisional” feedback on prior consultations has revealed that the industry views, apart from being overwhelming in number, are given far more weight than the views expressed by representatives of individual investors. Most of the positions and demands by EU citizens as users of PRIIPs have been ignored.

Such favouring of the input provided by industry stakeholders has potentially damaging consequences for retail investors, with the interest of individual investors on key issues such as future performance scenarios being ignored. The ESAs misleadingly stated that « only a minority of respondents favours the consistent use of probabilistic scenarios », conveniently leaving out the fact that the majority of respondents are industry side and that non-probability weighted future performance scenarios could prove to be very misleading for individual investors.

The misrepresentation of the user-side does not stop there. No mention is made of the fact that Better Finance, as the main representative of individual investors, has been joined by the European Securities and Markets Authority (ESMA) and the European Commission’s FSUG (Financial Services User Group) in warning of the disastrous mistake of eliminating the disclosure of past performance in the KID, contrary to what is done in the KIID for UCITS.

The elimination of the requirement for the disclosure of past performance of the PRIIP and of its chosen benchmark in favour of “future performance scenarios” will permit providers to use forecasts of future returns to tempt retail investors who will not know whether these products have lost money in the past.

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