

EUROPEANISSUERS' POSITION ON THE PROPOSAL FOR A REGULATION ON A NEW KEY INFORMATION DOCUMENT FOR INVESTMENT PRODUCTS¹**3 July 2013****SUMMARY**

The Packaged Retail Investment Products (PRIIPs) initiative of the European Commission, which aims at improving the European regulation of the retail investment, had originally limited the obligation to produce and provide a Key Information Document (KID) only to packaged products, as the name of the proposal suggests (e.g. investment funds, retail structured products and certain types of insurance contracts used for investment purposes). However, the European Parliament now wishes to extend the scope of the proposed regulation to include shares and bonds².

While European quoted companies share the Parliament's objectives of promoting investment into shares and corporate bonds and providing relevant information to investors, we fear that an extension of the scope of the proposed regulation to these instruments, which are of a different nature than packaged products, may result in several unintended consequences, for companies and investors alike.

A proper consultation of issuers and an accurate assessment of investors' needs³ are essential to create a framework and a Key Information Document (KID) that are tailored to the specificities of shares and corporate bonds. Otherwise the KID could be costly for companies to prepare, as well as potentially confusing for communication between corporates and investors, in particular retail and long-term.

Issuers therefore kindly ask Members of the European Parliament to keep the initial scope of PRIIPs regulation (packaged products only) for the time being and consider the extension of scope in four years time during the review of the Regulation planned by the European Commission.

Due to the specificities of shares and corporate bonds, issuers believe that, in particular, the following major issues would deserve closer consideration:

- the elements that refer to risks;
- a requirement on the issuer to update the document on a frequent basis;

¹ Formerly known as PRIIPs initiative (Packaged Retail Investment Products)

² Amendment 2 recital 6, Amendment 3 Recital 7, in the Committee draft report dating 20.12.2012; Amendments 76, 77 of recital 6, amendments 85, 86, 87 of recital 7, amendments 171, 184, etc. of Article 2 – paragraph 2 tabled on 20.02.2013

³ We do receive contradicting signal as e.g. VEB (Dutch Shareholder Association) does not perceive KID for shares as useful

- the liability regime attached to the document, considered as a stand-alone document.

KID RISK AND REWARD PROFILE AND RISK MANAGEMENT

While we agree with the usefulness of KID for packaged products, as it is indeed often not clear what the underlying product is due to the packaging, nor what the charges are, nor what the conditions for gain/loss could be, shares and bonds are different from packaged products. The performance and risks of shares and corporate bonds are linked to many factors that go well beyond the financial characteristics of the securities: macro-economic perspectives, competition, corporate activities (industrial, commercial, managerial), etc. Due to these specificities of shares and corporate bonds, it is extremely difficult and potentially misleading, to measure and summarise company's risk and reward in a risk profile, especially using synthetic indicators.

STATUS

Treating the KID as a stand-alone document and the only basis for an investment decision could be potentially harmful to retail investors. Therefore, we request introduction of a clause saying that "KID should not be treated as the sole basis for an investment decision and should be read together with the full documentation provided by issuer according to EU legislation. Cross-references to other documents are permitted. Information that is cross-referenced shall be information required or not required to be included in the key information document".

LIABILITY

We are very concerned about the liability regime proposed by the European Parliament (basis, burden of proof on issuers, consequences...), which could result in companies restricting shares and corporate bonds only to professional investors. We had welcomed:

- previous Parliament's amendments that delete the provisions imposing a reversal of the burden of proof (Recital 17 of the EC regulation proposal);
- the amendments to the Recital 16 that restrict the civil liability to the cases where KID is misleading, inaccurate or inconsistent, when read together with the full documentation provided by the issuer (prospectus, annual report, press releases), as provided for in the UCITS KID and Prospectus Directive summary.

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