



## EUROPEAN COMMISSION

Brussels, 22.4.2013  
C(2013) 2274 final

*Dear President,*

*The Commission would like to thank the Bundesrat for its Opinion on the proposal for a regulation on key information documents for investment products {COM(2012) 352 final}, and apologises for the delay in replying.*

*The Commission welcomes the Bundesrat's support to the proposal's key objective, which is to better protect retail investors across Europe by the means of the introduction of key information documents (KID) tailored to their needs.*

*The Commission fully shares the view that the information in the document should be subject to the highest possible degree of standardisation and that fragmentation of the contents and the format should be avoided. Indeed, the Commission's work and studies have shown that such standardisation is crucial in aiding comparability and helping retail investors understand the products sold to them. The Commission thanks the Bundesrat for its concrete suggestions as regards the introduction of a limit in the number of pages, the drafting of headings, the prescription of specific wording, and the possible use of colours or other ways to illustrate risks.*

*During the negotiations with co-legislators the Commission is going to be vigilant so as to ensure that only non-essential elements of the proposed Regulation be addressed by delegated acts, and that such delegated acts further ensure greater standardisation and harmonisation in the practical and technical production of the document.*

*The Commission agrees that full cost transparency is not only important in relation to product costs – as addressed explicitly by the proposed Regulation – but also in relation to distribution costs and retrocessions. These issues are addressed in Commission proposals to review the Directives on Markets in financial instruments (MiFID) and Insurance mediation (IMD) which are currently being negotiated with the Council and the European Parliament and which both contain chapters specifically dedicated to distribution rules and the provision of clear information about costs and prices. One of the key goals of these proposals is ensuring that information provided respectively by distributors and product manufacturers complement each other, and that retail investors get a clear view of the true costs that they are incurring.*

*The Commission welcomes the Bundesrat's support for including information on environmental and/or social governance aspects in relation to financial products in the KID,*

*and stands ready to further refine the wording to ensure the highest degree of clarity and certainty over what would be required here. The Commission is fully aware that this is only a first step in view to develop more trust and comparability in the information given about "social" or "green" financial products. Further steps need to be undertaken in order to address concerns about financial products or services that hold themselves out as "sustainable" while they are not. In addition, there are a wide variety of approaches to the labelling of such products and services, which is confusing for investors. A "sustainability" label for financial products or services needs further development, and so the Commission will – as a next step – undertake further work to analyse the situation and the ways and means to remedy any such issues.*

*As regards the provision of the KID to investors under different distribution scenarios, the Commission wants to ensure that retail investors receive the KID when they need it – especially at the point at which they are making an investment decision – while avoiding imposing too much red tape on investors who do not want the information, who have already made up their mind, or who have already seen the KID separately. Certainly, the KID should form a central part of all advised sales, but for certain on-line or other sales its role might be different.*

*Finally, the Bundesrat also addresses the issue of alternative dispute resolution mechanisms and sanctions. The Commission has sought to adopt horizontal policies in these two areas and aims to ensure the highest possible degree of consistency between the developments occurring in these areas and the currently proposed Regulation.*

*The Commission hopes that these clarifications address the issues raised by the Bundesrat and looks forward to continuing our political dialogue in the future.*

*Yours faithfully,*

*Maroš Šefčovič  
Vice-President*