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MiFID II

An opportunity to make Europeans' investments safer

While stock markets and banks are in disarray, Europe's consumers need stable financial markets more than ever to make secure investments. The European Commission is due to unveil an updated 'Markets in Financial Instruments Directive' (MiFID II) Thursday, October 20th. BEUC, the European Consumers' Organisation has asked legislators to make consumers' needs their theme in this initiative

Monique Goyens, Director General of BEUC, the European Consumers' Organisation said:

"Investing is not the exclusive preserve of society's most privileged members. Consumers need to make investments to supplement their legal pension or save money for their children's studies. We urge politicians to bear this in mind as they reconfigure Europe's investment services."

MiFID is a set of principle rules which is further detailed in lower-level legislative acts. BEUC expects the European Commission plans to be progressive in addressing two particularly important issues for small investors: prevention of conflicts of interest between the investment product sellers and their clients; as well as the complexity of products.

All mechanisms which encourage bank employees or intermediaries to sell a product inappropriate for its client must be banned and a financial product should never be so complex that consumers do not understand how high the risks and costs can be.

Monique Goyens added:

"Commissions, sales targets and remuneration schemes give wrong incentives to bank staff and intermediaries. Such practices ultimately profit banks and insurance companies, but much less the consumers who are being sold a bad product. When I invest my savings to guarantee my children's education I want advice on what is best for me and not for the bank or sales person's own profit margin.

"A car is a complex product, but it's no problem for most buyers to figure out how fast it drives or what it costs. A new car model also undergoes safety controls before being put on the market. But when it comes to certain investment products, especially complex ones, most consumers are left alone in the jungle of non-transparent cost structures and vague profit promises. Worse still, the vendor of an investment service does not have to recall its product when something goes wrong."

ENDS

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