EU COUNTRIES URGE DELAY FOR NEW INVESTOR PROTECTION RULES

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By Francesco Guarascio | BRUSSELS

Most European Union states want to postpone new EU rules meant to protect investors in life insurance, funds and other retail financial products because parts of the reform might be misleading.

In a joint statement, 23 of the 28 EU states have urged the European Commission to delay by one year the application of the new rules on so-called packaged retail and insurance-based investment products, or PRIIPs.

The new rules, due to come into force in January, cover a 10 trillion euro ($11.25 trillion) market and will force banks and insurers to use a standard "key information document", or KID.

The goal is to help consumers across the bloc for the first time to compare products in what are often national markets dominated by mutual funds.

The statement, which was dated Sept. 19 and distributed to journalists on Tuesday, came a week after the European Parliament rejected the new rules. Italy, Poland, Spain, Luxembourg and Slovakia did not sign it.

"We need to wait for the Council to formally make its position known later this month. We will take the Council and the European Parliament's positions on board to ensure the best possible course of action for consumers," said a Commission's spokeswoman.

But she added that the Commission was not in favor of delays in the application of the new rules.

The KID is supposed to be written on no more than three pages of jargon-free language and must accompany each savings product, derivatives and life insurance policy to show the buyer potential future performance and total costs.

European Parliament lawmakers said last week the proposed KID, which would replace a patchwork of documents given to customers for financial products, used an adverse scenario for a product's potential performance that was too optimistic.

The EU governments that signed the statement said a delay was needed "to provide sufficient time to clarify open questions". They want the proposed law to remain unchanged, but call for clarifications on the technical standards to apply it.

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"The suggested postponement of PRIIPS by one year seems reasonable. The EU Commission should now abstain from introducing PRIIPs without binding technical standards," said Sven Giegold, a German Green EU lawmaker. "This would risk legal uncertainty for financial providers."

EFAMA, which speaks for the mutual funds industry, and Insurance Europe representing insurers have both called for a postponement in the application date but not in the underlying law.

"Delaying implementation increasingly appears to be the only realistic option," said Cathy Pitt, an expert on investment funds at law firm CMS. "Implementation of the PRIIPs Regulation without the unifying technical standards would carry significant risk to both investors and firms," she added.

(Reporting by Francesco Guarascio; Editing by Richard Balmforth)

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