Fondbolagens förening
SWEDISH INVESTMENT FUND ASSOCIATION

GUIDANCE

Key Investor Information Document

Version 2017-03-17

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INTRODUCTION

In accordance with the Funds Acts, all UCITS and alternative investment funds (AIF) sold to retail must have an up-to-date key investor information document, hereafter referred to as KIID. This KIID must contain basic and easily understood key information needed for an investor to be able to evaluate the fund. The KIID must be provided to all customers before purchase and be available on the fund management company's website.

The purpose of the KIID is for the essential information to be presented to the investors in a simple manner. The KIID is to be uniformly drafted in order to facilitate comparison between funds. In order to achieve this, the European Commission has decided that the content in the KIID shall be governed by a regulation which is directly applicable in all the Member States. However, the Regulation is difficult to interpret and, in addition, the Swedish translation contains some lengthy and bureaucratic expressions. The Committee of European Securities Regulators[1] ("CESR") has drafted recommendations which commendably accentuate and exemplify the spirit of the KIID, namely in presenting the fund in a clear and simple manner for investors. The Swedish Investment Fund Association ("SIFA") has had great use of CESR's recommendations in respect of the language and layout in the KIID in the drafting of this guidance and the document is appended in its entirety in appendix 4.

With this guidance, SIFA would like to contribute to investors receiving the best possible tool to use in making their investment decisions. The purpose of the guidance is to provide support to fund management companies in drafting KIIDs and interpreting the Regulation.

The guidance is originally produced in Swedish. The English translation of the guidance aims at providing guidance when KIID for funds established outside Sweden is translated for the Swedish market as well as AIFs that set up a KIID.

REGARDING THE GUIDANCE

The guidance is drafted based on the requirements imposed in the Commission Regulation[2]. Since this Regulation is directly applicable in Sweden, the Swedish Financial Supervisory Authority has not been authorized to issue any supplementary provisions. Information regarding the manner in which the Regulation may be interpreted has been taken from the recommendations issued by CESR. In 2012 ESMA published "Questions and Answers", which is consequently being updated, in order to promote common supervisory approaches and practices. References to relevant documents have been provided in the footnotes.

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[1] I 2011 replaced by ESMA (European Securities and Markets Authority).
[2] Commission Regulation (EU) No 583/2010.

In Chapters 1-6, the guidance contains instructions for each section which must be included in the KIID. An example of how a KIID for a global equity fund might appear is provided as an appendix.

In the guidance, in each section relevant articles from the Regulation are first set out and then the SIFA's more explanatory texts are stated including concrete examples. SIFA would like to point out that no divergence from the Regulation is permitted. The minor divergences recommended by SIFA are based on the fact that, in SIFA's opinion, the Swedish translation deviates from the original English text in certain cases.

The guidance cover KIIDs for both UCITS funds and AIF:s marketed to retail investors. This means all UCITS registered in Sweden. The guidance is not intended for UCITS domiciled in foreign countries. The country of origin principle governs with respect to so-called cross-border operations. However, with respect to marketing materials, keep in mind that local marketing rules must be complied with (these can be accessed in annotated form on each supervisory authority's website). Regarding AIFs, those targeting non-professional investors are covered in the guidance, including Sweden and foreign domiciled. These should be constructed and where applicable have the content included in the Regulation.

The KIID must always be translated into the local language. Funds that cross border into Sweden must be translated into Swedish. The prospectus, annual and where applicable semi-annual reports, should be provided to the investor in Swedish or English.

The term "fund" is used throughout the guidance instead of the Regulation's "UCITS".

The guidance has been drafted together with PwC and was most recently updated by SIFA on March 17, 2017. The guidance may be revised in the event the Financial Supervisory Authority/ESMA communicates guidance in this area.

IMPORTANT FACTS TO KNOW ABOUT KIID

- *Scope:* A KIID must be produced for every UCITS and every AIF sold to non-professional investors in Sweden.

- *Supervision and updating:* Must take place not less than every 12 months, however, also in conjunction with relevant changes (for example when the fund risk and reward classification changes), prior to major marketing efforts, and following year end. Publication shall take place without delay. Updates shall be made not later the 35 business days following year end (which, in 2018, means not later than 20 February).

- *Provision:* In accordance with Swedish legislation, the fund management company must provide a KIID, without request by the investor, in good time before entering into an agreement of purchasing fund units. An up-to-date KIID must also be available on the fund management company's website.

- *Supervision of the* KIID*:* Exercised by the supervisory authority in the home country of the fund (for UCITS).

- *Translation:* The fund management company is responsible for the translations of the KIID and translations of changes to the KIID being consistent with the original text. In SIFA's opinion, a fund management company may not state "this is a translation, for accurate information please refer to the original language".

- *Plain language:* An average investor should be able to understand the information on a first reading of the KIID. Use plain language, avoid industry expressions and legal terms and keep the sentences short.

- *Length:* The KIID may be a maximum of two A4 pages.

- *Durable medium:* Where certain conditions are fulfilled, the KIID may be provided, for example, by e-mail or on the fund management company's website (section 9 in the guidance).

- *Concordance:* No marketing material may contain assertions which diminish the meaning of, or contradict, the content of the KIID (see Article 77, Directive 2009/65).

- *New cost measurement:* "Ongoing charges" replaces TER (total expense ratio). The principal difference is that the performance fees are not included in the ongoing charges but, rather, are reported separately. The definition of what costs will be included is also clarified (for example, custody).

- *Liability:* The fund management company may be held liable for the content and translation of the KIID where it is misleading, inaccurate or inconsistent with the prospectus *(Sw: informationsbroschyr)*.

- *Colours used in the KIID:* the use of colours is permitted provided it is not at the expense of intelligibility. However, colours may never be used in the synthetic risk and reward indicator.

- For index funds, ESMA has adopted guidelines that affect the KIID. In the guidance they are referred to as:"(ESMA 2014/937EN)".

- KIID for AIF should be constructed and, where applicable, have the content included in the Regulation.

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1. BASIC PRINCIPLES AND STRUCTURE

What is stated in the Regulation?

Article 3
Principles regarding the key investor information document

1. *This Regulation specifies in an exhaustive manner the form and content of the document containing key investor information (hereinafter referred to as key investor information document). No other information or statements shall be included except where this Regulation states otherwise.*
2. *The key investor information shall be fair, clear and not misleading.*
3. *The key investor information document shall be provided in such a way as to ensure that investors are able to distinguish it from other material. In particular, it shall not be presented or delivered in a way that is likely to lead investors to consider it less important than other information about the UCITS and its risks and benefits.*

By means of the Regulation on the content of the KIID, the Commission determined exactly what shall be included. In accordance with Article 3.1, nothing may be included in addition to that which is prescribed in the Regulation.

The KIID must be provided in such manner that it can be distinguished from other material and may not be designed in a way such that it appears less important than other fund information.

1.1. Title, structure and section headings

What is stated in the Regulation?

Article 4
Title and content of document

1. *The content of the key investor information document shall be presented in the order as set out in paragraphs 2 to 13.*
2. *The title 'Key investor information' shall appear prominently at the top of the first page of the key investor information document.*
3. *An explanatory statement shall appear directly underneath the title. It shall read: 'This document provides you with key investor information about this fund. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this fund. You are advised to read it so you can make an informed decision about whether to invest'.*
4. *The identification of the UCITS, including the share class or investment compartment thereof, shall be stated prominently. In the case of an investment compartment or share class, the name of the UCITS shall follow the compartment or share class name. Where a code number identifying the UCITS, investment compartment or share class exists, it shall form part of the identification of the UCITS.*
5. *The name of the management company shall be stated.*
6. *In addition, in cases where the management company forms part of a group of companies for legal, administrative or marketing purposes, the name of that group may be stated. Corporate branding may be included provided it does not hinder an investor in understanding the key elements of the investment or diminish his ability to compare investment products.*

> 7. *The section of the key investor information document entitled 'Objectives and investment policy' shall contain the information set out in Section 1 of Chapter III of this Regulation.*
> 8. *The section of the key investor information document entitled 'Risk and reward profile' shall contain the information set out in Section 2 of Chapter III of this Regulation.*
> 9. *The section of the key investor information document entitled 'Charges' shall contain the information set out in Section 3 of Chapter III of this Regulation.*
> 10. *The section of the key investor information document entitled 'Past performance' shall contain the information set out in Section 4 of Chapter III of this Regulation.*
> 11. *The section of the key investor information document entitled 'Practical information' shall contain the information set out in Section 5 of Chapter III of this Regulation.*
> 12. *Authorisation details shall consist of the following statement:*
>   *'This fund is authorised in [name of Member State] and regulated by [identity of competent authority]'.*
>   *In cases where the UCITS is managed by a management company exercising rights under Article 16 of Directive 2009/65/EC, an additional statement shall be included:*
>   *'[Name of management company] is authorised in [name of Member State] and regulated by [identity of competent authority]'.*
> 13. *Information on publication shall consist of the following statement:*
>   *'This key investor information is accurate as at [the date of publication]'.*

The content and appearance of the KIID are very carefully regulated by the Regulation. Only minor, specifically stated, deviations in respect of structure or information are tolerated. However, simplification of the language is welcome.

In the event the fund management company uses a "style guide" for publications/marketing leaflets, it may be appropriate to use such in respect of the KIID. Marketing leaflets are often designed so that the customer can easily understand the text and may be used advantageously as a starting point.

The layout of the KIID must be as follows:

1. Title, with succeeding explanatory text followed by the name of the fund and ISIN code together with the name of the fund management company and, where appropriate, the name of the company group or equivalent;
2. Objectives and investment policy;
3. Risk and reward profile;
4. Charges;
5. Past performance;
6. Practical information and references followed by information regarding authorisation and the date of publication.

Title and information regarding the name of the fund and the fund management company (1)

The title "Key investor information" must be stated at the top of the first page of the KIID. The text must be so prominent that a potential investor cannot avoid seeing it.
The following explanation must appear directly underneath the title (SIFA has made two adjustments (underlined) in the wording due to linguistic reasons):

"Detta faktablad riktar sig till investerare och innehåller basfakta om denna fond.

Faktabladet är inte reklammaterial. Det är information som krävs enligt lag för att hjälpa dig att förstå vad en investering i fonden innebär och riskerna med denna. Du rekommenderas att läsa den så att du kan fatta ett välgrundat investeringsbeslut."

The name of the fund must be prominently stated together with an ISIN code.

In the case of share classes or an investment compartment[3], the designation of the share class or the name of the investment compartment and ISIN code must also be specified.

For exchange traded UCITS ESMA guidelines[4] states that "UCITS ETF" should be part of the name.

The guidelines further state that UCITS that are not traded on an exchange according to the definition in the guidelines are not permitted to call themself neither "UCITS ETF" nor "ETF". Since the guidelines refer to UCITS, SIFA sees no problem for national regulated funds to include "ETF" in the name.

The fund management company's name must be stated. In the event the fund management company is part of a corporate group, the group name may also be stated. Corporate logos and other corporate symbols may appear in the KIID. However, this is only the case provided the symbols do not hinder an investor from understanding the character of the investments or, in any other manner, diminish the investor's ability to compare different funds.

Additional information (2-6)

Information is set forth below under the respective Chapter in the guidance regarding the **provisions which must be included in sections 2-6.**

1.2. Language, length and presentation

What is stated in the Regulation?

Article 5
Presentation and language

1. *A key investor information document shall be:*
   - (a) *presented and laid out in a way that is easy to read, using characters of readable size;*
   - (b) *clearly expressed and written in language that communicates in a way that facilitates the investor's understanding of the information being communicated, in particular where:*
     - (i) *the language used is clear, succinct and comprehensible;*
     - (ii) *the use of jargon is avoided;*
     - (iii) *technical terms are avoided when everyday words can be used instead;*
   - (c) *focused on the key information that investors need.*
2. *Where colours are used, they shall not diminish the comprehensibility of the information in the event that the key investor information document is printed or photocopied in black and white.*

[3] Share classes possess joint AUM while investment compartments possess separate AUM.
[4] ESMA/2014/937EN

3. *Where the design of the corporate branding of the management company or the group to which it belongs is used, it shall not distract the investor or obscure the text.*

Article 6
Length
The key investor information document shall not exceed two pages of A4-sized paper when printed.

Plain language in the KIID

In their marketing of funds, management companies often target investors with varying degrees of knowledge and experience in respect of financial products. Thus, it is important that the KIID is designed such that it facilitates investor understanding of the information.

The assumption is that a person reading the information for the first time regarding a certain investment fund should be able to understand the content without the need to read the text several times. Thus, plain language is welcome.

It is important that the content is easily comprehensible in itself and that the text is based on references to other texts which are necessary to read in order for the investor to get a fair picture of the fund.

To achieve the foregoing, the language must be plain and clear and it is preferable that the KIID be written using short sentences. Industry jargon, technical and legal terms should be avoided and instead normal, everyday words should be used. Also, the fund management company should, as far as possible, avoid words which may have various meanings and might therefore be misinterpreted.

Length

Information presented in the KIID must be easy to read and clear and may not exceed two (2) pages of A4-sized paper. However, structured funds may use three (3) pages of A4-sized paper.

Presentation

A good layout engages the reader and encourages the reader to read further. The layout should signal that the KIID is an important and easily accessible document. It should not look like a legal document, for example, like a standard agreement.

CESR's recommendations[5]:

- Use a typeface that is easy to read, such as Arial (or similar sans serif) or times New Roman (or similar serif).
- Typefaces vary, but when using the full width of A4 paper, aim for at least 11pt for serif fonts and 10pt for sans serif fonts; a slightly smaller type size is legible when narrow columns are used.
- Use a clear hierarchy for the headings and sub-headings. This can be supported by emboldening, shading, colour, different type sizes or by indenting the text.
- Maximise 'white space' by using: small paragraphs, newspaper columns where appropriate, bulleted lists, rather than continuous text whenever appropriate, clear gaps between sections.

Where the fund management company uses logos or suchlike in the KIID, they may not in any way be distracting for the investor or obscure the text. Where the fund management company chooses to use colours in the KIID, the information may not be made less comprehensible if the KIID is printed or photocopied in black and white.

Arial 11pt sans serif font is used in SIFA's example of a KIID (appendix 3 of this guidance).

[5] CESR's guide to clear language and layout for the KIID, CESR/10-1320.

2. OBJECTIVES AND INVESTMENT POLICY

What is stated in the Regulation?

Article 7
Specific content of the description

1. *The description contained in the 'Objectives and investment policy' section of the key investor information document shall cover those essential features of the UCITS about which an investor should be informed, even if these features do not form part of the description of objectives and investment policy in the prospectus, including:*
   - *(a) the main categories of eligible financial instruments that are the object of investment;*
   - *(b) the possibility that the investor may redeem units of UCITS on demand, qualifying that statement with an indication as to the frequency of dealing in units;*
   - *(c) whether the UCITS has a particular target in relation to any industrial, geographic or other market sectors or specific classes of assets;*
   - *(d) whether the UCITS allows for discretionary choices in regards to the particular investments that are to be made, and whether this approach includes or implies a reference to a benchmark and if so, which one;*
   - *(e) whether dividend income is distributed or reinvested.*

   For the purposes of point (d), where a reference to a benchmark is implied, the degree of freedom available in relation to this benchmark shall be indicated, and where the UCITS has an index-tracking objective, this shall be stated.

2. *The description referred to in paragraph 1 shall include the following information, so long as it is relevant:*
   - *(a) where the UCITS invests in debt securities, an indication of whether they are issued by corporate bodies, governments or other entities, and, if applicable, any minimum rating requirements;*
   - *(b) where the UCITS is a structured fund, an explanation in simple terms of all elements necessary for a correct understanding of the pay-off and the factors that are expected to determine performance, including references, if necessary, to the details on the algorithm and its workings which appear in the prospectus;*
   - *(c) where the choice of assets is guided by specific criteria, an explanation of those criteria, such as 'growth', 'value' or 'high dividends';*
   - *(d) where specific asset management techniques are used, which may include hedging, arbitrage or leverage, an explanation in simple terms of the factors that are expected to determine the performance of the UCITS;*
   - *(e) where the impact of portfolio transaction costs on returns is likely to be material due to the strategy adopted by the UCITS, a statement that this is the case, making it also clear that portfolio transaction costs are paid from the assets of the fund in addition to the charges set out in Section 3 of this Chapter;*
   - *(f) where a minimum recommended term for holding units in the UCITS is stated either in the prospectus or in any marketing documents, or where it is stated that a minimum holding period is an essential element of the investment strategy, a statement with the following wording:*

   'Recommendation: this fund may not be appropriate for investors who plan to withdraw their money within [period of time]'.

3. *Information included under paragraphs 1 and 2 shall distinguish between the broad categories of investments as specified under paragraphs 1(a), (c) and 2(a) and the approach to these investments to be adopted by a management company as specified under paragraphs 1(d) and 2 (b), (c) and (d).*

> 4. *The 'Objectives and investment policy' section of the key investor information document may contain elements other than those listed in paragraph 2, including the description of the UCITS' investment strategy, where these elements are necessary to adequately describe the objectives and investment policy of the UCITS.*

This section is to inform the unit holder of the objectives of the fund (for example, to provide a steady return on a short-term as well as a long-term basis, long-term capital growth, return in relation to a relevant index, absolute return, etc.), and how the fund management company intends to achieve these objectives. SIFA believes that it is not enough to evaluate the description of the investment objective to the objectives, but also with regard to the performance, in the long run, that has historically been achieved.

In the event the text is considered to be too heavy or long to read, it is acceptable to divide the section into two subheadings: "Objectives" and "Investment policy" respectively.

Other important information, in addition to the information which is stated in article 7.2, may be presented where needed to provide a correct description of the objectives and investment policy of the fund. Such information may, in this case, be stated and clarified under this section despite the fact that the Regulation actually forbids supplementation (see article 7.4 of the Regulation).

Be brief and avoid long, heavy or technical texts so that the information can be easily understood by the investor.

CESR's recommendations:

- Removing redundant text such as *In order to achieve the investment objective, the Company on behalf of the Fund will enter into…*
- Personalising the style; by using "you" instead of *the potential investor* or *the incoming unit holder* and "we" instead of *ABC International Asset Managers Limited* (provided this does not create uncertainty about who is meant by "we").
- Removing unnecessary or self-evident text; such as *to the extent permitted by the fund rules*, or *the Fund will generally seek to achieve its investment objective through investing by reference to...*
- Avoiding vague statements such as *the Fund aims to deliver attractive positive long term returns.*
- If, after following the practices suggested above, the result is still too long, critically assess the need for all of the information. For example, if there is the potential to invest in a wide variety of investment instruments in different markets, analyse their materiality based on past and expected usage.

An appropriate place to state that the fund is a "specialfond" is under this section. The Swedish Financial Supervisory Authority (FFFS 2013:10 Chapter 10 paragraph 4) require the KIID to include if the fund has been granted exceptions from Chapter 5 in the Swedish UCITS Act. This is fulfilled by a description of what makes the fund a non-UCITS (characteristic features).

Example: This is a specialfond and this means that the fund may concentrate its holdings in a smaller number of companies.

Simply to state that the fund deviates from Chapter 5 in the Swedish UCITS Act is legally correct but should be avoided since it is not understandable for the investor.

Other AIF:s should make clear that they are not “värdepappersfonder” (UCITS) and that they are not covered by the diversification rules värdepappersfonder. There is no need to state that the fund is a värdepappersfond since this is the normality.

It is also suitable under this section to state whether the fund takes into account special considerations when investing (for example, SRI) or is a not-for-profit fund and all which this entails for the investor.

Article 7.1 d) states that the description should include whether the UCITS allows for discretionary choices. SIFA believes that “discretionary” is not to be considered plain language and prefers, for example, “own” choices. Where applicable the fund company should try to formulate to what extent this possibility will be used. It could be suitable in this context to reflect on how this possibility historically has been used along with the possibilities of the fund in relation to its size and the characteristics of the relevant market.

In addition to the description of objectives and investment policy, it is in this section that the investor’s possibility to request redemption of units and the frequency of dealing in the units is stated. In this section, it must also be stated whether the fund may distribute dividends (which is SIFA’s interpretation of article 7.1 (e): “whether dividend income is distributed or reinvested.”)

An appropriate order for the presentation, according to SIFA, is:

1. Objectives
2. Financial instruments
3. Investment techniques
4. Dividends information
5. Buy and sell fund units
6. Recommendation

However each fund should make the assessment of an appropriate order, taking into account the funds objectives and investment policy

Any statements regarding the risks associated with the objectives and the investment policy characterising the fund belong under the “Risk and reward profile” heading.

2.1. Distinguish between investment categories as opposed to investment techniques

In accordance with article 7.3 of the Regulation, a fund management company must keep separate the descriptions of *what* one is investing in (investment category), for example type of instrument, geographical area or market, from *how* the fund management company invests (investment technique), for example investment strategies, criteria for selection, discretionary choices, etc.

Investment categories

- The main categories of permitted financial instruments in which the fund may invest must be stated.

  Example*: The fund invests primarily in equities and, in addition, derivative instruments may be utilised.*

  Example*: The fund invests in equities which, according to the fund management company's analysis, possess good opportunities for growth.*

- Where the fund has an expressed policy of investing in a certain industry or group of industries in a particular country or region, or particular types of assets, this must be stated.

- If the fund invests in debt securities, information regarding the issuer and minimum credit rating must be stated.

  Example*: The fund invests in bonds issued by companies. These companies must have a minimum credit rating of BBB on Standard & Poor's scale.*

Investment techniques

- The manner in which the assets are selected must be explained, for example, based on the criteria "growth", "value" or "high dividends". Detailed descriptions may be provided in the information brochure.

  Avoid writing: *The fund invests in value companies/growth companies*.

  Instead, write: *The fund invests for the long-term in older, established companies which the manager believes are undervalued on the stock markets.*

  Instead, write: *The fund invests for the long-term in growth companies, most often companies with high expected growth within specific product areas.*

  Instead, write: *The fund invests for the long-term in growth markets, regions or countries which are expected to have a high level of economic growth in the future.*

- Investment techniques must be explained succinctly so that the investor understands the factors which can be expected to impact on performance.

  Example: *The fund utilises leverage techniques, i.e. when the equities held by the fund increase in value, the fund value increases two-fold, and when the equities in the fund decrease in value, the fund's value decreases two-fold.*

Where the fund's strategy gives rise to increased transaction costs which can be expected to substantially impact on the fund's return, this must be stated (Article 7.2 (e)).

In such case, an explanation must be provided that these costs are paid out of the fund's assets in addition to the other charges which are stated under the “Charges” section. It may also be appropriate, in such case, to point out the advantages the fund management company consider will follow from the fund’s strategy.

Index funds (ESMA 2014/937EN p. 9-10, 13-14)
The KIID for index funds should contain information in summary form on how the index will be tracked (for example, if it will use a model of full or sample-based physical replication or synthetic replication) and the selected method's implications for investors in terms of their exposure to the underlying index.

SIFA believes that percentages should be avoided, instead general descriptions are preferable. For example: "The Fund intends to follow the “xxx- index” mainly by buying the shares included in the index."

Index funds with leverage should in the KIID summarize the leverage policy, the cost of the leverage (if relevant) and the risks it imposes as well as a description of how the performance of the UCITS may differ significantly from the multiple of the index performance over the medium to long term[6].

The Association believes that it is problematic to summarize the differences between the daily leverage and leverage effects over longer periods but that it is important information to the investor. Suggested information regarding this: "The fund's leverage relates to daily returns, which may mean that the fund's long-term returns may differ significantly from the development of the index multiplied by the leverage factor”.

2.2. Information regarding benckmarks

Index funds must provide the relevant benchmark under the “Objectives and investment policy” heading.

SIFA makes the interpretation that also funds other than index funds may be required to state benchmark under this section.

Some guidance is to be found in CESR’s technical advice[7]:”CESR recognises that information about benchmarks can be important for understanding the performance of funds, most obviously where they are managed in relation to a benchmark. For this reason, CESR recommends the mandatory inclusion of benchmark information for those funds whose objectives and investment policy indicates that they are managed in relation to a benchmark. This is not to limit the capacity of funds to include benchmarks in other circumstances, so long as these are ‘clear, fair and not misleading’ in relation to the performance data, and are appropriate to the fund.”

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[6] Sometimes referred to as “path dependency”.
[7] CESR:s technical advice to the European Commission on the level 2 measures related to the format and content of Key Information Document disclosures for UCITS, CESR/09-949.

Index funds are obliged to have a benchmark in the past performance section. ESMA clarifies in its Q&A[8] that where a UCITS refers to an index in its investment objectives and policies as a benchmark and will measure the performance against this but does not intend to track that index, is it necessary to show the performance of the benchmark index in the past performance section of the KIID. However, according to ESMA, where a UCITS only refers to an index in its investment objectives and policies as an indication of the universe from which investments may be selected, there is no obligation to include the benchmark in the past performance section.

SIFA believes that a comparison with a relevant benchmark in the bar chart should be a part of the KIID when it helps the comparison of funds and the evaluation of the fund.

When index is stated, SIFA recommends that the name is stated to enable identification, as well as it be noted that the name of an index should function as assistance to the investor and, therefore, needs to be explained in the event it contains technical industry terms.

2.3. Recommended investment horizon

Where the fund has a recommended minimum holding period, a special statement must be made in the KIID in accordance with article 7.2, second paragraph. This is the case where a recommendation is made in other informational material regarding the fund or where a minimum holding period is an important part of the fund's investment strategy. SIFA believes that the Swedish text, "*olämplig*", is inconsistent with the English version of the Regulation, "not appropriate". However, it is difficult to find a better translation, consequently the Regulation's text should be used:

"Rekommendation: denna fond kan vara olämplig för investerare som planerar att ta ut sina pengar inom [time period]."

The following minimum periods for various types of funds may be suitable:

- **Money market funds**, for short-term investments, for example 1-3 months, 3-6 months or 6-12 months.
- **Bond funds,** normally 2-3 years or longer, since the investor might need to await changes on the interest market.
- **Equity funds**, normally 5 years (or longer for e.g. niched emerging market funds), since the investor might need to await changes on the stock market.

2.3. Special fund structures

Fund of funds

[8] ESMA:s Questions and Answers – Application of the UCITS Directive, ESMA/2016/1586

What is stated in the Regulation?

Article 28
Where the UCITS invests a substantial proportion of its assets in other UCITS or other collective investment undertakings as referred to in Article 50(1)(e) of Directive 2009/65/EC, the description of the objectives and investment policy of that UCITS in the key investor information document shall include a brief explanation of how the other collective undertakings are to be selected on an ongoing basis.

What constitutes "a substantial proportion" of the fund's assets is not stated; however the Swedish Financial Supervisory Authority has interpreted this in the past to be where the fund invests more than 10% of its assets in other funds. The selection criteria should be explained clearly and briefly.

Feeder funds

What is stated in the Regulation?

Article 31

1. *The key investor information document for a feeder UCITS, as defined in Article 58 of Directive 2009/65/EC, shall contain, in the description of objectives and investment policy, information about the proportion of the feeder UCITS' assets which is invested in the master UCITS.*
2. *There shall also be a description of the master UCITS' objectives and investment policy, supplemented as appropriate by either of the following:*
   - *(i) an indication that the feeder UCITS' investment returns will be very similar to those of the master UCITS; or*
   - *(ii) an explanation of how and why the investment returns of the feeder and master UCITS may differ.*

The proportion of the share of the feeder fund's assets invested in the master fund, as well as the use of derivative instruments, is decisive for whether the feeder fund will be consistent with the performance of the master fund or whether it will deviate to a greater or lesser extent. Thus, the proportion of this share and whether derivative instruments are used, and how and why this impacts on the performance of the feeder fund, must be explained to the investor.

Structured funds

A structured fund must provide information applicable to the fund in accordance with this Chapter ("Objectives and investment policy").

In addition, the fund must clearly explain how profit shall be achieved and the manner in which it is calculated and what factors are expected to have an impact on returns. Where necessary for investor understanding, the algorithm, which must be explained in the information brochure, must also be presented with an explanation of how it works. This explanation must be followed by an illustration presenting at least three return scenarios for the fund and the scenarios must indicate under what circumstances the formula can generate low, medium or high return, including negative return, for the investor.

Additional information is provided regarding how the return scenarios must be stated under the “More information regarding special fund structures” chapter.

3. RISK AND REWARD PROFILE

What is stated in the Regulation?

Article 8
Explanation of potential risks and rewards, including the use of an indicator

1. *The 'Risk and reward profile' section of the key investor information document shall contain a synthetic indicator, supplemented by:*
   - *(a) a narrative explanation of the indicator and its main limitations;*
   - *(b) a narrative explanation of risks which are materially relevant to the UCITS and which are not adequately captured by the synthetic indicator.*
2. *The synthetic indicator referred to in paragraph 1 shall take the form of a series of categories on a numerical scale with the UCITS assigned to one of the categories. The presentation of the synthetic indicator shall comply with the requirements laid down in Annex I.*
3. *The computation of the synthetic indicator referred to in paragraph 1, as well as any of its subsequent revisions, shall be adequately documented.*
   Management companies shall keep records of these computations for a period of not less than five years. This period shall be extended to five years after maturity for the case of structured funds.
4. *The narrative explanation referred to in paragraph 1(a) shall include the following information:*
   - *(a) a statement that historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the UCITS;*
   - *(b) a statement that the risk and reward category shown is not guaranteed to remain unchanged and that the categorisation of the UCITS may shift over time;*
   - *(c) a statement that the lowest category does not mean a risk-free investment;*
   - *(d) a brief explanation as to why the UCITS is in a specific category;*
   - *(e) details of the nature, timing and extent of any capital guarantee or protection offered by the UCITS, including the potential effects of redeeming units outside of the guaranteed or protected period.*
5. *The narrative explanation referred to in paragraph 1(b) shall include the following categories of risks, where these are material:*
   - *(a) credit risk, where a significant level of investment is made in debt securities;*
   - *(b) liquidity risk, where a significant level of investment is made in financial instruments, which are by their nature sufficiently liquid, yet which may under certain circumstances have a relatively low level of liquidity, so as to have an impact on the level of liquidity risk of the UCITS as a whole;*
   - *(c) counterparty risk, where a fund is backed by a guarantee from a third party, or where its investment exposure is obtained to a material degree through one or more contracts with a counterparty;*
   - *(d) operational risks and risks related to safekeeping of assets;*
   - *(e) impact of financial techniques as referred to in Article 50(1)(g) of Directive 2009/65/EC such as derivative contracts on the UCITS' risk profile where such techniques are used to obtain, increase or reduce exposure to underlying assets.*

Article 9
Principles governing the identification, explanation and presentation of risks

The identification and explanation of risks referred to in Article 8(1)(b) shall be consistent with the internal process for identifying, measuring and monitoring risk adopted by the UCITS' management company as laid down in Directive 2010/43/EU. Where a management company manages more than one UCITS, the risks shall be identified and explained in a consistent fashion.

ANNEX I

REQUIREMENTS RELATED TO THE PRESENTATION OF THE SYNTHETIC INDICATOR

1. *The synthetic indicator shall rank the fund on a scale from 1 to 7 on the basis of its volatility record.*
2. *The scale shall be shown as a sequence of categories denoted by the whole numbers in ascending order from 1 to 7 running from left to right, representing levels of reward, from lowest to highest.*
3. *It shall be made clear on the scale that lower risk entails potentially lower reward and that higher risk entails potentially higher rewards.*
4. *The category into which the UCITS falls shall be prominently indicated.*
5. *No colours shall be used for distinguishing between items on the scale.*

The “Risk and reward profile” section in the KIID must contain a reasonable and balanced description of the likelihood of profit and risk of loss in connection with an investment in the relevant fund.

The fund management company should consider the impression the fund’s name gives the investor. For example, expressions such as "conservative", "balanced", or "absolute return" provides a layperson with a certain understanding of the risk level of the fund. Thus, it is important to explain what investments are made by the fund (for example, through reference to "Objectives and investment policy") and how these investments impact on risk and return in the fund. However, these expressions should not be deemed to be "prohibited", rather they should be explained.

This section must contain a synthetic risk and reward indicator *(Sw: risk/avkastningsindikator)*. This indicator is to be followed by an explanation describing the indicator and a description of the material risks of the fund *not* captured by the indicator.

3.1. Synthetic risk and reward indicator (SRRI)

Appendix 1 of the Regulation sets out the requirements for the presentation of the indicator.

In accordance with the template[9] drafted by CESR, the indicator should look like this and it should not deviate significantly:

Lägre risk ⟷ Högre risk

Lägre möjlig avkastning — Högre möjlig avkastning

1	**2**	**3**	**4**	**5**	**6**	**7**

[9] CESR’s template for the KIID, CESR/10-1321.

Explanatory description of the synthetic risk and reward indicator

The indicator must be followed by an explanatory description of the indicator and its most important limitations. Article 8.4 of the Regulation states the information which must be laid out. Among other things, an explanation must be provided of why the fund is in a certain category.

Example: *The fund belongs to category 6. This means that the fund is subject to higher risk in respect of rises and falls in value.*

It is also important to explain that the indicator is not a measure of any risk of capital loss, but rather a measure of the *past* increases and decreases in value of the fund. Where the indicator relates to a new fund, the manner in which the indicator has been produced must be explained.

Calculation of the synthetic risk and reward indicator

CESR has created recommendations[10] for how the indicator is to be calculated. These recommendations are not binding, but compliance with them is recommended.

CESR has chosen volatility as a measure of the risks associated with the fund. This means that the risks taken in the fund are reflected in the return. In brief, the method for calculation entails that the volatility is calculated with the assistance of weekly or, where this is not possible, monthly return figures. The calculation is to relate to the past five years of the fund and cover any dividends. The volatility is then calculated and converted to an annual rate for which point a special formula is recommended.

The calculations are to take place in accordance with the procedures for risk management and risk assessment established within the fund management company and they must be followed up regularly, which must also be documented and then archived for at least five years.

The following categories are used:

Category	Volatility equal to or greater than	Volatility less than
1	0 %	0.5 %
2	0.5 %	2 %
3	2 %	5 %
4	5 %	10 %
5	10 %	15 %
6	15 %	25 %
7	25 %	

[10] CESR's guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the KIID, CESR/10-673.
These are what are referred to as ”level 3 guidelines” and the EU Commission has stated that the new European Securities and Markets Authority (ESMA) will adopt that these as binding technical standards for the manner in which the synthetic risk and reward indicator is to be calculated.

CESR's 7-point scale is designed to distinguish between funds of different types and to avoid classifying too many funds in the same category. SIFA argues that the objective may be achieved for the continental fund market, where fixed income funds dominate. From a Swedish perspective, however, dominated by equity funds, the categorisation is not optimal. For example, the categories 1-3, a relatively small range, 0-5 standard deviations in total, while category 6 covers a wide range, 15-25 standard deviations. It may therefore not be appropriate to have the same explanatory text for all funds that fall within, for example, category 6, but instead highlight the characteristics of the fund in terms of diversification. The focus on the breakdown of fixed income funds also means that if one want to express themselves in terms of "low - medium - high", it may, according to SIFA, may be appropriate to designate both category 4 and 5 as medium.

Separate calculation models are provided by CESR for funds with predetermined risk or return targets (for example, absolute return, total return, or generation funds) and structured funds. The classification of the fund can influence the fund's SRRI. At the same time, CESR guidelines do not clearly define the difference between total return and absolute return funds. Therefore it is important to have documentation of the internal fund classification process.
It is important to point out in the KIID, in close proximity to the indicator, that these special models are used and what this may entail for the investor.

For new funds or funds with insufficient history, CESR recommends that the fund management company use a model portfolio/comparison index (where there is an appropriate example of such) to calculate the indicator.

The KIID must be promptly updated in the event of significant changes in a fund's risk and reward profile, particularly where the variation in risk is related to a change in the fund's objective or investment policy. In these cases, the categorisation must be totally revised.

The indicator must be updated where the fund's volatility has fallen outside "its" category for each individual occasion of measurement during the past four months. Where, in addition, the fund has been placed in several categories, the category to which the majority of the return is attributable during these four months should be used.

If the KIID is produced in one country and then translated for cross-border sales, it is SIFA's impression that only translation is allowed. Therefore the indicator must not be recalculated to different currencies for the same fund. It is on the other hand, in SIFA's opinion, permitted to inform of currency risk. If, for example, the indicator is calculated in Euro and the fund is sold in Sweden, the fund may under ”Risks not captured by the indicator” state that currency risk is to be added if the investors home currency is not Euro.

3.2. Risks not captured by the indicator

In accordance with article 8.1 (b) of the Regulation, the substantial risks not expressed in the indicator must be described. Article 8.5 states the risks which the fund management company must consider reporting where they are material. Pursuant to the interpretation of SIFA, there is also room to describe risks other than as listed in section 5, where the risks are substantial. This is supported by CESR/10-1320 recommendation, page 11, in which ”various emerging market risks” is also stated as an example of risks which may not be captured by the indicator.

It is important for the fund management company to reflect on which risks are relevant and the fact that the list should not merely be an inventory of all the “bad” things which can happen.

The identification and explanation of these risks should be consistent with the fund management company’s normal processes and systems for risk management.

When the funds volatility is analysed for the past five years, it is most likely that the risks covered by the indicator and those which fall outside it can be identified. Risks that are typically not captured by the indicator can be credit risks, liquidity risks, counterparty risks[11], operational risks and the impact of financial techniques (for example, derivative instruments).

CESR’s recommendations:

- Remember that the section covers both risk and reward and therefore should not be merely a list of bad things that can happen. Briefly explain why a risk is being taken so investors gain a more balanced understanding.

- Describe only the uncertainties which may affect the value of the fund.
  It is not a risk where investors can lose money as a predictable consequence of their own actions, as a function of the way the investment plan or fund works. If such consequences are material, they are better explained in the other sections of the KIID where they can be placed into context. For example:
  - Explain the likelihood of capital loss in *Objectives and investment policy*, where a structured UCITS is cashed in early.
  - Explain the deduction of an exit charge, and therefore the possibility of capital loss, in *Charges* if an investor cashes in early.

- Go beyond a bald statement of the risk by briefly explaining its implications to the investor. For the information to be helpful, a potential investor will need an idea of your assessment of a risk’s materiality. For example: how much of the fund is being exposed to a particular risk, how likely it is that the risk will materialise, and how severe the impact would be if it did. Where relevant, explanations of ways by which a risk is mitigated may help a consumer understand the impact and probability.

- Explain if the risk is modified by a legally enforceable guarantee or a protection. Also explain the implications of cashing in the investment outside of any

[11] For example: Index funds may here want to include the case where the method used to track index affects counterparty risk (ESMA 2014/937EN).

associated set period.

3.3. Special fund structures

Fund of funds

What is stated in the Regulation?

Article 29
The narrative explanation of risk factors referred to in Article 8(1)(b) shall take account of the risks posed by each underlying collective undertaking, to the extent that these are likely to be material to the UCITS as a whole.

Where the risks in the underlying funds have a material impact on the original fund, the risks should be accounted for in the description of the indicator.

Feeder funds

What is stated in the Regulation?

Article 32
1. *Where the risk and reward profile of the feeder UCITS differs in any material respect from that of the master, this fact and the reason for it shall be explained in the 'Risk and reward profile' section of the key investor information document.*
1. *2. Any liquidity risk and the relationship between purchase and redemption arrangements for the master and feeder UCITS shall be explained in the 'Risk and reward profile' section of the key investor information document.*

A feeder fund must invest not less than 85% of its assets in the selected master fund. The remaining funds may constitute liquid assets/cash or be invested in derivative instruments.

Where the remaining portion is invested such that a return or risk profile deviates substantially from the master fund, this fact and the causes for it must be stated in the KIID for the feeder fund. Liquidity risks associated with the holding of liquid assets/cash must be explained.

Structured funds

Structured funds must explain that the synthetic risk and reward indicator is intended to indicate the risk for capital loss on the redemption date of the investment.

4. CHARGES

What is stated in the Regulation?

Article 10
Presentation of charges

1. *The 'Charges' section of the key investor information document shall contain a presentation of charges in the form of a table as laid down in Annex II.*
2. *The table referred to in paragraph 1 shall be completed in accordance with the following requirements:*
   - *(a) entry and exit charges shall each be the maximum percentage which might be deducted from the investor's capital commitment to the UCITS;*
   - *(b) a single figure shall be shown for charges taken from the UCITS over a year, to be known as the 'ongoing charges,' representing all annual charges and other payments taken from the assets of the UCITS over the defined period, and based on the figures for the preceding year;*
   - *(c) the table shall list and explain any charges taken from the UCITS under certain specific conditions, the basis on which the charge is calculated, and when the charge applies.*

Article 11
Explanation of charges and a statement about the importance of charges

1. *The 'Charges' section shall contain a narrative explanation of each of the charges specified in the table including the following information:*
   - *(a) with regard to entry and exit charges:*
     - *(i) it shall be made clear that the charges are always maximum figures, as in some cases the investor might pay less;*
     - *(ii) a statement shall be included stating that the investor can find out the actual entry and exit charges from their financial adviser or distributor;*
   - *(b) with regard to 'ongoing charges', there shall be a statement that the ongoing charges figure is based on the last year's expenses, for the year ending [month/year], and that this figure may vary from year to year where this is the case.*
2. *The 'Charges' section shall contain a statement about the importance of charges which shall make clear that the charges an investor pays are used to pay the costs of running the UCITS, including the costs of marketing and distributing the UCITS, and that these charges reduce the potential growth of the investment.*

Article 12
Additional requirements

1. *All of the elements of the charging structure shall be presented as clearly as possible to allow investors to consider the combined impact of the charges.*
2. *Where the impact of portfolio transaction costs on returns is likely to be material due to the strategy adopted by the UCITS, this shall be stated within the 'Objectives and investment policy' section, as indicated in Article 7(2)(e).*
3. *Performance fees shall be disclosed in accordance with Article 10(2)(c). The amount of the performance fee charged during the UCITS' last financial year shall be included as a percentage figure.*

Article 13
Specific cases

1. *Where a new UCITS cannot comply with the requirements contained in Article 10(2)(b) and Article 11(1)(b), the ongoing charges shall be estimated, based on the expected total of charges.*
2. *Paragraph 1 shall not apply in the following cases:*
   - *(a) for funds which charge a fixed all-inclusive fee, where instead that figure shall be displayed;*

(b) *for funds which set a cap or maximum on the amount that can be charged, where instead that figure shall be disclosed so long as the management company gives a commitment to respect the published figure and to absorb any costs that would otherwise cause it to be exceeded.*

Article 14
Cross-referencing
The 'Charges' section shall include, where relevant, a cross-reference to those parts of the UCITS prospectus where more detailed information on charges can be found, including information on performance fees and how they are calculated.

Article 24
Material changes to the charging structure

1. *The information on charges shall properly reflect any change to the charging structure that results in an increase in the maximum permitted amount of any one-off charge payable directly by the investor.*
2. *Where the 'ongoing charges' calculated in accordance with Article 10(2)(b) are no longer reliable, the management company shall instead estimate a figure for 'ongoing charges' that it believes on reasonable grounds to be indicative of the amount likely to be charged to the UCITS in future.*

This change of basis shall be disclosed through the following statement:
'The ongoing charges figure shown here is an estimate of the charges.[Insert short description of why an estimate is being used rather than an ex-post figure.] The UCITS' annual report for each financial year will include detail on the exact charges made.'

ANNEX II

PRESENTATION OF CHARGES

The charges shall be presented in a table structured in the following way :

One-off charges taken before or after you invest	
Entry charge Exit charge	[] % [] %
This is the maximum that might be taken out of your money [before it is invested] [before the proceeds of your investment are paid out]	
Charges taken from the fund over a year	
Ongoing charge	[] %
Charges taken from the fund under certain specific conditions	
Performance fee	[] % a year of any returns the fund achieves above the benchmark for t fees, the [insert name of benchmark]

— A percentage figure must be stated for all of these fees
— For the performance fee which charges that are deducted from the fund management company for the past financial year must be stated in percentage

The purpose of the "Charges" section in the Regulation is to ensure that all funds state charges in the same manner and that this statement includes the same items.

The TER concept has been removed and replaced with a new item "ongoing charges". The TKA (*Sw. totalkostnadsandel*) concept has never been of pertinence in respect of the KIID.

This section is to contain explanatory descriptions of each charge shown in the table. The significance of the charges for the value of the fund, i.e. the charges which reduce the potential growth of the fund, must also be stated.

Where a change of funds generates additional/lower charges than is normally the case in purchasing units, this must be explained.

4.1. Table of charges

The structure of charges must be presented as clearly as possible so that the total impact of all the charges can be assessed.

The charges must be presented in a table structured as the table example below. SIFA recommends that the following terms in the table below are used when presenting charges.

Engångsavgifter som tas ut före eller efter du investerar	
Insättningsavgift	[ ] %
Uttagsavgift	[ ] %
Ovanstående är det som maximalt kan tas ut av dina pengar [innan de investeras] [innan behållningen betalas ut]	
Avgifter som tagits ur fonden under året	
Årlig avgift	[ ] %
Avgifter som tagits ur fonden under särskilda omständigheter	
Prestationsbaserad avgift	Ingen

Note that SIFA recommends deviation from the table presented in the Swedish translation of the Regulation (the translation contains errors and do not represent, in SIFA's opinion, the expressions used on the Swedish fund market).

According to CESR, a narrower table with an explanatory description alongside is also acceptable[12].

Entry and exit charges must refer to the maximum charges which may be charged. The entry charge must include any differences between the purchase price and the sale price (spread). Notice to the investor to contact his/her financial adviser or distributor should be provided where there is a possibility that lower charges may be applicable in certain cases. This creates flexibility for the fund management company in individual cases (within the scope of the law) to vary its charges without the need to adjust the KIID.

Ongoing charges must be stated to two decimal places and must include all costs and other payments charged to the fund. See below regarding the calculation.

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12 CESR's template for the KIID, CESR/10-1321.

New funds must estimate (which must be stated to one decimal place) what the expected total charge will be, provided a fixed fee is not charged, however if such is the case, then the fixed fee should be stated instead.

In the event a performance fee is to be charged, this must be presented in the following way:

Avgifter som tagits ur fonden under särskilda omständigheter	
Prestationsbaserad avgift*	2,21%

* Beräkning: 20 % per år av fondens avkastning över jämförelseindex, ABC-index, för dessa avgifter

The performance fee which has been deducted from the fund for the past financial year must be stated in a percentage in the table (0.0% if that was the case). An explanation is required of how and when it will be charged. If it is considered appropriate, reference to detailed information about the performance fee may be stated in the explanatory text. Preferably provide the section and/or page reference.
In the fund do not have a performance fee, “none” or “not applicable” should be stated instead. However this part of the table must always be presented.

4.2. How will “ongoing charges” be calculated?

CESR has issued recommendations[13] regarding how to calculate ongoing charges as set out in article 10.2 for both existing and new funds.

Ongoing charges are all charges and payments which may be deducted from the fund based on law, regulations, fund provisions or other fund bylaws, or the information brochure. The charge must state the total amount of such costs, however excluding special items identified by CESR.

Costs which are included are, for example, administration fees, all custodial costs, custodian account costs, fees to investment consultants, registration fees and other rule-based charges, auditor's costs, costs for legal or professional advice and distribution costs. Costs for outsourced services performed on behalf of the fund management company, managers, custodian institution, or investment consultants must also be included.

Costs which are not included are, for example, entry and exit charges, performance fees paid to the fund management company or advisors, interest, costs in connection with dealing in the fund’s holdings, costs in connection with security and "margin calls", as well as soft commissions.

[13] CESR’s guidelines on the methodology for calculation of the ongoing charges figure in the KIID, CESR/10-674, se www.esma.europa.eu. These are what are referred to as ”level 3 guidelines” and the EU Commission has stated that the new European Securities and Markets Authority (ESMA) will adopt these as binding technical standards for the manner in which the synthetic risk and reward indicator shall be calculated.

Interpretation of CESR's recommendations concerning "transaction costs".

Section 5 (d) of the recommendation specifies that all costs paid to third parties which arise in conjunction with a purchase/sale of assets in the fund's portfolio, shall not be included in ongoing charges. "All costs" means direct as well as indirect costs.
Third party is stated in order to note the difference in relation to sections 4 (a)-(b) which are stated in the "first" person – in other words, the company itself or those who deal on behalf of the company/fund either directly or through delegation or outsourcing.
Section 6 (a) clarifies that section 5 (d) does not apply to transaction-based costs in respect of such parties as enumerated in sections 4 (a)-(b). These costs are to be included in ongoing charges. Note that "broker dealers" are only stated in section 4 (b) in the capacity of "record owners of the UCITS' shares" (fund units).

In conclusion (and somewhat simplified), it is thus brokerage fees which are to be excluded from ongoing charges. The above-stated list of costs is not exhaustive; CESR's recommendations provide more guidance.

4.3. Special fund structures

Investment compartments

What is stated in the Regulation?

Article 25

1. *Where the management company sets a charge for the investor to exchange his investment in accordance with paragraph 2(c), and that charge differs from the standard charge for buying or selling units, that charge shall be stated separately in the 'Charges' section of the key investor information document*

This provision is aimed at cases in which the unit holder has the right to exchange his/her units in an investment compartment to units in another investment compartment. If, in connection with such an exchange, a fee is charged which is different from the standard charges for purchases and sales, this must be stated separately in the "Charges" section.

Fund of funds

What is stated in the Regulation?

Article 30
The description of the charges shall take account of any charges that that UCITS will itself incur as an investor in the underlying collective undertakings. Specifically, any entry and exit charges and ongoing charges levied by the underlying collective undertakings shall be reflected in the UCITS' calculation of its own ongoing charges figure.

Where the fund invests a substantial proportion in other funds, CESR has provided recommendations (see calculation of ongoing charges) of how this should be calculated. It is recommended, among other things, that the fund states the ongoing charges of the underlying fund, and where there are no such charges an estimate should be made. SIFA consider it appropriate that funds investing over 10 per cent in other funds should include charges from underlying funds.

Feeder funds

What is stated in the Regulation?

Article 33
The ‘Charges’ section of the key investor information document shall cover both the costs of investing in the feeder UCITS and any costs and expenses that the master UCITS may charge to the feeder UCITS.
In addition, it shall combine the costs of both the feeder and the master UCITS in the ongoing charges figure for the feeder UCITS.

Since a feeder fund’s costs in connection with investments in the master fund, as well as other costs which the master fund can charge the feeder fund, will directly impact the value of the feeder fund, these costs must be clarified for the investor.

5. PAST PERFORMANCE

What is stated in the Regulation?

Article 15
Presentation of past performance

1. *The information about the past performance of the UCITS shall be presented in a bar chart covering the performance of the UCITS for the last 10 years.*
   The size of the bar chart referred to in the first subparagraph shall allow for legibility, but shall under no circumstances exceed half a page in the key investor information document.
2. *UCITS with performance of less than 5 complete calendar years shall use a presentation covering the last 5 years only.*
3. *For any years for which data is not available, the year shall be shown as blank with no annotation other than the date.*
4. *For a UCITS which does not yet have performance data for one complete calendar year, a statement shall be included explaining that there is insufficient data to provide a useful indication of past performance to investors.*
5. *The bar chart layout shall be supplemented by statements which appear prominently and which:*
   - *(a) warn about its limited value as a guide to future performance;*
   - *(b) indicate briefly which charges and fees have been included or excluded from the calculation of past performance;*
   - *(c) indicate the year in which the fund came into existence;*
   - *(d) indicate the currency in which past performance has been calculated.*

   The requirement laid down in point (b) shall not apply to UCITS which do not have entry or exit charges.
6. *A key investor information document shall not contain any record of past performance for any part of the current calendar year.*

Article 16
Past performance calculation methodology
The calculation of past performance figures shall be based on the net asset value of the UCITS, and they shall be calculated on the basis that any distributable income of the fund has been reinvested.

Article 17
Impact and treatment of material changes

1. *Where a material change occurs to a UCITS' objectives and investment policy during the period displayed in the bar chart referred to in Article 15, the UCITS' past performance prior to that material change shall continue to be shown.*
2. *The period prior to the material change referred to in paragraph 1 shall be indicated on the bar chart and labelled with a clear warning that the performance was achieved under circumstances that no longer apply.*

Artikel 18
Use of a benchmark alongside the past performance

1. *Where the 'Objectives and investment policy' section of the key investor information document makes reference to a benchmark, a bar showing the performance of that benchmark shall be included in the chart alongside each bar showing the UCITS' past performance.*
2. *For UCITS which do not have past performance data over the required five or 10 years, the benchmark shall not be shown for years in which the UCITS did not exist.*

Article 19
Use of 'simulated' data for past performance

1. *A simulated performance record for the period before data was available shall only be permitted in the following cases, provided that its use is fair, clear and not misleading:*

(a) a new share class of an existing UCITS or investment compartment may simulate its performance by taking the performance of another class, provided the two classes do not differ materially in the extent of their participation in the assets of the UCITS;
(b) a feeder UCITS may simulate its performance by taking the performance of its master UCITS, provided that one of the following conditions are met:
(i) the feeder's strategy and objectives do not allow it to hold assets other than units of the master and ancillary liquid assets;
(ii) the feeder's characteristics do not differ materially from those of the master.

2. *In all cases where performance has been simulated in accordance with paragraph 1, there shall be prominent disclosure on the bar chart that the performance has been simulated.*
3. *A UCITS changing its legal status but remaining established in the same Member State shall retain its performance record only where the competent authority of the Member State reasonably assesses that the change of status would not impact the UCITS' performance.*
4. *In the case of mergers referred to in Article 2(1)(p)(i) and (iii) of Directive 2009/65/EC, only the past performance of the receiving UCITS shall be maintained in the key investor information document.*

ANNEX III

PRESENTATION OF THE PAST PERFORMANCE INFORMATION

The bar chart presenting past performance shall comply with the following criteria:

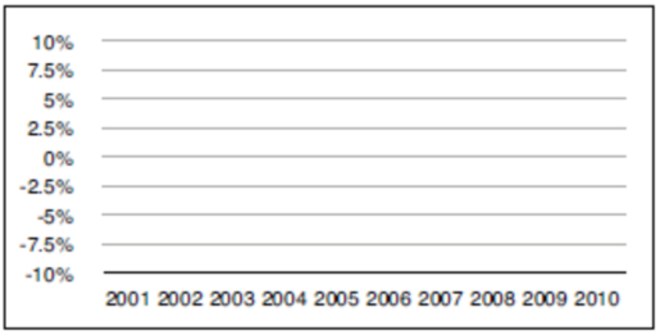
1. the scale of the Y-axis of the bar chart shall be linear, not logarithmic;
2. the scale shall be adapted to the span of the bars shown and shall not compress the bars so as to make fluctuations in returns harder to distinguish;
3. the X-axis shall be set at the level of 0 % performance;
4. a label shall be added to each bar indicating the return in percentage that was achieved;
5. past performance figures shall be rounded to one decimal place.

Under the "Past performance" section in the KIID, the fund's past performance is to be presented in a bar chart which illustrates the fund's performance over the past 10 years. Funds with operational periods of less than five years must instead present their performance in a bar chart which illustrates performance over a five-year period, leaving blank the years in which there has been no performance.

For funds which cannot state performance for one (1) entire year, an explanation must be included that there is no information which could provide the investors with a picture of past performance. A KIID may at no time include information regarding past performance for part of the current calendar year.

In Appendix III to the Regulation, a number of criteria are established for how the bar chart shall be designed and the information which shall be stated in the chart. The chart may not be larger than one half of an A4 page.

CESR has created a model for how the chart is expected to look[14]:



The chart must be supplemented with a number of comments, among others, information regarding the launch year of the fund and the currency used in calculating performance.

A clear warning must also be included regarding the chart's limited value as guidance in respect of future performance.

Where the fund's objectives and investment policy have changed substantially, the performance prior to the change must still be included, however including clear information that the performance was achieved under conditions which no longer apply.

New share classes in existing funds or new investment compartments as well as feeder funds may, under certain conditions, use a simulated performance; see article 19 of the Regulation. Where such performances are used, it must be clearly stated that the performance is simulated.

If no data or simulated data are available, a statement that there is insufficient data to provide a useful indication of past performance should be included in the KIID. According to ESMA, there is no need to accompany that statement with a blank performance chart.

Consider the scale used when the chart is created so that it provides an appropriate visual impression.

Benchmark (to be read along with section 2.2)
If a benchmark is stated under "Objectives and investment policy", this must[15] also be stated in the bar chart in its own column adjacent to the fund's performance per year. In connection with a comparison with market indexes, a dividend-adjusted index must be used. If no such index is obtainable, other market indexes may be used. It must always be stated whether dividends are included or not. If there is no fund information with respect to certain years, comparison indexes may not be stated for these years either. In the event comparison indexes are used, it must be clear which indexes they are. However, SIFA is of the opinion that it is not necessary to reiterate important information

[14] CESR's template for the KIID, CESR/10-1321.
[15] Exceptions exist, see section 2.2.

regarding indexes (the purpose of which are to assist the investor in understanding and identifying indexes) where this information already exists in the “Objectives and investment policy” section.
If a UCITS refers to an index in its investment objectives and policies and will measure the performance against it (but does not intend to track that index), it should, according to ESMA, be made clear in the past performance section that the UCITS is not tracking the index.

SIFA believes that a comparison with a relevant benchmark in the bar chart should be a part of the KIID when it helps the comparison of funds and the evaluation of the fund.

According to the Regulation a benchmark is to be included in the bar chart if there in the ‘Objectives and investment policy’ section of the key investor information document is a reference to a benchmark (Article 18.1). It is not clear if this conversely means that a benchmark is not permitted when there is not a reference to a benchmark in the ‘Objectives and investment policy’ section. SIFA makes the interpretation that the Regulation provides some scope for including a benchmark even when it is not included in the ‘Objectives and investment policy’ section. SIFA although recommends to mention the benchmark in that section.

5.1. Calculation of past performance

The calculation must be based on the fund’s asset value and assumes that any and all dividends to unit holders have been reinvested in the fund. The charges and fees included or not included in the calculation must be stated.

5.2. Special fund structures

Feeder funds

What is stated in the Regulation?

Article 35
Past performance

1. *The past performance presentation in the key investor information document of the feeder UCITS shall be specific to the feeder UCITS, and shall not reproduce the performance record of the master UCITS.*
2. *Paragraph 1 shall not apply:*
   - *(a) where a feeder UCITS shows the past performance of its master UCITS as a benchmark; or*
   - *(b) where the feeder was launched as a feeder UCITS at a later date than the master UCITS, and where the conditions of Article 19 are satisfied, and where a simulated performance is shown for the years before the feeder existed, based on the past performance of the master UCITS; or*
   - *(c) where the feeder UCITS has a past performance record from before the date on which it began to operate as a feeder, its own record being retained in the bar chart for the relevant years, with the material change labelled as required by Article 17(2).*

It is the feeder fund's past performance, not the master fund's past performance, which must be stated under this section.

The master fund's past performance may be included where it is used as a benchmark/comparison index, or where the feeder fund applies a simulated performance in accordance with article 19 of the Regulation.

If a fund has switched to being a feeder fund at any time during the past 10 years, the master fund's performance may be stated for the years prior to the fund becoming a feeder fund, and thereafter the feeder fund's own performance is to be stated for the relevant years as a feeder fund. In such case, a reference must be provided that a substantial change took place (see article 17.2) during the year in which the feeder fund was created.

Structured funds

This section does not apply to structured funds; the performance must instead be stated in special performance scenarios. See the Chapter "More information regarding special fund structures" below.

6. PRACTICAL INFORMATION, REFERENCES, AUTHORISATION AND PUBLICATION

What is stated in the Regulation?

Article 20
Content of 'practical information' section

1. *The 'Practical information' section of the key investor information document shall contain the following information relevant to investors in every Member State in which the UCITS is marketed:*
   - *(a) the name of the depositary;*
   - *(b) where and how to obtain further information about the UCITS, copies of its prospectus and its latest annual report and any subsequent half-yearly report, stating in which language(s) those documents are available, and that they may be obtained free of charge;*
   - *(c) where and how to obtain other practical information, including where to find the latest prices of units;*
   - *(d) a statement that the tax legislation of the UCITS' home Member State may have an impact on the personal tax position of the investor;*
   - *(e) the following statement:*
     '[Insert name of investment company or management company] may beheld liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus for the UCITS.'
1. *Where the key investor information document is prepared for a UCITS investment compartment, the 'Practical information' section shall include the information specified in Article 25(2) including on investors' rights to switch between compartments.*
2. *Where applicable, the 'Practical information' section of the key investor information document shall state the information required about available share classes in accordance with Article 26.*

Article 21
Use of cross-references to other sources of information

1. *Cross-references to other sources of information, including the prospectus and annual or half-yearly reports, may be included in the key investor information document, provided that all information fundamental to the investors' understanding of the essential elements of the investment is included in the key investor information document itself.*
   Cross-references shall be permitted to the website of the UCITS or the management company, including a part of any such website containing the prospectus and the periodic reports.
2. *Cross-references referred to in paragraph 1 shall direct the investor to the specific section of the relevant source of information. Several different cross-references may be used within the key investor information document but they shall be kept to a minimum.*

6.1. Practical information

In this section of the KIID, information is provided regarding custodian institutions, auditors, and where information regarding the fund (for example, prospectuses and annual reports) may be found. For instance the fund management company's telephone number may be stated here. Information regarding where current NAV are available should be stated here. ETFs should, according to ESMA (2014/937EN), in the KIID disclose its policy regarding portfolio transparency and, if applicable, where the iNAV is published. According to SIFA, the Practical information section is a suitable place for this.

Reference may also be made to the investor's financial advisor or distributor, particularly regarding tax issues.

As previously pointed out, the information stated in the Regulation is the only information permitted. However, where necessary to increase understanding, the information may be explained in more detail.

It is permitted to provide references to other information sources, provided that all material information necessary for the investor to be able to understand the character of the investment is provided in the actual KIID. "Material information" means the content of the Regulation and nothing in addition thereto. SIFA interprets article 21 such that a fund management company may refer to the fact that information is available regarding, for example, minimum deposits, monthly savings, "PPM number", cut-off time and suchlike, however this information does not have to be explained in the KIID.

The fund management company's liability for the content of the KIID should be explained according to article 20.1 (e). In level 1 of the EU-legislation, this requirement can be found in article 79.2 of the UCITS IV-directive. The fact that the content of the KIID should be accurate and not misleading, as well as in accordance with the relevant parts of the prospectus, is stated in article 79.1 of the directive. This has been implemented in the Swedish UCITS Act, Chapter 4 Section 16 (a) and the fund management company's liability is regulated in Chapter 2 Section 21 (a). (Corresponding rules for AIF:s is in the Swedish AIFM Act Chapter 10 Section 2 and Chapter 8 Section 28). The Act uses the term "informationsbroschyr" instead of "prospekt" (which is used in the Regulation), and SIFA recommends the use of the term used in the Act.

According to the Swedish UCITS Act, Chapter 4 Section 16 (a) the KIID should include information that information on the remuneration policy of the fund company is available on a specified website and that a paper copy of the policy can be requested for free. SIFA consider it appropriate to include this in the "Practical information" section. The corresponding requirement do not exist for "specialfonder", but it is the view of SIFA that the KIID of a "specialfond" also should include this.

According to FFFS 2013:10 Chapter 14 Section 3, AIF:s should include an easy to understand description of the funds legal status as well as the risks associated with this. For "specialfonder", a reference to the prospectus is deemed enough regarding the legal status, and regarding risks it is SIFA:s view that the legal status has no risks associated with it (compare with UCITS which have the same legal status and do not have to inform of any risks).

6.2. Information regarding authorisation and publication

The following text must be stated in the KIID in respect of authorisation:

"Denna fond är auktoriserad i [name of member State] och tillsyn över fonden utövas av [identity of competent authority]."

Where the fund is managed by a fund management company which has been permitted to engage in cross-border activity in Sweden or has established a branch in Sweden, or is managed under the management company passport, the following text must be added (note that the Swedish translation of the Regulation contains errors that are adjusted for here):

”[Name of fund management company] är auktoriserat i [name of Member state] och tillsyn utövas av [identity of competent authority]”.

In addition, the KIID must contain text concerning the publication of the actual KIID. The text shall read as follows:

“Dessa basfakta för investerare gäller per den [the date of publication]”.

6.3. Special fund structures

Investment compartments

What is stated in the Regulation?

Article 25
Investment compartments

1. *Where a UCITS consists of two or more investment compartments a separate key investor information document shall be produced for each individual compartment.*
2. *Each key investor information document referred to in paragraph 1 shall indicate within the ‘practical information’ section the following information:*
    (a) *that the key investor information document describes a compartment of a UCITS, and, if it is the case, that the prospectus and periodic reports are prepared for the entire UCITS named at the beginning of the key investor information document;*
    (b) *whether or not the assets and liabilities of each compartment are segregated by law and how this might affect the investor;*
    (c) *whether or not the investor has the right to exchange his investment in units in one compartment for units in another compartment, and if so, where to obtain information about how to exercise that right.*
1. *3. Where the management company sets a charge for the investor to exchange his investment in accordance with paragraph 2(c), and that charge differs from the standard charge for buying or selling units, that charge shall be stated separately in the ‘Charges’ section of the key investor information document.*

Special requirements for information apply to investment compartments and must be included under this section.

Share classes

Article 27 prescribes that the KIID for share classes must be supplemented with information regarding what class has been chosen as a representative share class, whereupon the term chosen in the information brochure must be used.

For information regarding how an KIID for a share class may be designed, see below under the Chapter “More information regarding special fund structures”.

Feeder funds

What is stated in the Regulation?

Article 34
Practical information section

1. *The key investor information document for a feeder UCITS shall contain in the ‘Practical information’ section information specific to the feeder UCITS.*
2. *The information referred to in paragraph 1 shall include:*
   - *(a) a statement that the master UCITS’ prospectus, key investor information document, and periodic reports and accounts are available to investors of the feeder UCITS upon request, how they may be obtained, and in which language(s);*
   - *(b) whether the items listed in point (a) are available in paper copies only or in other durable media, and whether any fee is payable for items not subject to free delivery in accordance with Article 63(5) of Directive 2009/65/EC;*
   - (c) *where the master UCITS is established in a different Member State to the feeder UCITS, and this may affect the feeder’s tax treatment, a statement to this effect.*

For feeder funds, particular information must be provided regarding the fact that information regarding the master fund may be obtained upon request and how the request should be made. In this context, information must also be provided regarding how any establishment of the master fund in other countries may impact on the tax situation of the feeder fund.

REVIEW AND REVISION OF THE KIID

What is stated in the Regulation?

Article 22
Review of key investor information

1. *A management company or investment company shall ensure that a review of key investor information is carried out at least every twelve months.*
2. *A review shall be carried out prior to any proposed change to the prospectus, the fund rules or the instrument of incorporation of the investment company where these changes were not subject to review as referred to in paragraph 1.*
3. *A review shall be carried out prior to or following any changes regarded as material to the information contained in the key investor information document.*

Article 23
Publication of the revised version

1. *Where a review referred to in Article 22 indicates that changes need to be made to the key investor information document, its revised version shall be made available promptly.*
2. *Where a change to the key investor information document was the expected result of a decision by the management company, including changes to the prospectus, fund rules or the instrument of incorporation of the investment company, the revised version of the key investor information document shall be made available before the change comes into effect.*
3. *A key investor information document with duly revised presentation of past performance of the UCITS shall be made available no later than 35 business days after 31 December each year.*

The Regulation provides that the KIID must be reviewed at least once every 12 months. In reality, more frequent revisions may be made where the categorisation of the risk and reward profile is changed, see the “Risk and reward profile” section.

The Regulation also emphasises that an update of the KIID should take place prior to the fund management company taking initiatives which will probably lead to many new investors purchasing units in the fund, for example prior to a marketing campaign or suchlike.

The foregoing also means that a fund management company which, for example, manages several funds may need system support for its KIID to, among other things, regularly follow-up on the synthetic risk and reward indicator, and also to provide notice of when the indicator must be changed.

MORE INFORMATION REGARDING SPECIAL FUND STRUCTURES

Special provisions regarding investment compartments, fund of funds and feeder funds and, to a certain extent, regarding share classes and structured funds, have been set forth in each individual Chapter above.

Share classes

What is stated in the Regulation?

Article 26
Key investor information document for share

1. *Where a UCITS consists of more than one class of units or shares, the key investor information document shall be prepared for each class of units or shares.*
2. *The key investor information pertinent to two or more classes of the same UCITS may be combined into a single key investor information document, provided that the resulting document fully complies with all requirements as laid down in Section 2 of Chapter II, including as to length.*
3. *The management company may select a class to represent one or more other classes of the UCITS, provided the choice is fair, clear and not misleading to potential investors in those other classes. In such cases the 'Risk and reward profile' section of the key investor information document shall contain the explanation of material risk applicable to any of the other classes being represented. A key investor information document based on the representative class may be provided to investors in the other classes.*
4. *Different classes shall not be combined into a composite representative class as referred to in paragraph 3.*
5. *The management company shall keep a record of which other classes are represented by the representative class referred to in paragraph 3 and the grounds justifying that choice.*

There must be a KIID for each share class.

However, it is permissible to have a single KIID for two or more classes of shares provided the KIID fulfils the requirements in the "Language, length and presentation" section.

It is permissible to use a class as representative of one or more other classes (provided that they are not different). In such case, special requirements are imposed to ensure that the information is presented in a fair, clear and non-misleading manner. In addition, the "Risk and reward profile" section must be drafted in accordance with special requirements (see article 26.3).

The fund management company must state the reasons for why it has chosen a solution using a representative class and the statement must note what classes are represented by the one class.

Structured funds

What is stated in the Regulation?

Article 36
Performance scenarios

1. *The key investor information document for structured UCITS shall not contain the 'Past performance' section.*
   For the purposes of this Section, structured UCITS shall be understood as UCITS which provide investors, at certain predetermined dates, with algorithm-based payoffs that are linked to the performance, or to the realisation of price changes or other conditions, of financial assets, indices or reference portfolios or UCITS with similar features.
2. *For structured UCITS, the 'Objectives and investment policy' section of the key investor information document shall include an explanation of how the formula works or how the pay-off is calculated.*
3. *The explanation referred to in paragraph 2 shall be accompanied by an illustration, showing at least three scenarios of the UCITS' potential performance. Appropriate scenarios shall be chosen to show the circumstances in which the formula may generate a low, a medium or a high return, including, where applicable, a negative return for the investor.*
4. *The scenarios referred to in paragraph 3 shall enable the investor to understand fully all the effects of the calculation mechanism embedded in the formula.*
   They shall be presented in a way that is fair, clear and not misleading, and that is likely to be understood by the average retail investor. In particular, they shall not artificially magnify the importance of the final performance of the UCITS.
5. *The scenarios referred to in paragraph 3 shall be based on reasonable and conservative assumptions about future market conditions and price movements.*
   However, whenever the formula exposes investors to the possibility of substantial losses, such as a capital guarantee that functions only under certain circumstances, these losses shall be appropriately illustrated, even if the probability of the corresponding market conditions is low.
6. *The scenarios referred to in paragraph 3 shall be accompanied by a statement that they are examples that are included to illustrate the formula, and do not represent a forecast of what might happen. It shall be made clear that the scenarios shown may not have an equal probability of occurrence.*

Article 37
Length
The key investor information document for structured UCITS shall not exceed three pages of A4-sized paper when printed.

In article 36.1 of the Regulation, a definition is provided of a structured fund:

This definition includes, among other things, capital protected funds and funds with fixed returns. Generally, these funds have a risk profile which is difficult to understand and, therefore, it may be easier for investors if the fund management company uses tables and charts in order to illustrate risk and return.

These funds must under the "Objectives and investment policy" section state their formula for returns and how it works. This must be supplemented with a statement of at least three possible performance scenarios. The statement shall be based on reasonable and conservative assumptions.

The purpose is to provide the investor with information regarding the effects of the calculation model and the circumstances which may result in the return being low, medium or high, and also in respect of any negative return.

An average retail investor should be able to understand the explanation.

CESR has issued recommendations[16] regarding what management companies should consider explaining for the investor.

The explanation must be followed by a text stating that the scenarios are only examples and do not represent any forecasts, and any risk of significant losses must be clarified in a suitable manner.

In order to ensure comparability between different structured funds, CESR has issued recommendations[17] concerning the choice of scenarios and the presentation of them. The recommendations are not binding but compliance with them is recommended.

In an appendix to the recommendations, there are also examples of tables and charts which may be used to illustrate performance scenarios in a clear manner.

[16] CESR's guide to clear language and layout for the KII, CESR/10-1320.
[17] CESR's guidelines to selection and presentation of performance scenarios in the KII for structured UCITS, CESR/10-1318.

DURABLE MEDIUM (PROVISION OF KIID)

What is stated in the Regulation?

Article 38
Conditions applying to the provision of a key investor information document or a prospectus in a durable medium other than paper or by means of a website

1. *Where, for the purposes of Directive 2009/65/EC, the key investor information document or prospectus is to be provided to investors using a durable medium other than paper the following conditions shall be met:*
    - *(a) the provision of the key investor information document or the prospectus using such a durable medium is appropriate to the context in which the business between the management company and the investor is, or is to be, carried on; and*
    - *(b) the person to whom the key investor information document or the prospectus is to be provided, when offered the choice between information on paper or in that other durable medium, specifically chooses that other medium.*
2. *Where the key investor information document or the prospectus is to be provided by means of a website and that information is not addressed personally to the investor, the following conditions shall also be satisfied:*
    - *(a) the provision of that information in that medium is appropriate to the context in which the business between the management company and the investor is, or is to be, carried on;*
    - *(b) the investor must specifically consent to the provision of that information in that form;*
    - *(c) the investor must be notified electronically of the address of the website, and the place on the website where the information may be accessed;*
    - *(d) the information must be up to date;*
    - *(e) the information must be accessible continuously by means of that website for such period of time as the client may reasonably need to inspect it.*
3. *For the purposes of this Article, the provision of information by means of electronic communications shall be treated as appropriate to the context in which the business between the management company and the investor is, or is to be, carried on if there is evidence that the investor has regular access to the Internet. The provision by the investor of an e-mail address for the purposes of the carrying on of that business shall be treated as such evidence.*

The Swedish UCITS Act states that information must be provided in a document or in some other readable and durable format which is accessible to the investor.
The Swedish Financial Supervisory Authority defines durable medium (FFFS 2013:19 Chapter 1 Section 9 paragraph 32) as follows: A medium which makes it possible for an investor to save information, which is addressed to him or her personally, in a way that makes the information available in the future for a period of time that is appropriate with regards to what the purpose of the information is and which allows the representation of the saved information to remain unchanged.

The fund's KIID must always be available electronically on the company's website.

Article 38.1, contains conditions which must be fulfilled where information is provided other than on paper. Where KIID or prospectuses are provided on a website, and are not personally targeted to the investor, the conditions in article 38.2 must be fulfilled.

APPENDICES

APPENDIX 1 - Glossary

In order for the purpose of the KIID to be achieved, it is important that the language is kept plain and that bureaucratic expressions are avoided. The Swedish translation of the UCITS Regulation contains many expressions which are difficult to understand or are incorrect. Thus, SIFA has created a glossary with recommended expressions. The English version of the Regulation has been used as a guide to convey SIFA's message.

The Regulation (Swedish)	The Regulation (English)	Recommended/plain expression (Swedish)
Andelskategori	Unit class	Andelsklass
Aktiekategori	Share class	Andelsklass
Delfond	Investment compartment	Delfond [18]
Feederfond	Feeder fund	Matarfond
Förvaltningsavgift	Ongoing charges	Årlig avgift
Inlösenavgift	Exit charge	Uttagsavgift
Jämförelsenorm	Benchmark	Jämförelseindex/-ränta
Masterfond	Master fund	Mottagarfond
Resultatrelaterad avgift	Performance fee	Prestationsbaserad avgift
Prospekt	Prospectus	Informationsbroschyr
Samlingsindikator	Synthetic risk and reward indicator	Risk/avkastningsindikator
Teckningsavgift	Entry charge	Insättningsavgift
Årliga avgifter	Ongoing charges	Årlig avgift
Faktablad med basfakta för investerare	Key investor information document	Faktablad[19]

[18] Note that investment compartments are only relevant in respect of open-ended collective investment schemes, for example, SICAV.
[19] ”Basfakta” is only used in the title of the KIID and in the statement of date of accuracy.

APPENDIX 2 – Sources and links

- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 (“UCITS IV Directive”)
  Link to the UCITS IV Directive

- Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information.
  Link to the Regulation in Swedish   Link to the Regulation in English

- The Swedish UCITS Act (2004:46)
  Link to the Act

- The Swedish AIFM Act (2013:561)
  Link to the Act

- The Swedish FSA regulation on UCITS (2013:9)
  Link

- The Swedish FSA regulation on AIFM (2013:10)
  Link

- ESMA’s guidelines on ETFs and other UCITS issues, ESMA/2014/937EN
  Link to the guidelines

- CESR’s guide to clear language and layout for the Key Investor Information document, CESR/2010-1320.
  Link to guide to clear language and layout for the Key Investor Information Document

- CESR’s guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information document, CESR/2010-674.
  Link to the recommendation regarding calculation of ongoing charges

- CESR’s guidelines on the methodology for calculation of the synthetic risk and reward indicator in the Key Investor Information document, CESR/2010-673.
  Link to the recommendation regarding the calculation of the synthetic risk and reward indicator

- CESR’s guidelines regarding the transition from the Simplified Prospectus to the Key Investor information document, CESR/2010-1319.
  Link to the recommendation regarding the transition from Simplified Prospectus to KIID

- CESR’s guidelines on the selection and presentation of performance scenarios in the Key Investor information document (KII) for structured UCITS, CESR/2010-1318. Link to the recommendation regarding structured funds

- CESR’s template for the Key Investor Information document, CESR/2010-1321.
  Link to the template for the Key Investor Information Document (KIID)

- CESR's Final advice on the level 2 measures related to the format and content of Key Information Document disclosures for UCITS, CESR/2009-949.
  Link to CESR's final advice to the Commission

- ESMA:s Questions and Answers –Application of the UCITS Directive, ESMA/2016/1586.
  Link to ESMA:s Q&A

- European Fund and Asset Management Association's (EFAMA) guidance:
  Guidance on RI information in the KIID & Post Investment Disclosure
  Link to EFAMA's RI guidance

- Association of the Luxemburg Fund Industry (ALFI) UCITS IV implementation project, Key Investor Information Document Q&A. Link to Q&A

BILAGA 3 Exempelfaktablad (OBS! Detta är ett exempel. Varje fond ska anpassa sitt faktablad efter sin fonds egenskaper. Exemplet bör endast läsas ihop med manualen)

A B C FONDER

BASFAKTA FÖR INVESTERARE

Detta faktablad riktar sig till investerare och innehåller basfakta om denna fond. Faktabladet är inte reklammaterial. Det är information som krävs enligt lag för att hjälpa dig att förstå vad en investering i fonden innebär och riskerna med denna. Du rekommenderas att läsa den så att du kan fatta ett välgrundat investeringsbeslut.

ABC Globalfond
ISIN-kod: SE0000xxxx11111

ABC Fonder AB, ett dotterbolag till ABC Holding

MÅL- OCH PLACERINGSINRIKTNING

Placeringsinriktning: Fonden placerar i aktier över hela världen och tillämpar en god spridning över regioner, länder och sektorer. Fonden investerar långsiktigt i mogna och etablerade bolag som fondbolaget anser är undervärderade.

Målsättning: Målet är att ge god avkastning på lång sikt med hänsyn tagen till fondens risknivå. Aktier väljs utifrån egna bedömningar vilket innebär att avvikelser mot marknaden kan vara både större och mindre över tid.

Fonden kommer alltid att placera minst 80 % av tillgångarna i börsnoterade aktier och kan placera upp till 10 % av tillgångarna i onoterade aktier.

Fonden kan använda derivat för att minska valutakursrisker. Detta innebär att fonden försöker minska effekterna av valutakursförändringar.

Fonden lämnar inte någon utdelning utan alla inkomster återinvesteras i fonden

Köp och försäljning av fondandelar kan normalt ske alla vardagar.

Jämförelseindex: DC Index World inkl. utdelningar

Rekommendation: denna fond kan vara olämplig för investerare som planerar att ta ut sina pengar inom fem år.

RISK/AVKASTNINGSPROFIL

Lägre risk ← → Högre risk

Lägre möjlig avkastning — Högre möjlig avkastning

1	2	3	4	5	6	7

Om indikatorn: Risk/avkastningsindikatorn visar sambandet mellan risk och möjlig avkastning vid en investering i fonden. Indikatorn baseras på hur fondens värde har förändrats de senaste fem åren.

Fondens placering: Den här fonden tillhör kategori 6, vilket betyder hög risk för både upp- och nedgångar i andelsvärdet. Kategori 1 innebär inte att fonden är riskfri. Fonden kan med tiden flytta både till höger och till vänster på skalan. Det beror på att indikatorn bygger på historiska data som inte är en garanti för framtida risk/avkastning.

Fonden placerar i företag noterade på aktiemarknader som generellt kännetecknas av hög risk, men också av möjlighet till hög avkastning. Indikatorn speglar framförallt upp- och nedgångar i de aktier fonden placerat i.

Risker som inte visas i indikatorn: Indikatorn speglar de viktigaste riskerna i fonden, men inte risken för att, vid extrema förhållanden på aktiemarknaderna, inte kunna sätta in och ta ut ur fonden inom utsatt tid (likviditetsrisk).

AVGIFTER

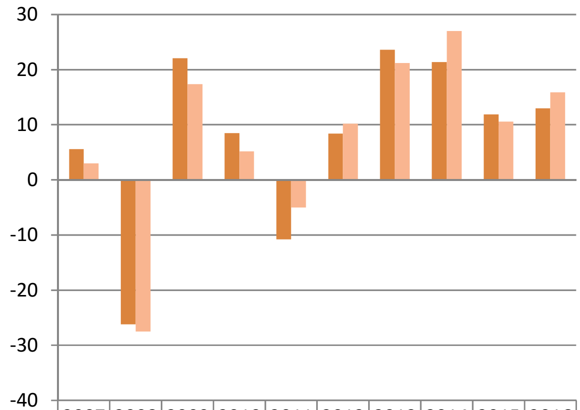
Engångsavgifter som tas ut före eller efter du investerar	
Insättningsavgift	ingen
Uttagsavgift	1,0%
Ovanstående är det som maximalt kan tas ut av dina pengar innan behållningen betalas ut	
Avgifter som tagits ur fonden under året	
Årlig avgift	1,24%
Avgifter som tagits ur fonden under särskilda omständigheter	
Prestationsbaserad avgift	ingen

Uttagsavgiften avser maximal avgift. Uppgift om gällande avgift kan du få från din återförsäljare.

Årlig avgift visar hur mycket du betalt för förvaltning, administration, marknadsföring och andra kostnader för fonden. I årlig avgift ingår inte rörliga kostnader för handel med värdepapper (courtage). Avgiften avser kalenderåret 2015. Den kan variera något från år till år.

Avgifterna utgör betalning för fondens kostnader inklusive marknadsföring och distribution. Dessa minskar fondens potentiella avkastning.

TIDIGARE RESULTAT



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ABC Globalfond	5,6	-26,2	22,1	8,5	-10,8	8,4	23,6	21,4	11,9	13,0
DC Index World inkl. utd.	3,0	-27,5	17,4	5,2	-5,0	10,2	21,2	27,0	10,6	15,9

Diagramet visar fondens avkastning (resultat) efter avdrag för årlig avgift. Hänsyn har inte tagits till eventuella insättnings- och uttagsavgifter. Värdet för samtliga år är beräknat i svenska kronor och med utdelningar återinvesterade i fonden.

I diagramet visas också fondens jämförelseindex. Fonden avser inte att följa jämförelseindex. Fonden startade 2002.

Historisk avkastning är ingen garanti för framtida avkastning.

PRAKTISK INFORMATION

Ytterligare information om ABC Globalfond framgår av informationsbroschyren, fondbestämmelserna och hel- och halvårsrapporten. Dessa finns på vår hemsida på både svenska och engelska.
Hemsida: www.abcfonder.se/faktabladglobal
Telefonnummer: 08-555 XX XX
Förvaringsinstitut: BANKbanken
Andelsvärdet beräknas dagligen och publiceras på vår hemsida, i ledande dagstidningar och på text-tv.
För info om minsta investeringsbelopp och månads-sparande hänvisas till: www.abcfonder.se/faktasida.

Den skattelagstiftning som tillämpas i fondens auktorisationsland kan ha en inverkan på din personliga skattesituation.
Information om fondbolagets ersättningspolicy är tillgänglig på www.abcfonder.se och en papperskopia kan fås kostnadsfritt på begäran.
ABC Fonder AB kan hållas ansvarigt endast om ett påstående i detta faktablad är vilseledande, felaktigt eller oförenligt med de relevanta delarna av fondens informationsbroschyr.

AUKTORISATION: Denna fond är auktoriserad i Sverige och tillsyn över fonden utövas av Finansinspektionen.
PUBLICERING: Dessa basfakta för investerare gäller per den 17 mars 2017.

COMMITTEE OF EUROPEAN SECURITIES REGULATORS

Date: 20 December 2010
Ref.: CESR/10-1320

CESR's guide to clear language and layout for the Key Investor Information document

CONTENTS

Executive Summary

This guide describes ways of meeting the regulatory objective for Key Investor Information (KII) to achieve the clarity and simplicity of presentation that is required by retail investors. There may be other ways in which UCITS can meet this requirement.

This guide is intended as a statement of good practice. It does not constitute binding guidance on UCITS or their management companies.

Part 1: Introduction

Background and purpose

The Simplified Prospectus (SP) has failed as a consumer communication because the rules have led to long documents. In addition, many have been written in technical or legalistic language and have been poorly structured and designed, resulting in unattractive documents, which are unlikely to be read. The Key Investor Information document (KII) is a radical attempt to address these shortcomings by giving management companies more scope to produce a document that is readily understandable by the average retail investor.

The KII has a prescribed structure and headings. You can include only the information applicable to those headings and not add other information. The limit of two A4 pages (three for structured UCITS) places added emphasis on the requirements that:

- only information necessary for investors to make an informed decision is included; and
- the information selected is lucid and succinct.

You must not seek to bypass the page limit by using dense or small print or by relying on cross-references to other documents to cover information material to understanding of the investment. The KII must be well designed to attract rather than repel the reader. If it is not read it will fail, regardless of the quality of the text.

The rules set a framework which facilitates an effective document, but it is up to management companies to write and design KIIs in a way which makes them understandable. You should not copy any text from a prospectus or a SP unless you have critically reviewed it in the light of this guide. Similarly, do not copy text from the Commission Regulation or CESR guidelines (unless it is mandatory) because this is not normally addressed to the retail investor.

CESR does not believe there is a single right way to write and design a KII; you can meet the objective in many ways. This guide is intended to help you to craft a KII by giving pointers to widely accepted good practice.

The contents and nature of this guide

General good practice guidance about clear language and layout is already available[1] as well as guidance more relevant to investment literature[2]. There are also plain language agencies that can help management companies write and design their KIIs. SPs have failed partly because they have not followed this widely accepted good practice.

CESR endorses this good practice and does not seek to repeat its detailed characteristics. Instead, drawing on experience of the SP, this guide concentrates on those elements of the KII for which CESR believes management companies will find guidance most helpful.

National regulators may provide language-specific guidance.

All references to a management company in this guide should be read as applying to an investment company that has not designated a management company.

[1] For example the Oxford Guide to Plain English by Martin Cutts, Oxford University Press.
[2] A Plain English Handbook, How to create clear SEC disclosure documents http://www.sec.gov/pdf/handbook.pdf

Who should use this guide?

Everyone involved in the drafting and design of a KII needs to share an understanding both of its aims and of their company's approach to clear language and layout. An effective KII will have a consistent style and not appear to be written by a committee. This may best be achieved if the KII has an "owner" who is responsible for final decisions on its content, language and design. But it will be rare for a single author to have all the knowledge and skills needed to produce an effective KII. It will almost always benefit from input from others provided they share the same objectives.

Do not assume that because you and your colleagues understand what the text means, an investor will understand it in the same way. It is good practice to be guided by research and testing on average retail investors.

As you hone a KII into a precise document, be ready for it to take longer to prepare than a much lengthier SP.

"I didn't have time to write a short letter, so I wrote a long one instead." (Blaise Pascal)

Part 2: Using plain language

Understanding your audience

Most UCITS are marketed to a wide range of consumers with varying levels of financial literacy and experience. Few consumers will be lawyers or industry specialists, and even those who are financially experienced will still welcome clearly designed, well-written documents. It is best to assume that your audience is reading about an investment fund for the first time.

If a document is hard to understand, the aims, risks and charges of an investment may be misunderstood or not understood at all. This will not be in the interests of the management company or the investor.

Your company may already have a 'style guide' for the way it seeks to portray itself in its publications, such as your marketing documents. This is very likely to follow clear language principles. Therefore such a style guide is just as appropriate for KIIs, because they are aimed at the same audience at the same time.

What is meant by plain language?

"Plain language is not just about avoiding jargon. It is about the writing and setting out of essential information in a way that gives a co-operative, motivated person a good chance of understanding it at first reading, and in the same sense that the writer meant it to be understood." *Oxford Guide to Plain English* by Martin Cutts.

Using plain language is not about dumbing-down or avoiding complex concepts. Instead it means:

- writing so that your audience is not alienated by unfamiliar and pompous vocabulary and convoluted construction;
- giving complex information in a clear way.

You should aim to enable an average retail investor to understand each statement at their first reading – they will easily become frustrated if they have to re-read the information.

Writing in plain language may require the 'unlearning' of habits inherited from the traditional formal or legalistic ways of writing fund documents. Nothing is gained by the presumed certainty of legalistic, technical or complex language, if the reader does not understand it or, worse, is misled by it.

Apart from improving clarity clear language techniques have great potential for reducing the word count – an important quality in the context of the page limitation of the KII.

Dealing with jargon

The investment industry is notorious for its use of jargon, specialist language and peculiar expressions (such as *negative growth).* This results in a style that is likely to be alien to many consumers; as in the following example:

> Where, in the Manager's judgement, there is significant uncertainty that a bond holding will be redeemed at par; the amortised capital component for that holding is retained in the fund's capital and not distributed. This has the effect of reducing the estimated redemption, distribution and underlying yields and the actual distribution rate.

You can tackle jargon by:

- trying to avoid jargon altogether e.g. by explaining the feature without naming it. For example, saying that a performance fee includes a feature *known as a high watermark* does not necessarily help to explain what it is;

- explaining jargon in brackets after its first use;
- explaining jargon in a footnote to the section or the page; or
- cross-referring to a glossary in a supporting document. However, if this would result in numerous cross-references you should question the need for the jargon and your approach to explaining it.

  For cross-references it can be helpful to use a graphic or other indicator to show that the term is so explained.

Words which have different meanings in normal usage

In addition to jargon, the investment industry tends to use many terms which may mean different things to the average retail investor. A dictionary may give a different meaning to the one intended by the management company. The following are examples of terms that might be confusing or misleading.

Allocation date (as in income date), *appreciation, denominated, equity, erosion, establishment, expire, exposure, liquid, redemption, repurchase, volatile.*

Other barriers to clear language

Removing jargon or potentially confusing words will not necessarily make a document clear and engaging. There are other barriers to clear language, such as legalistic words and phrases and the use of foreign words when there is an adequate alternative in the native language of the KII. A formal, passive and impersonal style can lead to redundant words and phrases as well as being unengaging to the reader.

Short sentences

Clear language techniques will naturally lead to shorter sentences, but aim to break up any that are over 25 words.

Clear layout

Plain language needs to be supported by a clear layout. Once you have decided what you want to say and how to say it, Part 3 gives guidance on how to present it.

Part 3: Designing a KII

The KII must appear to the average retail investor to be both important and attractive, so as to maximise the likelihood they will read it. This means it must be distinguishable from other documents and appear important and easily readable. When compared to marketing literature, it should not appear to be a legal document like the terms and conditions.

Although the structure and length of a KII are mandated, you should use a combination of good design elements such as those described below. A good design makes a document easier to read and understand. A poor design may mean well-written messages are undermined or not even read.

Typeface (font), line width and line spacing

Use a typeface that is easy to read, such as Arial (or similar sans serif) or Times New Roman (or similar serif).

Type size

Use a legible type size which is balanced with the line width and the line spacing.

- Wide lines of small type are a problem for the eye to follow. It is best to keep to 50-75 characters (including spaces) in a line of 10-point type. You can use 'newspaper' columns or wide margins to achieve this.
- Typefaces vary, but when using the full width of A4 paper, aim for at least 11pt for serif fonts and 10pt for sans serif fonts; a slightly smaller type size is legible when narrow columns are used.
- Keep the space between lines in balance with the type size.

Headings

Use a clear hierarchy for the headings and sub-headings. This can be supported by emboldening, shading, colour, different type sizes or by indenting the text.

Page layout

Maximise 'white space' by using:

- small paragraphs
- newspaper columns where appropriate
- bulleted lists, rather than continuous text whenever appropriate
- clear gaps between sections.

Colour and shading

Colour adds visual appeal, and more design options. But remember that the KII may be photocopied or downloaded in black and white. If you use colour, do so sparingly and ensure there is enough contrast between the text and its background – the effect is better if the text is dark and the background pale. It may therefore be better to use shading.

Part 4: Guidance for each section of the KII

a) Title and introductory statements

See Article 4 of Commission Regulation (EU) No 583/2010 for the required content.

Make the title *Key Investor Information* sufficiently prominent for it to catch the eye of the potential investor.

The explanatory wording is mandatory, as well as the name and identification of the UCITS (and investment compartment if the UCITS is an umbrella) by code number and the name of the management company (if applicable).

b) Heading – Objectives and Investment Policy

See Article 7 of Commission Regulation (EU) No 583/2010 for the required content.

This section of the KII is to tell the average retail investor:

- what the fund aims to do; provide growth, an income or a combination; and
- the main ways it intends to achieve the aim(s). This should enable investors to get a sufficient understanding of how the fund seeks to achieve the objective so that they can make an informed decision. Avoid long, legalistic and technical text, which is unlikely to be read, let alone understood.

You can, if appropriate, describe the objective and the policy in a single paragraph. But if this results in a large block of text, you can split the objectives and investment policy into separate paragraphs or describe them under sub-headings.

Do not copy from the prospectus unless that is in clear language. It may be that some elements of the prospectus wording:

- are immaterial for a summary document like the KII; and
- belong in other sections of the KII. For example information about the riskiness of any of the assets belongs in the *Risk and reward profile*.

But remember that the regulations require you to give a balanced description of the objectives and investment policy. Where necessary you may go beyond the specific prospectus wording on investment objectives and policy and include elements covered in other sections of the prospectus.

Your approach will depend on the length and complexity of the prospectus wording. Clear language techniques may make a shorter wording possible without removing elements. For example by:

- removing redundant text such as *In order to achieve the investment objective, the Company on behalf of the Fund will enter into…*
- personalising the style; by using *you* instead of *the potential investor* or *the incoming unit holder* and *we* instead of *ABC International Asset Managers Limited (*provided this does not create uncertainty about who is meant by *we*)
- removing unnecessary or self-evident text; such as *to the extent permitted by the regulations,* or *The Fund will generally seek to achieve its investment objective through investing by reference to…*
- avoiding vague statements such as *The Fund aims to deliver attractive positive long term returns.*

If, after following the practices suggested above, the result is still too long, critically assess the need for all of the information. For example, if there is the potential to invest in a wide variety of investment instruments in different markets, analyse their materiality based on past and expected usage.

Special considerations for structured UCITS

See Articles 7 and 36 of Commission Regulation (EU) No 583/2010 for the required content. Select at least three example performance scenarios as described in CESR's level 3 guidelines on the selection and presentation of performance scenarios in the Key Investor Information document (KII) for structured UCITS (Ref. CESR/10-530).

Structured funds have many and varied formulae for calculating the possible pay-out at the end of the term. Ensure that the formula (or formulae) is presented in a balanced manner without over-emphasis on the potential for positive returns.

When explaining the formula, consider the following, where applicable.

- Make it clear that a fund's structure will alter its risk and reward profile when compared to a direct investment in the same underlying assets.
- Make it clear that a reduced risk is compensated by a reduced potential return. Consequently, avoid using words such as *performance* or *return* side by side with words such as *security*.
- If there is no legally enforceable guarantee the term *guarantee* may mislead consumers about the security of their investment.
- If there is a risk of capital loss at one of the trigger dates in the formula, clearly describe this risk within the *Objectives and investment policy* and state that investors' capital is not guaranteed.
- Where less than 100% of an investor's capital is guaranteed or protected, avoid phrases such as *partial guarantee applicable to 90% of the invested principal*, which could be misunderstood. Clearly state that the capital is not fully guaranteed or, where there is no legally enforceable guarantee, that the capital is not fully protected.
- Where a fund's formula is pegged to the average performance of an index up to 100% or where it is pegged to the index's capped performance, balance the level of indexing with the explanation of the effect of the averaging or the capping.
- Use positive wordings like *if the index falls by more than 30%* rather than *if the index performance is less than-30%*.
- Where structured funds are offered in consecutive dated issues, avoid over-use of templated text. For example, instead of using *start date* and *end date* state the actual dates.

c) Heading – Risk and reward profile

See Article 8 of Commission Regulation (EU) No 583/2010 for the required content.

The risk and reward section must give a fair and balanced description of the inherent chance for growth or loss.

Consider what impression the title of the fund may give to an investor. For example, *cautious, balanced* and *total or absolute return* may give the average retail investor an impression of the riskiness of a fund which needs to be balanced by further explanations. Therefore, explain the nature of the investments these funds make (or cross-refer to the *Objectives and investment policy*) so that the information in the *Risk and reward* section can be read in context.

Synthetic risk and reward indicator

CESR's guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the KII (Ref. CESR/10-673) explain the calculation of the indicator for UCITS funds, including structured UCITS.

See Article 8 of Commission Regulation (EU) No 583/2010 for the statements that must support the indicator. These statements include a clear and succinct explanation of the *material* risks that are not, or not fully, reflected by the indicator. This section gives guidance on these statements within the context of the space limit of the KII.

The aim is for the investor to understand the uncertainties – both for loss and for growth – that may affect their investment. There are two main elements:

- the mandated synthetic risk and reward indicator and its explanation; and
- the narrative explanation of risks not captured by the synthetic indicator.

Where applicable, explain that the indicator is not a measure of the risk of capital loss but is a measure of the fund's previous ups and downs in value. For new funds, explain how the indicator has been worked out. For structured funds, explain that the indicator seeks to show the risk of capital loss at the end date.

Explanations of risks not adequately reflected by the indicator

Firstly be clear about what a risk is.

- *Risk for reward*

  Remember that the section covers both risk and reward and therefore should not be merely a list of bad things that can happen. Briefly explain why a risk is being taken so investors gain a more balanced understanding.

- *Consider risk as uncertainty*

  Describe only the *uncertainties* which may affect the value of the fund.

  It is not a risk where investors can lose money as a predictable consequence of their own actions, as a function of the way the investment plan or fund works. If such consequences are material, they are better explained in the other sections of the KII where they can be placed into context. For example:

  - Explain the likelihood of capital loss in *Objectives and investment policy,* where a structured UCITS is cashed in early.
  - Explain the deduction of an exit charge, and therefore the possibility of capital loss, in *Charges* if an investor cashes in early.

- *Risks are judged on their impact and probability*

  Go beyond a bald statement of the risk by briefly explaining its implications to the investor. For the information to be helpful, a potential investor will need an idea of your assessment of a risk's materiality. For example: how much of the fund is being exposed to a particular risk, how likely it is that the risk will materialise, and how severe the impact would be if it did. Where relevant, explanations of ways by which a risk is mitigated may help a consumer understand the impact and probability.

- *Effect of guarantees or protections*

  Explain if the risk is modified by a legally enforceable guarantee or a protection. Also explain the implications of cashing in the investment outside of any associated set period.

In analysing the volatility data over the last five years, you will identify which risks are reflected in the synthetic indicator and which are not.

The typical risks that may not be reflected in the synthetic indicator are counterparty, default, liquidity, operational and some of the various emerging market risks.

- Where material (bearing in mind that all UCITS should be liquid enough to enable investments to be cashed in quickly), clearly explain the risk and its potential impact. But giving the risk its technical name may not be helpful to investors. It may be sufficient simply to describe the nature and implications of each risk separated by a bullet or other design device.

- Do not include immaterial risks in the KII, even if there is space for them. The required signpost to the prospectus will allow interested investors to find out full details of all the risks.
- Rather than itemising each risk, it may be appropriate to categorise them by the asset or strategy that gives rise to them; for example, by grouping together the risks arising from bonds or from emerging markets.
- For an umbrella structure with no legal segregation between investment compartments, explain the possible impact on such a sub-fund in the *Practical information* section.

Note that a statement about the impact of tax in the investor's home State belongs in the *Practical information* section, not in the risk and reward profile.

d) Heading – Charges

See Articles 10-13 and 24 of Commission Regulation (EU) No 583/2010.

Charges information is summarised in a mandatory table, with each charge then explained in turn.

One-off charges taken before or after you invest	
Entry charge	[ ]%
Exit charge	[ ]%
This is the maximum that might be taken out of your money [before it is invested] [before the proceeds of your investment are paid out].	
Charges taken from the fund over each year	
Ongoing charge	[ ]%
Charges taken from the fund under specific conditions	
Performance fee	[ ]% a year of any returns the fund achieves above its benchmark, the [name of benchmark].

Explain briefly each of the charges in the table. In doing so note the following:

- State where necessary that detailed charges information is in the prospectus.
- The entry and exit charges are the maximum amounts which could be taken. Refer investors to the financial advisor where it is possible that lower charges may apply to certain investors.
- The entry charge must include any difference between the buying and selling prices.
- If the ongoing charges are taken from capital rather than income and you consider their effect on final returns may be material, explain this in this section rather than as a risk.
- Avoid industry terms such as *subscription, redemption* and *re-purchase*.
- Explain if a charge for a fund switch differs from the normal charge for buying units.
- If no charge is payable under a particular sub-heading (e.g. "Charges taken from the fund under specific conditions") put "none" or "not applicable" in the relevant box beneath that sub-heading.

e) Heading – Past performance

See Articles 15-19 of Commission Regulation (EU) No 583/2010.

This section is not required for structured UCITS funds.

This section includes a bar chart that must be no larger than half of an A4 page and prominent supporting statements. Standards for the fair presentation of the bar chart are given in Annex III of Commission Regulation (EU) No 583/2010.

f) Heading – Practical information

See Article 20 of Commission Regulation (EU) No 583/2010. The extra information required for umbrella structures is given in Article 25, for share classes (where applicable) in Article 27 and for feeder UCITS in Article 34. No other information is permitted but, where it will help an investor, it is good practice to put the information into context.

The mandated statement below emphasises the precision of wording required for the KII and should stimulate a final check on the content.

[Name of investment company or management company] may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus for the fund.