

# Guidance: PRIIP KID for funds

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## General information

### Purpose of the guidance

The Swedish Investment Fund Association (“the Association”) has decided to produce this guidance to facilitate the production of PRIIP key information documents regarding funds. The purpose of the guidance is to assist fund management companies by summarising the current regulatory framework and interpreting it. 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.

The following guidance should be read in conjunction with the PRIIP Regulation<sup>1</sup> and the Delegated Regulation<sup>2</sup> including their relevant annexes and the related guidelines and Q&A from the Joint Committee of the European Supervisory Authorities (“JC Q&A”). Relevant legal provisions are, most importantly 4:16 b lagen (2004:46) om värdepappersfonder and 10:2 a lagen (2013:561) om förvaltare av alternativa investeringsfonder (LAIF). In addition to that, please note regulations FFFS 2013:9 (UCITS) and 2013:10 (AIF) from Finansinspektionen.

Also note that the guidance may be amended if ESMA/the Swedish Financial Supervisory Authority communicates further guidance in this area.

### Background

Under the PRIIPs Regulation, key information documents for packaged and insurance-based retail investment products, known as PRIIPs, must be produced. Funds are covered under the Regulation but were originally granted a derogation from producing PRIIP key information documents, since funds provide key investor information documents. The derogation expired on 31 December 2022, which means that funds will have to provide PRIIP key information documents as from 1 January 2023. The evaluation of the regulatory framework which the Regulation stipulates should take place before the expiry of the derogation for funds has not been carried out. Instead, a review is expected later in the context of the “EU Strategy for retail investors”.

The UCITS Directive requirement that funds produce a key investor information document remains in place (Articles 78-82 and 94). However, a supplement to the UCITS Directive states that it does not apply to funds that produce a PRIIP key

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<sup>1</sup> Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs).

<sup>2</sup> Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents.

information document. The recitals of the amending Directive state that it should be ensured that consumers do not receive both a PRIIP key information document and a UCITS key investor information document (recital 7 of amending Directive 2021/2261). The intention is therefore that retail investors should only receive the PRIIP key information document. In the case of professional investors, the PRIIPs Regulation does not apply. In relation to these investors, the requirement of a key investor information document for the fund still applies. However, the supplement to the UCITS Directive means that the fund management company may choose to produce a PRIIP key information document instead of a UCITS key investor information document (Article 82a of the UCITS Directive and the reasons given above).

## The Swedish regulation

To avoid retail investors to receive two different KIDs for the same financial product, and to make sure that companies do not have to produce two different KIDs for the same financial product, a new article (82 a) has been added to the UCITS directive. This new article was introduced in Swedish law through a new article (16 b) in chapter 4 of lagen (2004:46) om värdepappersfonder (LVF). The new article states that a KID is considered to fulfil the requirements in LVF if it is produced, provided, revised and translated according to the new demands in the Priip regulation. Consequently, the UCITS rules have been revised.

In lagen (2013:561) om förvaltare av alternativa investeringsfonder (LAIF) there are rules on KIDs for special funds and other alternative investment funds. These rules do not transpose any EU legislation, but the Priip Regulation could still imply that a KID would have to be produced according to two different sets of rules for the same fund. Therefore, a new rule, article 2 a of chapter 10 LAIF, has been added which states that a KID is considered to fulfil the requirements in LAIF if it is produced, provided, revised and is translated according to the Priip Regulation. This article corresponds to the changes for the UCITS in LVF. In addition, changes in article 8 of chapter 12 LAIF is made which states that a KID is also to be produced for special funds marketed to professional investors. The changes also state that this KID should either comply with the existing rules or be produced, provided, revised and translated according to the Priip regulation. Consequently, the rules have been revised.

## Comparison with the UCITS KIID

It is important to note that the PRIIP key information document differs from the fund key investor information document. The PRIIP key information document is designed to enable comparisons between different products, not just between funds. This means that the benefits of the regulatory scheme in terms of comparability come at the expense of detail. It is therefore important that when preparing PRIIP key information documents, the fund management companies bear in mind that it will not be possible to include the same level of detail as in the fund key investor information document and that, in some cases, it is not even desirable since too much detail may even complicate comparisons with other PRIIPs.

Moreover, the Association does not consider it possible to replace expressions in the regulated standardised texts with fund terminology that is more familiar to Swedish fund investors. Although this would facilitate readability/understanding, it should be borne in mind that it must also enable comparison with products other than funds.

## Drawing up and provision of the PRIIP KID

Article 5 of the PRIIPs Regulation provides that before the product is made available to a retail investor, the PRIIP manufacturer must draw up a key information document and publish it on its website.

A person advising on, or selling, the product must provide investors with the key information document in good time before the contract/offer becomes binding (Art. 13(1))<sup>3</sup>.

In respect of successive transactions regarding the same product, the obligation only applies to the first transaction, if instructions to this effect have been given by the investor to the person selling the product (Art. 13(4)).

The key information document is to be provided free of charge. It must be on paper if the product is offered on a face-to-face basis (unless otherwise requested). Another durable medium or a website may be used as per the conditions set out in the Regulation Articles 14(4) - 14(6) which specify, *inter alia*, that such use must be appropriate (the investor must have access to the Internet) and that the investor has been given the choice of paper.

## Review/revision of the PRIIP KID

Under Article 15 of the Delegated Regulation, a review of the information should be carried out whenever there is a change that significantly affects or is likely to significantly affect the information, or at least every twelve months following the date of the initial publication of the key information document. For purposes of this section, relevant examples of when a change is likely to have significant impact could include, among others, when the fund changes its investment focus.

If the revision results in the need to make changes, Article 16 of the Delegated Regulation requires such changes to be published without undue delay. Articles 22-23 of the Key Investor Information Regulation (583/2010/EU) set out similar rules for key investor information documents for funds. According to Article 23(3) of the Key Investor Information Regulation, following the annual review, an updated version of the key investor information document must be made available no later than 35 days after 31 December each year. There is no corresponding provision for PRIIP key information documents.

Requirements regarding monitoring of changes are set forth in the following sections

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<sup>3</sup> Derogations are set out in Article 13(3) of the Regulation.

below: risk (1.4); performance scenarios (1.5); costs (1.7); and review and modification (1.11).

## Marketing materials

The PRIIPs Regulation requires the key information document to be a stand-alone document, clearly separate from marketing materials, and it may not contain cross-references to marketing material (Art. 6(2)).

Under the PRIIPs Regulation, marketing materials that contain specific information relating to the PRIIP may not include any statement that contradicts the information contained in the key information document or diminishes its significance (Art. 9). The marketing materials must indicate that a key information document is available and supply information on how and from where to obtain it, including the PRIIP manufacturer's website.

# 1. Content and presentation of the KID

## 1.1. Template

Under Article 9 of the Delegated Regulation, PRIIP manufacturers must present the key information document by means of the template laid down in Annex I and complete the template in accordance with the requirements set out in the Delegated Regulation and the Regulation.

Template:

Faktablad	
<b>Syfte</b>	
<p>Detta faktablad ger dig basfakta om denna investeringsprodukt. Det är inte reklammaterial. Informationen krävs enligt lag för att hjälpa dig att förstå produktens egenskaper, risker, kostnader, möjliga vinster och för att hjälpa dig att jämföra den med andra produkter.</p>	
<b>Produkt</b>	
<p><b>[Produktens namn]</b>  <b>[Priip-produktutvecklarens namn]</b> <i>(i förekommande fall)</i>            [ISIN-nr eller UPI-kod] [Priip-produktutvecklarens webbplats]            [Ring [telefonnummer] för mer information]            [[Den behöriga myndighetens namn] är ansvarig för tillsynen av [Priip-produktutvecklarens namn] vad gäller detta faktablad]  <i>(i förekommande fall)</i> [Denna Priip-produkt är auktoriserad i [medlemsstatens namn]]  <i>(i förekommande fall)</i> [[Namn på förvaltningsbolag för fondföretag] är auktoriserat i [medlemsstatens namn] och regleras av [den behöriga myndighetens namn]]  <i>(i förekommande fall)</i> [[Namn på AIF-förvaltare] är auktoriserad i [medlemsstatens namn] och regleras av [den behöriga myndighetens namn]]            [faktabladets utfärdandedatum]</p>	
<p>[Varning (i förekommande fall)] <b>Du står i begrepp att köpa en produkt som inte är enkel och som kan vara svår att förstå</b></p>	
<b>Vad innebär produkten?</b>	
<p><b>Typ Löptid</b>  <b>Mål</b>  <b>Målgrupp</b></p>	
<b>Vilka är riskerna och vad kan jag få för avkastning?</b>	
<b>Riskindikator</b>	<p>Beskrivning av risk- och avkastningsprofil            Sammanfattande riskindikator            Mall för den sammanfattande riskindikatorn och beskrivande förklaringar enligt bilaga III, inbegripet om möjlig maximal förlust: Kan jag förlora hela mitt investerade kapital? Finns det en risk för tillkommande finansiella åtaganden eller skyldigheter? Finns det ett kapital-skydd mot marknadsrisk?</p>

### Resultatscenarier

Mall för och beskrivande förklaring av resultatscenarier enligt bilaga V  
Scenarier Scenarier, inbegripet, i tillämpliga fall, information om villkoren för avkastning till icke-professionella investerare eller inbyggda resultattak samt en förklaring om att skattelagstiftningen i den icke-professionella investerarens hemmedlemsstat kan inverka på den faktiska utbetalningen.

### Vad händer om [namnet på Priip-produktutvecklaren] inte kan göra några utbetalningar?

Information om huruvida det finns garantiordning, namnet på garanten eller den som ansvarar för kompensationsordningen för investerare, samt vilka risker som täcks och inte täcks

### Vilka är kostnaderna?

Beskrivande förklaringar av den information som ska ingå om övriga distributionskostnader

#### Kostnader över tid

Mall och beskrivning enligt bilaga VII

#### Kostnadssammansättning

Mall och beskrivning enligt bilaga VII

### Hur länge bör jag behålla investeringsprodukten och kan jag ta ut pengar i förtid?

Rekommenderad [kortast tillättna] innehavstid: [x]

Information om möjligheten till och villkor för en minskning eller avveckling under löptiden, inklusive alla tillämpliga avgifter och sanktioner. Information om konsekvenserna av att lösa in produkten mot pengar före löptidens slut eller den rekommenderade innehavstidens slut.

### Hur kan jag klaga?

### Övrig relevant information

I tillämpliga fall en kort beskrivning av information som offentliggjorts om tidigare resultat.

## Form of the key information document

Article 6 of the PRIIPs Regulation requires that the key information document be short and concise on a maximum of three sides of A4-sized paper, focusing on the key information needed by retail investors and promoting comparability. It must be easy to read with characters of readable size, clearly expressed, and use language that is clear, succinct and comprehensible. Corporate branding/logo may be used if it does



not distract or obscure the text. If colours are used, they must not diminish the comprehensibility of the information if it is printed in black and white. The Association interprets this as meaning that one may use colours other than those in the template.

Article 7 of the PRIIPs Regulation prescribes that the key information document must be provided in a language that is an official language in the country where it is distributed or which is accepted by the competent authority in that country. There is no provision in Swedish law for the acceptance of any language other than Sweden's official language. The starting point should therefore be that key information documents for funds distributed in Sweden must be written in Swedish. This applies irrespective of the country of registration of the fund.

The title "Key Information Document" must appear prominently at the top of the first page. Directly below the title, under the heading "Purpose", the following explanation must be provided: "This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products."

The information in the key information document must be presented in the sequence set out in Article 8(2) and 8(3) of the Regulation, see also the template above.

## 1.2. General information section

### What is stated in the Delegated Regulation?

#### *Article 1*

#### **General information section**

*The section in the key information document that relates to the identity of the PRIIP manufacturer and its competent authority shall contain all of the following information:*

- (a) the name of the PRIIP assigned by the PRIIP manufacturer and, where present, the PRIIP's International Securities Identification Number or Unique Product Identifier;*
- (b) the legal name of the PRIIP manufacturer;*
- (c) the PRIIP manufacturer's specific website address providing retail investors with information on how to get in contact with the PRIIP manufacturer, and a telephone number;*
- (d) the name of the competent authority responsible for the supervision of the PRIIP manufacturer in relation to the key information document;*

*(e) the date of production or, where the key information document has been subsequently revised, the date of the latest revision of the key information document.*

*(f) where applicable, in cases where the PRIIP manufacturer forms part of a group of companies for legal, administrative or marketing purposes, the name of that group;*

*(g) where the PRIIP takes the form of an Undertaking for Collective Investment in Transferable Securities (UCITS) or an Alternative Investment Fund (AIF), the identification of the UCITS or AIF including the share class or investment compartment thereof, stated prominently. In the case of an investment compartment or share class, the name of the UCITS or AIF shall follow the compartment or share class name. Where a code number identifying the UCITS or AIF, investment compartment or share class exists, it shall form part of the identification of the UCITS or AIF;*

*(h) authorisation details, where applicable. Where the PRIIP takes the form of a UCITS or AIF and in cases where a UCITS is managed by a management company as defined in Article 2(1), point (b) of Directive 2009/65/EC or where it is an investment company as referred to in Article 27 of the Directive (collectively UCITS management company) which is exercising in respect of that UCITS rights under Article 16 that Directive, or in cases where an AIF is managed by an alternative investment fund manager (AIFM) which is exercising in respect of that AIF rights under Articles 31, 32 and 33 of Directive 2011/61/EU, an additional statement in respect of that fact shall be included.*

*Information in the section referred to in the first subparagraph shall also include the comprehension alert referred to in Article 8(3)(b) of Regulation (EU) No 1286/2014 where the PRIIP meets one of the following conditions:*

*(a) it is an insurance-based investment product which does not meet the requirements laid down in Article 30(3)(a) of Directive (EU) 2016/97 of the European Parliament and of the Council (7);*

*(b) it is a PRIIP which does not meet the requirements laid down in points (i)-(vi) of Article 25(4)(a) of Directive 2014/65/EU of the European Parliament and of the Council.*

In the general information section, under the heading "Product", the name and ISIN number of the fund must be indicated. If the fund has more than one share class, the information provided must make it possible to identify the share class or classes to which the key information document relates. In addition, the name, telephone number and website of the fund management company must be provided.

The competent authority should be indicated as follows (here using Finansinspektionen as an example):

"Finansinspektionen is responsible for supervising [Name of PRIIP Manufacturer] in relation to this Key Information Document[.]"

Where applicable, the name of the corporate group must be indicated.

According to (h), authorisation details must be provided where applicable. In the Association's opinion, the import of this is unclear but the template provides some guidance:

where applicable: [This PRIIP is authorised in [name of Member State]]

where applicable: [[Name of UCITS management company] is authorised in [name of Member State] and regulated by [identity of the competent authority]]

where applicable: [[Name of AIFM] is authorised in [name of Member State] and regulated by [identity of competent authority]]

It is likely that "where applicable" is used since not all PRIIPs are authorised, which would imply that the place where the fund or fund company is authorised must be stated.

According to (i), if the fund is managed by a UCITS management company/AIFM, an additional statement in respect of that fact must be included. This is somewhat difficult to interpret, and probably needs a sentence such as: "ABC Aktiefond Global is managed by ABC Fonder AB".

The date on which the key information document was produced or, if any change has been made, the date of the most recent change, must be stated. The template shows that only one date is to be indicated, [date of production of the key information document], no other text needs to be stated. However, the Association believes that it would be easier to understand if the date were made clearer, for example "The Key Information Document was produced on [date]." or "The Key Information Document was last updated on [date]."

## Warning

Article 8(3)(b) of the PRIIPs Regulation provides, where applicable, for a warning text with the following wording: "You are about to purchase a product that is not simple and may be difficult to understand."

Under Article 1, second paragraph, point (b) of the Delegated Regulation, a warning must be included if the PRIIP in question does not meet the requirements laid down in Article 25(4)(i) to (vi) of MiFID II.

Article 25(4)(iv) of MiFID II lists shares or units in UCITS, excluding structured UCITS. This means that no warning should be included for UCITS. Point (vi) of the same Article states that other non-complex financial instruments may also be included in the list. However, this requires that the instrument be evaluated in accordance with Article 57 of one of the MiFID II Delegated Regulations<sup>4</sup>. Special funds and other AIFs must therefore be evaluated in order to be classified as non-complex and thus not include a warning. According to the preparatory works for the transposition of MiFID, special purpose funds can be considered as non-complex financial instruments if they meet the criteria listed in Article 38 of the Implementing Directive, 2006/73/EC.<sup>5</sup>

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<sup>4</sup> Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms, and definitions for the purposes of that Directive.

<sup>5</sup> Govt. Bill 2006/07:115 p. 587

### 1.3. 'What is this product?' section

#### What is stated in the Delegated Regulation?

##### *Article 2*

*1. Information relating to the type of the PRIIP in the section entitled 'What is this product?' of the key information document shall describe its legal form.*

*2. Information stating the objectives of the PRIIP and the means for achieving those objectives in the section entitled 'What is this product?' of the key information document shall be summarised in a brief, clear and easily understandable manner. That information shall identify the main factors upon which return depends, the underlying investment assets or reference values, and how the return is determined, as well as the relationship between the PRIIP's return and that of the underlying investment assets or reference values. That information shall reflect the relationship between the recommended holding period and the risk and reward profile of the PRIIP.*

*2a. Where the PRIIP takes the form of a UCITS or an AIF, the information in the section entitled 'What is this product' of the key information document shall cover those essential features of a UCITS or AIF about which a retail investor shall be informed, even where those features do not form part of the description of objectives and investment policy in the prospectus of a UCITS as referred to in Article 68 of Directive 2009/65/EC or the description of the investment strategy and objectives of the AIF referred to in Article 23(1), point (a), of Directive 2011/61/EU, including:*

*(a) the main categories of eligible financial instruments that are the object of investment;*

*(b) the possibility that the retail investor may redeem units of UCITS or AIF on demand, qualifying that statement with an indication as to the frequency of dealing in units, or where applicable a statement that there is not the possibility to redeem units on demand;*

*(c) whether the UCITS or AIF has a particular target in relation to any industrial, geographic or other market sectors or specific classes of assets;*

*(d) whether the UCITS or AIF 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) of the first subparagraph, 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 or AIF has an index tracking objective, this shall be stated.

2b. The information referred to in paragraph 2a shall include the following information, where relevant:

(a) where the UCITS or AIF 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 or AIF is a structured investment 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 of the UCITS or the description of the investment strategy and objectives of the AIF;

(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 or AIF.

2c. The information referred to in paragraphs 2a and 2b shall distinguish between the broad categories of investments as specified in paragraph 2a, points (a) and (c), and paragraph 2b, point (a), and the approach to those investments to be adopted by a UCITS management company or an AIFM as specified in paragraph 2a, point (d) and paragraph 2b, points (b), (c) and (d).

The section entitled 'What is this product?' of the key information document may contain other elements than those listed in paragraphs 2a and 2b, including the description of the UCITS or AIF's investment strategy, where those elements are necessary to adequately describe the objectives and investment policy of the UCITS or AIF.”;

Where the number of assets or reference values referred to in the first subparagraph is such that specific references to all of them cannot be provided within a key information document, only the market segments or instrument types in respect of the underlying investment assets or reference values shall be identified.

3. The description of the type of retail investor to whom the PRIIP is intended to be marketed in the section entitled 'What is this product?' of the key information document shall include information on the target retail investors identified by the PRIIP manufacturer, in particular depending on the needs, characteristics and objectives of the type of client for whom the PRIIPs is compatible. This determination shall be based upon the ability of retail investors to bear investment loss and their investment horizon preferences, their theoretical knowledge of, and past experience

*with PRIIPs, the financial markets as well as the needs, characteristics and objectives of potential end clients.*

*4. (Concerns insurance benefits and is therefore not included here.)*

*5. The information relating to the term of the PRIIP in the section entitled 'What is this product?' of the key information document shall include all of the following:*

*(a) the maturity date of the PRIIP or an indication that there is no maturity date;*

*(b) an indication of whether the PRIIP manufacturer is entitled to terminate the PRIIP unilaterally;*

*(c) a description of the circumstances under which the PRIIP can be automatically terminated, and the termination dates, if known.*

*6. Where the PRIIP takes the form of a UCITS or an AIF, the identification and explanation of risks referred to in Annexes II and III shall be consistent with the internal process for identifying, measuring, managing and monitoring risk adopted by the UCITS' management company in accordance with Directive 2009/65/EC or AIFMs in accordance with Directive 2011/61/EU. Where a management company manages more than one UCITS or where an AIFM manages more than one AIF, the risks shall be identified and explained in a consistent manner.*

*7. Where the PRIIP takes the form of a UCITS or an AIF, the section entitled 'What is this product?' of the key information document shall contain the following information for every Member State in which the UCITS or AIF is marketed:*

*(a) the name of the depositary;*

*(b) where and how to obtain further information about the UCITS or AIF, copies of the UCITS' prospectus or copies of the description of the investment strategy and objectives of the AIF, the latest annual report and any subsequent half-yearly report of the UCITS as referred to in Article 68(1), points (b) and (c), of Directive 2009/65/EC, or the latest annual report of the AIF as referred to in Article 22 of Directive 2011/61/EU, 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.*

## **Legal form**

The PRIIP must indicate the type of product and its legal form. The Association interprets this to mean that in respect of funds, one must specify whether it is a UCITS or a special fund<sup>6</sup>.

### **Investment targets and how they will be achieved**

Article 8(3)(c)(ii) of the PRIIPs Regulation states that the information must include a statement of the fund's "objectives and the means for achieving them". It must also include a description of the main factors on which returns depend, underlying assets or reference values, and how the return is determined. In addition, the relationship between the fund's return and the return on underlying assets or reference values must be described, as well as how the recommended holding period relates to the risk and return profile.

In order to comply with the information requirement regarding "how the return is determined" and "the relationship between the PRIIP's return and that of the underlying investment assets" under Article 2(2) of the Delegated Regulation, additional information is needed in comparison the UCITS key investor information document, even though the performance of the holding and the performance of the fund usually have a "1 to 1" relationship.

In addition, the information must reflect the relationship between holding period and risk/return profile. It is likely that the wording refers primarily to structured products where the holding period is crucial. For funds, the risk/return profile is, moreover, less dependent on the recommended holding period.

Example of wording: "The Fund's return is determined by the increase or decrease in value of the [holdings] in which the Fund invests during the holding period." For example, for equity funds: "The fund's return is determined by the increase or decrease in value of the shares in which the fund invests during the holding period."

Article 2(2)(a) - 2(2)(c) is worded in the same way as Article 7 of the Key Investor Information Regulation and states that the information shall include the "essential features" of the fund: The main categories of assets fund invests in, investment focus (geographic area, sector), whether the fund follows an index or is actively managed (+ "where a reference to a benchmark is implied, the degree of freedom available in relation to this benchmark shall be indicated"), management approach, if any (e.g. growth, value, high dividends), if the fund uses "specific asset management techniques" and, for fixed income funds, which type/sector of issuer issued the securities. Other descriptions may also be included provided they are necessary to describe the fund's "objectives and investment policy".

The redemption possibilities and the trading frequency of the fund units, as well as "whether dividend income is distributed or reinvested" must also be indicated.

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<sup>6</sup> Regarding ESA Supervisory Statement on expectations regarding the "What is this product?" section (p.3.1-3.5) it is the Association's opinion that the statement applies to complex products (and the information required is to be found in other parts of the KID).

## Target retail investors

The PRIIP document must contain information regarding intended retail investors identified by the PRIIP manufacturer as the target group for the financial product.

As regards terminology, Article 14 of the Delegated Regulation uses the term "intended target market". Article 2(3) of the that Regulation uses the terms "type of retail investor" and "target retail investors". The "template", Annex I, states that the heading should be: "intended retail investor", so this heading should probably be used in the fund's PRIIP information. It is thus presumed that "intended retail investor" may be used.

According to Article 2(3), information on the intended retail investor to which the PRIIP is intended to be marketed must be drafted with particular regard to the client's:

- ability to bear investment losses;
- investment horizon;
- theoretical knowledge of PRIIPs and the financial markets;
- previous experience with PRIIPs and the financial markets;
- needs;
- characteristics; and
- objectives.

The client's ability to bear investment losses means that, for fund products, the investor must understand that there is no guarantee that the entire amount invested will be repaid. Wording indicating that the client may lose part or all of the amount deposited may be used. Corresponding wording must be included in all fund marketing.<sup>7</sup>

To describe the client's investment horizon, wording similar to that used in the UCITS key investor information document should be used. The corresponding minimum periods set out for different types of funds in the Association's Guidance for Key Investor Information Document should be applicable:

- *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.

UCITS must be open to the public and thus be able to be sold to anyone. Therefore, the information regarding the applicable target group should indicate that the product may be suitable for investors with different levels of prior knowledge and experience

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<sup>7</sup> See Guidelines for marketing and information by fund management companies.



and does not require prior knowledge or experience of the savings product or financial markets.

The needs, characteristics and objectives of the prospective investor for an investment in the fund can be described as an investment aimed at saving over the recommended investment horizon. The UCITS Directive aims to create a simple, harmonised, savings product that can be sold to consumers across the EU and the regulatory framework governing the product therefore ensures a high level of consumer protection, including through requirements regarding the fund's assets, risk diversification, and appropriate disclosure of information. Consequently, the target group of end clients for a UCITS should be regarded as the broad consumer market, but professional and eligible counterparties could, of course, also be anticipated users of the product.

Proposed wording regarding target group:

*This fund may be suitable for investors who plan to hold their investment for at least [period of time] and who understand that the money invested in the fund may both increase and decrease in value and that it is not certain that the entire capital invested can be returned. Investing in the Fund does not require any specific prior knowledge or experience of UCITS or financial markets.*

### **Maturity (points 5a-b)**

In respect of funds, it should be specified that they do not have a maturity date. Regarding the requirement to indicate whether the PRIIP manufacturer is entitled to terminate the PRIIP unilaterally, it may be considered appropriate to indicate this with a reference to the prospectus, since the complete wordings are often extensive and therefore not appropriate here.

### **Identification and explanation of risks (point 6)**

Similar rules exist in today's UCITS key investor information document, albeit under the risk section. At the same time, the Association does not believe that the wording requires any information in this particular section.

### **Other information (point 7)**

The name of the depositary must be stated.

It must indicate where and how the following documents can be found, in which language(s) they are available, and that they may be obtained free of charge: Prospectus, Annual Report and Half-Yearly Report.

It should indicate where and how other practical information may be obtained, including the latest NAV price.

#### 1.4. 'What are the risks and what could I get in return?' section - Risk

##### What is stated in the Delegated Regulation?

*Article 3 (concerning risk):*

1. In the section entitled 'What are the risks and what could I get in return?' of the key information document, PRIIP manufacturers shall apply the methodology for the presentation of risk as set out in Annex II, include the technical aspects for the presentation of the summary risk indicator as set out in Annex III and comply with the technical guidance, the formats and the methodology for the presentation of performance scenarios, as set out in Annexes IV and V.

2. In the section entitled 'What are the risks and what could I get in return?' of the key information document, PRIIP manufacturers shall include the following:

(a) the level of risk of the PRIIP in the form of a risk class by using a summary risk indicator having a numerical scale from 1 to 7;

(b) an explicit reference to any illiquid PRIIP or PRIIP with materially relevant liquidity risk, as defined in Part 4 of Annex II, in the form of a warning to this effect in the presentation of the summary risk indicator;

(c) a narrative below the summary risk indicator explaining that if a PRIIP is denominated in a currency other than the official currency of the Member State where the PRIIP is being marketed, the return, when expressed in the official currency of the Member State where the PRIIP is being marketed, may change depending on currency fluctuations;

(d) a brief description of the PRIIP's risk and reward profile and a warning to the effect that the risk of the PRIIP may be significantly higher than the one represented in the summary risk indicator where the PRIIP is not held to maturity or for the recommended holding period, where appropriate;

(e) for PRIIPs with contractually agreed-upon early exit penalties or long disinvestment notice periods, a reference to the relevant underlying conditions in the section 'How long should I hold it and can I take money out early?';

(f) an indication of the possible maximum loss, and information that the investment may be lost if it is not protected or where the PRIIP manufacturer is unable to pay out, or that necessary additional investment payments to the initial investment may be required and that the total loss may significantly exceed the total initial investment.

Article 3(2)(d) of the Delegated Regulation requires the inclusion of a brief description of the PRIIP's risk and return profile, but no guidance is given in the annexes as to

what information is to be given. The Association's opinion is that the prescribed texts in Annex III and IV meet this requirement.

## Market risk assessment (Annex II, Part 1)

### *Overall rules for calculating market risk*

Market risk shall be measured as annualised volatility, calculated as VaR with a confidence interval of 97.5% over the recommended holding period (unless otherwise stated). The result (VaR-equivalent volatility) gives the MRM class according to the following table (note that the high limits set for higher classes will likely entail that equity funds will be placed in a lower risk class compared to the current SRR I presentation in the fund key investor information document):

<b>MRM class</b>	<b>VaR-equivalent volatility (VEV)</b>
1	< 0.5%
2	≥ 0.5% and < 5.0%
3	≥ 5.0% and < 12%
4	≥ 12% and < 20%
5	≥ 20% and < 30%
6	≥ 30% and < 80%
7	≥ 80%

### *Classification of the product (Categories 1-4)*

The methodology to be used by the fund to calculate market risk depends on the category into which the fund falls. There may be funds that fall into Category 1, for example an ELTIF, as well as funds that are priced on a less regular basis than monthly, and also funds that fall into Category 3, such as funds that invest largely in assets that do not provide a return at a constant multiple.

However, most UCITS and special funds fall into Category 2 (point 5) - "offer non-leveraged exposure to the prices of underlying investments" (or a leveraged exposure to underlying investments that pays a constant multiple) and have at least 2 years of historical returns or have an appropriate benchmark or proxy that can serve as an estimate of the fund's returns<sup>8</sup>. Funds with instruments entailing multiple leverage to underlying investments are also considered to fall within this definition, as long as the exposure to underlying investments is linear. If there are holdings that provide a non-linear exposure to underlying investments, Category 3<sup>9</sup> should be considered, taking

<sup>8</sup> Where benchmarks/proxies are used, they must be representative of the fund and their use must be documented.

<sup>9</sup> Category 3 funds calculate the MRM class according to points 16-24 of Annex II.

into account however the percentage of the fund that these investments represent. Category 2 calculates Market Risk Measures (MRM) as follows:

*Determination of MRM class for PRIIPs in Category 2 (points 9-15)*

It is the Association's opinion that "daily" (p.9) refers to NAV-days.

The (annualised) VaR equivalent volatility determines the MRM class of the fund and is calculated on daily logarithmic returns over the past 5 years. If history is not available, a relevant market index can be used. If 5 years of data are not available, a shorter period can be used (however it must be at least 2 years<sup>10</sup>).

$$VEV = \{\sqrt{(3,842 - 2 * VaR_{RETURNSPACE}) - 1,96}\} / \sqrt{T}$$

(T = the recommended holding period in years)

$$VaR_{RETURNSPACE} = \sigma \sqrt{N} * (-1,96 + 0,474 * \mu_1 / \sqrt{N} - 0,0687 * \mu_2 / N + 0,146 * \mu_2 / N) - 0,5 \sigma^2 N$$

where

N is the number of trading periods in the recommended holding period.

$\sigma$ ,  $\mu_1$ ,  $\mu_2$  are respectively the volatility, skew and excess kurtosis measured from the return distribution. The volatility, skew and excess kurtosis are calculated from the measured moments of the distribution of returns in accordance with the following:

- the zero moment,  $M_0$ , is the count of the number of observations in the period as under point 10
- the first moment,  $M_1$ , is the mean of all the observed returns in the sample
- the second  $M_2$ , third  $M_3$  and fourth  $M_4$  moments are defined in the standard manner:

$$M_2 = \sum (r_i - M_1)^2 / M_0,$$

$$M_3 = \sum (r_i - M_1)^3 / M_0,$$

$$M_4 = \sum (r_i - M_1)^4 / M_0,$$

where  $r_i$  is the return measured on the  $i^{\text{th}}$  period in the history of returns.

the volatility,  $\sigma$ , is given by  $\sqrt{M_2}$ .

the skew,  $\mu_1$ , is equal to  $M_3 / \sigma^3$ .

the excess kurtosis,  $\mu_2$ , is equal to  $M_4 / \sigma^4 - 3$ .

*PRIIP with specific return targets (point 14)*

A separate calculation model is to be used for products aiming to achieve reward objectives through flexible investment in different asset classes. The wording is consistent with CESR guidelines on SRRI for UCITS funds classified as "total return

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<sup>10</sup> Applies to funds traded on a daily basis. For weekly and monthly trading, 4 and 5 years respectively.

funds". Fund management companies should be able to use the same considerations in this calculation (funds with specific reward objectives) as are used for the classification of funds in the UCITS key investor information document (total return funds).

*PRIIP with monthly price data*

According to point 15, PRIIP having only monthly price data should increase the MRM class by one additional class.

**Credit risk (Annex II, Part 2)**

Annex II, Part 2 begins with general requirements, including points 34-35 which state that a PRIIP must calculate credit risk for underlying assets (if the exposure to an underlying asset is >10%). It continues with a credit risk assessment of the PRIIP (and/or its underlying assets), which is allocated to an objective scale of credit quality steps. The credit quality step is then converted into a credit risk measure according to the table in point 45.

In theory, a fund should do the above, but according to point 44, mitigating factors for credit risk must also be applied, for example point 46, which states that a PRIIP can be assigned credit risk measure 1 if points 46(a)-(c) are satisfied.

A PRIIP may be assigned credit risk measure 1 in accordance with point 46 if the assets of the fund are:

- a) at all times until maturity equivalent to the payment obligations of the PRIIP to its investors;
- (b) held with a third party on a segregated account under equivalent terms and conditions as those laid down in the UCITS Directive or the AIFM Directive; and
- (c) not, under any circumstances, accessible to any other creditors of the manufacturer under applicable law.

The criteria are met by UCITS and special funds, which are therefore assigned a credit risk measure of 1 and do not, in practice, need to calculate credit risk measures in accordance with points 37-43.

According to JC Q&A<sup>11</sup>, there may be cases where UCITS funds are assigned a CRM class other than 1. Examples of when this could occur are where there is exposure to non-exchange traded derivatives, OTC derivatives which are not cleared, and other techniques for efficient portfolio management where these are not sufficiently collateralised and account for ten percent or more of the fund's assets.

**Aggregation of market and credit risk into the summary risk indicator (Annex II, Part 3)**

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<sup>11</sup> Methodology for assessing credit risk, Question 7.

In the vast majority of cases, the MRM class (market risk) is the sole risk indicator for funds, e.g. a fund with MRM class 5 will have an overall risk indicator of 5.

According to point 52.a, if the PRIIP manufacturer considers that the calculated risk indicator does not adequately reflect the risks of the PRIIP, it may decide to increase the indicator. The decision-making process for such an increase must be documented. This can be problematic: one "may" but does not have to, which can create a problem in terms of comparability. It is the opinion of the Association that it is not appropriate to increase the calculated risk indicator other than in absolute exceptional cases.

## **Review**

Under Article 15, the information should be reviewed when there is a change that significantly affects the information, and at least every twelve months following the date of the initial publication. The Article specifies (point 2.b) that a review shall be carried out when the credit risk and/or market risk has changed to such an extent that the SRI risk class changes. In addition, Annex II, point 53 states that the fund management company must monitor the calculations and, if the MRM class<sup>12</sup> changes, the fund management company shall allocate the fund to the MRM class in which the fund has matched for majority of the "reference points" over the preceding four months.

According to point 55, the MRM class must always be reviewed if the fund changes its policy/strategy. A complete calculation must then be made in accordance with the new conditions (i.e. no "inertia" as per point 53 may be taken into account).

## **Liquidity risk (Annex II, Part 4)**

Point 56 sets out criteria for a PRIIP to be considered as having a materially relevant liquidity risk. If the product is deemed to have it, the following text must be included: "You may not be able to sell your product easily or you may have to sell at a price that significantly impacts how much you get back."

The Association has made the determination that points 56.a and 56.c do not apply to a fund because the fund management company offers regular trading in fund units. Point 56(b) ("where the average liquidity profile of the underlying investments is significantly lower") probably also does not apply to funds, but should be taken into account where, for example, daily traded funds invest a large percentage in funds that are traded more infrequently.

Point 57 sets out criteria for a PRIIP to be considered illiquid. If the product is deemed to be illiquid, the following text must be included: "You may not be able cash in early." In the alternative - "You may have to pay significant extra costs to cash in early."

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<sup>12</sup> Point 54 describes changes in CRM class.

The Association believes that points 57.a-c do not apply to funds because:  
a) the fund management company offers continuous trading of fund units;  
b, c) Funds offer redemption and, in the case of early redemption, there are no significant restrictive terms and conditions, including significant penalties.

Point 58 states that a PRIIP is to be considered liquid in all other cases, which may therefore be considered to apply to the absolute majority of funds.

### Presentation of the summary risk indicator (Annex III)

#### Summary risk indicator

#### Presentation format

The risk level of the fund is expressed as the fund's summary risk indicator on a scale of 1-7 and the format must be as follows:



1
2
3
4
5
6
7

< ----- >

<p><b>Lägre risk</b></p> 	<p><b>Högre risk</b></p>
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Riskindikatorn utgår från att du behåller produkten [fram till den/ i x år (om det inte finns någon angiven förfallodag)]  
(I förekommande fall i enlighet med punkt 3 a i denna bilaga)  
Den faktiska risken kan variera avsevärt om du löser in investeringen i förtid och kan innebära att du får mindre tillbaka.  
(Om den anses illikvid i enlighet med punkt 3 b i denna bilaga ska en eller båda av följande beskrivande förklaringar användas beroende på omständigheterna):  
Det kan hända att du [inte får/kan] lösa in investeringen i förtid.  
Du [kommer att/kan] behöva betala betydande extra kostnader för förtida inlösen.  
(Om den anses ha en väsentlig likviditetsrisk i enlighet med punkt 3 b i denna bilaga) Du kan kanske inte enkelt sälja [säga upp] din produkt, eller så kan du tvingas sälja [säga upp] den till ett pris som inverkar betydligt på hur mycket du får tillbaka.

### Completion guidance/Explanatory texts

#### Warning triangle

Nothing in the regulation states whether the warning triangle is conditional to any specific characteristic of the product. It is the interpretation of the Association that the triangle is a part of the template and therefore mandatory.

### *Recommended holding period*

According to point 3, the following text is mandatory and is to be placed immediately after the risk scale: "The risk indicator assumes that you keep the product [until date / for x years (where there is no exact maturity date)]".

For funds, this is the number of years, i.e. the recommended holding period for the fund.

The above information must be followed by a warning in the following cases:

- *If a different (shorter) holding period entails significantly higher risk*  
According to point 3.a and the template above, the following text must be included if a different holding period entails a significantly higher risk: "The actual risk can vary significantly if you cash in at an early stage and you may get back less.". The text is somewhat difficult to interpret as point 3.a uses "different" while the warning text uses "early". The text seems to be adapted for early exit of, for example, structured products.
- *If there is a materially relevant liquidity risk/the PRIIP is illiquid*  
The texts in the template above relate to liquidity risk and refer to point 3 b-c of this annex. The terms used are, in turn, defined in Annex II, points 56-57. See the section on "Liquidity risk" above in the guidance regarding when a PRIIP is to be considered to have a materially relevant liquidity risk /to be considered illiquid.

### **Descriptive explanation**

#### *Purpose of the summary risk indicator and underlying risks*

According to point 2, the explanatory text following the summary risk indicator must briefly explain the purpose of the summary risk indicator and the underlying risks.

The text in "Element A" must be used:

"The summary risk indicator provides an indication of the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you."

For funds, it is the Association's opinion that "or because we are not able to pay you", can be excluded as the fund can always pay out the value of a fund unit.

The text in "Element B" comes thereafter:

"We have classified this product as [1/2/3/4/5/6/7] out of 7, which is [1='the lowest'/2='a low'/3='a medium-low'/4='a medium'/5='a medium-high'/6='the second-highest'/7='the highest'] risk class]"

For example, for a fund with a summary risk indicator of 5: "We have classified the product as 5 out of 7, i.e. medium risk class. "

In addition, a brief explanation of the classification of the product, in plain language and with a maximum of 300 characters, must be provided. The following examples of text are given under point 7:

"An example explanation: This rates the potential losses from future performance at a [1='very low' /2 = 'low' /3 = 'medium-low' / 4 = 'medium' /5 = 'medium-high' /6 =



'high' / 7 = 'very high'] level, and poor market conditions [1, 2='are very unlikely to'/3='are unlikely to'/4='could'/5='will likely'/6='are very likely to'] impact [our] [the] capacity [of X] to pay you. |".

According to the above example, the text for a fund in risk class 5 would be: "This rates the potential losses from future performance at a medium level and poor market conditions will likely impact the fund management company's capacity to pay you."

The above text is given in the regulation only as an example, so the fund management company is free to explain the classification itself. For a fund with summary risk indicator of 5, the following text could be provided instead: "This means that the fund has a medium risk of increases and decreases in the unit value. The indicator primarily reflects the increases and decreases of the securities in which the fund has invested."

According to point 4, Elements C-J must be indicated in the explanatory text, where applicable:

*- Currency risk*

According to point 4.a.i, the following text must be included (in bold), where applicable: C: "**Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.**"

According to Article 3(2)(c) of the Delegated Regulation, it must be explained to the investor that: if a PRIIP is denominated in a currency other than the official currency of the Member State where the PRIIP is being marketed, the return, when expressed in the official currency of the Member State where the PRIIP is being marketed, may change depending on currency fluctuations.

The above is not relevant for funds denominated in SEK that are sold in Sweden. For funds denominated in a currency (e.g. in Euro) and marketed in a country where the currency is not the same as the product's denomination (e.g. in Sweden), the above information may become relevant.

It could possibly be argued that in the above example (Euro fund in Sweden) one can avoid it if the payment (settlement note) is in Euro. However, the problem is that Article 3(2)(c) of the Delegated Regulation does not mention the currency of payment but rather the currency of the country of marketing. For funds, this becomes a problem because the warning text becomes marketing dependent and not product dependent, which means that the same product may need to have the text in one country (Sweden) but need not have it in another (Euro-) country).

*- Obligation of the investor to provide additional capital*

Point 4.a.ii (element D) is not relevant for funds.

*- Risk not captured by summary risk indicator*

Point 4(b) requires, where appropriate, an explanation of risks materially relevant to

the PRIIP which could not be adequately captured by the summary risk indicator. No text is indicated (element E) but, instead, each fund formulates wording not to exceed 200 characters.

The Association's assessment is that the funds cannot advance quite the same reasoning as in the case of a UCITS key investor information document. There, the issue was one of describing and comparing funds against other funds, whereas PRIIP key information documents should take into account that the comparison must also work in relation to other PRIIPs. In addition, space is at a premium. It is important that the fund management company give thought to which risks are relevant and that the list is not merely a list of all the "bad things" that can happen. The identification and explanation of these risks must be consistent with the fund management company's normal risk management processes and systems. When the fund's volatility over the last five years is analysed, it is likely that it will be possible to identify which risks are covered by the indicator and which are excluded. Typical risks that might be excluded include credit risks, liquidity risks<sup>13</sup>, counterparty risks<sup>14</sup>, operational risks, and the impact of financial techniques (e.g. derivatives).

*- Guarantees/lack of capital protection against market risk/credit risk*

Points 4.c.i and 4.c.ii could come into play for a small number of funds, specifically those with some form of methods for capital protection. In such case, they should use the appropriate text from elements F or G.

Point 4.c.iii states that products that hold no capital protection against market risk must include the following text (as per Element H):

"This product does not include any protection from future market performance so you could lose some or all of your investment.

This text may be regarded as applicable to the absolute majority of funds.

Point 4.c.iv states that products that do not hold any capital protection against credit risk must include the following text:

I: "If we are not able to pay you what is owed, you could lose your entire investment."

This is not considered to apply to funds, since the fund's assets are kept segregated from the fund management company. Funds also have credit risk measure 1 (see section on credit risk above).

Point 4.c.v states that if the protection against credit risk is limited, the conditions of the limitations must be explained. The following text must be used:

J: "However, you may benefit from a consumer protection scheme (see the section 'What happens if we are unable to pay you'). The indicator shown above does not consider this protection."

This is not considered to apply to funds, since funds are not covered by consumer protection schemes such as the deposit guarantee.

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<sup>13</sup> Note that funds are compared here with, e.g., structured products, which means that most funds will not include the standardised texts on liquidity risk.

<sup>14</sup> For example, index funds should address here the cases where the methodology used to track the index affects the counterparty exposure (ESMA 2014/937SV).

## 1.5. 'What are the risks and what could I get in return?' section - Performance scenarios

### What is stated in the Delegated Regulation?

*Article 3 (concerning return):*

*1. In the section entitled 'What are the risks and what could I get in return?' of the key information document, PRIIP manufacturers shall apply the methodology for the presentation of risk as set out in Annex II, include the technical aspects for the presentation of the summary risk indicator as set out in Annex III and comply with the technical guidance, the formats and the methodology for the presentation of performance scenarios, as set out in Annexes IV and V.*

*3. PRIIP manufacturers shall include four appropriate performance scenarios, as set out in Annex V in the section entitled 'What are the risks and what could I get in return?' of the key information document. Those four performance scenarios shall represent a stress scenario, an unfavourable scenario, a moderate scenario and a favourable scenario.*

*4. (Concerns insurance benefits and is therefore not included here.)*

*5. (Concerns futures et cetera and is therefore not included here.)*

### **Performance scenarios (Annex IV)**

*Number of scenarios*

Four performance scenarios (favourable, moderate, unfavourable, and stress scenario) must be shown.

A minimum scenario must also be shown (Annex IV, point 4), which is specified in the template (part 3 of Annex V) and for funds is expected to be:

**"Minimum: There is no minimum guaranteed return. You could lose some or all of your investment."**

*Calculation of favourable, moderate, and unfavourable scenario values for the recommended holding period for Category 2 products*

Category 2 PRIIP (where almost all funds are found, see section on market risk) is divided into three "cases"<sup>15</sup>: Funds with sufficient historical data, funds without sufficient historical data and with the possibility to use a benchmark, and funds without sufficient historical data and with no benchmark, or with a benchmark without sufficient data, or any other.

<sup>15</sup> In all cases, the heading refers to point 1 of Annex VIII, which mentions, *inter alia*, UCITS and certain AIFs.

*Case 1. Funds with sufficient historical data*

"Sufficient" = The length of annual (consecutive) historical data for the fund at the time of calculation must be >10 years and 5 years longer than the recommended holding period (RHP).

If RHP ≤ 5 years: Calculation period = the last 10 years.

If RHP > 5 years: Calculation period = RHP + 5 years.

Calculation method:

a) Identify (within the above calculation period) the number of overlapping sub-intervals individually equal in length to the duration of the RHP, which start or end in each of the months within the period.

This results in 61 sub-intervals (for an RHP of 5 years).

b) For funds with an RHP > 1 year: Identify the number of overlapping sub-intervals individually equal or shorter in length to the duration of the RHP, but equal to or longer than 1 year, but equal to or longer than one year, and which end at the end of the calculation period specified above.

This results in 48 sub-intervals (for an RHP of 5 years).

c) For each sub-interval in a) and b), calculate the fund's return as follows:

Return for each sub-interval, net of all applicable costs, including any distributable income reinvested.

For sub-intervals shorter than RHP, by linear transformation ensure that all sub-intervals are of comparable length.

The Association is unsure what the term "linear transformation" means but assumes that it means that for a sub-interval shorter than RHP, the return should be used without extrapolation. This is also confirmed in the JC Q&A<sup>16</sup>

Favourable scenario: The best sub-interval when all sub-intervals in a) are ranked.

Moderate scenario: Median sub-interval when all sub-intervals in a) are ranked.

Unfavourable scenario: The worst sub-interval when all sub-intervals in a) and b) are ranked.

*Case 2. Funds without sufficient historical data but with the possibility to use a benchmark*

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<sup>16</sup> Section "Performance scenarios" Q9.

These funds carry out the calculation as per Case 1 (points 6-11), but for periods where the fund has no data, a benchmark (less all applicable costs, i.e. the fund's) is used instead. The benchmark must meet the criteria set out in Annex VI, point 16.

*Case 3. Funds without sufficient historical data and with no benchmark or with a benchmark without sufficient data, or any other.*

These funds carry out the calculation as per Case 1 (points 6-11), but for periods where the fund or benchmark referred to in Case 2 lacks data, other benchmarks<sup>17</sup> are used. All asset classes in which the fund could invest more than 25% of its assets or underlying investments that represent more than 25% of the exposure must be included in the calculation. Where such a benchmark index does not exist, an “appropriate proxy” must be used. If multiple indices are used, they must be weighted together.

For Category 2 funds for which there is not an appropriate benchmark or proxy with sufficient historical data (see "sufficient" for Case 1 funds above), the performance scenarios are calculated in accordance with points 21-27 (Annex IV), using 15 years of historical returns.

*Calculation of stress scenario for Category 2 funds*

It is the interpretation of the Association that the calculation below is to be done on a period of five years.

- a) Identify a sub-interval of length  $w$  which corresponds to the following intervals:

	1 år	> 1 år
<b>Dagliga priser</b>	21	63
<b>Veckovisa priser</b>	8	16
<b>Månatliga priser</b>	6	12

- b) Identify for each sub-interval of length  $w$  the historical lognormal returns  $r_t$ , where  $t = t_1, t_2, \dots, t_w$ .
- c) Measure the volatility based on the following formula starting from  $t_i = t_1$  rolling until  $t_i = t_{H-w+1}$  where  $H$  is the number of historical observations

$$w_{t_i} \sigma_S = \sqrt{\frac{\sum_{t_i}^{t_{i+w}-1} \left( r_{t_i} - {}_{t_i}^{t_{i+w}-1} M_1 \right)^2}{M_w}}$$

<sup>17</sup> Regulated in accordance with (EU) 2016/1011.

where  $M_w$  is the count of number of observations in the sub-interval and

$\frac{t_{i+w-1} - t_i}{M_1}$  is the mean of all the historical lognormal returns in the corresponding sub-interval.

It should, according to the Association, give N-w volatility results to be used in the calculation in the next step.

- d) Infer the value that corresponds to the 99th percentile for one year and the 90th percentile for the other holding periods This value shall be the stressed volatility  $\sigma_S$ .

For Category 2 PRIIPs, the expected values at the end of the recommended holding period for the stress scenario shall be:

$$Scenario_{Stress} = e^{\left[ W_{\sigma_S} \sqrt{N} \left( z_{\alpha} + \left[ \frac{(z_{\alpha}^2 - 1)}{6} \right] \frac{\mu_1}{\sqrt{N}} + \left[ \frac{(z_{\alpha}^3 - 3z_{\alpha})}{24} \right] \frac{\mu_2}{N} - \left[ \frac{(2z_{\alpha}^3 - 5z_{\alpha})}{36} \right] \frac{\mu_1^2}{N} \right) - 0.5 W_{\sigma_S}^2 N \right]}$$

Where:

- N is the number of trading periods in the recommended holding period, and where the other terms are defined in point 12 of Annex II;
- $z_{\alpha}$  is a proper selected value of the PRIIP at the extreme percentile that corresponds to 1% for 1 year and to 5% for the other holding periods.

It should, according to the Association, be  $z_{\alpha} = -2,3263$  for 1%, and  $z_{\alpha} = -1,6649$  for 5%.

Scenario<sub>stress</sub> gives the value at the end of the period and to get the return for the stress scenario use (Scenario<sub>stress</sub> – 1).

The stress scenario value shown may not be better than the value of the unfavourable scenario.

#### *Calculation of scenario values for intermediate holding periods (points 32-38)*

Products with a recommended holding period of  $\leq 1$  year do not show intermediate holding periods.

Products with a recommended holding period of between 1 and 10 years<sup>18</sup> must present returns for 2 different periods: after 1 year and at the end of the recommended holding period.

Products with a RHP of 10 years or more shall show the return for 3 periods: after 1 year, after RHP/2 and after RHP.

This means that most funds need to present 1 year and RHP in the table.

For Category 2 products<sup>19</sup>, the three main scenarios are calculated according to Annex IV, points 5-14 and with the time period as per point 6 but with the performance for intermediate holding periods. This results in 109 sub-intervals (1-year periods for a fund with RHP of 5 years).

For the stress scenario, the formulas in Annex IV, points 18-19 with  $N$  = number of trading periods between the start and the end of the intermediate period, shall be used. It is the interpretation of the Association that a new “w” in the table of p.18 a should be used and also change to the 99:th percentile in p. 18 d.

Again, the performance for the stress scenario may not be better than the unfavourable scenario.

#### *General requirements*

The performance (according to point 39) is calculated net of all applicable costs in accordance with Annex VI for the holding period being presented. According to the Association, this should mean that, for example, fees for short-term trading should only be included if they are relevant in relation to the holding period.

Returns in monetary terms are calculated (according to Annex VI points 90-91) on the deposited amount of Euro 10,000 (for all except investment products with regular premiums/payments). Where the currency of the product is different, an amount of a similar magnitude, which is evenly divisible by 1,000, is used. For SEK funds, SEK 100,000 should be used. Other options, such as 97,000 or 103,000, are considered to be less pedagogically illustrative and also may need to be adjusted if the SEK/EUR exchange rate changes.

Performance scenarios must be presented in monetary terms and rounded to the nearest 10 Euro (SEK 100). The amount is (according to point 42) the sum of what the investor would have received during the holding period including: payments due at the end of the holding period and payments made before the end of the holding period (payments without assuming reinvestment).

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<sup>18</sup> RHP  $\geq$  10 years must also present returns for half of the period (rounded up to the end of the nearest year). RHP  $\leq$  1 year does not show intermediate holding periods.

<sup>19</sup> Excluding funds according to Annex IV, point 15 (without benchmark/sufficient data), see methodology in Annex IV, point 37.

Performance scenarios must also be presented in percentage terms as the average annual return and calculated with net retention divided by initial amount invested according to the following formula (point 44):

$(\text{Scenario value} / \text{Initial amount invested})^{(1/T)} - 1$ , if  $T > 1$ .  
T is the length of the holding period in years.

If the recommended holding period is  $< 1$  year, the percentage must reflect that period and not be annualised.

Funds with no history should use a relevant benchmark for calculation (following the same reasoning as for the risk calculation in Annex II). Please note that when using a benchmark, adjustment should be made for the fund's fees.

### **Review**

Under Article 15, the information should be reviewed when there is a change that significantly affects the information, and at least every twelve months following the date of the initial publication. Article 15(2)(c) provides that a review shall be carried out when the return for the moderate scenario<sup>20</sup> (expressed as an average annual return) has changed by more than 5 percentage points. Where the performance scenarios are based on benchmarks or proxies, the consistency of these with the objectives of the PRIIP shall be reviewed. According to Annex IV, point 11, the scenarios must be calculated at least on a monthly basis.

### **Methodology for the presentation of performance scenarios (Annex V)**

#### *General presentation specifications*

The performance scenarios must be presented in a way that is accurate, fair, clear and not misleading, and that is likely to be understood by the average retail investor.

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<sup>20</sup> JC Q&A ("General topics" Question 6) clarifies that this applies if at least one of the holding periods has been changed in this way.



Presentation of performance scenarios

Mall A: Engångsinvestering eller engångspremie betalas

Rekommenderad innehavstid:		[ ]		
Exempel på investering:		[10 000 euro]		
(I förekommande fall) Försäkringspremie:		[penningbelopp]		
		Om du [löser in] efter 1 år (i förekommande fall)	Om du [löser in] efter [ ] (i förekommande fall)	Om du [löser in] efter [rekommenderad innehavstid]
<b>[Överlevnads] scenarier</b>				
Minimum	[Penningbelopp] eller [Det finns ingen garanterad minsta avkastning [om du [löser in] inom [...år/månader/dagar]] (i förekommande fall). Du kan förlora hela eller delar av din investering [eller behöva göra fler betalningar för att täcka förluster] (i förekommande fall)]			
Stress	Vad du kan få tillbaka efter avdrag för kostnader Genomsnittlig avkastning per år	[ ] euro [ ] %	[ ] euro [ ] %	[ ] euro [ ] %
Negativt	Vad du kan få tillbaka efter avdrag för kostnader Genomsnittlig avkastning per år	[ ] euro [ ] %	[ ] euro [ ] %	[ ] euro [ ] %
Neutralt	Vad du kan få tillbaka efter avdrag för kostnader Genomsnittlig avkastning per år	[ ] euro [ ] %	[ ] euro [ ] %	[ ] euro [ ] %
Positivt	Vad du kan få tillbaka efter avdrag för kostnader Genomsnittlig avkastning per år	[ ] euro [ ] %	[ ] euro [ ] %	[ ] euro [ ] %

Use of Template B is probably also permissible: Regular investments, but note that in this case it should be EUR 1,000/year (or for SEK funds: SEK 10,000/year).

Annex V, point 3b states (of relevance to funds) that "Where no minimum return is guaranteed, or where the guarantee is only applicable for some but not all holding periods, a narrative shall be included for the relevant holding periods stating that retail investors may lose some or all of the amount invested." The prescribed text is given in the template table above: "There is no minimum guaranteed return. You could lose some or all of your investment."

Mandatory explanatory texts for a category 2 PRIIP are (according to Annex V, point 3)

elements A, B, C, D and E<sup>21</sup>:

[Element A] The figures shown include all the costs of the product itself, (where applicable) [but may not include all the costs that you pay to your advisor or distributor / and includes the costs of your advisor or distributor]. The figures do not take into account your personal tax situation, which may also affect how much you get back.

"where applicable" in element A probably means that funds need to include "but may not include all the costs that you pay to your adviser or distributor" since the fund does not know these costs.

[Element B] What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted.

The text in element B must be clearly displayed above the table.

[Element C] [The unfavourable, moderate, and favourable scenarios shown are illustrations using the worst, average, and best performance of [the product / a suitable benchmark] over the last [x] years.] (for Category 2 PRIIPs except those referred to in point 15 of Annex IV) [The scenarios shown are illustrations based on results from the past and on certain assumptions] (for other types of PRIIPs). Markets could develop very differently in the future.

The text in element C shall appear prominently above the performance scenario table.

[Element D] The stress scenario shows what you might get back in extreme market circumstances.

[Element E] This type of scenario occurred for an investment [add reference to benchmark where applicable] between [add dates in years].

According to point 5 (Annex V), element E refers to unfavourable, moderate, and favourable scenarios, so the time period must be indicated for. There are, according to the Association, despite the EC Q&A<sup>22</sup> on the subject, multiple outstanding questions on element E: Should it be one text for each period since every scenario often show both 1 year and RHP? The Q&A states "month and year" while the delegated regulation states "dates in years". If the result for the negative scenario shown is calculated on a shorter period than RHP, should that (shorter) period be used despite that the headline in the table states that it is RHP? Further, "this scenario" should be used despite that it is not clear which scenario is referred to and there is no room for the element E in the table.

The Association uses the following interpretations in the enclosed Mock-up KID (but changes to for example "The negative scenario...") where the period shown refers to

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<sup>21</sup> Except for 'Case 3 funds' according to Annex IV, point 15, these must have a description as per Annex V, point 6.

<sup>22</sup> Section "Performance scenarios" Q6.

the recommended holding period (in our example 5 years). The time span is shown in years (according to [...] in Element E above).

Furthermore, it is appropriate to have element E in connection with element C as both refer to the same scenarios.

Annex V, point 9 states that if performance scenarios are only shown for the recommended holding period, this must be clearly explained in accordance with element F, where relevant. However, the Association considers that the text in element F is not suitable for describing this, so that one could state, for example, the following instead: "Performance scenarios are only shown for the recommended holding period."

#### 1.6. 'What happens if [the name of the PRIIP manufacturer] is unable to pay out?' section

What is stated in the Delegated Regulation?

*Article 4*

*PRIIP manufacturers shall include the following in the section entitled 'What happens if [the name of the PRIIP manufacturer] is unable to pay out?' of the key information document:*

*(a) an indication whether the retail investor may face a financial loss due to the default of the PRIIP manufacturer or to the default of an entity other than the PRIIP manufacturer, and the identity of that entity;*

*(b) a clarification whether the loss referred to in point (a) is covered by an investor compensation or guarantee scheme, and whether there are any limitations or conditions to that cover.*

Article 4 requires the fund management company to describe what happens if the fund management company is unable to make payments/fulfil its obligations. In this respect, the fund management company should explain the depositary's functions. Article 4(b) provides that there must be clarification as to whether this loss is covered by a compensation/guarantee scheme.

*Proposal for wording/draft:*

By law, the fund's assets may not be held in custody by the fund management company. Instead, each fund must have a specific depositary that handles the safekeeping of the fund's assets. In the event of the bankruptcy of the fund management company, the management of the fund is taken over by the depositary. There is no other compensation or guarantee scheme for investors in the fund.

## 1.7. 'What are the costs?' section

### What is stated in the Delegated Regulation?

#### Article 5:

1. PRIIP manufacturers shall apply the following in the section entitled 'What are the costs?' of the key information document:

(a) the methodology for the calculation of costs set out in Annex VI;

(b) the 'Costs over time' and 'Composition of costs' tables to information on costs, as set out in Annex VII in accordance with the relevant technical guidance therein.

2. In the 'Costs over time' table in the section entitled 'What are the costs?' of the key information document, PRIIP manufacturers shall specify the summary cost indicator of the total aggregated costs of the PRIIP as a single number in monetary and percentage terms for the different time periods set out in Annex VI.

A prominent warning shall be added, where applicable, regarding the additional costs that may be charged by persons advising on, or selling, the PRIIP.

3. In the 'Composition of costs' table in the section titled 'What are the costs?' of the key information document, PRIIP manufacturers shall specify summary indicators of the following types of costs:

(a) any one-off costs, as entry and exit costs;

(b) any recurring costs, separating portfolio transaction costs and other recurring costs;

(c) any incidental costs, such as performance fees or carried interest."

4. PRIIP manufacturers shall describe each of the different costs included in the 'Composition of costs' table in the section titled 'What are the costs?' of the key information document, in accordance with Annex VII, and shall specify where and how those costs may differ from the actual costs the retail investor may incur, and where and how such costs may depend on whether the retail investor does or does not exercise certain options.

## **Methodology for the calculation of costs (Annex VI)**

### **List of costs of investments funds**

The list of costs to be presented is essentially consistent (see deviations below) with the costs for the UCITS key investor information document. The main difference is that transaction costs are included here.

#### *One-off costs (points 1-3)*

This refers to costs paid directly by the client or deducted from the amount deposited before the purchase of fund units as well as costs paid by the investor or deducted in connection with sale of fund units.

Distribution fees must be disclosed if they are known to the fund. If the distribution fees are not known, point 3.a provides that the maximum of the possible known distribution costs for the specific PRIIP must be presented.

#### *Recurring costs (points 4-5)*

Refers to costs deducted from the fund. The list is consistent with the UCITS key investor information document, but differs in that no exclusions are specified (for UCITS key investor information documents, a number of costs are excluded under point 5.a of CESR/10-674, including transaction costs and soft commissions).

It may be worth noting that for funds that invest in other funds, the summary cost indicator includes (as per (l)) the underlying fund's summary cost indicator (i.e. including its transaction costs), adjusted for any discounts.

#### *Incidental costs (point 6)*

This includes performance-related fees and carried interest.

### **Calculation of specific types of costs of investments funds**

#### *Transaction costs in general (points 7-23c)*

In general, transaction costs are calculated on an annualised basis, based on an average over the last three years. The total is converted into a percentage by dividing it by the average fund assets over the same period (points 7-8).

A minimum of explicit transaction costs (as per points 11a-b) must be presented. This means that, whatever the method, the fund management company also needs to keep track of the explicit transaction costs. If the total transaction costs (for the three years) are negative then, instead, the explicit costs are presented in full as transaction costs.

If the fund has mechanisms to protect remaining investors from transaction costs in the fund, the amount due to them may be subtracted from the transaction costs as per point 11. Note that point 11(c) is problematic ("The anti-dilution benefit shall only be taken into account to the extent that the benefit does not take the total transaction

costs below explicit transaction costs."). If, for example, swing pricing compensates for explicit transaction costs, it would be strange if these could not be deducted.

Funds have been granted a derogation (p.23 b) from the calculation rules for "actual transaction costs", which means that up to and including 31 December 2024, it is possible to use calculations in accordance with point 21 (transaction costs for new PRIIPs). Therefore, these rules are introduced here. Note that when the derogation expires (1 January 2025), calculations must be based on three years of history (i.e. 2022-2024), so the method for actual transaction costs may need to be implemented earlier.

The same derogation is granted for funds in unit-linked insurance (point 23 c).

*Transaction costs for new PRIIPs and all funds in accordance with points 23 b-c (point 21)*

The transaction cost methodology for new funds requires<sup>23</sup> funds to produce an estimate of portfolio turnover for each asset class (19 asset classes in total). To arrive at the transaction cost for each asset class, the turnover is then multiplied by the cost according to the method set out in point 21(c):

Bonds:  $\text{turnover} \times \text{spread}/2$ .

Liquidity/shares/listed derivatives:  $\text{turnover} \times (\text{spread}/2 + \text{explicit costs})$ <sup>24</sup>.

OTC assets:  $\text{turnover} \times \text{spread}/2$ <sup>25</sup>.

To facilitate and promote comparability between funds, a European initiative<sup>26</sup> to standardise spread calculations has been launched. (The Association distributes these spread/2 rates for each asset class to members on an ongoing basis.)

*Actual transaction costs (points 12-18a)*

The actual transaction cost for each transaction is calculated as:

The fund buys:  $(\text{Net Execution Price} - \text{Arrival Price}) \times \text{number of securities}$

The Fund sells:  $(\text{Arrival Price} - \text{Net Execution Price}) \times \text{number of securities}$

Net Execution Price (point 13): The realised net execution price = Price at which the transaction is executed, including all charges etc. associated with the transaction, where they are made from the assets of the PRIIP.

Unclear: Should costs be deducted or added to the execution price? When the fund buys, it is logical to add them (they become part of the TR cost), but if the same is done when the fund sells, the TR cost is, in fact, reduced. The most logical thing to do

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<sup>23</sup> An alternative approach is also possible where also actual transaction costs are partially included.

<sup>24</sup> The cost can also be estimated using comparable information.

<sup>25</sup> In determining the observed cost, results of panel surveys may be taken into account.

<sup>26</sup> AFG, the French Asset Management Association, carries out the calculations.

would be to deduct them in connection with the calculation when the fund sells, but the rules are in fact no different for buying and selling.

Proposed interpretation:

The fund buys: Net Execution Price = (Execution Price + charges, etc.)

The Fund sells: Net Execution Price = (Execution Price - charges, etc.)

(Or could it be the case that it is not possible to generalise - sometimes charges etc. are deducted in the price you get and sometimes they come alongside - the important thing is that they are included as a TR cost?)

Arrival Price (point 14): Mid-market price when the order is transmitted to "another person".

Another person: The Association interprets this as meaning someone who is external (other than the PRIIP manufacturer/fund/fund management company), i.e. not when the manager instructs an internal execution function but, rather, when the execution function, in turn, instructs an external party (broker) to trade.

For orders that are not executed on the day they are transmitted:

Use the opening price on the execution day;

If there is no opening price, use the previous closing price.

If the price is not available at the time the order was transmitted:

Use the latest available price;

if this does not exist, use a justifiable, independent price;

if this does not exist, use the opening price for the day;

if this does not exist, use the previous closing price.

Where an order is executed without being transmitted to another person, the arrival price is the mid-market price at the time when the transaction was executed.

If there is no information regarding when the order was forwarded or the price at that time is not available:

use a justifiable, independent price;

if this does not exist, use the opening price for the day;

if this does not exist, use the previous closing price.

Arrival price for options, derivatives, etc. (point 16)

Standardised & regular trading: mid-market

Not standardised but linear & no price transparency in the instrument: Use underlying

Non-linear instruments: Difference between price and fair value (points 36-46)

Point 17 provides that the arrival price for foreign exchange must reflect a reasonable estimate and may not be based on a single counterparty, even if the fund only trades with one counterparty.

Point 18 provides that for orders executed at a pre-determined time the calculation is made at that pre-determined time even if the orders were transmitted before that time. Moreover, for orders that are "initially entered into in an auction" the arrival price is calculated as the mid-price immediately prior to the auction.

*Actual transaction costs: Transactions executed on an OTC basis (point 18 a)*

Transactions carried out OTC are not calculated in accordance with points 12 to 16 but, instead, as follows:

- a) When execution takes place after bid prices and offer prices have been obtained from more than one potential counterparty, the arrival price is determined as:
  - mid-price of best bid and best offer (if bid < offer)
  - bid at the time of sale or offer at the time of purchase (if bid > offer)
- b) When execution has taken place without both bid and ask prices being obtained:
  - Number of instruments x half spread.
  - Half spread is taken from a composite of live market bid and offer quotes (if not available: from previous transactions or third-party data)

This should, according to the Association, also apply to those transactions that are ultimately actually traded/cleared on an "exchange", as it is a question of how the price information is provided/how the market functions and this is independent of whether the transaction is ultimately executed/cleared on a market place.

*Low number of transactions and other similar cases*

Funds may (point 21 b) use the method for new PRIIPs instead of actual if one of the following conditions is met:

- the fund undertook a very low number of transactions over the previous three years;
- the total value for all transactions undertaken over the previous three years accounts for a very low percentage of the net asset value of the fund;
- the estimate of total transaction costs is not significant as compared to the estimate of the total costs.

Commentary: It is difficult to interpret "very few/very low percentage/not significant". Moreover, deviation is optional ("may" be calculated). Guidance on this has been promised at level 3.

*Other transaction costs*

There is no information available on the calculation of transaction costs for e.g. issues. It is the Association's understanding that in these cases no transaction cost can be calculated.

*Performance-related fees (point 24)*

Compute the fees by taking 5 years of actual costs and converting them to an annual average percentage.



For funds that do not have a 5-year history, use the available history and supplement with an estimate of the fund's return. Compute the fees for the estimated period such that the total period is 5 years and convert to an annual average percentage fee.

For new funds: Use the gross return of a comparable fund/peer group and apply the fund's fee model over 5 years and convert to annual average percentage fee.

*Carried interest*

Not relevant for funds.

### **Summary cost indicators and compound effect of the costs**

*Aggregated cost figures to be included in Table 1 "Costs over time" (p. 61-63)*

Total costs are all costs known to the fund management company, including exit fees if applicable, for the relevant holding period, and are calculated as:

The sum of entry and exit fees plus recurring costs plus performance-based costs for a one-off entry of SEK 100,000.

*Aggregated summary cost indicators* are calculated as follows (points 70-72):

In broad terms, this involves calculating, based on an investment of SEK 100,000, the difference between the fund's average annual percentage return ("r") for the recommended holding period considered all costs and the corresponding return for the same investment without costs ("i").

Note that under point 72(b), costs that can be expressed as a constant percentage of the value of the fund may be disregarded in the above calculation and instead added to "i" in percentage terms afterwards ( $i = r + \text{total costs in } \%$ ).

The difference between "i" and "r" is presented as annual cost impact in Table 1. The return to be used in the calculations is the return of the neutral performance scenario for RHP and 0 % return for the presentation of 1 year or less (annex IV p.71a-b).

Regarding the calculation for more than 1 year (RHP, column 2 in table 1), it is the interpretation of the Association that the calculations should be carried out as follows (for a fund with RHP of 5 years):

Total costs (kr):  $(100\ 000 * (1+i)^5) - (100\ 000 * (1+r)^5)$

The amount is entered in the table.

Annual cost impact (%): "i" – "r"

The percentage is entered in the table.

#### *General requirements for Table 1*

The holding periods (columns) to be displayed are specified (p. 90):

Fund's RHP  $\leq$  1 year: Only RHP is included

The fund's RHP  $>$  1 year &  $\leq$  10 years: 1 year and RHP is included

The fund's RHP  $>$  10 years: 1 year, RHP/2 and RHP are included

Summary cost indicators per type of cost to be included in table 2 “Composition of costs” (p. 64-68)

Entry and exit fees are presented in monetary units in respect of 1 year of holding (or shorter if RHP is shorter) calculated at 0% return.

Transaction costs are presented in monetary units in respect of 1 year of holding (or shorter if RHP is shorter) calculated at 0% return.

Management fees and other administrative or operating costs are presented in monetary units in respect of 1 year of holding (or shorter if RHP is shorter) calculated at 0% return. Costs referred to here are: Total costs - (one-off costs + transaction costs + performance-related fees).

Performance-based fees are presented in monetary units in respect of 1 year of holding (or shorter if RHP is shorter) calculated at 0% return.

The Association's interpretation is that the above instructions refer to the right hand column of Table 2 (it is in monetary terms and should be calculated at SEK 100,000) and that the "1 year holding" is intended to achieve consistency with cost accounting under MiFID. Furthermore, '0% return' is interpreted only in the light of the fact that previous rules stated that one should assume the return for the moderate performance scenario. This means that transaction costs and performance-based fees are calculated (as described in the section "Calculation of specific types of costs of investments funds" above) on the average of the last three and five years, respectively. In addition, management fees and other administrative or operating costs must relate to the most recent year (see the template for Table 2 in Annex VII).

The middle column of Table 2 contains descriptions of the fee and a percentage rate for the fee. In the Association's opinion, the description/calculations should follow the same principles as for the monetary presentation/calculations in the right-hand column.

General requirements

Points 90-91 require that the monetary cost presentation for funds must refer to an investment of EUR 10,000. Where the currency of the fund is different, an amount of a similar magnitude, which is evenly divisible by 1,000, is used. For SEK funds, SEK 100,000 should be used (other options, such as 90,000 or 110,000, are considered less pedagogically illustrative and may need to be adjusted if the SEK/EUR exchange rate changes).

If one type of cost is covered by two or more types of costs in the regulatory framework, it should only be accounted for once in the calculation of the indicators (ratios) which are based on it (point 77).

Cost presentations in monetary units are rounded to the nearest Euro (10s of SEK).

Further, it is stated that presentations in percentages are expressed to one decimal place (point 78), but the Regulation is, according to the Association, conflicting since point 88 at the same time states that, for new PRIIPs, it should be sufficient to express the figure with one decimal if two decimals would be likely to suggest a spurious degree of accuracy.

The cost figures must be calculated at least once a year and be based on the most recent cost calculations determined by the fund management company and assessed on an 'all taxes included' basis. Costs are to be calculated on an *ex-post* basis, except for the first calculation for new funds and if not stated otherwise. If it is considered unsuitable to use *ex-post* figures, e.g. because of material changes, an estimate may be used (points 79-81). Furthermore, it is mentioned (in point 82) that the figures are to be based on cost calculations determined to be appropriate for that purpose, for example from the latest annual report.

Information about ratios in respect of previous years/periods must be published at the location which is specified in the key information document as the general source of further information (point 83). It does not state how far back this documentation must go.

The costs of the underlying funds must be weighted together taking into account the proportion of the fund's assets they represent at the relevant date (p. 84).

#### Calculation method for new PRIIPs (p. 85-89)

Start-up funds must use an estimate based on a comparable fund/peer group. The fund management company must evaluate the accuracy and assess when it is appropriate to shift to the recognition of actual fund costs (no later than 12 months after the date on which the fund was first offered for sale, it must review the accuracy of the estimate by calculating a figure on an *ex-post* basis.).

#### Review

Point 81 requires the calculations to be made at least once a year and based on historical information. If this is deemed unsuitable due to material changes, *ex-ante* estimates are to be made instead and used until the calculations based on historical data are deemed representative.

#### **Presentation of costs (Annex VII)**

It is not clear that the texts in Annex VII are mandatory, but it is the Association's opinion that the texts are mandatory.

The following warning must be included immediately following the heading "What are the costs":

“The person advising on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment.”

After discussions<sup>27</sup> with Svensk Försäkring we have agreed on that funds that intends to be distributed in unit-linked products should add the following text: “Om fonden ingår som en del i en annan produkt, t.ex. fondförsäkring, kan det tillkomma andra kostnader för den produkten.” *Costs over time (Table 1<sup>28</sup>)*

The PRIIP manufacturer must use the following headings, descriptions and table, with values calculated according to Annex VI, points 61 and 62 and RHP according to point 90:

#### “Costs over time

The tables show the amounts that are taken from your investment to cover different types of costs. These amounts depend on how much you invest, how long you hold the product [and how well the product does (*where applicable*)]. The amounts shown here are illustrations based on an example investment amount and different possible investment periods.

We have assumed:

[In the first year] you would get back the amount that you invested (0 % annual return). [For the other holding periods we have assumed the product performs as shown in the moderate scenario.]

[EUR 10,000 / 1,000 per year] is invested

	Om du [löser in] efter 1 år (i förekommande fall)	Om du [löser in] efter [1/2 rekommenderad innehavstid] (i förekommande fall)	Om du [löser in] efter [rekommenderad innehavstid]
Totala kostnader	[ ] euro	[ ] euro	[ ] euro
Årliga kostnadseffekter (*)	[ ] %	[ ] % varje år	[ ] % varje år

(\*) “This illustrates how costs reduce your return each year over the holding period. For example it shows that if you exit at the recommended holding period your average return per year is projected to be [ ] % before costs and [ ] % after costs.”

<sup>27</sup> More information in Section 3 of the Guidance “Specific information on funds as an underlying investment option”.

<sup>28</sup> For all PRIIPs except MOPs according to Article 13 b and autocallables.

(Where applicable): “We may share part of the costs with the person selling you the product to cover the services they provide to you. (Where applicable) [They will inform you of the amount].”

(Where applicable): “These figures include the maximum distribution fee that the person selling you the product may charge ([ ] % of amount invested / [ ] EUR). This person will inform you of the actual distribution fee.”;

In table 1, funds with an RHP <1 year must use "Cost impact" instead of "Annual cost impact" use, and the footnote (\*) must instead be the following: "This shows the cost impact for a holding period of less than one year. This percentage cannot be directly compared to the cost impact figures provided for other PRIIPs”.

Note that most funds (those with RHP  $\geq 1$  year and  $\leq 10$  years) only include the columns for 1 year and RHP, respectively (point 90 b). The Association therefore believes that it is inappropriate to use the text “For the other holding periods we have assumed the product performs as shown in the moderate scenario”, since this is not reflected in the table. Instead, "the other holding periods" should be replaced by the period shown, e.g. for equity funds "5 years".

“Composition of Costs (Table 2<sup>29</sup>)

The composition of the costs must include a breakdown of the costs according to Annex VI, points 64 to 69, using the headings in Table 2:

**“Composition of Costs**

Engångskostnader vid teckning eller inlösen		(PRIIP-produkter): Om du [löser in] efter [1 år/den rekommenderade innehavstiden (om mindre än 1 år)] (Försäkringsbaserade investeringsprodukter): Årlig kostnadseffekt om du [löser in] efter [rekommenderad innehavstid]
Teckningskostnader	<p>[Beskriv slaget med högst 300 tecken. Exempel:</p> <ul style="list-style-type: none"> <li>- "[ ] % av beloppet du betalar in när du tecknar dig för investeringen."</li> <li>- "[ ] % av de första [ ] premierna du betalar."</li> <li>- "Dessa kostnader är redan inkluderade i [priset/premierna] du betalar."</li> <li>- "Detta inbegriper distributionskostnader på [ ] % av det investerade beloppet/[ ] euro. [Detta är det mesta du kommer att betala]. [Personen som säljer produkten till dig kommer att informera dig om den faktiska avgiften.]"</li> <li>- "Vi tar inte ut någon teckningsavgift."</li> </ul>	[Upp till] [ ] euro (Priip-produkter) eller [ ] % (Ibip-produkter)
Inlösenkostnader	<p>[Beskriv slaget med högst 300 tecken. Exempel:</p> <ul style="list-style-type: none"> <li>- "[ ] % av din investering innan den betalas ut till dig."</li> <li>- "Vi tar inte ut någon inlösenavgift för denna produkt [men personen som säljer produkten till dig kan komma att göra det]."</li> </ul> <p>(Om inlösenkostnader endast tillämpas i särskilda fall) – "Dessa kostnader tillämpas endast om (förklara omständigheterna eller ge ett exempel med högst 200 tecken)"</p> <p>För försäkringsbaserade investeringsprodukter där inlösenavgifter endast tillämpas vid inlösen före den rekommenderade innehavstiden, ska det endast stå "ej tillämpligt" i den högra kolumnen, och följande förklaring ska infogas i kolumnen utöver beskrivningarna ovan: "Inlösenavgifter anges med beteckningen 'ej tillämpligt' i nästa kolumn eftersom de inte tillämpas om du innehar produkten fram till den rekommenderade innehavstiden."</p>	[ ] euro (Priip-produkter) eller [ ] % (Ibip-produkter)

(the table continues on the next page)

<sup>29</sup> For all PRIIPs except MOPs according to Article 13 b.

Löpande kostnader [tas ut varje år]		
Förvaltningsavgifter och andra administrations- eller driftskostnader	[Beskriv beräkningsgrunden med högst 150 tecken. Exempel: "[ ] % av värdet på din investering per år". Detta är en uppskattning baserad på faktiska kostnader under det senaste året.	[ ] euro (Priip-produkter) eller [ ] % (Ibip-produkter)
Transaktionskostnader	[ ] % av värdet på din investering per år. Detta är en uppskattning av kostnaderna som uppstår när vi köper och säljer produktens underliggande investeringar. Det faktiska beloppet kommer att variera beroende på hur mycket vi köper och säljer.	[ ] euro (Priip-produkter) eller [ ] % (Ibip-produkter)
Extra kostnader som tas ut under särskilda omständigheter		
Resultatrelaterade avgifter [och särskilda vinstandelar, s.k. carried interest]	[[Beskriv med högst 300 tecken]. Det faktiska beloppet kommer att variera beroende på resultatet för din investering. Ovanstående uppskattning av de aggregerade kostnaderna utgör genomsnittet för de senaste fem åren.] eller [Ingen resultatrelaterad avgift tas ut för denna produkt].	[ ] euro (Priip-produkter) eller [ ] % (Ibip-produkter)

(Where applicable): "Different costs apply depending on the investment amount [explain circumstances or use an example in maximum in maximum 150 characters]"

According to point 90, the fees, which are expressed in SEK, are based on an investment of SEK 100,000. The Association believes that this assumption should be specified in the above explanation. There are also possibilities to give examples of other, more representative amounts, e.g. the SEK 10,000 that Swedish funds currently use in their annual reports.

It is the Association's interpretation, which also facilitates comparability, that fee categories should not be removed even if they are zero. For example, instead of removing performance fees, if the fund has no performance fee, the explanatory text should read "The fund has no performance fee" and indicate "not applicable" for the numeric value.

The right-hand column must contain (for funds) amounts in SEK, while the explanatory text usually (for funds) indicates the fee in percentages.

#### Explanatory texts

A very brief description of the nature of each type of cost must be included. This must include a numerical indicator (in percentages or in SEK) whose calculation is to be explained if it can be made simple enough to be understood by the type of retail investor the fund is targeting. The description must be based on one or more of the examples included in the table above, unless these are not applicable.

The explanatory texts in Table 2 that are not explicitly given as examples/conditional may be considered to be mandatory.

### *Entry costs*

A description must be given with a maximum of 300 characters. Various examples are given above and the ones listed here are those that the Association considers relevant to funds:

Funds without an entry fee:

“We do not charge an entry fee” and, possibly, “but the person selling you the product may do so” alternatively “The person selling you the product will inform you of the actual charge.”

Funds that have the possibility to charge an entry fee according to the fund rules but do not do so at the moment:

Explanation + “[ ] % of the amount you pay in when entering this investment” and “This is the most you will be charged” and “The person selling you the product will inform you of the actual charge.”

Funds that currently charge an entry fee:

“[ ] % of the amount you pay in when entering this investment” and possibly “The person selling you the product will inform you of the actual charge.”

### *Exit costs*

A description must be given with a maximum of 300 characters. Various examples are given above and the ones listed here are those that the Association considers relevant to funds:

Funds that do not have an exit fee:

“We do not charge an exit fee for this product” and possibly “but the person selling you the product may do so.”

Funds that have the possibility to charge an exit fee according to the fund rules but do not do so at the moment:

Explanation + “[ ] % of your investment before it is paid out to you” and possibly “This is the most you will be charged” and possibly “The person selling you the product will inform you of the actual charge.”

Funds that currently charge an exit fee:

“[ ] % of your investment before it is paid out to you” and possibly “The person selling you the product will inform you of the actual charge.”

Funds that charge an exit fee under certain conditions:

“These costs only apply if (explain circumstances or an example in maximum 200 characters)”

### *Management fees and other administrative or operational expenses*

A description must be given with a maximum of 150 characters. Example:

“[ ] % of the value of your investment per year”. This is an estimate based on actual costs over the last year.



#### *Transaction costs*

The following text must be included: “[ ] % of the value of your investment per year”]. This is an estimate of the costs incurred when we buy and sell the underlying investments for the product. The actual amount will vary depending on how much we buy and sell.”

#### *Performance fees*

A description must be given with a maximum of 300 characters and the following wording: “The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last five years.] or [There is no performance fee for this product]. The Association assumes that the “estimation above” is a clerical error and proposes instead to replace it with “estimate”. According to ESMA's guidelines on funds with performance fees<sup>30</sup>, funds with performance fees that can be charged even when the fund declines in value must include a warning in the key information document. Although the guidelines refer to UCITS-KIID, the Association believes that the same applies here.

If the fund has no performance fee, “Not applicable” should be indicated in the right-hand column, not “0%”<sup>31</sup>.

#### *Example of a table for a fund:*

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<sup>30</sup> ESMA Guidelines on performance fees in UCITS and certain types of AIFs, ESMA34-39-992 EN.

<sup>31</sup> JC Q&A “Presentation of costs”, Question 6.

**Composition of Costs** (amounts in SEK are based on an investment of SEK 100,000)

Engångskostnader vid teckning eller inlösen		Om du löser in efter 1 år
<b>Teckningskostnader</b>	Vi tar inte ut någon teckningsavgift, men personen som säljer produkten till dig kan komma att göra det.	0 kr
<b>Inlösenkostnader</b>	Vi tar inte ut någon inlösenavgift för denna produkt men personen som säljer produkten till dig kan komma att göra det.	0 kr
<b>Löpande kostnader</b>		
<b>Förvaltningsavgifter och andra administrations- eller driftskostnader</b>	1,1% av värdet på din investering per år. Detta är en uppskattning baserad på faktiska kostnader under det senaste året.	1 100 kr
<b>Transaktionskostnader</b>	0,1 % av värdet på din investering per år. Detta är en uppskattning av kostnaderna som uppstår när vi köper och säljer produktens underliggande investeringar. Det faktiska beloppet kommer att variera beroende på hur mycket vi köper och säljer.	100 kr
<b>Extra kostnader som tas ut under särskilda omständigheter</b>		
<b>Resultatrelaterade avgifter</b>	Ingen resultatrelaterad avgift tas ut för denna produkt	Ej tillämplig

The text in brackets in the table header above is not part of the template, but the Association deems it appropriate to indicate that the amounts in SEK are based on an investment of SEK 100,000. This is because 100,000 is considered a large amount and is otherwise only mentioned in connection with Table 1 (which also risks ending up on another page).

1.8. 'How long should I hold it and can I take my money out early?' section

What is stated in the Delegated Regulation?

*Article 6*

*PRIIP manufacturers shall include the following in the section entitled 'How long should I hold it and can I take my money out early?' of the key information document:*

*(a) a brief description of the reasons for the selection of the recommended, or the minimum required, holding period;*

*(b) a description of the features of the disinvestment procedure and when disinvestment is possible, including an indication of the impact of cashing-in early on the risk or performance profile of the PRIIP, or on the applicability of capital guarantees;*

*(c) information about any fees and penalties which are incurred for disinvestments prior to maturity or any other specified date other than the recommended holding period, including a cross reference to the information on costs to be included in the key information document pursuant to Article 5 and a clarification of the impact of such fees and penalties for different holding periods.*

It must state how long the investor should hold the fund, including the reasons for this. The information here should, in the Association's opinion, be worded taking into account the recommended holding period in the section "What is this product".

In addition, a description of the procedure for liquidating the investment, including the impact of early exit on the risk or performance profile of the fund and whether there may be charges if the fund is sold within a certain time (with a cross-reference to the expenses section if applicable), must be provided.

Example of wording for an equities fund:

The fund has no minimum holding period requirement but, since it invests in equities, it is suitable for a medium to long investment horizon. You should be prepared to save in the fund for at least 5 years. You normally have the option to sell your fund on any and all business days without any additional fee.

Note that the template (p. 6 of the Guidance) provides a text in boldface directly under the heading, but nothing is mentioned about it in the Delegated Regulation:

**Rekommenderad [kortast tillåtna] innehavstid: [x]**

## 1.9. 'How can I complain?' section

What is stated in the Delegated Regulation?

*Article 7*

*PRIIP manufacturers shall provide the following information in the section entitled 'How can I complain?' of the key information document, in summary format:*

*(a) steps to be followed for lodging a complaint about the product or about the conduct of the PRIIP manufacturer or the person advising on, or selling, the product;*

*(b) a link to the relevant website for such complaints;*

(c) an up-to-date postal address and an email address to which such complaints may be submitted.

The section must contain information on where the investor can turn with any complaints. There must be a link to the fund management company's website and a postal address and e-mail address. Furthermore, it is appropriate to state, in a generic description, that the investor can turn to the person who advised on/sold the product.

Proposed wording:

If you wish to make a complaint about the fund, you can contact the person who advised you or sold you the product. You can also contact the fund management company ([www.fondbolaget.se/klagomål](http://www.fondbolaget.se/klagomål)) or write to [klagomal@fondbolaget.se](mailto:klagomal@fondbolaget.se) or Fund Management Company, Box 123, 114 32 City.

#### 1.10. 'Other relevant information' section

What is stated in the Delegated Regulation?

*Article 8*

*1. PRIIP manufacturers shall indicate in the section entitled 'Other relevant information' of the key information document any additional information documents that may be provided, and whether such additional information documents are made available based on a legal requirement or only at the request of the retail investor.*

*2. The information included in the section entitled 'Other relevant information' of the key information document may be provided in summary format, including a link to the website where further details other than the documents referred to in paragraph 1 are made available.*

*3. For UCITS as defined in point 1(a) of Annex VIII, AIFs as defined in point 1(b) of that Annex, or unit-linked insurance-based investment products as defined in point 1(c) of that Annex, the section titled "Other relevant information" of the key information document shall include:*

*(a) a link to the website, or a reference to a document, where the information about past performance published by the PRIIP manufacturer in accordance with Annex VIII is made available;*

*(b) the number of years for which past performance data is presented.*

*For PRIIPs referred to in Annex II, Part 1, point 5, that are open-ended funds, or other PRIIPs open to subscription, previous performance scenario calculations shall*

*be published on a monthly basis and the section titled “Other relevant information” shall state where those calculations can be found.*

The fund must indicate where other information documents are available, preferably with a reference to the fund management company's website. It is the Association's interpretation that the requirement to publish the ratios for previous years/periods (Annex VI, point 83) is appropriately met by providing these in an equivalent place.

Example of wording:

Complete information about the fund is available in the fund's prospectus, which is available on the fund management company's website ([www.fondbolaget.se](http://www.fondbolaget.se)), together with, among other things, the current version of this key information document, the fund's annual report, its half-yearly report, and information on costs for prior periods.

(Note that there is no formal requirement to refer in the key information document to costs for earlier periods)

### **Past performance**

The section must also include a link to the website or reference to a document, as well as information on the number of years shown by the returns data.

The information referred to must comply with the requirements set out in Annex VIII.

Annex VIII has taken requirements from the current (UCITS) Key Investor Information Regulation and requires, among other things, the following:

- A bar chart showing the return for each and every one of the last 10 years (if there are fewer than 5 years, the number of years on the x-axis of the chart must be reduced to 5 years).
- Only full calendar years may be shown.
- The return must be stated as a percentage to 1 decimal place.

### *Supplemental comments*

The following texts must supplement the bar chart (and be clearly visible):

Above the chart (in bold face): **“This chart shows the fund’s performance as the percentage loss or gain per year over the last [x] years.”**;

In connection (in bold face): **“Past performance is not a reliable indicator of future performance. Markets could develop very differently in the future.**

**It can help you to assess how the fund has been managed in the past”**

If relevant: Information on which fees are included or excluded from the calculation of the return (does not apply to funds that do not have buy/sell fees): [Example of descriptive explanation:

**"Performance is shown after deduction of ongoing charges. Any entry and exit charges are excluded from the calculation."**] (note, there is no requirement for bold face but the example is in bold face.)

In connection: Start year of the fund/share class.

If relevant: A warning regarding the representativeness of historical data if the fund has materially changed its objectives and investment policy /other reason.

If relevant: The currency in which the return is calculated.

### *Benchmark*

If the section "What is this product?" contains a reference to a benchmark, bars showing the return of the benchmark index must be included in the chart. Point 11 states that this also applies to index-tracking funds and to funds "managed in reference to a benchmark". In addition, it is explained that: "A UCITS or AIF is deemed to be managed in reference to a benchmark, where the benchmark index plays a role in the management of the UCITS or AIF, such as for portfolio composition and/or performance measures."

The following descriptive text must be included in bold for funds "managed in reference to a benchmark".

**"This chart shows the fund's performance as the percentage loss or gain per year over the last [ ] years."**

**"It can help you to assess how the fund has been managed in the past and compare it to its benchmark."**

### **Historical performance scenarios**

The last paragraph of Article 8 requires category 2 funds ("PRIIPs referred to in Annex II, Part 1, point 5, that are open-ended funds") to publish previous performance scenario calculations on a monthly basis. This section must include a reference to where such calculations can be found.

It is the Association's understanding that the requirement to keep previous performance scenario calculations available refers only to those calculations published in the key information document. The calculations are to be carried out monthly (Annex IV point 11) but only updated<sup>32</sup> in the key information document when the moderate scenario deviates by more than 5 percentage points (see Art. 15 point 2 c).

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<sup>32</sup> Except when a material change as per point 15 occurs.

To update the previous performance scenarios with the monthly control calculations can, according to the Association, not be the purpose since they are calculated on time periods that come after the ones published in the KID and can therefore not be considered to be “previous performance scenarios”. Further, it is the interpretation of the Association that is applies to the table, not the texts.  
Regarding limitations on the number of previous performance scenarios to be published, the JC Q&Q<sup>33</sup> states that there are none.

### 1.11. Review and revision of the KID

#### What is stated in the Delegated Regulation?

##### *Article 15*

##### *Review*

*1. PRIIP manufacturers shall review the information contained in the key information document every time there is a change that significantly affects or is likely to significantly affect the information contained in the key information document and, at least, every 12 months following the date of the initial publication of the key information document.*

*2. The review referred to in paragraph 1 shall verify whether the information contained in the key information document remains accurate, fair, clear, and non-misleading. In particular, it shall verify the following:*

*(a) whether the information contained in the key information document is compliant with the general form and content requirements under Regulation (EU) No 1286/2014, or with the specific form and content requirements laid down in this Delegated Regulation;*

*(b) whether the PRIIP's market risk or credit risk measures have changed, where such a change has the combined effect that necessitates the PRIIP's move to a different class of the summary risk indicator from that attributed in the key information document subject to review;*

*(c) whether the mean return for the PRIIP's moderate performance scenario, expressed as an annualised percentage return, has changed by more than five percentage points.*

*(d) where the performance scenarios are based on appropriate benchmarks or proxies, the consistency of the benchmark or proxy with the objectives of the PRIIP.*

*3. For the purposes of paragraph 1, PRIIP manufacturers shall establish and maintain adequate processes throughout the life of the PRIIP where it remains*

<sup>33</sup> JC Q&A section “Performance scenarios” Q17b.

*available to retail investors to identify without undue delay any circumstances which might result in a change that affects or is likely to affect the accuracy, fairness or clarity of the information contained in the key information document.*

*Article 16*

*Revision*

*1. PRIIP manufacturers shall without undue delay revise the key information document where a review pursuant to Article 15 concludes that changes to the key information document need to be made.*

*2. PRIIP manufacturers shall ensure that all sections of the key information document affected by such changes are updated.*

*3. The PRIIP manufacturer shall publish the revised key information document on its website.*

The key information document must be reviewed when there is a material change to the information, or at least every twelve months. The fund management company must have processes in place to detect, without undue delay, any circumstances that could lead to changes.

The fund management company must amend the key information document without undue delay where necessary and publish it on its website.

Detailed information on updating requirements can be found under the relevant section; see section 1.4 (risk), 1.5 (performance scenarios) and 1.7 (costs) in the Guidance.



## 2. Specific provisions on the KID by PRIIPs offering a range of options for investment

Article 10 sets out the information options available to the PRIIP manufacturer when a PRIIP, for example unit-linked insurance, offers the investor a choice of multiple investment options (MOP).

### What is stated in the Delegated Regulation?

#### *Article 10*

Where a PRIIP offers a range of underlying investment options, and the information regarding those underlying investment options cannot be provided within a single, concise, stand-alone key information document, PRIIP manufacturers shall produce one of the following:

- (a) a key information document for each underlying investment option within the PRIIP, in accordance with Chapter I, including information about the PRIIP as a whole, with each key information document reflecting the case that the retail investor invests in one investment option only;
- (b) a generic key information document describing the PRIIP in accordance with Chapter I, unless otherwise specified in Articles 11 to 14, including a description of where the specific information on each underlying investment option can be found.

Funds are often packaged in unit-linked policies, where the consumer can select from a large number of funds within the same bundle of insurance policies. For unit-linked policies, the insurance company may choose to provide information under either Article 10(a) or 10(b). If the insurance company chooses to provide the information in accordance with Article 10(a), a PRIIP key information document must be produced for each underlying product, which must also contain information on the bundle. Many of these bundles of insurance policies contain a large number of underlying products, so compilation of the information is likely to require a lot of work by both the fund management company and the insurance company.

Under Article 10(b), a generic PRIIP key information document must be produced for the bundle in accordance with the rules above (Art. 1-9) unless otherwise specified in Articles 11-14.

For example, for an insurance company that has two different unit-linked policies with 100 underlying funds (same funds in both), choosing 10(a) would probably involve producing 200 different PRIIP key information documents, while choosing 10(b) would involve two generic PRIIP key information documents and 100 Article 14 information sheets/Fund PRIIP key information documents for underlying products. One might therefore find it less realistic for the insurance company to choose to provide information in accordance with 10(a).

In dialogue with Insurance Sweden, the Swedish Investment Fund Association has been informed that Swedish insurance companies intend to request information pursuant to Article 10(b). The manner in which information is to be provided in connection with the application of Article 10(a) is not explored here.

### 3. Specific information on funds as an underlying investment option

Articles 11 to 13 specify the information to be included in the generic key information document. It is an overview and can probably be compiled by the MOP manufacturer based on current fund PRIIP key information documents without assistance from the fund management company.

Article 14 sets out the specific information to be provided by the MOP manufacturer for the underlying investment options if it has chosen to apply Article 10(b) and it is likely that the fund management company will be required to provide this to the MOP manufacturer.

#### What is stated in the Delegated Regulation?

*Article 14*

#### ***Specific information on each underlying investment option***

*The specific information on each underlying investment option, referred to in Article 10, point (b), shall be provided in a specific information document, the main purpose of which is to supplement the generic key information document. PRIIP manufacturers shall include for each underlying investment option all of the following:*

- (a) a comprehension alert, where relevant;*
- (b) the investment objectives, the means for achieving them, and the intended target market as referred to in paragraphs 2 and 3 of Article 2;*
- (c) a summary risk indicator and narrative, and performance scenarios, as referred to in Article 3;*
- (d) a presentation of the costs, in accordance with Article 5, including a statement on whether or not those costs include all of the costs of the PRIIP in the case that the retail investor invests in that specific investment option only;*
- (e) for underlying investment options that are UCITS as defined in point 1(a) of Annex VIII, AIFs as defined in point 1(b) of that Annex, or unit-linked insurance-based investment products as defined in point 1(c) of that Annex, information about past performance as required by Article 8(3).*

*The information referred to in points (a) to (e) shall follow the structure of the relevant parts of the template laid down in Annex I.*

All of the requirements set out in Article 14 are available in a fund PRIIP key information document, with the possible exception of the requirement in 14(d), "including a statement on whether or not those costs include all of the costs of the PRIIP in the case that the retail investor invests in that specific investment option only", where it is unclear what is meant. After dialogue with Svensk försäkring it became clear that their interpretation<sup>34</sup> was that it is not covered by our wording in section 1.7 under 'Presentation of the costs' - "The person advising on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment." An accompanying text is therefore to be added as follows: "Om fonden ingår som en del i en annan produkt, t.ex. fondförsäkring, kan det tillkomma andra kostnader för den produkten."

The Association notes that the funds that add the above mention text in the KID would avoid the need for fund management companies to create and continuously provide Swedish insurance companies with an "Article 14 document" and instead use the Priip-KID for this purpose. It is the interpretation of the Association that the suggested text is sufficiently clear to avoid confusing investors when buying the fund outside of a unit-linked.

### 3.1 Reporting template for information from fund management companies to insurance companies

A standardised reporting template (EPT, European PRIIPs Template) has been developed<sup>35</sup> to facilitate the transfer of information between companies.

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<sup>34</sup> Which is supported by EC Q&A, section "MOPs" Q4.

<sup>35</sup> Produced by FinDatEx

## Sources and links

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), consolidated version:

[Link to Regulation](#)

Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents:

[Link to Delegated Regulation](#)

Relevant revisions and completions in lagen (2014:46) om värdepappersfonder and lagen (2013:561) om förvaltare av alternativa investeringsfonder will enter into force on January 1st 2023. The Guidance will be complemented with links once they are published.

Relevant revisions and completions in the regulation from Finansinspektionen FFFS 2013:9 (UCITS) and 2013:10 (AIF) will enter into force on January 1st 2023. The Guidance will be complemented with links once they are published.

Guidelines on the application of Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) (2017/C 218/02).

[Link to Guidelines](#)

Questions and answers (Q&A) on the PRIIPs KID, The Joint Committee of the European Supervisory Authorities (JC) 2017 49, 21 December 2022:

[Link to Q&A](#)

Joint ESA Supervisory Statement on expectations regarding the ‘What is this product?’ (JC 2022 10)

[Link to Supervisory Statement](#)

European PRIIPs Template (EPT), version 2

[Link to EPT](#)

Directive (EU) 2021/2261 of the European Parliament and of the Council of 15 December 2021 amending Directive 2009/65/EC as regards the use of key information documents by management companies of undertakings for collective investment in transferable securities (UCITS):

[Link to amending directive](#)

Joint ESA PRIIPs - Flow diagram for the risk and reward calculations in the PRIIPs  
KID (JC-2017-49) 19 July 2018. (Note: For category 2-funds B, Part 4 a is obsolete)  
[Link to Flow diagram](#)

Exempelfaktablad, bör läsas tillsammans med "Vägledning för upprättande av faktablad (Priip KID) för fonder".

Syfte	
<p>Detta faktablad ger dig basfakta om denna investeringsprodukt. Det är inte reklammaterial. Informationen krävs enligt lag för att hjälpa dig att förstå produktens egenskaper, risker, kostnader, möjliga vinster och förluster och för att hjälpa dig att jämföra den med andra produkter.</p>	
Produkt	
<p><b>ABC Aktiefond Global</b>  <b>ABC Fonder AB</b>                      ISIN: SXXXXXXXXXX  <a href="http://www.abcfonder.se">www.abcfonder.se</a>, Ring 0X-123 456 för mer information.                      Finansinspektionen är ansvarig för tillsynen av ABC Fonder vad gäller detta faktablad. Denna Priip-produkt är auktoriserad i Sverige och förvaltas av ABC Fonder AB. ABC Fonder AB är auktoriserat i Sverige och regleras av Finansinspektionen. Faktabladet upprättades 2023-01-01.</p>	
Vad innebär produkten?	
Typ	Värdepappersfond
Löptid	Fonden har ingen förfallodag. Fondbolaget har rätt att stänga fonden och lösa in andelarna, se information i informationsbroschyren.
Mål	Denna aktiefond 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. 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 lämnar inte någon utdelning utan alla inkomster återinvesteras i fonden. Fondens jämförelseindex är DC Index World inkl. utdelningar. Fondens avkastning bestäms av hur de aktier som fonden placerar i ökar eller minskar i värde under innehavsperioden. Köp och försäljning av fondandelar kan normalt ske alla vardagar.
Målgrupp	Denna fond kan vara lämplig för sparare som planerar att behålla sin investering i minst 5 år och som är införstådd med att de pengar som placeras i fonden både kan öka och minska i värde och att det inte är säkert att hela det insatta kapitalet kan återfås. För att investera i fonden krävs ingen särskild förkunskap eller erfarenhet av värdepappersfonder eller finansiella marknader.
	Förvaringsinstitut: A-Banken. Årsberättelse, halvårsredogörelse, informationsbroschyr, senaste andelsvärde samt övrig praktisk information finns att tillgå kostnadsfritt på svenska på <a href="http://www.abcfonder.se/abcaktiefond">www.abcfonder.se/abcaktiefond</a> .
Vilka är riskerna och vad kan jag få i avkastning?	
<p><b>Riskindikator</b></p> <div style="display: flex; align-items: center;"> <div style="margin-right: 20px;"> <p>Riskindikatorn utgår ifrån att du behåller produkten i 5 år.</p> </div> <div> <p>Den sammanfattande riskindikatorn ger en vägledning om risknivån för denna produkt jämfört med andra produkter. Den visar hur troligt det är att produkten kommer att sjunka i värde på grund av marknadsutvecklingen. Vi har klassificerat produkten som 5 av 7, dvs. en medelhög riskklass. Det betyder att fonden har medelhög risk för upp- och nedgångar i andelsvärdet. Indikatorn speglar framför allt upp- och nedgångar i de aktier fonden placerat i.</p> </div> </div> <p>Risker som inte fångas av riskindikatorn: Motpartsrisk - uppstår om en motpart inte fullgör sina skyldigheter mot fonden, exempelvis genom att inte betala en fastställd summa eller inte leverera värdepapper enligt överenskommelse. Operativ risk - risken för förlust på grund av exempelvis systemhaveri, fel orsakade av den mänskliga faktorn eller av externa händelser.</p> <p>Denna produkt innehåller inte något skydd mot framtida marknadsresultat. Du kan därför förlora hela eller delar av din investering.</p>	

## Resultatscenarier

Vad du får från denna produkt beror på framtida marknadsresultat. Den framtida marknadsutvecklingen är osäker och kan inte förutsägas exakt. De negativa, neutrala och positiva scenarierna visar det sämsta, det genomsnittliga och det bästa resultatet för produkten under de senaste 10 åren. Marknaderna kan utvecklas helt annorlunda i framtiden. Det negativa scenariot inträffade för en investering mellan 2015–2020. Det neutrala scenariot inträffade för en investering mellan 2016–2021. Det positiva scenariot inträffade för en investering mellan 2013–2018. Stressscenariot visar vad du kan få tillbaka under extrema marknadsförhållanden.

Rekommenderad innehavstid: 5 år Exempel på investering: 100 000 kr		Om du löser in efter 1 år	Om du löser in efter 5 år (rekommenderad innehavstid)
<b>Scenarier</b>			
<b>Minimum</b>	<b>Det finns ingen garanterad minsta avkastning. Du kan förlora hela eller delar av din investering.</b>		
<b>Stress</b>	<b>Vad du kan få tillbaka efter avdrag för kostnader</b>	<b>77 900 kr</b>	<b>51 800 kr</b>
	Genomsnittlig avkastning per år	-22,1%	-12,3%
<b>Negativt</b>	<b>Vad du kan få tillbaka efter avdrag för kostnader</b>	<b>90 100 kr</b>	<b>116 900 kr</b>
	Genomsnittlig avkastning per år	-9,9%	3,2%
<b>Neutralt</b>	<b>Vad du kan få tillbaka efter avdrag för kostnader</b>	<b>112 000 kr</b>	<b>181 500 kr</b>
	Genomsnittlig avkastning per år	12,0%	12,7%
<b>Positivt</b>	<b>Vad du kan få tillbaka efter avdrag för kostnader</b>	<b>136 300 kr</b>	<b>203 500 kr</b>
	Genomsnittlig avkastning per år	36,3%	15,3%

I siffrorna ingår alla kostnader för själva produkten, men eventuellt inte alla kostnader som du betalar till din rådgivare eller distributör. I siffrorna tas ingen hänsyn till din personliga beskattningssituation, som också kan påverka hur mycket du får tillbaka.

### Vad händer om ABC Fonder AB inte kan göra några utbetalningar?

Fondens tillgångar får enligt lag inte förvaras av fondbolaget. I stället måste varje fond ha ett särskilt förvaringsinstitut som tar hand om förvaringen av fondens tillgångar. I det fall fondbolaget skulle gå i konkurs tas förvaltningen av fonden över av förvaringsinstitutet. Det finns ingen annan kompensations- eller garantiordning för investerare i fonden.

### Vilka är kostnaderna?

Den person som ger dig råd om eller säljer produkten kan ta ut andra kostnader. Om så är fallet ska personen i fråga informera dig om dessa kostnader och om hur de påverkar din investering. Om fonden ingår som en del i en annan produkt, t.ex. fondförsäkring, kan det tillkomma andra kostnader för den produkten.

#### Kostnader över tid

Tabellerna visar de belopp som tas från din investering för att täcka olika typer av kostnader. Beloppens storlek beror på hur mycket du investerar, hur länge du innehar produkten och hur din produkt presterar. Beloppen som visas här är baserade på ett exempel på investeringsbelopp och olika möjliga investeringsperioder.

Vi har antagit följande:

-Det första året får du tillbaka det belopp som du investerat (0 % årlig avkastning). För 5 år har vi antagit att produkten presterar i enlighet med vad som visas i det neutrala scenariot.

-100 000 kronor investeras.

	Om du löser in efter 1 år	Om du löser in efter 5 år
<b>Totala kostnader</b>	1 200 kr	9 870 kr
<b>Årliga kostnadseffekter*</b>	1,2%	1,2% varje år

(\*) Detta illustrerar hur kostnader minskar din avkastning varje år under innehavstiden. Det visar till exempel att om du löser in vid den rekommenderade innehavstiden beräknas din genomsnittliga avkastning per år bli 13,9% före kostnader och 12,7% efter kostnader.

Som ersättning för sina tjänster kan personen som säljer produkten till dig komma att erhålla en del av de kostnader som du betalar till oss. Du kommer att få information om beloppet.

#### Kostnadssammansättning (beloppen i kronor är baserade på en investering på 100 000 kr)

Engångskostnader vid teckning eller inlösen		Om du löser in efter 1 år
Teckningskostnader	Vi tar inte ut någon teckningsavgift, men personen som säljer produkten till dig kan komma att göra det.	0 kr
Inlösenkostnader	Vi tar inte ut någon inlösenavgift för denna produkt men personen som säljer produkten till dig kan komma att göra det.	0 kr
<b>Löpande kostnader</b>		
Förvaltningsavgifter och andra administrations- eller driftskostnader	1,10% av värdet på din investering per år. Detta är en uppskattning baserad på faktiska kostnader under det senaste året.	1 100 kr
Transaktionskostnader	0,10 % av värdet på din investering per år. Detta är en uppskattning av kostnaderna som uppstår när vi köper och säljer produktens underliggande investeringar. Det faktiska beloppet kommer att variera beroende på hur mycket vi köper och säljer.	100 kr
<b>Extra kostnader som tas ut under särskilda omständigheter</b>		
Resultatrelaterade avgifter	Ingen resultatrelaterad avgift tas ut för denna produkt	Ej tillämplig

#### Hur länge bör jag behålla investeringsprodukten och kan jag ta ut pengar i förtid?

##### Rekommenderad innehavstid: 5 år

Fonden har inget krav på minsta innehavsperiod men eftersom den placerar i aktier är den lämplig för en medellång till lång investeringshorisont. Du bör vara beredd att spara i fonden under åtminstone 5 år. Du har normalt möjlighet att sälja dina fondandelar alla bankdagar utan någon extra avgift.

#### Hur kan jag klaga?

Önskar du framföra klagomål på fonden kan du vända dig till den som givet dig råd om eller sålt produkten till dig. Du kan också vända dig till fondbolaget ([www.abcfonder.se/klagomal](http://www.abcfonder.se/klagomal)) eller skriva till [klagomal@abcfonder.se](mailto:klagomal@abcfonder.se) alternativt ABC Fonder, Box 123, 123 45 Stad.

#### Övrig relevant information

Fullständig information om fonden finns i fondens informationsbroschyr som finns att tillgå på fondbolagets hemsida ([www.abcfonder.se](http://www.abcfonder.se)) tillsammans med bl.a. aktuell version av detta faktablad, fondens årsberättelse och halvårsredogörelse samt information om kostnader för äldre perioder.

Tidigare resultat: Avkastning för de 10 senaste åren finns att tillgå här: [www.abcfonder.se/pp/abcaktiefond](http://www.abcfonder.se/pp/abcaktiefond)

Historiska resultatscenarier: Tidigare publicerade resultatscenarier finns att tillgå här: [www.abcfonder.se/rs/abcaktiefond](http://www.abcfonder.se/rs/abcaktiefond)