



Regulation of the Financial Market Authority (FMA) concerning the Key Investor Information Document (KID-V; *Kundeninformationsdokument-Verordnung*)

Key Investor Information Document Regulation (KID-V)

Federal Law Gazette II No. 351/2019

Based on Article 134 para.4 of the Investment Fund Act 2011 (InvFG 2011; *Investmentfondsgesetz 2011*), published in Federal Law Gazette I No 77/2011, the following shall be determined by Regulation

SECTION 1

SCOPE OF APPLICATION

Article 1. The management company shall provide a Key Investor Information Document (KID) in accordance with this Regulation for each Undertaking for Collective Investment in Transferable Securities (UCITS, Article 2 para. 1 of the Investment Fund Act 2011 (InvFG 2011; *Investmentfondsgesetz 2011*) and for each umbrella structure (Article 47 para. 1 InvFG 2011) approved after 31 August 2011. The provisions for UCITS in this Regulation shall also apply to Other Portfolios of Assets, where the rules under Part 2 InvFG 2011 are applicable to such other portfolios of assets.

SECTION 2

SYNTHETIC RISK AND REWARD INDICATOR

Article 2. (1) The synthetic risk-reward indicator (SRRI) shall be based on the volatility of the UCITS.

(2) Volatility shall be estimated using the previous weekly returns of the UCITS or, if not otherwise possible, using its monthly returns.

(3) The returns of the last five years shall be relevant for the calculation of volatility. In case of distribution of earnings, the returns shall be measured taking into account the relevant earnings and dividend pay-outs.

Article 3. (1) The volatility of the UCITS shall be calculated and then rescaled to a yearly assessment base using the following formula. The formula reads:

$$\text{Volatilität} = \sigma_f = \sqrt{\frac{m}{T-1} \sum_{t=1}^T (r_{f,t} - \bar{r}_f)^2}$$

where:

- $r_{f,t}$ equals the returns of the UCITS measured over
- T non-overlapping periods for a maturity of
- $1/m$ years.

This means that $m = 52$ and $T = 260$ for weekly returns and $m = 12$ and $T = 60$ for monthly returns, where:

- \bar{r}_f equals the arithmetic mean of the returns of the UCITS for
- T periods:

$$\bar{r}_f = \frac{1}{T} \sum_{t=1}^T r_{f,t}$$

(2) The SRRI shall correspond to an integer number designed to rank the fund over a scale from 1 to 7, according to its increasing order of volatility, as shown by the table in Annex A.

Article 4. The management company shall calculate the SRRI of the UCITS according to its internal rules and procedures adopted for risk measurement and ensure monitoring of the correct and uniform application of this process on an ongoing basis.

Article 5. The calculation of the SRRI of the UCITS and its ongoing monitoring shall be adequately documented. Management companies shall retain the relevant records for a period of at least five years. In the case of a structured fund referred to in Article 17, this period shall be extended by another five more years after the end of the recommended holding period.

VOLATILITY INTERVALS

Article 6. The SRRI of the UCITS shall be determined using the annualised volatility intervals in accordance with the table in Annex A. This table shows the various volatility intervals reflecting the increasing degree of risk and thus the position on the scale of risk.

UPDATES

Article 7. Any material change to the risk and reward profile of the UCITS shall be reflected by a prompt revision of the KID.

Article 8. (1) The SRRI shall be revised whenever the volatility of the UCITS no longer falls into the risk category of the preceding four months based on the weekly or monthly reference points. Reclassifications shall be performed whenever the UCITS falls into at least two categories within this time period. In this case it should be assigned to the new risk grading matched by the majority of the reference points.

(2) The SRRI shall in any case require to be revised whenever the UCITS' investment policy or strategy are changed on the basis of a decision by the management company. In that case, the change in the SRRI shall be considered as a reclassification of the UCITS, and shall be required to be conducted in accordance with the applicable rules.

MARKET FUNDS

Article 9. Market funds are UCITS managed in accordance with their investment policies or strategies that aim to reflect the risk and reward profile of pre-determined segments of the capital market.

Article 10. For market funds for which full historical data about their returns pursuant to Articles 2 to 5 is not available, then the SRRI calculation shall be adjusted in accordance with the following steps:

1. the corresponding available historical data about the UCITS' returns shall be applied.
2. the corresponding and representative portfolio model, target asset mix or benchmark shall be determined for the UCITS.

3. the returns of the representative portfolio model, the target asset mix or benchmark of the UCITS shall be calculated from the fund from start of the observation period up until the time from which the UCITS' actual returns are available.
4. both returns data series shall be joined to form a single sample.
5. the annualised, historical volatility shall be estimated in accordance with the formula pursuant to Article 3 para. 1.

ABSOLUTE RETURN FUNDS

Article 11. Absolute return funds are UCITS, which in accordance with their investment policies and strategies, stipulate a variable allocation of the fund's assets across several asset classes, which at the same time limiting risk.

Article 12. (1) The SRR I shall be calculated as follows for absolute return funds:

1. Where complete historical data exists regarding returns, then the respective higher value of
 - a. the actual, historical and annualised volatility; and
 - b. the volatility that is in line with the risk limit adopted by the UCITS,shall be applied.
2. For those UCITS that either do not have complete historical data about their returns, as well as for those that have recently changed their investment policies and strategies, then the annualised volatility that is in line with the risk limit of the UCITS shall be applied.

(2) The volatility pursuant to para. 1 no. 1 lit. b corresponds to the risk limit of the UCITS, if it:

- a. itself constitutes the UCITS' risk target, or
- b. following conversion into a Value-at-Risk (VaR) measure, was calculated by means of reverse engineering of the VaR in accordance with Annex B under the assumption of risk neutrality.

TOTAL RETURN FUNDS

Article 13. Total return funds are UCITS that are managed in accordance with their investment policy and strategies that stipulate that certain returns are to be achieved by means of flexible investment in several investment classes.

Article 14. The SRR I shall be calculated as follows for total return funds:

1. where complete historical data exists regarding returns, then the respective higher value of
 - a. the actual, historical and annualised volatility,
 - b. the annualised volatilities of the returns of the composition of assets that is in line with the reference asset allocation of the UCITS at the time of the calculation, and
 - c. the volatility pursuant to Article 12 para. 2 that is consistent and appropriate with regard to the risk limit of the UCITS,shall be applied.

2. the maximum value from no. 1 lits. b and c shall be applied for newly established UCITS as well as those for which full historic data on returns do not exist for the respective observation period.

LIFE CYCLE FUNDS

Article 15. (1) Life cycle funds are UCITS that are managed according to their investment policies and strategies that gradually shift their portfolio allocation from high-risk to low-risk securities as the maturity date approaches in accordance with predetermined rules.

(2) For life cycle funds, the illustration of the SRRI in the KID should be accompanied by a prominent warning, that explains to the investor in clear terms about the characteristics typical of such a fund.

Article 16. The SRRI shall be calculated as follows for life cycle funds:

1. Where the historical data about returns is complete and the UCITS has not changed its target asset mix during the period in question, then the actual historical volatility shall be applied.
2. For newly established UCITS, for which no complete historical data exists about their returns, the process shall be as follows:
 - a. the corresponding historical data about the UCITS' returns shall be applied.
 - b. the corresponding and representative portfolio model, asset mix of the fund or a benchmark shall be determined for the UCITS and its returns computed.
 - c. Both returns data series shall be joined to form a single sample, so that the annualised volatility may be computed.

STRUCTURED FUNDS

Article 17. (1) Structured funds are UCITS that distribute payments based on an algorithm to their unit-holders on certain predetermined dates that are linked to the performance, realisation of a change in price or other parameters for financial instruments, indices or reference portfolios.

(2) In the case of structured funds, the illustration of the SRRI in the KID should be accompanied by a prominent warning that early redemptions may potentially be disadvantageous for the investor.

Article 18. (1) The SRRI for structured funds shall be calculated under consideration of the annualised volatility corresponding to a confidence interval of 99 %.

(2) The volatility based on a confidence interval of 99 % (99% VaR) at maturity shall be estimated using a historical simulation of the returns of the UCITS on the basis of the following model:

$$\ln(R_{fund}) \sim N\left(\left(rf_w - \frac{\sigma_w^2}{2}\right) * T; \sigma_w \sqrt{T}\right); R_{fund} = \frac{NAV^T}{NAV_0}$$

where:

- T identifies the number of weeks in the holding period of the UCITS, which is equal to the time (life to maturity) spanned by the algorithm employed by its investment policy;

- rf_w represents the average weekly risk-free rate which is valid at the time of the computation over the holding period;

- σ_w is the volatility of the weekly (log)returns of the UCITS.

Article 19. The VaR at a confidence interval of 99% of a structured fund which provides a pay-off linked to the performance of a predetermined reference security or portfolio (hereafter “reference index”) shall be computed as follows:

1. identify the relevant changes of the reference index for each T week during the holding period in the past 5 years. If the length of the time series of the reference index is not sufficient, backward simulation can be used in accordance with Article 10.
2. the (log)returns at maturity of the UCITS as determined according to no. 1 that correspond to the material changes of the reference index shall be simulated. If the formula allows for the distribution of dividends or for the possibility of anticipating results, upon the realisation of an event that is defined in the simulation, these pay-offs shall be capitalised at maturity (at the end of the holding period T) through the appropriate risk-free interest rate which is known at the time of the simulation.
3. the 1% percentile of the distribution of the (log)returns of the UCITS computed pursuant to no. 2 shall be isolated. This percentile, changed in sign according to international standards, represents the historical simulation VaR of the UCITS at maturity with a confidence level of 99%
4. once the 99% VaR has been computed, the accompanying annualised volatility shall be calculated as follows:
 - a. The parameter rf_w shall be determined as the average weekly risk-free rate valid over the holding period. If this rate is not directly available from the interest swap curve, the rate shall be estimated.
 - b. The weekly volatilities of the returns (σ_w), that are consistence with the calculated VaR, shall be calculated pursuant to no. 3 by means of reverse engineering of the model described in this provision. This shall be done by solving the following equation:

$$VaR = - \left(rf_w - \frac{\sigma_w^2}{2} \right) * T + 2,33 * \sigma_w * \sqrt{T}$$

5. The volatility shall be annualised using the square root rule ($\sigma_A = \sigma_w * \sqrt{52}$).

Article 20. The use of a specific historical time-period for the calculation of the SRRI in accordance with Article 19 may generate a bias due to the potential drift of the underlying reference index over the computation period. The UCITS shall then adapt the 5-step method described in Article 19 to ensure that the SRRI adequately reflects the level of risk of the UCITS through an appropriate correction of this potential drift effect.

SECTION 3

PRESENTATION OF CHARGES

Article 21. The management company of the UCITS shall

1. be responsible for the calculation of the ongoing charges and that they are shown correctly in the KID;
2. establish procedures that are consistent with the methods presented in this section and shall document them adequately;
3. keep records of every calculation, for a 5-year period from the date on which that version of the KID was last used.

DEFINITIONS OF ONGOING CHARGES

Article 22. The term “ongoing charges” includes payments made from the assets of the UCITS, where such deductions are stipulated by way of a law, regulation, the fund rules or its prospectus. The amount of the ongoing charges that are required to be stated in the KID, shall be based on the total amount of all payments made in the preceding year less the exceptions stated in Article 24.

Article 23. (1) The ongoing charges cover all types of costs that the UCITS has to bear, regardless of whether they are ongoing charges or the remuneration of persons providing services for the UCITS. These costs may be presented or calculated in various ways.

(2) The following illustrative list of ongoing charges, deducted from the assets of the UCITS, shall be taken into account when disclosing the amount of ongoing charges:

1. all payments to the following persons, including those who performed duties that have been delegated to them:
 - a. the management company of the UCITS;
 - b. the custodian bank;
 - c. any investment adviser;
2. all payments that may be incurred as a result of outsourcings as applicable;
3. registration fees, supervisory fees or similar charges;
4. remuneration of the auditor;
5. remuneration of legal and professional advisers;
6. any distribution charges.

Article 24. The following charges and payments shall not be taken into account when disclosing the amount of ongoing charges in the KID:

1. entry and exit charges, commissions as well as other charges that are borne either directly or indirectly by the investor;
2. performance-dependent management fees payable to the management company or the investment adviser;
3. interest on borrowing;
4. payments to third parties that are necessary during the course of the acquisition or disposal of assets of the UCITS irrespective of whether such charges are explicit or implicit;
5. expenditures incurred for the holding of derivatives;
6. the value of goods or services received by the management company or any connected person in exchange for the placement of dealing orders (soft commissions or similar arrangements).

Article 25. The exclusion in Article 24 no. 4 shall not include:

1. transaction-based payments made to any of the persons mentioned in Article 26 nos. 1 or 2, in respect of which the beneficiary is not accountable to the UCITS; all such amounts shall be taken into account in the disclosed figure for ongoing charges;
2. the costs for acquisition or disposal for unit certificates of other UCITS or alternative Investment Fund (AIFs, Article 3 para. 2 no. 31 InvFG 2011), which shall be taken into account in accordance with Article 27 no. 6.

Article 26. In cases where a full or partial fee-sharing agreement has been concluded, under which the management company or another party may cover management fees that are usually stated as ongoing charges, the following shall apply:

1. any remuneration that the management company or another person receives from such fee-sharing agreements shall be taken into account and added to the total amount of ongoing charges.
2. it shall not be necessary to further itemise expenses regulated by a fee-sharing agreement and that which have already accounted for in the ongoing charges. In those cases, in which the UCITS invests in a target fund and a corresponding fee-sharing agreement exists between the management company of the UCITS and the target fund or the target fund's management company, such fees shall be taken into account in the ongoing charges, unless they are already captured under Article 27.

Article 27. Where a UCITS invests a material portion of its assets in target funds and is subsequently required to make the disclosures required pursuant to Article 131 para. 4 no. 7 InvFG 2011, its ongoing charges figure shall take the ongoing charges incurred in the underlying target funds into account. The following points shall be included in the calculation:

1. where the underlying target fund is a UCITS or an AIF that complies with the KID disclosure requirements, the most recently available ongoing charges shall be used. This may be the figures published by the target fund or its management company or charges calculated by a reliable third-party, provided that such figures are more up-to-date than the published charges.
2. where the underlying target fund is managed by the management company of the UCITS in question or any affiliated undertaking (as defined in Article 131 para. 4 no. 1 InvFG 2011) and which does not fall within no. 1, the management company shall conduct a best estimate of its ongoing charges in accordance with this Regulation.
3. where the underlying target fund does not fall within nos. 1 or 2, and which no ongoing charges figure was disclosed, the management company shall either use other published information, provided doing so is a reasonable substitute, or other make best estimates of its maximum level based on the target fund's current prospectus and published reports.
4. for target funds that fall under no. 3 that make up less than 15 % of the UCITS' assets, it shall suffice to use the annual disclosed management fees for each target fund instead of estimating their ongoing charges.

5. figures stated about ongoing charges shall be reduced to the extent for which an arrangement exists under which the investing UCITS receive a rebate or retrocession of charges from the underlying target fund, and that is not already reflected in the fund's profit and loss account.
6. where the UCIT has paid subscription and/or redemption fees in relation to the acquisition or disposal of units in a target fund, the cumulative monetary value of those fees for the respective observation period shall be applied and taken into account in the calculation of the ongoing charges.

Article 28. Where the UCITS is an umbrella structure, then the investment compartments should be treated separately. Any charges attributable to the UCITS as a whole shall be apportioned among all the investment compartments on an equitable basis.

CALCULATION FOR EXISTING UCITS

Article 29. (1) The ongoing charges figure shall be the ratio of the total disclosable costs to the average net assets of the UCITS. The figure shall be expressed as a percentage to two decimal places.

(2) The ongoing charges figure shall be calculated at least once a year, on an ex-post basis. Where an ex-post view appears to be unsuitable due to a material change, then an estimate may be used until reliable ex post figures become available that reflect the impact of the material change.

(3) The ex-post value shall be stated based on the most recent calculation of costs that the management company justifiably considers to be appropriate. Provided that they are sufficiently recent, this figure may be based on the costs stated in the UCITS' most recent annual or half-yearly report. Otherwise, a comparable calculation based on the costs charged during the recent 12-month period shall be used instead, based on the charged costs. In this case the gross amount of costs is to be assumed.

(4) All figures calculated and used for previous periods for ongoing charges shall be published at the location listed in the KID as the source of reference for further information for unit-holders.

Article 30. The calculation shall be performed for each class of units. This shall not apply for two or more classes ranking *pari passu*, then a single calculation procedure shall suffice.

Article 31. The average net assets shall relate to the same reporting period as the costs, and shall be based on the UCITS' net assets at each calculation of the net asset value.

Note for the following provision

Applies for existing KIDS from their first subsequent amendment (cf. Article 41 para. 4).

Article 32. Where the proportional costs of the underlying target fund are taken into account, the following steps shall be followed:

1. The ongoing charges – or an equivalent amount – of every individual target fund shall be considered on a pro rata basis of net asset value as of the relevant qualifying date.
2. These costs that are calculated on a pro rata basis pursuant to no. 1 shall be combined with the UCITS' ongoing charges to form a single total figure (a synthetic figure for ongoing charges).

CALCULATION FOR NEWLY ESTABLISHED UCITS

Article 33. Generally, the same methodology shall apply as for an ex-post calculation in accordance with Articles 29 et seq. when performing the calculation for a new UCITS, albeit subject to the following differences:

1. Article 29 paras. 3 and Article 31 shall not apply. Estimates pursuant to Regulation (EU) No. 583/2010 shall be used.
2. where, in the management company's opinion, stating of figures to two decimal places conveys a degree of accuracy that does not exist, it shall suffice to state figures to a single decimal place.
3. unless stated to the contrary in the prospectus, it may be assumed that no rebates or fee waivers have been made use of to the benefit of the UCITS.

Article 34. The management company shall ensure that the accuracy of the estimated figure is reviewed on an ongoing basis, and determines when it shall be more appropriate to start using ex-post figures rather than an estimate. The accuracy of the estimates shall be reviewed by means of calculating a figure on an ex-post basis, at latest 12 months from the date on which the units were first offered for sale in any Member State.

SECTION 4: PERFORMANCE OF STRUCTURED UCITS

SELECTION CRITERIA

Article 35. (1) When selecting, presenting and explaining the scenarios representing the performance of the structured UCITS pursuant to Article 17 under various market conditions, the management company shall ensure that the information is fair, unambiguous and not misleading.

(2) The scenarios shall be required to illustrate:

1. how the formula functions under market conditions that lead to unfavourable, favourable and neutral outcomes, always starting with the explanation of the unfavourable scenario;
2. specificities of the formula;
3. scenarios, under which the functioning of the formula may positively or negatively impact on the actual performance.

(3) The management company shall select at least three scenarios about the UCITS' potential performance, to illustrate how pay-off works under different market scenarios.

(4) It depends on the formula, whether – where appropriate – more than three scenarios shall be necessary to adequately describe the possible range of outcomes.

Article 36. (1) Information that are used for the favourable and unfavourable scenarios shall be required to be based on reasonable assumptions regarding the future market situation and price movements.

(2) The selected scenarios shall contain a narrative explanation about the advantages or drawbacks of the formula, where these are not included in the section on risk and reward.

(3) The scenarios shall not be allowed to contain any information that contradicts the information contained in other sections of the KID.

Article 37. The scenarios shall be updated where relevant. A relevant occasion shall be:

1. a market change in market conditions since the launch of the UCITS;
2. where at least a year has lapsed since the last update;
3. as required, to reflect the time dependency of a pay-off.

PRESENTATION

Article 38. (1) The scenarios shall bear the designation of “illustrative examples”. The narrative explanation should make it clear that they do not constitute forecasts and are not equally probable.

(2) Every scenario shall either be presented as tables or graphs, depending on which approach is more suitable to explain the characteristics of the structured UCITS.

(3) The returns presented in the various scenarios shall be stated as an annualised rate of growth with an appropriate explanation, while the capitalised/gross rate of growth may also be shown where applicable.

Article 39. (1) To guarantee that different graphs are comprehensible and comparable, presentation shall avoid:

1. double scales (left and right) wherever possible;
2. artificially magnifying the positive aspects of the UCITS’ pay-out;
3. non-linear scales;
4. different scales depending on the scenario.

(2) The management company shall point out in the KID that unit-holders may sell their units prior to the end date, but that there must be a clear prominent warning about any possible loss.

SECTION 5

TRANSITIONAL PROVISIONS

Article 40. (1) For each new investment compartment (Article 47 para. 1 InvFG 2011) of an umbrella structure existing as of 31 August 2011, the management company may choose whether to provide a simplified prospectus or a KID, in compliance with the transitional period referred to in Article 198 para. 1 InvFG2011.

(2) Where a new class of units of an existing UCITS is approved during the transitional period pursuant to Article 198 para. 1 InvFG 2011, then the management company shall use either a simplified prospectus or a KID in relation to all classes of units of the UCITS.

(3) A management company that continues to use a simplified prospectus during the transitional period pursuant to Article 198 para. 1 InvFG 2011 may make and publish one or more revisions of the simplified prospectus. At the management company’s discretion, revisions may content additional elements of a KID.

(4) If a UCITS, an investment compartment or a unit category thereof is notified pursuant to Chapter 4 Section 5 InvFG 2011 and the management company continues the simplified prospectus in the home Member State, then the requirements stated in Articles 139 and 142 InvFG 2011 may be met by making the simplified prospectus available. A management company shall offer the unit-holders in the home Member State of the UCITS and in all host Member States the same type of documents –simplified prospectuses or KIDs.

(5) If a merger is applied for during the transitional period referred to in Article 198 para. 1 InvFG 2011 in accordance with Chapter 3 Section 6 InvFG 2011, and the receiving UCITS continues to make use of the simplified prospectus, then the requirements under Article 120 and Article 121 para. 1 InvFG 2011 shall be met by submitting the simplified prospectus.

(6) If a feeder UCITS and a master UCITS are approved in a Member State, in which a transitional period is provided for in accordance with Directive 2010/42/EU of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure (OJ L 176, 10.07.2010, p. 28), management companies shall be free to choose between using a simplified prospectus or a KID.

SECTION 6

ENTRY INTO FORCE AND REPEAL

Article 41. (1) This Regulation shall enter into force on 1 September 2011.

(2) A management company may

1. provide KIDS for all the UCITS under its management at the same time, or
2. stagger the introduction of KIDs until 1 July 2012 at the latest, and, until then, continue to provide a simplified prospectus in accordance with Annex E Schedule E of the Investment Fund Act 1993 (InvFG 1993) rather than a KID for existing UCITS.

(3) The Regulation of the Financial Market Authority (FMA) regarding the information that must be contained in the simplified prospectus (Prospectus Contents Regulation (*Prospektinhalt-Verordnung*)), published in Federal Law Gazette II No. 237/2005 shall be repealed at the end of 30 June 2012.

(4) Article 32 in the version of the Regulation amended in Federal Law Gazette II No. 351/2019 shall enter into force on 1 January 2020 and shall apply for existing KIDs from the first subsequent amendment.

ANNEX A - REGARDING ARTICLE 3 PARAS. 2 AND 6:

ANNUALISED VOLATILITY INTERVAL TABLE

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

ANNEX B - REGARDING ARTICLE 12 PARA. 2:

REVERSE ENGINEERING

The volatility shall be calculated by means of reverse engineering as follows:

$$\text{VaR} = - \left(\text{rf}_{1/m} - \frac{\sigma_{1/m}^2}{2} \right) * T + 2,33 * \sigma_{1/m} * \sqrt{T};$$

where:

- VaR is the 99 % VaR with a holding period equal to

the number of

- T time intervals per

- $1/m$ years:

$$\sigma_A = \sigma_{1/m} * \sqrt{m}$$

where:

- $\text{rf}_{1/m}$ is the risk-free interest rate applicable at the time of calculation for each

- T interval of

- $1/m$ years, which represent the holding period of the UCITS.