
TO : Cyprus Investment Firms

FROM : Cyprus Securities and Exchange Commission

DATE : 16 May 2019

CIRCULAR No : C312

SUBJECT : Findings of Review into Key Information Documents (the “KID”) on Packaged Retail and Insurance – based Investment Products (PRIIPs)

The Cyprus Securities and Exchange Commission (the ‘CySEC’) has reviewed issues relating to the publication of Key Information Documents (the ‘KID’) of Packaged Retail and Insurance-based Investment Products (‘PRIIPs’) and in particular CIFs’ compliance with the requirements provided in articles 5 (drawing up the KID) and 6 – 8 (form and content of the KID) under [Regulation \(EU\) No. 1286/2014](#) (the ‘Regulation’)).

The Regulation sets out common standards for KIDs’ disclosure so that retail investors are provided with the information necessary for them to make an informed investment decision and compare different PRIIPs’ nature and features; including cost, risks, performance and the possibility of losing capital.

A. Focus of the Review

CySEC’s Review covered a sample of CIFs (24) and assessed whether CIFs have created and published – via their respective websites – a KID for each PRIIP they make available to retail investors, as well as the adequacy of the KID’s form and content.

B. Summary observations

The Review identified that all reviewed CIFs have drawn up and published KIDs but these were flawed in its format, language and content. All weaknesses identified require immediate implementation of corrective measures to ensure full compliance.

C. Weaknesses and deficiencies identified

1. Drawing up and publishing a KID

CySEC observed that all reviewed CIFs drew up and published a KID for each PRIIP they make available to retail investors.

2. Form

CySEC observed inconsistencies in some KIDs' form. KIDs were often not drawn up as a short document written in a concise manner and of a maximum of three sides of A4-sized paper when printed, which promotes comparability. In addition, the Review showed that KIDs were not:

- i. presented and laid out in a way that is easy to read, using characters of readable size;
- ii. focused on the key information that retail investors need to ensure their adequate protection;
- iii. clearly expressed and written in an easily understandable language and a style so that the information presented is clear, succinct and comprehensible.

3. Language

CySEC observed that the majority of KIDs were written in the English language only and not in the official languages, or in one of the official languages, used in the part of the Member State where the PRIIP is distributed, or in another language accepted by the competent authorities of that Member State, or where it has been written in a different language, it was not translated into one of these languages. In cases where the KIDs were translated, the translation was not faithfully and accurately reflect the content of the original KID at all times.

4. Content

CySEC observed deficiencies in the content of KIDs and in particular:

- i. Under the section titled '*What are the risks and what could I get in return?*', in some cases CySEC observed the absence of all four appropriate performance scenarios as set out in Annex IV of [Commission Delegated Regulation \(EU\) No 2017/653](#) (including: a stress scenario, an unfavourable scenario, a moderate scenario and a favourable scenario).
- ii. Under the section titled '*What are the costs?*' and in regard to the costs associated with an investment in the PRIIP, comprising both direct and indirect costs to be borne by the retail investor (including one-off and recurring costs) CySEC observed that:
 - the costs were not presented by means of summary indicators, and;
 - to ensure comparability, the total aggregate costs were not expressed in monetary and percentage terms, to show the compound effects of the total costs on the investment.
- iii. Under the section titled '*How can I complain?*', in some cases CySEC observed that there was no concise reference to the following information:
 - 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;

- a link to the relevant website for such complaints;
- an up-to-date postal address and an email address to which such complaints may be submitted.

iv. Under the section titled '*Other relevant information*', CySEC observed the absence of any indications of 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.

D. Next steps

CIFs must consider the issues raised in this Circular against their policies and arrangements in place with regards to KID disclosure and publication. If, when reviewing the policies/arrangements in place, CIFs identify any areas of concern, they should take actions to ensure compliance.

The relevant regulatory framework with regards to KIDs, which CIFs must take into consideration when reviewing their policies/arrangements in place includes the following:

- [REGULATION \(EU\) No 1286/2014](#)
- [Commission Delegated Regulation \(EU\) No 2017/653](#)
- [Q&A on the PRIIPs KID – JC2017 49 \(4 April 2019\)](#)

CIFs not complying with the abovementioned requirements will encounter enforcement action.

Sincerely

Demetra Kalogerou
Chairman of the Cyprus Securities and Exchange Commission