

Funds' Updates: Key Information Document

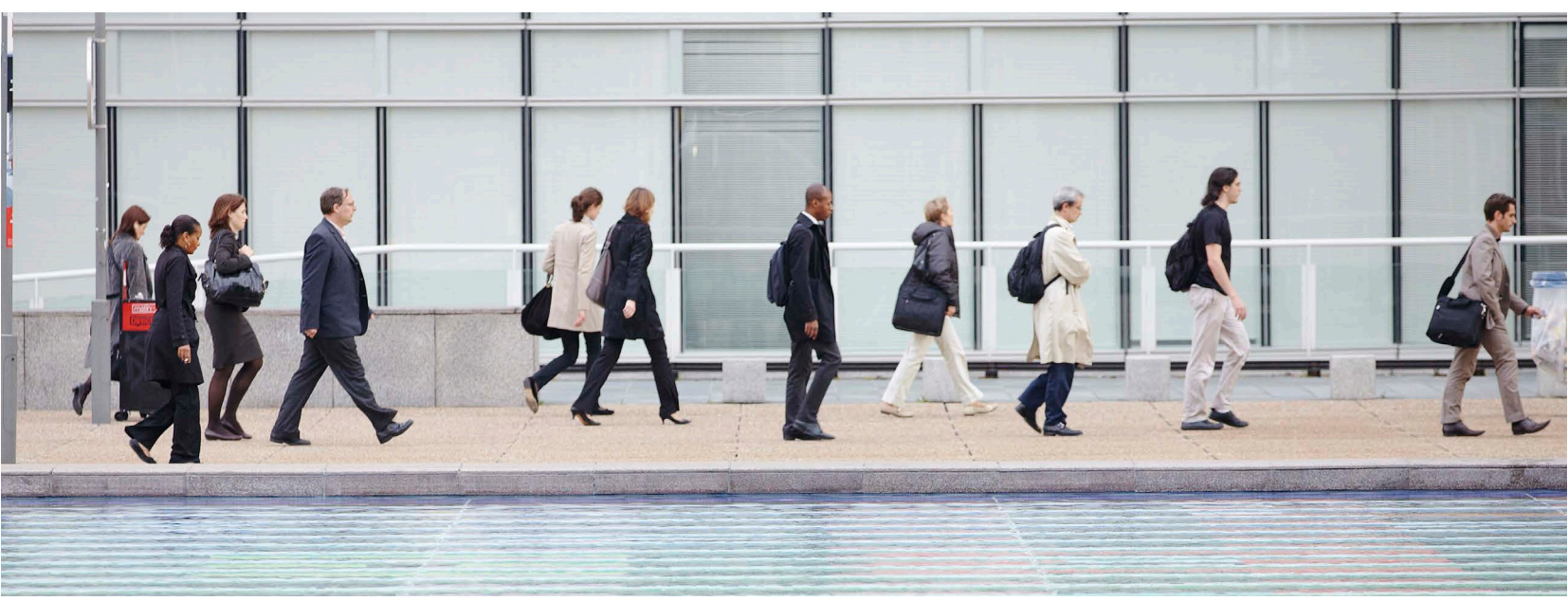
Newsletter - Funds

April 2019



As of 1st of January 2018, the Packaged Retail and Insurance-based Investment Products (PRIIPs) EU Regulation 1286/2014 (PRIIP Regulation) obliges PRIIPs manufacturers and those selling, or advising on such PRIIPs (e.g. intermediaries) to produce, circulate and publish on their official website a Key Information Document (KID) before a PRIIP is made available to retail investors.

In general, a PRIIP is an investment which, regardless of its legal form, the amount repayable to the retail investor is subject to fluctuations due to exposure to reference values or to the performance of one or more assets that are not directly purchased by the retail investor.



Units in Alternative Investment Funds (AIFs) as PRIIPs

Units in any type of AIFs, including AIFs with Limited Number of Persons and Registered AIFs, established in accordance with Law 124(I)/2018 (AIF Law) are considered as PRIIPs for the purposes of the PRIIP Regulation.

PRIIP manufacturers of Cyprus AIFs

The external manager, or the board of directors in the case of a self-managed AIF, is considered as a PRIIP manufacturer for the purposes of the PRIIP Regulation

Temporary exemption of UCITS from the PRIIP legislative framework

UCITS are currently exempted from having to produce a KID in accordance with the PRIIP Regulation until 31st of December 2019, and instead need to produce a Key Investor Information Document (KIID) (similar to KID) in accordance with the EU Regulation 583/2010. However, agreement has been reached by the European Supervisory Authorities to extend this exemption for UCITS by further two years up and until 31st of December 2021.

Retail investors

Predominantly, retail investors are considered those investors who do not fall within the definition of a 'professional client' as defined within the EU Directive 2014/65/EU on markets in financial instruments (MiFID II); in brief, any investor other than banks, financial institutions, collective investment schemes, pension funds and other institutional investors.

"Well-Informed Investors" as defined within the AIF Law are considered as retail investors for the purposes of MiFID II and consequently the PRIIP Regulation.

Marketing or reverse solicitation in scope

The PRIIP Regulation applies to units in a Cyprus fund sold with or without advice provided to the retail investor, or acquired by the retail investor on its own initiative or otherwise and in good time before those retail investors are bound by any contract or offer relating to the units in a Cyprus fund.

Territorial scope

The PRIIP Regulation applies to all PRIIP manufacturers and persons advising on, or selling, PRIIPs made available to retail investors within the EU, including such entities and persons from third countries (e.g. third country fund managers/intermediaries). The requirement to deliver a KID does not apply only where investors reside outside the EU.

Content and format of KID

Must be of no more than 3 A4 pages long, and must contain the following information:
Contact details of the provider of PRIIP:

- Description of the investment product and main factors driving the return;
- Information about the term of the investment product, its maturity date, and the conditions for terminating the investor's investment;
- The level of risk of the investment product;
- An indication of the possible maximum loss, plus relevant performance scenarios;
- A table explaining the costs of the investment over time;
- A table giving information on one-off costs, recurring costs and incidental costs, such as performance;
- Information as to the complaints-handling procedure.

Lets talk

For more information on the content and format of the KID and assistance on preparing a KID, please contact your main PwC Fund Services contact person.



Andreas Yiasemides
Partner - In charge of Fund Services
andreas.yiasemides@pwc.com
T: +357 - 22 555 035



Marios Charalambides
Director - Fund Services
marios.charalambides@pwc.com
T: +357 - 22 555 639



Constantinos A Constantinou
Manager - Fund Services
constantinos.a.constantinou@pwc.com
T: +357 - 22 555 516

Address

PwC Cyprus
PwC Central, 43 Demostheni Severi Avenue,
CY-1080 Nicosia, Cyprus
P O Box 21612, CY-1591 Nicosia, Cyprus



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