

In search of plain language

New research published in the FT this week has highlighted that, so far, KIIDs appear to be failing to achieve the plain language requirement that is one of the key requirements of the UCITS IV regime.

We are now at the halfway stage in the SP > KIID transitional cycle and all relevant funds will need to have KIIDs in place by the end of June 2012. However, a new survey has highlighted that the vast majority of published KIIDs are failing to deliver plain language content, with jargon and technical terms still prevalent.

At Kii Hub we have consistently stressed the need to avoid terms that are likely to be alien to a typical novice investor and we have made significant strides forward with our clients, the majority of whom are planning to launch their KIIDs in early 2012.

Our goal is consistent with, and driven by, the EU regulations: to capture the essential features of a fund's investment objectives and material risks, rather than simply trying to cut and paste inaccessible wording from the full prospectus. This requires a critical mind set change of approach and one which the research implies many groups are failing to achieve. The German financial regulator (BaFin) has voiced similar concerns about the Product information Sheet which is a document that is specific to German funds.

The Kii Hub solution is unique in that it offers a 'one stop shop' service comprising automated production, drafting and translations. Clients pick and choose which components they require but nearly all are using our drafting service. We have liaised extensively with the FSA and other regulators in order to fine-tune our approach as we consider this to be one of the key fundamental challenges of KIIDs, the others being volume and timeliness.

For existing funds that move from the SP to KIID regime, there is no pre-approval process for the new KIID documents. However, we are fully aware that regulators are reviewing the standard of drafting and this reinforces our own strongly held views that groups need to provide documents that not only look good but also offer clear, plain language text with all jargon and technical terms removed.

Our own ad-hoc competitor research has reached the same conclusions as BaFin and the FT survey because we have seen many attractive-looking KIIDs but content has been overly complex and not helpful to the potential investor. We suspect groups could be prioritising system delivery over drafting or perhaps a consensus 'project team' drafting approach in-house is resulting in a solution that fails to deliver. This is hardly surprising since the KIID requirements are open to interpretation and very far removed from the traditional 'if in doubt, throw it in' approach. A great deal of time and energy is required, which is where Kii Hub can help relieve the drafting burden.

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