

## **Plain language: how to achieve communications that are easy to read and understand**

Plain language and avoidance of industry jargon is not a new requirement for investment communications. However, the investment industry is failing to produce documentation that meets this requirement, i.e. to produce material that is easily understandable to a typical retail customer. Material likely to be impenetrable to the target audience is still all too common, riddled with content likely to confuse and alienate potential investors.

In 2011, research published in the Financial Times looked specifically at the plain language requirements of the UCITS Key Investor Information Document (KIID), plain language being one of the key requirements of the UCITS IV regime, and concluded that many KIIDs were failing to achieve it. Now, some five years later and with UCITS V and PRIIPS KIDs looming, progress has been patchy and the Financial Conduct Authority has stepped in to express its concern about industry use of jargon – not specifically in relation to KIIDs but across investor-facing communications as a whole. In a recent paper on pensions liberation, the FCA said it is ready to intervene if the industry does not take action. Certainly, a review of current UCITS KIIDs exposes many that arguably fail to deliver plain language.

Key to plain language communications is an understanding of the need to avoid terms that are likely to be new to a typical retail investor and to satisfy the space constraints of a two-page KIID or a three-page KID. Yet, across the industry as a whole, many asset managers seem locked in an opaque style of drafting that relies on long-winded, technical and legalistic language – and way too much jargon.

So what exactly is plain language? It is hard to define this better than Martin Cutts, the author of the Oxford Guide to Plain English, who states:

*“Plain language is not just about avoiding jargon. It is about the writing and setting out of essential information in a way that gives a cooperative, motivated person a good chance of understanding it at first reading, and in the same sense that the writer meant it to be understood.”*

Use of plain language also involves avoiding words that can mean different things to different people. Wearing an investment hat, there are many words that are in common use that arguably fall under this category, such as: appreciation, denomination, dilution, domicile, equity, erosion, exercise, exposure and redemption. The list goes on and on.

Why is it so hard to draft material that ticks all the plain language boxes? Drafting is a specialist, under-rated skill which many groups are unable to deliver using internal resource. Many seem to adopt a committee, ‘belt and braces’ approach to drafting that is unlikely to produce focused content; in fact, the end result may well alienate the intended audience. Serious consideration needs to be given to what is or isn’t ‘material’ to the potential investor. Honing a communication into a precise, appropriate and focused document in tune with its readership takes more time than producing a much longer document that covers every eventuality.

When the UCITS KIID was launched in 2011, the requirement for plain language was prominent in the Regulation. Since then, the challenge has been to engage the audience by presenting it with language that is not only compliant but which avoids unfamiliar or complex vocabulary. This has also meant avoiding the temptation to cut and paste content from more complex legal documents (such as a fund prospectus). In theory, this presents the audience with a really good chance of understanding the content on its first reading.

At FE Kii Hub, we have been drafting plain language content for our clients for a number of years. We are well positioned to provide the same specialist service for the PRIIPS KID, which will be in place in January 2017. Plain language reduces word count and that will be an absolute imperative for the forthcoming KID, where the range of products within scope will be broad and space will be tight.

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