

Update on UCITS V impact on KIIDs

The arrival of UCITS V is now imminent, with the Rules coming into force on 18 March 2016. We have previously issued updates on the likely impact on KIIDs of the UCITS V disclosure requirements and we can now provide a more definitive steer since the previously proposed transitional provisions were last week confirmed by both ESMA and the FCA.

What do the transitional arrangements mean for KIIDs?

For some time, KIID providers have been keen to know whether UCITS V means they will need to refresh their KIIDs on its 18 March implementation date. Given that the annual refresh (reflecting 2015 data) is currently underway and needs to be completed by 19 February, an additional ad-hoc refresh would have been an unwelcome burden. Thankfully, the transitional provisions mean that this won't be necessary.

A practical solution has been found

A very sensible solution has been found to avoid the burden of updating all KIIDs again just weeks after the current annual update. In summary, the KIID of a UCITS fund will **not** need to include the new UCITS V disclosure requirements on 18 March 2016 and firms will have a transitional period that will run until 18 March 2017. Whilst firms will be free to reflect UCITS V requirements in their KIIDs before 2017 this will only be appropriate where the UCITS V requirements on remuneration policy have been put in place by the time of the update and this could depend on the accounting date of the fund.

As an example, if a fund were to introduce a fee or investment policy change on 1 June 2016, this would, of course, necessitate a KIID refresh; however, it would only be relevant to include the UCITS V disclosure if the remuneration policy were confirmed and in place at that date. Otherwise, the policy statement would be added to the KIID at its subsequent update. In practical terms, the likelihood is that most KIIDs only need updating once a year so these documents will not reflect UCITS V requirements in their KIIDs until the routine annual 2017 update that will be completed by 20 February **next** year.

Cross-border questions remain

Whilst this proportionate solution has been confirmed by both ESMA and the FCA, question marks remain for management companies marketing their UCITS funds cross-border. At the time of writing, it remains possible (but unlikely) that other regulators may adopt other requirements.

If you require further information about the UCITS V disclosure, please get in touch with us by calling 020 7337 2291 or by email at fe-kiihub@financialexpress.net.

8th February 2016