

Asset Managers address outdated KIIDs following COVID-19 volatility

Broadridge Fund Communication Solutions

Volatility in financial markets caused by the Covid-19 pandemic has had an impact on UCITS KIIDs: in short, companies that only recently created thousands of the documents, will have to do so again.

In the Broadridge Fund Communication Solutions business 93% of our UCITS KIID clients will require updates to their KIIDs, so that just shows what a huge impact the instability we have seen over the past few months is having on asset managers.

Read on for the answers to some of the most current questions about KIIDs, what you need to do next, what the team here at Broadridge is doing to support our clients at this time and how we can help you to successfully navigate these changes.

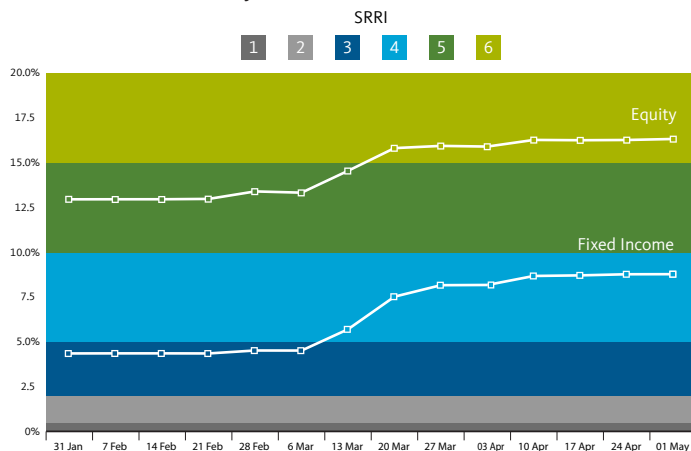
WHAT IMPACT HAS THE COVID-19 PANDEMIC HAD ON KIIDs?

The dramatic impact of the Covid-19 pandemic on global financial markets - and the prices of shares around the world - means that changes are required to KIIDs.

In particular, the Synthetic Risk and Reward Indicator (SRRI) score will have changed in many funds. Once the risk indicator goes up or down and remains different to the published value for

17 consecutive weeks, it becomes a regulatory requirement to update the KIID.

The chart below shows an example of asset price volatility on the risk indicator of two funds, an equity fund and a fixed income fund; both moved into higher risk bands in March amid Covid-related market volatility.



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For a sense of how widespread this need for updates is, of Broadridge's UCITS KIID clients, 93% now require updates across their KIIDs. Approximately 40% of the share classes for which Broadridge produces KIIDs will require their KIIDs to be updated. Including English and translated documents, more than 13,000 documents will be updated.

WHAT DOES THAT MEAN FOR KIID CREATION?

Like the two example funds in the chart above, we estimate that due to fluctuations in asset prices, the SRRI is likely to have changed for around half of KIIDs.

So, these documents - both the English and translated versions - will need to be updated and filed with the regulators. This will need to happen as soon as possible, or within two weeks of the 17-week breach, which for most Broadridge clients is between 10th and 24th July.

This is far from business as usual. The last time this sort of KIIDs reproduction was needed was in 2013 as the recovery from the 2008 financial crisis unwound.

WHAT HAPPENS WHEN AN SRRI FIGURE FLUCTUATES FROM ONE NUMBER TO ANOTHER FROM MONTH TO MONTH, AND NOT FOR FOUR MONTHS CONSISTENTLY?

The rules state that a KIID must be updated when a consistent 17-week deviation to the published value has been reached.

If the SRRI moves up and down during this period but returns to the published figure by week 17, then no update is required. However, if for example the published SRRI is 3 at present, and the past 15 weeks have calculated at 4 with weeks 16 and weeks 17 calculating at a 5 then the Broadridge view is that the KIID should be updated to the new value of 4.

WHAT ABOUT UNLAUNCHED SHARE CLASSES?

SRRI for launched share classes are actively monitored on a weekly basis across the industry, with unlaunched classes being updated periodically. The SRRI status of these unlaunched share classes must be considered in the July update to ensure all share classes are complying with regulations.

IS IT JUST KIID RISK INDICATORS THAT NEED UPDATING?

As well as changes to the risk indicators, it's likely that the wording on many funds' KIIDs will need to change to include the Covid-19 pandemic - and future pandemics - as potential risks.

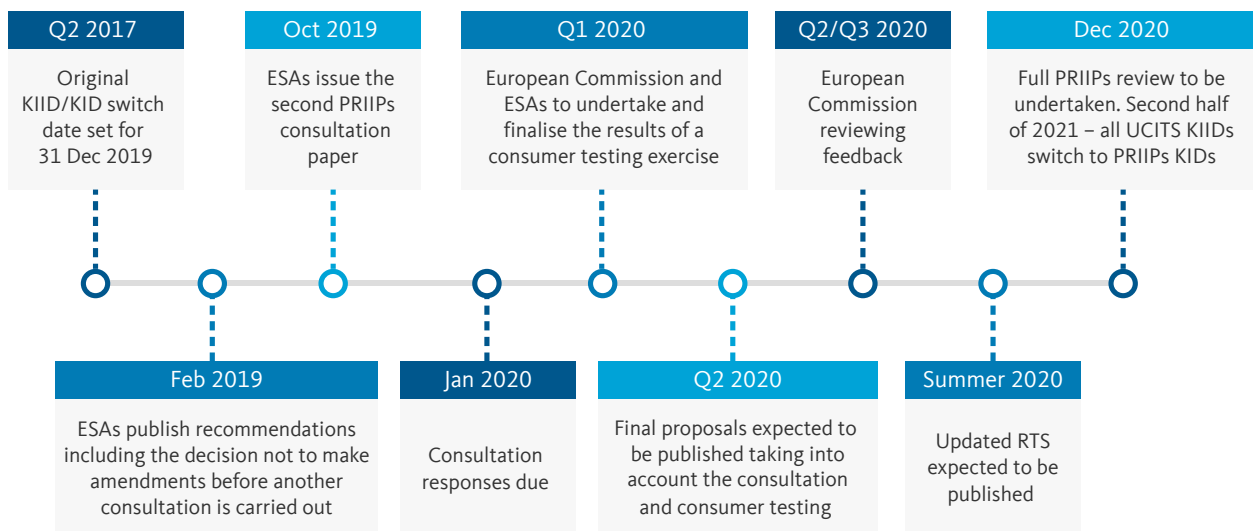
Some of our clients are combining these SRRI updates with wider changes - such as prospectus updates, or changes in objective language, benchmarks or fee structures - while others are just updating the SRRI in their KIIDs.

However, it is worth noting that including other changes at the same time will save you time and money on making updates further down the line.

WHAT ABOUT PRIIPS KIDS?

UCITS KIIDs are due to be replaced by PRIIPS KIDs in the second half of 2021, with the majority of asset managers making the switch during the second half of the year.

The timeline below shows more detail on progress towards PRIIPS KIDs.



DOES COVID-19 VOLATILITY IMPACT ON PRIIPS KIDS?

Market volatility affects the PRIIPs KIDs in the same way as UCITS KIIDs. The key difference is that the PRIIPs Summary Risk Indicator (SRI) volatility thresholds are much wider, meaning that lower volumes of PRIIPs KID will require updating compared with UCITS KIIDs.

CAN YOU MOVE TO PRIIPS KIDS BEFORE THE 2021 DEADLINE?

Yes. You can create a PRIIPs KID for a UCITS product prior to the 2021 deadline.

However, the requirement to have a UCITS KIID in place remains until December 31, 2021.

HOW CAN I GET HELP WITH THIS?

We are here to help. We have been working side-by-side with our clients to understand their needs and have been having numerous conversations about what the impact the market volatility we saw in March and April will have had on their SRRI numbers. We have made the process as straightforward as possible for our clients by providing them with as much up-front-data and support as we have been able to, including:

- A report showing all launched and unlaunched share classes along with their last published SRRI value and their current SRRI value along with the exact date at which each share class will reach the 17-week SRRI exception mark.
- A breakdown of volumes against each exception date.
- A target project timeline.

We know these are challenging times, so we are being as flexible as we can be in the support we are providing for our individual clients.

The three key approaches we have seen taken by our asset manager clients include:

- 1) A number of clients are choosing to update all of their SRRI exceptions across their portfolio and files on one specific date that best suits them.

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2) Some clients are aligning their SRRI updates with an upcoming project i.e. a change in prospectus or launch of a new fund. For example, a medium sized asset manager has changed all share class names on their funds for filing 7th July with the regulators. We have incorporated the required SRRI updates into this project which consisted of 125 English documents and 525 translated documents. This project is already complete.

3) Another approach clients are taking is to update their KIIDs in a phased approach, to enable them to spread the volumes. For example, a large asset manager client has split their 374 share class updates into three phases. This has enabled our client to manage capacity and workload easily.

Our solutions include the production and distribution of reports, including Key Information Documents (UCITS KIIDs & PRIIP KIDs), MiFID II and Solvency II templates in over 35 languages.

If you'd like to hear more from us on this topic, listen to our recent webinar [UCITS KIIDs: Regulatory Changes, the Impact of COVID and Beyond](#). For any support with your UCITS KIID update, [contact us today](#) and let us help you get ahead of today's challenges and capitalise on what's next.

ABOUT BROADRIDGE FUND COMMUNICATION SOLUTIONS

Broadridge Fund Communication Solutions is one of the investment industry's leading providers of fund data, related regulatory services and digital software solutions. We collect and distribute a vast range of fund data and documents that we collect directly from some 850 global fund groups. Once this data has been validated by our team of experts, it can then be distributed to any desired global end-point within the investment industry, including to all platforms, wealth managers, investment boutiques and market data vendors.



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