Regulation of the Financial Market Authority (FMA) concerning the Key Investor Information Document (KID Regulation)

On the basis of article 134 para 4 *Investmentfondsgesetz 2011* (Investment Fund Act 2011), Federal Law Gazette I No. 77, the following shall be determined by regulation:

Part 1
Scope

Article 1. For each Undertaking for Collective Investment in Transferable Securities (UCITS, article 2 para 1 *Investmentfondsgesetz 2011* [Investment Fund Act of 2011]) and for each umbrella structure (article 47 para 1 Investmentfondsgesetz 2011 [Investment Fund Act of 2011]) approved after 31August 2011, the management company shall provide a Key Investor Information Document (KID) in accordance with the present regulation. The provisions for UCITS in this regulation shall also apply to Other Portfolios of Assets according to Part 2 of the *Investmentfondsgesetz 2011* (Investment Fund Act 2011).

Part 2
Synthetic Risk and Reward Indicator

Article 2. (1) The synthetic risk-reward indicator (SRRI) shall be based on the volatility of the UCITS.

(2) Volatility shall be estimated using the previous weekly returns of the UCITS or, if not otherwise possible, using its monthly returns.

(3) The returns of the last five years shall be relevant for the calculation of volatility. In case of distribution of income, the returns shall be measured taking into account the relevant earnings and dividend pay-outs.

Article 3. (1) The volatility of the UCITS shall be calculated and then rescaled to a yearly basis using the following formula:

$$\text{Volatilität} = \sigma_f = \sqrt{\frac{m}{T-1}\sum_{t=1}^{T}(r_{f,t} - \bar{r}_f)^2}$$

where:

- $r_{f,t}$ equals the returns of the UCITS measured over
- T non-overlapping periods for a maturity of
- $1/m$ years.

This means that $m = 52$ and $T = 260$ for weekly returns and $m = 12$ and $T = 60$ for monthly returns, where:

- $\bar{r}_f$ equals the arithmetic mean of the returns of the UCITS for
- T periods:

$$\bar{r}_f = \frac{1}{T}\sum_{t=1}^{T} r_{f,t}$$

(2) The SRRI shall correspond to an integer number designed to rank the fund over a scale from 1 to 7, according to its increasing order of volatility, as shown by the table in **Annex A**.

Article 4. The management company shall calculate the SRRI of the UCITS according to its internal rules and procedures adopted for risk measurement and ensure monitoring of the correct and uniform application of this process on an ongoing basis.

Article 5. The calculation of the SRRI of the UCITS and its ongoing monitoring shall be adequately documented. Management companies shall retain the relevant records for a period of at least five years. In the case of a structured fund referred to in article 17, this period shall be extended by another five more years after the end of the recommended holding period.

Volatility Intervals

Article 6. The SRRI of the UCITS shall be determined using the annualised volatility intervals in accordance with the table in **Annex A**. This table shows the various volatility intervals reflecting the increasing degree of risk and thus the position on the scale of risk.

Revisions

Article 7. Any material change to the risk and reward profile of the UCITS shall be reflected by a prompt revision of the KID.

Article 8. (1) The SRRI shall be revised whenever the volatility of the UCITS no longer falls into the risk category of the preceding four months based on the weekly or monthly reference points. Reclassifications shall be performed whenever the UCITS is downgraded in more than one bucket within this time period, in which case it should be assigned to the new risk grading matched by the majority of the reference points.

(2) The SRRI must be revised at least whenever, by decision of the management company, the investment policies or strategy of the UCITS is changed. In that case, the change in the SRRI is considered a reclassification of the UCITS, which has to be carried out according to the rules applicable thereto.

Market Funds

Article 9. UCITS that are managed according to investment policies or strategies aiming to reflect the risk and reward profile of some pre-determined segments of the capital market shall be considered as market funds.

Article 10. For market funds where no full returns history in accordance with articles 2 to 5 is available, the calculation of the SRRI shall be adjusted following the steps below:

1. Take the relevant available history of the returns of the UCITS;
2. Identify the fund’s representative portfolio model, target asset mix or benchmark;
3. Calculate the returns of the representative portfolio model, target asset mix or benchmark of the fund from the beginning of the sample period until the date of availability of the actual returns of the fund;
4. Concatenate both returns series to one series over the full sample period;
5. The annualised, historical volatility according to the formula set out in article 3 para 1 shall be estimated.

Absolute Return Funds

Article 11. UCITS that are managed according to investment policies or strategies which envisage a variable allocation of the portfolio of the fund across asset classes, under the constraint of a predetermined risk limit, shall be considered absolute return funds

Article 12. (1) For absolute return funds, the SRRI shall be computed as follows:

1. When a full returns history is available, take the maximum of the following:
   a) the actual historical annualised volatility; and
   b) the volatility that is consistent with the risk limit adopted by the UCITS
   .
2. For UCITS that lack a sufficient returns history, and for funds that have recently revised their investment policy and strategies, the annualised volatility that is consistent with the risk limit of the UCITS shall be considered.

(2) The volatility referred to in para 1 no 1 letter b shall be deemed consistent with the risk limit of the UCITS:

a) if this is itself a risk target of the UCITS or
b) once the risk limit is translated into a VaR (value-at-risk) measure, which shall be computed by reverse engineering the VaR in accordance with Annex B under the assumption of risk neutrality.

Total Return Funds

Article 13. UCITS that are managed according to investment policies and/or strategies that pursue certain reward objectives by participating, through flexible investment in different financial asset classes, shall be considered total return funds.

Article 14. For total return funds, the SRRI shall be calculated as follows:

1. When a full returns history is available, take the maximum of the following:
   a) the actual historical annualised volatility;
   b) the annualised volatility of the returns of the pro-forma asset mix that is consistent with the reference asset allocation of the UCITS at the time of the computation; and
   c) the volatility which, in accordance with article 12 para 2, is consistent with the risk limit of the UCITS, if any, and appropriate
   .

2. For new UCITS and for funds that have revised their investment policy over the required sample period, the maximum value of no. 1 letters b and c shall be taken.

Life Cycle Funds

Article 15. (1) UCITS that are managed according to investment policies and strategies which imply a gradual shifting of their portfolio allocation from high-risk to low-risk securities as the maturity date approaches, according to some predetermined rules, shall be considered life cycle funds.

(2) For life cycle funds, the illustration of the SRRI in the KID should be supplemented by a prominent statement warning investors in clear terms about the characteristics typical of such funds.

Article 16. For life cycle funds, the SRRI shall be calculated as follows:

1. When a full returns history is available and the UCITS has not changed its target asset mix over this period, the actual historical volatility shall be taken.
2. For new UCITS that lack sufficient returns history, the following procedure shall be followed:
   a) take the relevant returns history of the UCITS;
   b) identify the representative benchmark, portfolio model, and target asset mix of the fund and calculate their returns.
   c) combine both returns series into a single sample to calculate the relevant annualised volatility.

Structured Funds

Article 17. (1) UCITS which provide investors, at certain predetermined dates, with algorithm-based payoffs that are linked to the performance, or to the realisation of price changes or other conditions, of financial assets, indices or reference portfolios shall be considered structured funds.

(2) In the case of structured funds, the illustrations of the SRRI in the KID should be supplemented by a prominent statement warning investors in clear terms that early redemption may be disadvantageous to investors.

Article 18. (1) The SRRI for structured funds shall be calculated by considering the annualised volatility corresponding to a confidence interval of 99%.

(2) The volatility based on a confidence interval of 99% (99% VaR) at maturity shall be estimated from historical simulation of the returns of the UCITS on the basis of the following model:

$$\ln\left(R_{fund}\right) \sim N\left(\left(rf_w - \frac{\sigma_w^2}{2}\right) * T ; \sigma_w \sqrt{T}\right); \; R_{fund} = \frac{NAV^T}{NAV_0}$$

where:

- T identifies the number of weeks in the holding period of the UCITS, which is equal to the time (life to maturity) spanned by the algorithm employed by its investment policy;
- rf_w represents the average weekly risk-free rate which is valid at the time of the computation over the holding period;
- σ_w is the volatility of the weekly (log)returns of the UCITS.

Article 19. The VaR at a confidence interval of 99% of a structured fund which provides a pay-off linked to the performance of a predetermined reference security or portfolio (in the following the "XYZ" index) shall be computed through the following steps:

1. Identify the relevant changes of the XYZ index for each T week during the holding period in the past 5 years. If the length of the time series of the XYZ index is not sufficient, backward simulation can be used in accordance with article 10.
2. Simulate the (log)returns at maturity of the UCITS as determined according to no 1 that correspond to the material changes of the XYZ index. If the formula allows for the distribution of dividends or for the possibility of anticipating results, upon the realisation of some circumstances that are matched in the simulation, these pay-offs shall be capitalised at maturity (at the end of the holding period T) through the appropriate risk-free interest rate which is known at the time of the simulation.
3. Isolate the 1% percentile of the distribution of the (log)returns of the UCITS estimated according to no 2 above. This percentile, changed in sign according to international standards, represents the historical simulation VaR of the UCITS at maturity with a confidence level of 99%.
4. Once the 99% VaR at maturity has been calculated, the corresponding annualised volatility shall be computed according to the following procedure:
   a) Identify the parameter rf_w as the average weekly risk-free rate valid at the time of computation over the holding period. This rate shall be estimated if not directly available from the interest swap curve.
   b) Reverse engineer the model introduced above to estimate the weekly returns volatility (σ_w), of the fund which is consistent with the VaR figure calculated as illustrated above in no 3. This can be done by solving the following equation for σ_w:

$$VaR = -\left(rf_w - \frac{\sigma_w^2}{2}\right) * T + 2,33 * \sigma_w * \sqrt{T}$$

5. The volatility shall be annualised using the square root rule ($\sigma_A = \sigma_w * \sqrt{52}$).

Article 20. The use of a specific historical time-period for the calculation of the SRRI in accordance with article 19 may generate a bias due to the potential drift of the underlying XYZ index over the computation period. The UCITS shall then adapt the 5-step method described in article 19 to ensure that the SRRI adequately reflects the level of risk of the UCITS through an appropriate correction of this potential drift effect.

Part 3

Presentation of Charges

Article 21. The management company of the UCITS shall:

1. be responsible for the calculation of the ongoing charges figure and for its accurate statement in the KID;
2. establish procedures that are consistent with the methods presented in this section and are adequately documented;
3. keep records of each calculation for a period of 5 years after the last date on which that version of the KID was available to be issued.

Definition of Ongoing Charges

Article 22. The term “ongoing charges” refers to payments deducted from the assets of a UCITS where such deductions are required or permitted by national law and regulation, the fund rules or its prospectus. The figure of the ongoing charges to be disclosed in the KID shall be based on the total of all such payments made over a specific period, excluding the exceptions identified in article 24 below.

Article 23. (1) The ongoing charges figure shall include all types of cost borne by the UCITS, whether they represent management fees or the remuneration of any party that provide services for the UCITS. These costs may be expressed or calculated in a variety of ways.

(2) The following list is indicative of the ongoing charges deducted from the assets of the UCITS that shall be taken into account in the amount to be disclosed:

1. all payments to the following persons, including any person to whom they have delegated any function:
   a) The management company of the UCITS,
   b) depositary bank,
   c) any investment adviser;
2. all payments to any person providing outsourced services to any of the above;
3. registration fees, regulatory fees and similar charges;
4. audit fees;
5. payments to legal and professional advisers;
6. any costs of distribution.

Article 24. The following charges and payments shall not form part of the amount to be disclosed as ongoing charges in the KID:

1. entry/exit charges or commissions, or any other charges borne either directly or indirectly by the investor;
2. a performance-related fee payable to the management company or investment adviser;
3. interest on borrowing;
4. payments to third parties to meet costs necessary incurred in connection with the acquisition of disposal of any asset for the UCITS’ portfolio, whether those costs are explicit or implicit;
5. payments incurred for the holding of derivative instruments;
6. the value of goods or services received by the management company or any connected person in exchange for the placement of dealing orders (soft commissions or any similar arrangement).

Article 25. The exclusion in article 24 no 4 shall not include:

1. transaction-based payments made to any of the persons mentioned in article 26 no 1 or no 2, in respect of which the recipient is not accountable to the UCITS; all such amounts shall be taken into account in the published ongoing charges figure;
2. the costs of acquiring or disposing of units in other UCITS or Alternative Investment Funds (AIF, article 3 para 2 no 31 *Investmentfondsgesetz 2011* [Investment Fund Act of 2011]), which shall be taken into account in accordance with article 27 no 6.

Article 26. Under a fee-sharing agreement, the management company or another party may be meeting, in whole or in part, operating costs that should normally be included in the ongoing charges figure:

1. Any remuneration of the management company (or another person) that derives from such fee-sharing agreements shall be taken into account and added to the total ongoing charges figure.
2. There is no need to further itemise expenses that are regulated by a fee-sharing agreement and already accounted for in the ongoing charges disclosure. However, in cases in which the UCITS invests in a target fund and a corresponding fee-sharing agreement exists between the management company of the UCITS and the target fund or the target fund's management company, such fees shall be taken into account in the ongoing charges, unless they are already captured under article 27.

Article 27. Where a UCITS invests a substantial portion of its assets in target funds and so makes the disclosures required by article 131 para 4 no 7 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011), its ongoing charges figure shall take account of the ongoing charges incurred in the underlying target funds The following shall be included in the calculation:

1. if the underlying target fund is a UCITS or an AIF which elects to comply with the KID disclosure requirements, its most recently available ongoing charges figure shall be used; This may be the figure published by the target fund or its management company or the charges calculated by a reliable third-party if more up-to-date than the published figure;
2. if the underlying target funds is operated by the management company of the relevant UCITS or any linked company (within the definition of article 131 para 4 no 1 *Investmentfondsgesetz 2011* [Investment Fund Act of 2011]) but does not fall within no 1 above, the management company shall make a best estimate of its ongoing charges in accordance with the present regulation;
3. if the underlying target fund does not fall within nos 1 or 2 above and no ongoing charges figure was published, the management company shall either use any published information that represents a reasonable substitute for that figure or else make a best estimate of its maximum level based on scrutiny of the target fund's current prospectus and published reports;
4. where target funds falling within no 3 above represent less than 15% of the UCITS' assets, it shall be sufficient to use the published annual management charges for each of those target funds instead of estimating their ongoing charges;
5. the ongoing charges figure shall be reduced to the extent that there is any arrangement in place (and that is not already reflected in the fund's profit and loss account) for the investing UCITS to receive a rebate or retrocession of charges from the underlying target fund;
6. in cases in which the subscription and/or redemption fees are payable by the UCITS in relation to the acquisition or disposal of units in an underlying target fund, the monetary value of those fees shall be aggregated for the period under review and taken into account in the calculation of the ongoing charges figure.

Article 28. In the case of an UCITS which is an umbrella, each constituent investment compartment shall be treated separately, but any charges attributable to the UCITS as a whole shall be apportioned among all the investment compartments on a basis that is fair to all investors.

Calculation for existing UCITS

Article 29. (1) The ongoing charges figure shall be the ratio of the total disclosable costs to the average net assets of the UCITS. The figure shall be expressed as a percentage to two decimal places.

(2) The ongoing charges figure shall be calculated at least once a year, on an ex-post basis. Where it is considered unsuitable to use the ex-post figure because of a material change, an estimate may be used until reliable ex post figures reflecting the impact of the material change become available.

(3) The ex post figure shall be based on recent cost calculations which the management company has determined on reasonable grounds to be appropriate for that purpose. The figure may be based on the costs set out in the UCITS' costs stated in its annual or half-yearly report, if this is sufficiently recent; if it is not, a comparable calculation based on the costs charged during a more recent 12-month period shall be used instead, based on the gross value of expenses.

(4) Information about the ongoing charges figures that were applicable during previous periods should be published at the location which is specified in the KID as the general source of further information for the unit-holders.

Article 30. A separate calculation shall be performed for each category of units, but if the units of two or more classes rank pari passu, a single calculation may be performed for them.

Article 31. The average net assets shall relate to the same period as the costs and be calculated using figures based on the UCITS' net assets at each calculation of the net asset value.

Article 32. Where the proportional costs of the underlying target fund are taken into account, the following procedure shall be followed:

1. the ongoing charges (or equivalent) of each target fund shall be pro-rated according to the proportion of its net asset value which that target fund represents at the relevant date;

2. all the pro-rated figures shall be added to the ongoing charges figure of the UCITS itself, thus presenting a single total (a "synthetic" ongoing charges figure).

Methodology for calculation for new UCITS

Article 33. Generally, when performing the calculation for a new UCITS, the same methodology shall apply as for an ex post calculation in accordance with articles 29 et seq., subject to the following differences:

1. articles 29 paras 3 and 31 do not apply and estimates shall be used in accordance with Regulation (EU) No. 583/2010;
2. if, in the management company's opinion, expressing a figure to two decimal places would be likely to suggest a spurious degree of accuracy to investors, it shall be sufficient to express that figure to one decimal place;
3. it shall be assumed, unless there is a statement in the prospectus to the contrary, that no rebates or free waivers will be received to the benefit of the UCITS.

Article 34. The management company shall ensure that the accuracy of the estimated figure is kept under review and determine when it is appropriate to begin using ex-post figures rather than an estimate. In any case, it shall, no later than 12 months after the date on which the units were first offered for sale in any Member State, review the accuracy of the estimate by calculating a figure on an ex post basis.

Part 4
Performance of structured UCITS

Choice of the Scenarios

Article 35. (1) When selecting, presenting and explaining the scenarios representing the performance of the structured UCITS referred to in article 17 under various market conditions, the management company shall ensure that the information is fair, clear and not misleading.

(2) The scenarios shall illustrate:

1. the functioning of the formula under market conditions which lead to an unfavourable outcome, to a favourable outcome and to a medium outcome, always beginning with an explanation of the negative scenario;
2. specific features of the formula;
3. situations where some mechanisms of the formula have a favourable or unfavourable impact on final performance.

(3) The management company shall choose at least three scenarios of the UCITS' potential performance to illustrate how the pay-off works under different market conditions.

(4) Depending upon the formula, and if it is appropriate, more than three scenarios may be required to adequately describe the possible range of outcomes.

Article 36. (1) The examples used in the favourable and unfavourable scenarios shall be based on reasonable assumptions about future market conditions and price movements.

(2) The selected scenarios shall have a narrative explanation of the advantages and drawbacks of the formula where these are not included in the *Risk and reward* section.

(3) The scenarios shall not contain any information that is inconsistent with the information in other sections of the KID.

Article 37. The scenarios shall be updated when relevant, i.e., on the following occasions:

1. where market conditions have changed significantly since the launch of the UCITS;
2. at least on a yearly basis;
3. to reflect the time-dependency of a payoff, where relevant.

Presentation

Article 38. (1) The scenarios shall be called *Illustrative examples*. The narrative explanation shall make it clear that they are not forecasts and that they are not equally probable.

(2) Each scenarios shall be presented as either tables or graphs, whichever is the clearer way to present the characteristics of each structured UCITS.

(3) The illustrative returns in the various scenarios shall be displayed as an annualised rate of growth with an appropriate explanation. However, the capitalised/gross rate of growth may also be shown.

Article 39. (1) To ensure the comprehensibility and the comparability of different graphs, the presentation shall avoid:

1. double scales (left and right) whenever possible;

2. artificially magnifying the positive aspects of the pay-off of the UCITS;
3. non-linear scales;
4. different scales depending on the scenario.

(2) The management company shall point out in the KID that the unit-holders may sell their units before the end date but it must include a prominent warning of the possible resulting loss on the investment.

Part 5
Transitional Provisions

Article 40. (1) For each new investment compartment (Article 47 para 1 *Investmentfondsgesetz 2011* [Investment Fund Act of 2011]) of an umbrella structure existing as of 31 August 2011, the management company may choose whether to provide a simplified prospectus or a KID, in compliance with the transitional period referred to in article 198 para 1 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011).

(2) If a new category of units of an existing UCITS is approved during the transitional period in accordance with article 198 para 1 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011), then the management company shall use either a simplified prospectus or a KID in relation to all the categories of units of the UCITS.

(3) A management company that continues to use a simplified prospectus during the transitional period in accordance with article 198 para 1 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011) may make and publish one or more revisions of this simplified prospectus. The revisions may, at the management company's discretion, additionally contain elements of a KID.

(4) If a UCITS gives notification of an investment compartment or a share category thereof under Chapter 4 Section 5 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011) and the management company continues to use the simplified prospectus in its home Member State, then the requirements under articles 139 and 142 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011) shall be satisfied by making available the simplified prospectus. A management company shall offer the unit-holders in the UCITS's home Member State and in each host Member State the same type of document: either a simplified prospectus or a KID.

(5) If, during the transitional period referred to in article 198 para 1 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011), a merger is applied for in accordance with Chapter 3 Section 6 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011) and the receiving UCITS continues to use the simplified prospectus, then the requirements under articles 120 and 121 para 1 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011) shall be met by providing the simplified prospectus.

(6) If a feeder UCITS and a master UCITS are approved in a Member State in which a transitional period is provided for in accordance with Directive 2010/42/EU of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure (OJ L 176, 10.07.2010, p. 28), then management companies shall be free to choose between using a simplified prospectus or a KID.

Part 6
Entry into Force and Repeal

Article 41. (1) This regulation shall enter into force on 1 September 2011.

(2) A management company shall
1. provide the KID for all the UCITS concurrently under its management, or
2. introduce the KID by stages by 1 July 2012 and, until then, continue to provide a simplified prospectus for the existing UCITS instead of the KID in accordance with Annexe E Schedule E *Investmentfondsgesetz 1993* (Investment Fund Act of 1993).

(3) The Regulation of the Financial Market Authority (FMA) regarding the information that must be contained in the simplified prospectus (Prospectus Contents Regulation), Federal Law Gazette II No. 237/2005, shall expire at the end of 30 June 2012.

Ettl **Pribil**

Annex A

regarding article 3 paras 2 and 6

Annualised Volatility Interval Table

Risk category	**Volatility intervals**	
	greater than or equal to	less than
1	0%	0.5%
2	0.5%	2%
3	2%	5%
4	5%	10%
5	10%	15%
6	15%	25%
7	25%	

Annex B

regarding article 12 para 2

Reverse Engineering

The volatility shall be reverse-engineered as follows:

$$\mathbf{VaR} = -\left(\mathbf{rf}_{1/_\mathrm{m}} - \frac{\sigma^2{}_{1/_\mathrm{m}}}{2}\right) * \boldsymbol{T} + \mathbf{2,33} * \boldsymbol{\sigma}_{\mathbf{1}/_{m}} * \sqrt{\boldsymbol{T}}\ ;$$

where:

- VaR is the 99% VaR with a holding period equal to the number of
- T time intervals per
- $^1/_m$ years:

$$\sigma_A = \boldsymbol{\sigma}_{\mathbf{1}/_{m}} * \sqrt{\boldsymbol{m}}$$

where:

- $\mathbf{rf}_{1/_\mathrm{m}}$ is the risk-free interest rate applicable at the time of calculation for each
- $\mathbf{T}$ interval of
- $^1/_m$ years, which represents the holding period of the UCITS.

Notes

General Part

By virtue of article 134 para 4 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011), the FMA is entitled to issue a regulation establishing a description of the synthetic indicators, risk categories, performance of the UCITS and ongoing charges, subject to taking European practices into account, especially with respect to the transitional provisions. In the present regulation, the following CESR Guidelines are taken into account as European practices: CESR/10-1319 CESR's guidelines on the transition from the Simplified Prospectus to the Key Investor Information Document, CESR/10-673 CESR’s guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the Key Investor Information Document, CESR/10-674 CESR's guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document and CESR/10-1318 CESR's guidelines on the Selection and presentation of performance scenarios in the Key Investor Information document (KII) for structured UCITS.

Special Part

Regarding article 1 para 1:

Consistent with European practice as set out in Box 2 point 2 of CESR's Guidelines CESR/10-1319.

Regarding article 2 para 1:

Consistent with European practice as set out in Box 1 point 1 of CESR's Guidelines CESR/10-673.

Regarding article 2 no 2:

Consistent with European practice as set out in Box 1 point 2 of CESR's Guidelines CESR/10-673.

Regarding article 2 para 3:

Consistent with European practice as set out in Box 1 point 3 of CESR's Guidelines CESR/10-673.

Regarding article 3 para 1:

Consistent with European practice as set out in Box 1 point 4 of CESR's Guidelines CESR/10-673.

Regarding article 3 para 2:

Consistent with European practice as set out in Box 1 point 5 of CESR's Guidelines CESR/10-673.

Regarding article 4:

Consistent with European practice as set out in Box 1 point 7 of CESR's Guidelines CESR/10-673.

Regarding article 5:

Consistent with European practice as set out in Box 1 point 8 of CESR's Guidelines CESR/10-673.

Regarding article 6:

Consistent with European practice as set out in Box 2 point 1 of CESR's Guidelines CESR/10-673.

Regarding article 7:

Consistent with European practice as set out in Box 3 point 1 of CESR's Guidelines CESR/10-673.

Regarding article 8 para 1:

Consistent with European practice as set out in Box 3 points 2 and 3 of CESR's Guidelines CESR/10-673.

Regarding article 8 para 2:

Consistent with European practice as set out in Box 3 point 4 of CESR's Guidelines CESR/10-673.

Regarding article 9:

Consistent with European practice as set out in Box 4 point 1 of CESR's Guidelines CESR/10-673.

Regarding article 10:

Consistent with European practice as set out in Box 4 point 2 of CESR's Guidelines CESR/10-673.

Regarding article 11:

Consistent with European practice as set out in Box 5 point 1 of CESR's Guidelines CESR/10-673.

Regarding article 12 para 1:

Consistent with European practice as set out in Box 5 point 2 of CESR's Guidelines CESR/10-673.

Regarding article 12 para 2:

Consistent with European practice as set out in Box 5 point 3 of CESR's Guidelines CESR/10-673.

Regarding article 13:

Consistent with European practice as set out in Box 6 point 1 of the CESR's Guidelines CESR/10-673.

Regarding article 14 nos 1 and 2:

Consistent with European practice as set out in Box 6 point 2 of CESR's Guidelines CESR/10-673.

Regarding article 15:

Consistent with European practice as set out in Box 7 point 1 of CESR's Guidelines CESR/10-673. Cf. explanations regarding article 17.

Regarding article 16:

Consistent with European practice as set out in Box 7 point 2 of CESR's Guidelines CESR/10-673.

Regarding article 17:

Consistent with European practice as set out in Box 8 point 1 of CESR's Guidelines CESR/10-673 and Box 1 of CESR's Guidelines CESR/10-1318.

Characteristics for the present purposes means the inherent adjustment of investment in a life cycle fund and thus its risk and reward profile.

Regarding article 18 para 1:

Consistent with European practice as set out in Box 8 point 2 of CESR's Guidelines CESR/10-673.

Regarding article 18 para 2:

Consistent with European practice as set out in Box 8 point 3 of CESR's Guidelines CESR/10-673.

Regarding article 19:

Consistent with European practice as set out in Box 8 point 4 of CESR's Guidelines CESR/10-673.

Regarding article 20:

Consistent with European practice as set out in Box 8 point 5 of CESR's Guidelines CESR/10-673.

The term "drift effect" relates to the shift.

Regarding article 21:

Consistent with European practice as set out in paragraph 1 of CESR's Guidelines CESR/10-674.

Regarding article 22:

Consistent with European practice as set out in paragraph 2 of CESR's Guidelines CESR/10-674.

Regarding article 23 para 1:

Consistent with European practice as set out in paragraph 3 of CESR's Guidelines CESR/10-674.

The costs may be expressed in a variety of ways (e.g., a flat fee or proportion of the assets).

Regarding article 23 para 2:

Consistent with European practice as set out in paragraph 4 of CESR's Guidelines CESR/10-674.

Regarding article 24:

Consistent with European practice as set out in paragraph 5 of CESR's Guidelines CESR/10-674.

Explicit costs, for example, are brokerage charges, taxes and linked charges. Implicit costs are costs of dealing in fixed-interest securities or market impact costs.

No 5 relates to "margin calls".

Regarding article 25:

Consistent with European practice as set out in paragraph 6 of CESR's Guidelines CESR/10-674.

Regarding article 26 no 1:

Consistent with European practice as set out in paragraph 7(a) of CESR's Guidelines CESR/10-674.

Regarding article 26 no 2:

Consistent with European practice as set out in paragraph 7(b) of CESR's Guidelines CESR/10-674.

Any remuneration that the management company derives from a fee sharing agreement shall be taken into account. Possible examples include the remuneration of a management company through a free-sharing agreement with a broker on transaction costs, or with a depositary bank on stock lending.

Regarding article 27 no 1:

Consistent with European practice as set out in paragraph 8(a) of CESR's Guidelines CESR/10-674.

Regarding article 27 no 2:

Consistent with European practice as set out in paragraph 8(b) of CESR's Guidelines CESR/10-674 in consideration of article 131 para 4 no 1 *Investmentfondsgesetz 2011* (Investment Fund Act of 2011).

Regarding article 27 no 3:

Consistent with European practice as set out in paragraph 8(c) of CESR's Guidelines CESR/10-674.

For example, a total expense ratio published by a reliable source may be used.

Regarding article 27 no 4:

Consistent with European practice as set out in paragraph 8(d) of CESR's Guidelines CESR/10-674.

Regarding article 27 no 5:

Consistent with European practice as set out in paragraph 8(e) of CESR's Guidelines CESR/10-674.

Regarding article 27 no 6:

Consistent with European practice as set out in paragraph 8(f) of CESR's Guidelines CESR/10-674.

Regarding article 28:

Consistent with European practice as set out in paragraph 9 of CESR's Guidelines CESR/10-674.

Regarding article 29 para 1:

Consistent with European practice as set out in paragraph 10 of CESR's Guidelines CESR/10-674.

Regarding article 29 para 2:

Consistent with European practice as set out in paragraph 11 of CESR's Guidelines CESR/10-674.

An increase in management fees, for example, constitutes a material change.

Regarding article 29 para 3:

Consistent with European practice as set out in paragraph 13 of CESR's Guidelines CESR/10-674.

In the gross value of the expenses , the costs are assessed on an “all taxes included” basis.

Regarding article 29 para 4:

Consistent with European practice as set out in paragraph 16 of CESR's Guidelines CESR/10-674.

The management company’s website is usually used as the general source of further information for investors.

Regarding article 30:

Consistent with European practice as set out in paragraph 12 of CESR's Guidelines CESR/10-674.

Regarding article 31:

Consistent with European practice as set out in paragraph 14 of CESR's Guidelines CESR/10-674.

Where the net asset value is calculated on a daily basis, the costs shall be presented for each daily period of calculation.

Regarding article 32 no 1:

Consistent with European practice as set out in paragraph 15(a) of CESR's Guidelines CESR/10-674.

The ongoing charges figure shall be "pro-rated".

Regarding article 32 no 2:

Consistent with European practice as set out in paragraph 15(b) of CESR's Guidelines CESR/10-674.

Regarding article 33:

Consistent with European practice as set out in paragraph 17 of CESR's Guidelines CESR/10-674.

Regarding article 34:

Consistent with European practice as set out in paragraph 18 of CESR's Guidelines CESR/10-674.

It should be assumed that the date on which the units are first offered for sale generally coincides with the date on which the units were authorised for sale.

Regarding article 35 para 1:

Consistent with European practice as set out in Box 2 point 1 of CESR's Guidelines CESR/10-1318.

Regarding article 35 para 2:

Consistent with European practice as set out in Box 2 points 3 and 5 of CESR's Guidelines CESR/10-1318.

Regarding article 35 para 3:

Consistent with European practice as set out in Box 2 point 2 of CESR's Guidelines CESR/10-1318.

Regarding article 35 para 4:

Consistent with European practice as set out in Box 2 point 3 of CESR's Guidelines CESR/10-1318.

Regarding article 36 para 1:

Consistent with European practice as set out in Box 2 point 4 of CESR's Guidelines CESR/10-1318.

Regarding article 36 para 2:

Consistent with European practice as set out in Box 2 point 6 of CESR's Guidelines CESR/10-1318.

Regarding article 36 para 3:

Consistent with European practice as set out in Box 2 point 7 of CESR's Guidelines CESR/10-1318.

Regarding article 37:

Consistent with European practice as set out in Box 2 point 8 of CESR's Guidelines CESR/10-1318.

It is necessary to reflect the time-dependency of a pay-off for the purposes of article 37 no 3, for example, where an due date has passed.

Regarding article 38 para 1:

Consistent with European practice as set out in Box 3 point 1 of CESR's Guidelines CESR/10-1318.

Regarding article 38 para 2:

Consistent with European practice as set out in Box 3 point 2 of CESR's Guidelines CESR/10-1318.

The examples are given in the Annex regarding Box 3 of CESR's Guidelines CESR/10-1318.

Regarding article 38 para 3:

Consistent with European practice as set out in Box 3 point 3 of CESR's Guidelines CESR/10-1318.

Regarding article 39 para 1:

Consistent with European practice as set out in Box 3 point 4 of CESR's Guidelines CESR/10-1318.

Regarding article 39 para 2:

Consistent with European practice as set out in Box 3 point 5 of CESR's Guidelines CESR/10-1318.

Regarding article 40 para 1:

Consistent with European practice as set out in Box 2 point 3 of CESR's Guidelines CESR/10-1319.

Regarding article 40 para 2:

Consistent with European practice as set out in Box 2 point 4 of CESR's Guidelines CESR/10-1319.

Regarding article 40 para 3:

Consistent with European practice as set out in Box 2 point 5 of CESR's Guidelines CESR/10-1319.

Examples of additional elements of the KID are the SRRI or table of charges.

Regarding article 40 para 4:

Consistent with European practice as set out in Box 3 point 1 of CESR's Guidelines CESR/10-1319.

Regarding article 40 para 5:

Consistent with European practice as set out in Box 3 point 2 of CESR's Guidelines CESR/10-1319.

A management company must provide the unit-holders in the UCITS's home Member State and in each host Member State with the same type of documents (simplified prospectus or KID).

Regarding article 40 para 6:

Consistent with European practice as set out in Box 3 point 3 of CESR's Guidelines CESR/10-1319.

A management company must provide the unit-holders in the UCITS's home Member State and in each host Member State with the same type of documents (simplified prospectus or KID).

Regarding article 41 para 1:

Consistent with European practice as set out in Box 1 point 1 of CESR's Guidelines CESR/10-1319.

Regarding article 41 para 2:

Consistent with European practice as set out in Box 1 point 2 and Box 2 point 1 of CESR's Guidelines CESR/10-1319.

Regarding article 41 para 3:

Consistent with European practice as set out in Box 1 of CESR's Guidelines CESR/10-1319.