



## THE CNMV REVISES THE CONTENT OF KEY INVESTOR INFORMATION DOCUMENTS FOR COLLECTIVE INVESTMENT SCHEMES (UCITS and AIF)

22 April 2025

The CNMV has revised the Key Investor Information Documents (KIIDs) of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIF). The purpose of this review was verifying that its content complies with the requirements of the Regulation on Packaged Retail and Insurance-based Investment Products (PRIIPs).

On a general note, the analysis concluded that the information contained in the PRIIPs adequately complies with the provisions of the aforementioned regulation. However, inconsistencies were found in specific cases which, due to their importance regarding the information to be provided to investors, should be considered by the management entities. The main inconsistencies found were as follows:

- As for the product section, incomplete information was detected on the investment policy applied by the institution regarding transactions of derivative instruments and their purpose (investment, hedging).
- Lack of information on the warnings required in the prospectuses was also detected, specifically regarding investment in high-yield assets.
- As for risk disclosure, PRIIPs require the inclusion of a numerical indicator between 1 and 7 (1 being the lowest and 7 the highest). As for some types of AIF (for example, Venture Capital and Private Equity funds), it was found that a risk level of 6 is not always indicated, as set forth in the aforementioned Regulation.
- Furthermore, the Regulation establishes that, in the case of Collective Investment Schemes, a methodology for calculating the aforementioned indicator must be applied based on a historical series of net asset values corresponding to a minimum period of two years, adding that, in the case said minimum period is not available, its calculation must be based on a benchmark that best represents the performance of the fund's portfolio. To this respect, a small number of funds were identified where benchmarks used were not representative, resulting in a lower indicator and subsequent risk underestimation.
- As for performance scenarios, positive performance information was found in stress scenarios for some UCITS with buy-and-hold policies, as well as Venture Capital and Private Equity funds. In this regard, it shall be noted that the data and methodological assumptions used to estimate scenarios should be prudent and results should be balanced and consistent (i.e. not highlighting favourable results at the expense of unfavourable ones).

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- Regarding cost composition, errors were detected in the information provided on recurring costs (management, deposit, etc.), subscription and/or redemption fees and performance fees, as they do not coincide with that included in the prospectus or in the Periodic Public Reporting of certain vehicles. Lastly, related to this same section, it was found that funds with high portfolio turnover were not reporting transaction costs.

The CNMV has informed management companies of the inconsistencies detected for the revision of KIID drafting procedures and for control strengthening in order to ensure compliance with the European Regulation of the information provided to investors. The CNMV will continue to take a supervisory approach in this matter.