



AfiKID

Key Information Document
(KID) Calculation and
reporting system.
The PRIIPs Regulation



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Foreword

The Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs) introduces a key information document (KID), a simple document giving key facts to investors in a clear and understandable manner.

Afi has an ample track record developing automated systems for calculating and reporting performance measures and risks akin to the metrics stipulated in the PRIIPs Regulation for the KID. In addition, Afi has worked with the leading Spanish financial institutions to have have gotten a head start on these regulatory requirements; these institutions are already providing their customers with clear, relevant and thorough information about the financial characteristics of the products they offer. Afi is, moreover, an independent expert in the assessment and measurement of investment product risks.

The European Commission has published clear guidelines for preparation of the KID, which will be mandatorily applicable from 1 January 2018. Against this backdrop, Afi has created AfiKID, an automated system for generating the PRIIPs-prescribed Key Information Document.

Whom is it targeted at?

Regulation (EU) No. 1286/2014 requires all manufacturers of packaged retail and insurance-based investment products (PRIIPs) to prepare **Key Information Documents (KID)** for such products before they are made available to **retail investors**, and those selling or advising on these products to provide the KIDs to retail investors **before they buy those products**:

- Investment products such as **investment funds**.
- **Life insurance policies with an investment element**.
- **Structured** investment products and deposits.

By extension, the entities affected by the Regulation are:

- Financial institutions.
- Insurance companies.
- UCITs management companies.

The Regulation is applicable from **1 January 2018** (except for management companies, for whom it is binding from 31 December 2019) in respect of all products manufactured by the **financial services sector**, insofar as the **amount repayable to the retail investor is subject to fluctuation because of exposure to reference values**, or subject to the performance of one or more assets which are not directly purchased by the retail investor.

What is AfiKID?

Here at Afi, with our more than 10 years' experience developing calculating and reporting systems for some of the banks that have gotten a head start on these regulatory requirements, we offer the following services:

1. Generation of a file with the calculations required for the KID (xml, xls, etc.).
2. Generation of the KID itself from the results obtained from the entity itself or third parties (PDF).
3. Integration of both services.

The AfiKID tool is articulated around the following methodology:

→ Gathering of **calculation inputs**:

- Fixed product and portfolio data (structure, components, optionality, etc.).
- Recommended holding periods.
- Historical portfolio performance.
- Cost regime (one-off, recurring and incidental fees).
- Market information.
- ECAI assessments.

→ An information **processing** tool:

- Información de mercado.
- Calificaciones de ECAI.

→ **KID calculation**:

- Impact of fees.
- Performance scenarios.
- Summary risk indicator (SRI) calculation.

→ **Report generation**:

- Creation of the report in PDF format, ready for delivery to the customer.

KID calculations are performed in real time.

Summary risk indicator (SRI) calculation:

Our SRI calculation system encompasses the two required measures and the stipulated performance scenarios:

→ SRI: a summary risk indicator on a scale from 1 to 7, underpinned by:

- A market risk measure (MRM): annualised volatility corresponding to the value at risk (VaR) at a confidence interval of 97.5% throughout the recommended holding period.
- A credit risk measure (CRM), determined by credit ratings.

→ Performance scenarios (values at the 10th, 50th and 90th percentiles).

Generation of the PDF KID file:

AfiKID can generate the KID PDF file using in-house or third-party results in a format that is compatible with that specified in the Regulation.



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Key Information Document	
Purpose	This document provides you with key information about this investment product. It is risk marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.
Product	[Name of Product] [Name of PRIIP manufacturer] [where applicable ISIN] [website for PRIIP manufacturer] [Call (telephone number) for more information] [Competent Authority of the PRIIP Manufacturer in relation to the PRIIP] [date of production of the KID]
	[Alert (where applicable) You are about to purchase a product that is not simple and may be difficult to understand]
What is this product?	
Type	
Objectives	
Intended retail investor	
[Insurance benefits]	
What are the risks and what could I get in return?	
Risk Indicator	Description of the risk-reward profile Summary Risk Indicator SRRI template and narrative as set out in Annex III, including on possible maximum loss, on 1 hour of invested capital, 10 1 hour the risk of incurring additional financial commitments or obligations, 15 three capital protection against market risk
Performance Scenarios	Performance Scenario template and narrative as set out in Annex V including where applicable information on conditions for returns to retail investors or built in performance caps, and statement that the tax legislation of the retail investor's home Member State may have an impact on actual prospect

What happens if [PRIIP Manufacturer] is unable to pay out?	Information on whether there is a guarantee scheme, the name of the guarantee or investor compensation scheme operator, including the risks covered and those not covered.
What are the costs?	
Costs over time	Template and narrative according to Annex VII
Competition of Costs	Template and narrative according to Annex VII Narrative on information to be included on other distribution costs
How long should I hold it and can I take money out early?	
	Recommended [required minimum] holding period: [x]
	Information on whether one can disinvest before maturity, the conditions on this, and applicable fees and penalties if any. Information on the consequences of cashing in before the end of the term or before the end of the recommended holding period
How can I complain?	
Other relevant information	



Investment []	1 years	[3] years	[5] years (Recommended holding period)
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Unfavourable scenario	What you might get back after costs	[]	[]	[]
	Average return each year	[]	[]	[]
Moderate scenario	What you might get back after costs	[]	[]	[]
	Average return each year	[]	[]	[]
Favourable scenario	What you might get back after costs	[]	[]	[]
	Average return each year	[]	[]	[]

Investment []	Insurance premium []	1 years	[3] years	[5] years (Recommended holding period)
[Survival] Scenarios				
Unfavourable scenario	What you might get back after costs	[]	[]	[]
	Average return each year	[]	[]	[]
Moderate scenario	What you might get back after costs	[]	[]	[]
	Average return each year	[]	[]	[]
Favourable scenario	What you might get back after costs	[]	[]	[]
	Average return each year	[]	[]	[]
[Death] Scenario				
[Insured event]	What your beneficiaries might get back after costs	[]	[]	[]

Source: European Commission, Annex to the supplementing Regulation (EU) No 1286/2014.



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This table shows the impact on return per year

One-off costs	Entry costs	[]%	The impact of the costs you pay when entering your investment. [This is the most you will pay, and you could pay less]. [AND/OR where the costs are embedded in the price, for instance in the case of PRIIPs other than investment funds] The impact of the costs already included in the price. [This is the most you will pay, and you could pay less]. [Where distribution costs are included in entry costs] [This includes the costs of distribution of your product.]
	Exit costs	[]%	The impact of the costs of exiting your investment when it matures.
Ongoing costs	Portfolio transaction costs	[]%	The impact of the costs of us buying and selling underlying investments for the product.
	Insurance costs	[]%	[Where full biometric risk premium presented] The impact of the amount you are paying to buy insurance protection. [Where cost part of the biometric risk premium presented] The impact of insurance costs [the amount you are paying for insurance cover which exceeds the estimated value of insurance benefits]
	Other ongoing costs	[]%	The impact of the costs that we take each year for managing your investments.
Incidental costs	Performance fees	[]%	The impact of the performance fee. We take these from your investment if the product outperforms its benchmark [y by x%].
	Carried interests	[]%	The impact of carried interests. We take these when the investment has [performed better than x%]. [A payment of y% of the final return will take place subsequently to the exit of the investment.]

Source: European Commission, Annex to the supplementing Regulation (EU) No 1286/2014.

definition, development and/or implementation of in-house tools.

→ External quality assessment service.

→ External calculation of positions which, on account of their nature, newness or particular complexity, require ad-hoc valuation and risk measurement models.

Technical specifications:

Insofar as the entities affected by the Regulation present highly-varied integration requirements, AfiKID can be used in many ways:

→ Real time:

- SOAP web-based service.
- API REST (JSON, XML).
- URL HTTPS.

→ Batch processing:

- FTP.
- SFTP.
- FTPS.

Complementary services:

In addition to preparing the KID, Afi accompanies its clients by providing the following complementary services:

→ Training and consultancy services with respect to the

Afi is a leading Spanish company in advisory, consulting and independent training in economics, finance and technology. The company was founded in 1987 by a group of prominent academics and, since then, has become a benchmark in the provision of services and products for the financial sector. Our team consists of more than 200 highly qualified professionals, including more than twenty partners.

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